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Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

**World Bank Group Operations in
the Kingdom of Morocco:
A Canadian Business Guide**

Canada

A Canadian Business Guide:

World Bank Group Operations in the Kingdom of Morocco

Dept. of External Affairs
Min. des Affaires extérieures

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IBRD/IDA Operations

Introduction

A decade ago, Morocco initiated a sweeping program of macroeconomic stabilization and structural adjustments, which has led to very high Gross National Product (GNP) growth since the start of the 1990's. The Moroccan authorities have made considerable efforts to accelerate the privatization process, and have been punctual in honouring post-rescheduling debt obligations. The increased confidence of the international financial community and the rapid increase of direct foreign investment in Morocco are testimony to the success of these measures. Morocco shows every sign of continuing its path towards economic prosperity.

With all these reforms taking hold, Morocco now finds itself well positioned to commence the next phase of its economic development. The stage is now set for the country to improve the standard of living of its citizens and to reduce poverty. Reforms are necessary to remove market distortions and increase Morocco's overall efficiency. This in turn will pave the way for sustained, private sector-led growth. Ultimately, this economic growth will enable the country to achieve poverty reduction and human resource development, two areas in which Morocco lags considerably behind similar countries.

As the country pursues its reforms, it is fortunate enough to do so against a backdrop of political stability and a public understanding of the importance of these measures. Morocco is poised to continue its strides towards a liberalized economy and enhanced development.

Country Assistance Strategy

The World Bank's strategy for Morocco will closely mirror the objectives of the Moroccan government, and is based upon six pillars.

(1) Reforming and adjusting consolidation

If Morocco is to compete with other dynamic countries, it will need to consolidate macroeconomic balances and accelerate the pace of its incentive and structural reforms. More particularly, Morocco will have to heighten its efforts to balance its deficit, to bring its taxation system in line with

the strain on the country's environmental and water resources. Experts feel that it is only a matter of time before there is an important water shortage in Morocco. The Bank will focus its efforts on helping the Government of Morocco achieve the three following goals: (i) building the nascent framework for environment/water resource management (ii) strengthening regulatory and legal frameworks for environmental standards and protection and (iii) dealing with framework distortions, such as tariffs. The environment and water sectors will account for some fifteen percent of the Bank's five-year lending program.

(6) Closer links with foreign markets and investors

Forging closer links with foreign markets will foster increased competitiveness and heighten Morocco's access to foreign resources. The Bank has undertaken studies on the impact of a trade agreement with the European Union, Morocco's largest economic partner. Bank-financed projects will seek to further incorporate Morocco's economy into that of the world.

Lending Priorities

As of December, 1995, the World Bank lending pipeline for Morocco totalled US\$1,160 million, and can be broken-down sectorally as follows:

- (1) Agriculture - US\$160 million (13.8%);
- (2) Education - US\$110 million (9.5%);
- (3) Energy - No Projects in Pipeline;
- (4) Environment - US\$60 million (5.7%);
- (5) Finance - No Projects in Pipeline;
- (6) Industry - US\$40 million (3.4%);
- (7) Infrastructure - No Projects in Pipeline;
- (8) Population, Health & Nutrition - US\$130 million (11.2%);
- (9) Power - US\$150 million (12.9%);
- (10) Private Sector Development - No Projects in Pipeline;
- (11) Public Sector Management - US\$80 million (6.9%);

FY 1991

C / L NUMBER	NAME OF CONTRACT	DESCRIPTION OF CONTRACT	SUPPLIER NAME	VALUE OF CONTRACT
L32620	SECOND RURAL ELECTRICITY	POWER DISTRIBUTION IN RURAL AREAS	DOMTAR	\$1,507,695
L29100	POWER DISTRIBUTION	POWER DISTRIBUTION	DOMTAR	\$709,504
L27790	VOCATIONAL TRAINING II	EDUCATIONAL	SOCIÉTÉ TECCART	\$1,006,364
				\$3,223,563

FY 1990

C / L NUMBER	NAME OF PROJECT	DESCRIPTION OF CONTRACT	SUPPLIER NAME	VALUE OF CONTRACT
L28250	NATIONAL WATER SUPPLY	FEASIBILITY STUDY	GROUP DELTRI-EXPERTS	\$417, 913
				\$417, 913

region on this matter. For example, the IFC's counsel led to the first joint venture in the telecommunications field in Jordan. The IFC's strategy stresses more judicious development of natural resources, particularly in Central Asia. One of the most important prongs of the Corporation's strategy has been advising on and financing privatization. The IFC was particularly successful on that front in Morocco, where it IFC supported the establishment of a special privatization fund. Finally, the IFC has provided countries in the region with many technical assistance and advisory assignments.

IFC Operations in Morocco

Morocco has traditionally been one of the IFC's largest beneficiaries. As of June 30, 1995, the IFC held investments totalling US\$150 million in Morocco, of which US\$138 million were loans. These IFC projects cover a wide array of activities, including financial services, cement and construction materials, infrastructure, textiles and mining. Financial services account by a significant margin for the largest proportion of the total, at roughly 65 percent.

In 1995, the IFC was very active in Morocco by providing technical assistance and advice for four projects ranging from capital market development to technical assistance. For example, the IFC advised the Steering Committee for the Morocco Privatization Development Project on capital markets. The World Bank Group's Foreign Investment Advisory Service (FIAS) assisted the Moroccan government conduct a study on which manufacturing sectors would most attract direct foreign investment. The IFC's Technical Assistance Trust Funds (TATF) Program provided funds for a market study to provide advice on options for restructuring a ceramics operation. TATF also financed a fact-finding study aimed at identifying and developing viable commercial joint ventures for environmentally oriented services to industries.

In the coming years, the IFC will continue to help Morocco develop its capital markets and facilitate access to capital so that the country may pursue projects conducive to its economic development. It will also continue making use of TATF and FIAS to help Moroccan industry become more competitive.

Canadian Involvement in IFC Projects in Morocco (FY 1989 to 1995)

Between 1989 and 1995, no Canadian companies were involved in IFC projects in Morocco, which is surprising

World Bank Macro-Economic and Fiscal Overview for Morocco

1. The following has been taken from the World Bank Country Brief on Morocco dated April, 1995.

2. Recent developments. Unfavorable exogenous influences notwithstanding, Morocco has successfully managed to consolidate macroeconomic stabilization and reform during the past decade; these solid achievements can be built on further. Nonetheless, future success will hinge on firming up recent macroeconomic gains and implementing additional structural reforms necessary to support sustained growth over the next few years.

3. Overall performance of the Moroccan economy continues to be strongly dependent on the agricultural sector, despite efforts to industrialize and diversify the sources of economic growth over the past decade; unfortunately, the country's agriculture suffers from recurrent droughts and other weather-related anomalies. After a drought-induced 4 percent real decline in GDP in 1992, followed by a further one percent drop in 1993, economic activities rebounded in 1994. Abundant rainfall contributed to overall GDP growth estimated at 11 percent, with the agriculture sector leading at 60 percent. Based on recent statistics, total cereal output reached a record 9 million tons for the 1993-94 crop campaign, from 2.1 million tons the previous season. The worldwide economic slowdown in 1993 depressed demand for major industrial products including phosphates products, resulting in a decline in non-agricultural value added; moreover, industrial output was constrained by drought generated deficiencies in energy supply. As a result, income grew at 3.7 percent per year on average over the past decade; in combination with an average population growth of 2.2 percent per annum, per-capita income increased modestly and stands now at US\$1,040 (based on Bank's Atlas methodology).

4. Inflation is under control after the sharp increase in the 1990-91 period when changes in the urban consumer price index (CPI) averaged 8 percent. Over the past two years, inflation based on the CPI averaged 5.5 percent, while that

expenditures are high relative to the size of the economy, claiming over a quarter of GDP. The functional composition of budget has changed significantly in the past few years, but the country devotes relatively large shares of its resources to defense and education; as concerns budgetary spending by economic type, non-wage recurrent and capital expenditures have borne the brunt of the cuts in overall expenditures, leaving the share of wages and salaries particularly high.

7. Structural Characteristics. Despite a decline in the percentage of the population living in absolute poverty over the past two decades, the latest Living Standards Measurement Survey indicates that: (a) a large number of households remain vulnerable, even if they are now above the poverty line; and (b) the level and rate of improvement of many basic social indicators remain disappointing. While absolute income poverty declined from over 20 percent in 1985 to some 13 percent in 1991, such indicators as primary school enrollment, infant nutrition and female mortality, access to safe water, housing quality and illiteracy rates continue to lag. Moreover, indicator discrepancies are often acute between rural and urban areas, and males and females; net primary enrollment among girls in rural areas is around 30 percent, compared with almost 60 percent for boys. In past years, the poor performance of basic social indicators has been perpetuated by high population growth rates now reduced to about 2 percent, restrictive attitudes concerning female participation, concentration of land ownership, and insufficient and/or inadequately targeted public social expenditures. Lack of job creation is a persistent and potentially explosive problem, with urban youth unemployment at over 16 percent (compared with 12 percent a decade earlier).

8. Morocco has abundant natural resources, including the world's most easily accessible phosphate reserves, vast areas of arable land, extensive coastlines well suited to tourism, and considerable maritime resources. However, in future, production expansion is likely to run up against constraints--if a Partnership Agreement with the European Union (EU) is concluded but also under GATT -- of trade liberalization on highly competitive exports of agricultural and textile-based products. Expanding tourism, for which Morocco is well located and endowed with natural and historical opportunities, faces obstacles from service quality and different cultural values. Natural and physical resources (water, equipped urban land, infrastructure) are growing bottlenecks. Water scarcity will force Morocco to revisit traditional ways of expanding irrigated production, without leaving agricultural output, which accounts for almost one-fifth of value added, subject to

short-term shocks. However, if these situations were to prevail over longer periods, other macroeconomic policy variables would need to be adjusted. Failure to pursue the structural reforms decisively in areas such as the financial sector, further trade liberalization, public enterprise reform and an enhanced program of privatization would also slow down future economic growth.

12. Government's Policy Agenda. To consolidate the stabilization and pursue the reform effort, Government aims to: (a) provide an enabling environment for private sector development which is increasingly seen as the engine of growth for the economy and the only practical way to reduce unemployment; (b) improve performance on the social front; and (c) enhance the efficient use of natural resources in a sustainable manner. The realization of these objectives will require improved public sector management and the preservation of the fiscal balance.

13. Private Sector Development. The private sector already accounts for close to 75 percent of manufacturing output and almost all of agricultural production. There is a clear commitment to further promote private enterprise as the engine of growth; moreover, after a slow start, the outlook for the privatization process is now promising. An ad-hoc Committee, co-managed by the private and the public sectors, is actively preparing a program of structural and incentive reforms to foster private sector growth and to improve the regulatory framework for private sector operations. These reforms should be coupled with investments to help promote a reliable supply of power, industrial zoning, infrastructure, services, and institutional support to private investors. The reform agenda also includes (a) issuing labor regulations to promote labor mobility and employment creation; (b) regulatory and institutional reform to improve management of public enterprises; (c) the launching of a concession policy that would permit greater private sector involvement in the production of goods and services hitherto reserved for the public sector, and (c) readying an enhanced program of privatization.

14. In the financial sector, the reforms since 1993 have included a new banking law with rigorous regulation and supervision and stricter prudential regulations, the enactment of stock exchange and capital market laws, while current account convertibility has been achieved. The next phase of financial sector reform will need to focus on increasing domestic savings and achieving greater efficiency in its utilization. This will require strengthening the capital market,

(b) changing the administrative procedures for committing and controlling the use of public resources; and (c) dealing effectively with the recurring problem of cross-arrears that plagues the financial viability of numerous public enterprises and reduces the financial responsibility within the sector. Actual procedures which focus on a micro-management of expenditures and short-term treasury balances have increased inefficiency in project implementation and in the use of borrowed funds.

18. Difficult choices will need to be made for the budget to remain balanced because of fiscal pressures due to traditional conflicts between equity and growth considerations on the one hand and fiscal revenue on the other hand. For example, the level and dispersion of import tariffs would need to be lowered as effective protection in many sectors remains high and unequal, and the exemption from direct taxation of agricultural activities will need to be fully reappraised. Similarly, urban land and housing policies may need revision to promote an adequate supply of infrastructure and services, and to focus public assistance on housing the truly poor.

19. A program of privatization of public enterprises was initiated in 1988. Its progress was slow at first, but picked up in 1993; it has been administered in a transparent manner, has led to a broadening of corporate ownership, and has strengthened the stock market by attracting foreign investment. This first phase of the program is scheduled to end at end-1995 and needs to be renewed.

Agriculture

* **Small- and Medium-Scale Irrigation III**

--The project entails the renovation of about 50,000 ha, technical assistance, staff training, and the reorganization of central, regional, and local services of the Ministry of Agriculture. There will be joint participation by both farmers and the private sector. The project aims to (a) increase food crops and livestock production, (b) alleviate poverty, and (c) protect the environment. This project is no longer in the lending program, and further reporting will be discontinued.

Education/Training

* **Social Priorities (Education)**

--The project will extend coverage of basic education in rural areas of 20 selected provinces and improve the quality and efficiency of basic education. Negotiations are scheduled for January 1996. Environmental Assessment Category C. US\$ 60.0 (IBRD). Consultants will be required for evaluation and teacher training.

Ministry of Education

Education/Training

* **Vocational Training**

--The project aims to improve vocational training by creating effective links between enterprises and training centers, and by improving the responsiveness of training centers. Negotiations are scheduled for April 1996. PID: MAPA38978. US\$ 50.0 (IBRD). Consultants will be required to provide technical assistance to enterprises.

Ministry of Public Works and Vocational Training •

Administration de l'Hydraulique • Rabat • Morocco • Tel: (212-7) 77-90-08 • Fax: (212-7) 77-86-96

Environment

* **Sebou River Protection**

--The project will finance treatment and disposal of industrial and domestic wastes in the Sebou River Water Basin. Pollution control technologies and strengthening of regulatory framework will be introduced. Environmental assessment category B. Project preparation is under way. PID: MAPA05506.

US\$ 60.0 (IBRD). Local and foreign consulting firms will be required.

Ministry of Environment • Rabat • Morocco • Tlx: 933-36065 • Tel: (212-7) 770-871 • Fax: (212-7) 769-578

Industry

* **Industrial Infrastructure**

--The project will help develop private industrial parks.

Public Sector Management

* **Second Municipal Finance**

--The project will help Morocco further improve local sector management and foster private provision and financing of local services. It will mainly include funds to finance local infrastructure sub-projects. Project preparation is under way. Environmental Assessment Category B. PID: MAPA05523. US\$ 80.0 (IBRD). Consulting services will be required to assess local taxes, assist with treasury management, and examine prospects for privatizing municipal services. Fonds d'Equipeement Communal (FEC) • 1, rue Oued Baht • Agdal-Rabat • Morocco • Tlx: 933 36581 • Tel: (212-7) 770-574 • Fax: (212-7) 778-095

Social Sector

* **Rural Poverty**

--The project will provide economic opportunities and social services to the rural poor in mountain areas. Project is being identified. Environmental Assessment Category B. US\$ 60.0 (IBRD). Consultant services to be determined. MAMVA • Cité Administratif • Rabat • Morocco • Tel: (212-7) 69-02-16; 69-02-15; 69-02-00 • Fax: (212-7) 29-08-01

Social Sector

* **Social Priorities (Institutional Support)**

--The project will promote labor intensive public works and improve rural infrastructure in rural areas of 20 selected provinces, enhance the statistical monitoring of living conditions, and provide institutional support for program implementation. Negotiations are scheduled for January 1996. Environmental Assessment Category C. US\$ 20.0 (IBRD). Consultants will be required for an analysis of living conditions data. Ministry of Population; Ministry of the Interior

Urban Development

* **Fez Historic City Rehabilitation**

--The project will revitalize Medina's impoverished neighborhoods and control environmental degradation through (a) environmental upgrading, (b) provision of urban infrastructure and community facilities, and (c) implementation of a heritage conservation strategy fitting with the historic city's social, economic, and cultural dimensions. Project preparation is under way. Appraisal mission is scheduled for fiscal year 1996. Environmental Assessment Category A. PID: MAPA055224. US\$ 50.0 (IBRD). Consulting services to be determined. Fez Governorate • Gouverneur Fes-Medine • Meknes • Morocco • Fax: (212-5) 635-309

Status of World Bank Projects in Execution for Morocco

1. The following has been taken from the World Bank Status of Projects in Execution dated September, 1995, at which point there were a total of 35 World Bank projects in execution in Morocco.

Ln.2779-MOR Second Vocational Training Project: US\$22.3 Million loan of March 13, 1987; Effective Date: August 12, 1987; Closing Date: December 31, 1993; Implementing Agencies: Office de la Formation Professionnelle et de la Promotion du Travail: Ministère des Travaux Publics (Administration of Vocational Training) The project has been completed as of December 31, 1993. The PCR was completed in November 1994. Accounts have been closed on May 9, 1994, and balance of US\$0.3 million was cancelled.

Ln.2798-MOR First Telecommunications Project: US\$116 Million Loan (after cancellation: original amount US\$125 Million) of May 29, 1987; Effective Date: November 30, 1987; Closing Date: December 31, 1994; Implementing Agency: Office National des Postes et Telecommunications. The project closed on December 31, 1994. The ICR preparation mission will take place on October 19, 1994.

Lns.2806-0/7 MOR Industrial Export Finance Project: US\$70.0 million in aggregate of June 27, 1987; Effective dates: between January and March 1988; Closing Date: December 31, 1995; Implementing Agencies: Bureau National Pour le Développement Economique and seven Commercial Banks. The Project's objectives are (i) to expand the base of the country's manufactured exports by financing investments and helping develop export marketing capacities; (ii) to improve the economic and administrative conditions under which exporters operate; and (iii) to strengthen the promotion and appraisal capabilities of financial and other institutions concerned with export and industrial restructuring. As of September 1995, 95% of the loan amount had yet to be disbursed.

experienced implementation difficulties in the beginning because of cumbersome procedures and other issues. The financial situation of the Régies was difficult until 1991, but began to improve in 1992 with the water tariff increase of 10% in July 1992 and continued to improve in 1993, 1994 and 1995 through the further water tariff increase. The payment of the first tranche (33%) of the arrears (as of 12.31.92) of local communities (about DH 200 million). The payment of Government arrears (as of 12.31.92-DH576 million) to the Régies took place at the end of CY94, which further improved the financial situation of the Régies. Currently all major procurement has been completed and disbursements are improving. The signature of "protocoles d'accord" between Government and the Regies: RAD, RADEEF, RADEEM, RADEEMA, RAK and RED took place in December 1993; this was a loan effectiveness conditionality of the Fifth Water Supply project. The closing date was postponed to June 30, 1996.

Ln 2910-MOR Power Distribution Project: US\$90 Million
Loan of June 21, 1989; Effective Date: May 9, 1990; Closing Date: June 30, 1995; Implementing Agencies: Office National de l'Electricité and the Régies of Casablanca, Meknès, Kenitra et Fès. The project closed on June 30, 1995. An ICR is being prepared.

Ln.2984-MOR Second Small and Medium Scale Irrigation Project: US\$23 Million loan of January 27, 1989; Effective Date: June 16, 1989; Closing Date: December 31, 1996. Implementing Agencies: Directorate for Rural Engineering (DER): Ministry of Agriculture and Agrarian Reform (MARA). The Project finances four tranches for the rehabilitation of about 120 traditional SMSI schemes covering 32,000 ha. Tranche No. 1 comprises four schemes that were appraised; the remaining tranches will be identified, prepared and implemented during the Project. Seven irrigation repair brigades will also be equipped and vehicles and equipment provided for central and provincial engineering staff. Execution of the first tranche was essentially completed in December 1993. Construction of the second tranche schemes is underway as are third tranche studies. The project coordination unit is fully operational and a monitoring and evaluation system has been agreed upon. Forty-one water users associations have been established and agreements between the administration and the associations to operate the irrigation systems have been signed with 37 associations with beneficiaries contributing 10% to investment costs. The Project should be completed by mid-1996; an extension of the Loan closing date by 24 months has been done.

management. Because of poor performance, the extension component has not been extended. The research component is making reasonable progress and the adapting and implementing of the "Preparation by objectives" approach is on schedule.

Ln.3048-MOR Public Administration Support Project:

US\$23.0 Million Loan of September 28, 1989; Effective Date: December 28, 1989; Closing Date: June 30, 1996:

Implementing Agencies: Ministries of Finance, Planning, Economic Affairs, Commerce and Industries and External Trade. The project is designed to facilitate the carrying out of the economic reform measures, and simultaneously initiate efforts to strengthen the Government's planning and financial management capabilities. It would improve tax administration and collection procedures, introduce enhancements in budgetary planning, monitoring and execution and public debt management, and facilitate macroeconomic planning. A Unique Taxpayers Identification system has been implemented and a database for corporations and largest taxpayers has been constituted and computerized. Computerized processing of regionalized tax collection sites has been implemented in the area of largest concentration of taxpayers (Casablanca). New improved budget nomenclature has been adopted and implemented, and budget processing has been largely computerized. Reorganization of the Budget and Treasury Directorates (MOF) has been completed. A central library on public debt has been established and an external debt management system is being computerized. The Ministry of Economic and Social Affairs and the Ministry of Commerce, Industry and Privatization have implemented project supported activities for improved economic management, in particular: surveys, publication of statistical analysis (demographic and economic), and production of "economic" budget plans and cost benefit of investment projects. In addition, the project established direct electronic communications (ALL-IN-1) between most public administrations and the Bank. Because of slow disbursements, caused in the past by cumbersome and fragmented procurement practices and various administrative delays, the project's closing date has been extended by one year (June 1995).

Ln.3088-MOR National Agricultural Credit Project:

US\$190.0 Million Loan of July 21, 1989; Effective Date: September 27, 1989; Closing Date: December 31, 1993; Implementing Agency: Caisse Nationale de Credit Agricole (CNCA). The Project is closed. A combined ICR with the recently approved National Rural Finance Project will be done in FY98.

wood needs and protect its watersheds in harmony with other demands on the areas such as domestic stock grazing. Main components are (a) forestry planning (including forest inventory, forest demarcation, forest management plans and a national reforestation plan); (b) forest operations consisting of regeneration of natural forests, plantation establishment, watershed management, forest range management, forest road construction and rehabilitation; and (c) support activities including nature conservation, forest research and fuelwood study, training, institution development and housing and equipment. Since the mid-term evaluation in December 1993, the project has made good progress. However, the plantation component has suffered from previous three years of drought. Other project activities, including the forest inventory, demarcation and infrastructure are continuing to progress well and sometimes to be ahead of schedule. The communal component lags behind mainly to a funding problem, despite assurances from the Ministry of the Interior that funds would be made available.

Ln.3168-MOR Highway Sector Project: US\$79.0 Million
Loan of March 15, 1990; Effective Date: July 12, 1990;
Closing Date: December 31, 1994; Implementing Agency:
Ministry of Public Works and Ministry of Transport. The
Project consists of an investment component, and a policy
adjustment and institutional development component. The
project has largely met its objectives and will close on
schedule. Early disbursement problems have been resolved. A
complement of road strengthening works approved by the
Bank in the fall of 1993 brought the level of commitments to
close to 100 percent. The institution building at the Ministry
of Public Works has been satisfactory, including development
of a pavement management system, commissioning in July
1993 of the new training center financed by Japan, and
completion of studies on rural roads and a road widening
program. Components executed by the Ministry of Transport
have been disappointing. The project is close to completion in
the field.

Loan 3171-MOR Health Sector Investment Project: US\$104.0
Million Loan of June 15, 1990; Effective Date: September 11,
1990; Closing Date: December 31, 1995; Implementing
Agency: Ministry of Public Health (MOPH). The project
provides resources to (a) reinforce priority programs in
primary health care and emergency and diagnostic services;
(b) strengthen the administration and management of health
services and the maintenance of buildings and biomedical
equipment. It includes the rehabilitation of about 150 urban
and rural dispensaries and health centers, 37 rural and

postponed three times to allow for legal opinion on the loan agreement (3283-M OR). Finally it became effective on January 6, 1992. Implementation is processing very well, about 90% of the total loan amount has been committed and disbursements are up to 39% (Loan 3283) and 62% (Loan 3284). Procurement is being carried out on schedule. Project monitoring is adequate. All loan covenants are being complied with.

Ln.3295-MOR Rural Basic Education Project: US\$145.0 Million Loan of September 6, 1991; Effective Date: March 19, 1992; Closing Date: June 30, 1997; Implementing Agency: Ministry of Education. The objectives of the project are: a) to complement the ongoing Bank-financed operation at the lower basic level by increasing participation in upper basic education grades, with special attention to rural areas where the shortage of schooling is most acute; and b) to enhance the teaching-learning environment in this cycle. Rural participation would be increased by: constructing middle schools close to targeted communities; including a canteen and boarding facilities in some of the new schools; providing scholarships to needy students; and providing textbooks free or at nominal user charges to all students. After long start-up delays, construction and related education matters began moving forward in 1994. However, only US\$30 million has been disbursed because of delays in procurement, in paying contractors and in preparing documented disbursement requests. Given current budgeting and procurement procedures, the MOE is unable to speed up procurement to make up for the initial delays. It is expected that the portion of the loan reserved for construction of the third tranche of schools will be cancelled.

Ln.3365-3373-MOR Financial Sector Development Project: US\$125.0 Million Loan to the Kingdom of Morocco signed on August 16, 1991; Effective Date: November 14, 1991; Closing Date: June 30, 1993. US\$110 Package of loans to Moroccan banks signed on November 11, 1991; Effective date (Commercial banks): April 10, 1992; Effective date (BNDE): May 7, 1992; Closing Date: December 31, 1997; Implementing Agency: Moroccan Treasury, the Central Bank, BNDE and 7 Moroccan commercial banks. The project supports a program of reforms in the financial sector and provides term finance to eligible firms for investment sub-projects, mainly in private, export-oriented industries. Co-financing for the investment component (\$110 million) is provided through an IFC-led syndicated loan. Adjustment component: reform program in the financial sector is proceeding satisfactorily, and disbursement of the adjustment

to US\$100 million. The other US\$900 million will be financed by drawings on existing loans, new bilateral concessional and export credits (under negotiation or discussion), and self-financing (complemented to a minor extent by domestic bank loans).

Ln. 3587-MOR Second Large Scale Irrigation Improvement Project: US\$215 million Loan of June 4, 1993; Effective Date: September 22, 1993; Closing Date: December 31, 2000; Implementing Agencies: Directorate of Rural Equipment (DER) and the nine irrigation authorities (ORMVAs), under the Ministry of Agriculture and Agrarian Reform (MARA). The project would complete system rehabilitation and ORMVA restructuring which was begun under the First Large Scale Irrigation Improvement Project. It includes: (a) infrastructure rehabilitation, including reconstruction, repair or upgrading of canals, drains, feeder roads and pumping stations over the existing irrigated area of 485,000 ha; (b) institutional strengthening involving the nine ORMVAs and the Directorate of Rural Equipment (DER) in MARA through provision of equipment, technical assistance and training to improve O&M procedures, accounting methods and environmental protection, introduce performance monitoring and prepare policy reforms; (c) water use efficiency improvement through pilot demonstrations and on-farm investments; and (d) policy reforms to increase cost recovery, streamline relations between Government, ORMVAs and farmers, adopt a long-term plan for rehabilitation, and revise LSI institutional framework. The Project became effective in September 1993. During a start-up workshop in January 1994, the Borrower was reminded of the need for prompt compliance with covenants and adherence to Bank procedures for procurement. The special account was opened. A three-year action plan for project implementation and various sectoral studies are being completed.

Ln.3616-MOR & Ln. 3617-MOR First Municipal Finance Project: US\$4 Million Loan to the Kingdom and US\$100 Million Loan to the Fonds d'Equipement Communal (FEC) of June 14, 1993; Effective Dates: October 6, 1993 and November 18, 1993 respectively; Closing Date: June 30, 1999; Implementing Agencies: Ministry of the Interior and FEC. The project aims at improving the efficiency of local investments, the distribution of the local share of the value-added tax (VAT) among local governments, the availability and delivery of local services, and the management of the local sector. The project includes: funding for local investments in roads, water and sewerage, solid waste, and productive and recreational facilities; technical assistance, training and equipment to improve FEC's institutional

sector. Specifically, the project would fund over a four-year implementation period: (a) medium-and long-term credit to private farmers and investors to finance a wide range of investments including water conservation measures in irrigation, farm equipment, tree crop and livestock development, storage facilities, land improvement, greenhouses, agro-processing plants, coastal fisheries, rural housing, forestry and environmental protection, and rural non-farm investments; and (b) project-related training, consulting services for the strengthening of CNCA management and planning and to manage the effects of drought.

Ln.3647-MOR Environmental Management Project: US\$6.0 million Loan of May 20, 1994; Effective date: October 6, 1994; Closing Date: December 1998; Implementing Agency: Under Secretariat for the Protection of Environment, Ministry of the Interior and Information. The loan will assist the Government in strengthening its institutional and regulatory framework for managing environmental protection through (a) strengthening the technical and administrative capacity of the Under-Secretariat for the Protection of Environment, the ministries of Agriculture and Public Work and the Wilaya (Province) of Fes; (b) restructuring the National Council of the Environment to oversee the environmental activities at the national level; (c) reviewing and updating the existing regulations, introducing the environmental impact assessment (EIA) and assisting in the preparation of two new laws: the permit law for integrated pollution control, and the chemicals and the toxic wastes control law; (d) designing an enforcement and compliance mechanism for environmental protection through adoption of the "command and control" approach based on norms and standards; and the "roll back" approach for point source pollution; (e) financing a series of studies on economic and financial incentives and measures for environmental protection; (f) promoting an environmental education and awareness program; and (g) establishing a National Environment Information Network (NEIN) on a pilot scale.

Ln. 3664, 3665-MOR Fifth Water Supply Project: US\$160.0 Million Loans of December 3, 1993; Effective Date: September 1, 1994; Closing Date: December 31, 2001. Implementing Agencies: RAD, RADEEF, RADEEM, RADEEMA, RAK and RED, ONEP, Hydraulics Administration, Water and Sanitation Directorate, Epidemiology and Sanitation Program Directorate; and National Meteorology Directorate. The project aims to: (a) assist the government in developing a long-term policy on

Ln. 3688-MOR Irrigated Areas Agricultural Services Project: US\$25 million Loan of February 6, 1995; Effective Date: May 8, 1995; Closing Date: June 30, 2000; Implementing Agency: Direction de l'Enseignement, de la Recherche et du Développement (DERD) of the Ministry of Agriculture and Agricultural Development (MAMVA). The project has five components: (i) the transfer of technology to and from farmers in the large-scale irrigation areas including adaptive research, agricultural extension and women's programs; (ii) supporting services including soils and plant analysis, pest and disease warning system and test/demonstration of small equipment; (iii) promotion of farmers' organizations; (iv) monitoring and evaluation of agricultural development in the irrigated and adjacent rainfed areas; and (v) studies. The Project is off to a very good start; one point of concern resides in the fact that the 1995 budget represents only 47% of the amount anticipated at appraisal.

Ln. 3765-MOR Second Agricultural Sector Investment Loan: US\$121 million Loan of December 5, 1994; Effective Date: March 13, 1995; Closing Date: June 30, 1999. Implementing Agency: Ministry of Agriculture. The primary objective of the ASIL II would be to support a well-conceived investment program in Morocco's agricultural sector. This program is a time-slice of the Government's total agricultural investment program for 1994-97, estimated at US\$993 million. The ASIL II would finance just over 12 percent of this program. The ASIL II would also support an action program of measures designed to further promote the Government's sector objectives (increasing sector growth, environmental protection, reducing poverty, and redefining the role of Government) and improve the efficiency of subsector investments, focusing in particular on actions to consolidate the agricultural adjustment program, private sector development and improved public sector management. The project would finance specific critical investments selected from the Government's investment program for 1995-97 with retroactive financing for part of 1994. These include investments in: agricultural education, livestock, crop production, plant protection, land policy programs, rainfed land improvements, forestry, extension, small- and medium-scale irrigation, and planning. The loan would also finance an Agricultural Development Fund (FDA) which promoted private investments in: land improvements; irrigation improvements; increased use of small-scale farm equipment; livestock intensification; phyto-sanitary protecting, and increased tree planting. The ASIL II would also support the establishment of an Environmental Management Unit which would have the responsibility for undertaking environmental screening of projects, arranging for

Health and Interior). The Project would fund specific components of the Government's overall Emergency Drought Relief and Recovery Program, which has received assistance for project preparation from the FAO Cooperative Program. The main objectives of the proposed project are to: (a) alleviate the impact of current drought through measures to regenerate productive capacity in crop and livestock production, improve rural roads and potable water supply, which while generating current income for the affected populations, would also strengthen the capacity of the Government to mitigate the impact of future droughts; and (b) assist in enhancing institutional capacity for drought management. The long-term strategy is to begin the process of reducing the vulnerability of rural populations to severe drought through better preparedness, better rural infrastructure to allow Government to reach affected populations quicker with food, water, and agricultural inputs, more assured drinking water supplies, and better management of natural resources. The drought preparedness and rural roads components would make a small but important contribution to this long-term strategy.



Ministère des Affaires étrangères
et du Commerce international

Department of Foreign Affairs
and International Trade

**Les opérations du Groupe de la
Banque mondiale au
Royaume du Maroc :
Guide canadien des affaires**

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le rythme de ses réformes incitatives et structurelles. Il devra plus particulièrement accentuer ses efforts pour équilibrer son déficit, pour aligner son régime fiscal sur ceux de ses concurrents et pour réduire ses droits à l'importation. Pour faciliter la réalisation de ces objectifs, la Banque examinera régulièrement les progrès réalisés par le Maroc aux plans de la gestion macro-économique et de la mise en place des réformes, et elle accordera nettement la préférence aux prêts-projets qui appuient des objectifs de politique.

2) Réduction de la pauvreté et développement des ressources humaines

Malgré les progrès réalisés depuis quelques années, le Maroc a encore un niveau de pauvreté élevé par rapport à ceux de nations comparables. On y observe encore nombre de disparités au plan de la richesse, surtout entre les hommes et les femmes, et entre les citadins et les ruraux. Pour corriger ce problème, la Banque appuiera les projets qui visent à donner aux groupes à faible revenu un meilleur accès aux services sociaux -- des soins de santé à l'éducation -- et à améliorer l'efficacité de la prestation et la rentabilité de ces services. Les prêts pour la réduction de la pauvreté et le développement des ressources humaines devraient compter pour environ le cinquième du programme de prêts de la Banque pour 1994-1998.

3) Création d'un meilleur cadre global pour le secteur privé

Pour pouvoir bénéficier d'une croissance économique soutenue, le Maroc doit créer un climat et un cadre plus propices au développement du secteur privé. Les projets financés par la Banque permettront au gouvernement marocain d'élaborer, pour le développement du secteur privé, un cadre global à moyen terme qui tentera de régler les problèmes touchant l'imposition, le commerce extérieur, les services aux entreprises et la privatisation. Ces projets vedettes et les initiatives en découlant devraient compter pour environ le sixième des prêts de la Banque au Maroc.

4) Amélioration de la gestion des ressources du secteur public

Le programme d'amélioration de la gestion du secteur public se concentrera sur les organismes gouvernementaux locaux et sur les autres entités du secteur public. Au niveau des gouvernements locaux, le défi consiste à accroître la capacité institutionnelle, surtout en matière de gestion fiscale.

- 6) Industrie - 40 millions \$ US (3,4 %).
- 7) Infrastructure - Aucun projet dans la filière.
- 8) Population, Santé et Nutrition - 130 millions \$ US (11,2 %).
- 9) Énergie électrique - 150 millions \$ US (12,9 %).
- 10) Développement du secteur privé - Aucun projet dans la filière.
- 11) Gestion du secteur public - 80 millions \$ US (6,9 %).
- 12) Secteur social - 80 millions \$ US (6,9 %).
- 13) Ajustement structurel - Aucun projet dans la filière.
- 14) Télécommunications - Aucun projet dans la filière.
- 15) Transport - Aucun projet dans la filière.
- 16) Développement urbain - 150 millions \$ US (12,9 %).
- 17) Adduction et assainissement - 200 millions \$ US (17,2 %).

Marchés adjugés à des firmes canadiennes

Les marchés suivants ont été adjugés à des firmes canadiennes au Maroc entre les AF 1990 et 1994 (valeur des contrats en équivalent dollars US) :

AF 1994

N° C / L	NOM DU PROJET	DESCRIPTION DU CONTRAT	NOM DU FOURNISSEUR	VAL. DU CONTRAT
L29100	DISTRIBUTION D'ÉNERGIE ÉLECTRIQUE	ASSISTANCE TECHNIQUE POUR LA NÉGOCIATION D'UN CONTRAT	PRICE WATERHOUSE	260 242 \$
L30360	VULG. ET RECH. AGRIC.	SIG 2	ORSIA INFORMIS	119 823 \$
				380 066 \$

Opérations de la SFI et de l'AMGI

Introduction

En 1995, la Société financière internationale (SFI) a maintenu son dynamisme en Asie centrale, au Moyen-Orient et en Afrique du Nord, une région qui a commencé à récolter les avantages de la réforme économique et où le PIB s'accroît à bon rythme, exclusion faite des économies auparavant centralement planifiées. Depuis un an, la SFI a approuvé des investissements dans 34 projets menés dans 9 pays de la région, en plus de trois projets multinationaux. Cet accroissement marqué de son activité par rapport à l'année financière 1994 témoigne de son engagement envers la région.

La SFI a pour principal objectif d'aider la région à surmonter certains de ses grands problèmes : par exemple, marchés financiers sous-développés, infrastructure inadéquate, secteurs publics importants et inefficients, et non-accès du secteur privé au financement à terme. La Société finance des projets qui aideront la région à développer des marchés de capitaux plus efficaces, surtout dans les pays de l'Asie centrale. Elle donne aussi la priorité aux projets à financement privé qui amélioreront l'infrastructure. La SFI privilégie aussi les projets qui stimulent la croissance et la production dans les domaines des ressources naturelles et de la fabrication, et elle fournit des conseils techniques sur la privatisation des entreprises publiques et sur la réforme du cadre juridique et réglementaire.

La SFI a fait preuve de beaucoup de dynamisme et de créativité dans son aide à la région. Elle a par exemple créé un instrument financier islamique qui lui permet de syndiquer d'importants fonds d'institutions financières associées au Conseil de coopération du Golfe. Un autre exemple est le rôle de la SFI dans le financement du premier fonds tunisien de souscriptions privées qui améliore l'accès de l'entreprise privée au financement par capitaux propres. La Société a aussi aidé à lancer le premier fonds moyen-oriental à être publiquement offert en souscription et coté à la Bourse de New York. La SFI a également collaboré avec l'*Arab Rating Fund* pour établir l'*InterArab Rating Company*.

Autre élément notable de son aide à la région en 1995, la SFI a placé pour 327 millions \$ US en syndications, dont 100 millions \$ US pour son compte propre. L'une des principales

projets favorisant son développement économique. Elle continuera aussi à utiliser les TATF et le FIAS pour aider l'industrie marocaine à devenir plus concurrentielle.

Participation canadienne aux projets de la SFI au Maroc (AF 1989 à 1995)

Entre 1989 et 1995, aucune société canadienne n'a participé à des projets de la SFI au Maroc, ce qui est étonnant étant donné le succès remporté par les entreprises canadiennes qui ont décroché des contrats pour des projets de la BIRD dans ce pays.

Opérations de l'AMGI au Maroc

En 1995, l'AMGI a souscrit sa première garantie pour un projet au Maroc. Cette garantie de 9,9 millions \$ US a été offerte à la Banco Exterior de España, l'une des principales banques espagnoles de financement du commerce, pour l'expansion de l'activité commerciale de sa filiale marocaine en propriété exclusive. La garantie de l'AMGI couvrira le risque de non-transfert de devises. Cette contribution devrait ouvrir la voie à d'autres investissements étrangers en améliorant la qualité et la disponibilité des services financiers. Au 30 octobre 1995, l'AMGI avait reçu quatre propositions préliminaires d'investissements dans les secteurs de l'énergie, de la distribution et des services financiers. Aucune ne concernait des investisseurs canadiens.

4. Inflation is under control after the sharp increase in the 1990-91 period when changes in the urban consumer price index (CPI) averaged 8 percent. Over the past two years, inflation based on the CPI averaged 5.5 percent, while that based on the implicit GDP deflator was even lower at about 4 percent. Estimates for 1994 inflation measured both ways was around 5 percent. Since the world inflation rate as measured by the G-V Manufacture Unit Value index (MUV) has averaged about 3-4 percent over the past three years, the country has achieved a fairly stable real exchange rate without excessive movements in the nominal rate.

5. The worldwide recession and the drought-induced agricultural downturn worsened the trade balance in the 1992-93 period through their negative impact on exports and food import requirements; but the balance of payments has not suffered any significant deterioration despite these transitory difficulties. Owing to more favorable trends in other current account items, notably private transfers from abroad, the current account deficit improved steadily from 12 percent of GDP at the height of the economic crisis in 1983 to below 2 percent since the early 1990's. With the end of debt relief, net external debt disbursements and resource flows have declined in the past two years; thus, mobilizing the needed foreign capital inflows has become a major challenge. Nonetheless, foreign direct investment (FDI) flows have increased threefold since 1990 from US\$227 million to an estimated US\$660 million in 1994, or 2 percent of GDP. During the economic reform period, many foreign exchange restrictions were dismantled; this led to full current account convertibility in 1993. The dirham rate, which is pegged to a basket of currencies, has remained roughly stable in real terms. Trade liberalization has continued; import licensing restrictions on cereals, sugar and edible oils are scheduled to be removed this year. Finally, the country has witnessed a sharp increase in its foreign exchange reserves over the past several years, reaching the equivalent of six months of imports at the end of 1994.

6. The authorities relied consistently on stringent monetary and fiscal policies to sharply reduce the budget deficit from an average of 10 percent of GDP in 1980-83 to 3.2 percent in 1993. Alongside the introduction of a value-added tax in 1986, the Government implemented a sweeping tax reform that effectively increased the tax buoyancy and decreased major distortions in relative prices. Moreover, tight wage and salary policies undertaken under the reform program have continued; but it is estimated that the fiscal deficit has slightly worsened recently due in part to a large increase in the public investment program, drought-related relief expenditures, and

land, infrastructure) are growing bottlenecks. Water scarcity will force Morocco to revisit traditional ways of expanding irrigated production, without leaving agricultural output, which accounts for almost one-fifth of value added, subject to rainfall-driven fluctuations. It will also require attention to the long-term relationship between supply and demand of potable water, not only in large cities but also for deprived rural communities; fewer than 15 percent of rural households have access to safe water, compared with over 90 percent of urban households.

9. External trade patterns are stable, although the country is vulnerable to external shocks. Over 60 percent of Morocco's merchandise trade is with the EU, which is also the source of most tourism receipts and foreign investment flows. This concentration of trade with the EU is likely to increase further with a Trade Agreement, while trade flows with other Maghreb countries, despite the creation of the Arab Maghreb Union (UMA), remain negligible. In general, the currency denomination of Morocco's foreign exchange earnings is closely aligned with that of its payments, reducing the country's vulnerability to cross-currency exchange rate fluctuations. It is now urgent to develop a foreign exchange market and to move towards full capital account convertibility of the dirham. This will support an outward-looking investment strategy and will secure a stable access to external financial markets and direct foreign investment to help finance privatization and fuel private sector growth and export capability. This requires further modernization of the financial and monetary sectors.

10. Macroeconomic Outlook. Morocco's prospects suggest that medium-term GDP growth of 4-5 percent per year with low inflation is feasible under a base case scenario; this would modestly improve the country's external debt indicators, and broadly maintain its internal and external macroeconomic balances. Under conservative assumptions, growth would increase gradually above levels attained in recent years. Over the medium term, growth would average 4-5 percent, with manufacturing and service sectors leading at 5 and 6 percent, respectively. However, prospects for 1995 look unfavorable due to delays in rainfall. The current account deficit would continue to decline, and debt service ratios would improve somewhat. Domestic absorption would be higher, with moderate increases in both investment and consumption. The development challenge for Morocco is to move beyond maintaining past performance, however commendable it may be, and to increase growth performance above demographic growth and up to at least 7-8 percent annually circa 2000.

account convertibility has been achieved. The next phase of financial sector reform will need to focus on increasing domestic savings and achieving greater efficiency in its utilization. This will require strengthening the capital market, ensuring that Treasury financing is done at market terms, liberalizing lending rates and creating a market for foreign exchange. Greater reliance on indirect monetary policy instruments would also make monetary policy more efficient.

15. Poverty Reduction and Human Resources Development. National social indicators are low, and regional disparities in the incidence of poverty and in the provision of basic social services are high. Rapid and lasting improvements in social indicators require public expenditure reallocations, notably in favor of rural areas and programs targeted at women and girls, as well as measures to improve their efficiency and efficacy. Alternative sources of financing such as service fees and health insurance, and private provision of secondary and tertiary services, should be actively promoted. Since the share of total expenditures allocated to some social sectors (i.e. education) is already high, this policy will need to rely mainly on improved efficiency in the use of public resources.

16. Environmental and Natural Resources Management. Environmental and natural resources (water and land) have been increasingly under strain in recent years. Most critical is the impending water shortage with projected water demand and supply patterns confirming a critical global deficit circa 2040, with earlier deficits in some water basins. Worrisome aspects of environmental degradation include deforestation, soil erosion and the ill effects of industrial effluent. Growing competition between the existing and potential water users and the deterioration in the quality and quantity of water supply require urgent attention. Improvements in environmental and water resource management call for new approaches such as measures to develop a system of co-management for each watershed in order to promote stakeholders participation and cooperation and develop a coherent masterplan for investments, penalties and incentives.

17. Public Sector Management and Finance. The main reforms will require restructuring the fiscal system and public finance management, ensuring the financial viability of all public enterprises, and concentrating government investment and expenditure in the social and rural sector, and in infrastructure complementary to private activity, while moving toward a balanced budget. The Bank-prepared Public Expenditure Review, transmitted to the Government in September 1994, provides a detailed analysis. Three overarching managerial

Filière des prêts de la Banque mondiale au Maroc

1. Le texte qui suit est directement tiré de l'État mensuel des projets de la Banque mondiale pour le Maroc daté de décembre 1995 et est présenté en langue originelle.

Agriculture

*** Agro-Marketing**

--The project will promote private sector development and investment in agro-industries by providing the necessary infrastructure and enabling regulatory and institutional environment. Project preparation is under way. Environmental Assessment Category B.

US\$ 100.0 (IBRD). Consulting services to be determined.
Ministry of Agriculture and Agricultural Development • 51
Avenue de France • Agdal • Rabat • Morocco • Tel: (212-7)
769-431 • Fax: (212-7) 769-431

Agriculture

*** Agro-Marketing and Productive Services**

--The aim of the project is to promote competitive agriculture by integrating production with downstream activities through efficient marketing to diversified markets. Project is being identified. Environmental Assessment Category B.

Amount to be determined. (IBRD). Consultant services to be determined. Implementing agency is to be determined.

Agriculture

*** National Watershed Management**

--The project will improve land use and natural resources management in mountain areas and reduce siltation in reservoirs and associated hydraulic infrastructures. Main components include (a) natural resources conservation; (b) agricultural development; (c) infrastructure development; (d) institution building; (e) research; and (f) technical assistance and training. Pre-appraisal mission is scheduled for February 1996. PID: MAPA05476.

US\$ 60.0 (IBRD). Consultant services to be determined.
Ministry of Agriculture and Agricultural Development • 51
Avenue de France • Rabat • Morocco • Tlx: 31932 • Fax:
(212-7) 760-993

Project preparation is under way. Environmental Assessment Category A.

US\$ 40.0 (IBRD). Consultants will be required for legal, architectural, and planning services.

Ministry of Commerce and Industry • Avenue Mohamed V • Rabat • Morocco • Tel: (212-7) 25-03-01 • Fax: (212-7) 76-01-92

Population, Health and Nutrition

*** Health Management**

--The project will include: (a) new financing mechanisms, mainly health insurance; (b) hospital- management reforms; and (c) priority rehabilitation of health infrastructure. Project preparation is under way.

US\$ 60.0 (IBRD). Consultants will be required.

Ministry of Health • 335 Avenue Mohamed V • B.P. 812 • Mechanar • Rabat • Morocco • Tlx: 36616 • Tel: (212-7) 760-037 • Fax: (212-7) 763-895

Population, Health and Nutrition

*** Social Priorities (Health)**

--The project will extend coverage of basic health services (including safe motherhood programs) in rural areas of 20 selected provinces and improve quality and equity in the provision of services. Priority health programs at the national level will also be supported. Negotiations are scheduled for January 1996. Environmental Assessment Category C.

US\$ 70.0 (IBRD). Consultants will be required in the areas of decentralization issues, management information systems, and participatory approach.

Ministry of Health

Power

*** Power Sector Reform (PSD II)**

--The project includes (a) the establishment of an electricity code and regulatory agency; (b) contracting independent power producers for power generation; and (c) the implementation of LRMC tariffs and the reorganization of Office Nationale de l'Electricité. The loan will finance investment in transmission and distribution, as well as technical assistance. Project preparation is under way. Environmental Assessment Category B.

US\$ 150.0 (IBRD). Consulting services are being financed through existing loans for sector reform.

Office National de l'Electricité • 65, rue Aspirant Lafuente • 21000 Casablanca (street address) • B.P. 13493 • 21040 Casablanca (mail address) • Morocco • Tel: (212-2) 279-343 • Fax: (212-2) 220-038; 295-076

Urban Development

* **Low-Income Housing**

--The project aims to upgrade housing conditions of low-income households, reduce housing costs, and contain the cost of urban growth, mainly by improving the operation of land markets and reducing the government's role in land development. Project preparation is under way. PID: MAPA05479.

US\$ 100.0 (IBRD). Consultant services to be determined. Crédit Immobilier Hôtelier (CIH) • 187, ave. Hassan II • Casablanca • Morocco • Tlx: 23854, 24854, 23039, 24894 • Tel: (212-2) 02480, 03033; SNEC • Angle rue Youssef Ibn Tachfine et Moulay Ali Cherif • Rabat • Morocco • Tel: (212-7) 76-14-59/60 • Fax: (212-7) 76-76-73

Water Supply/Sanitation

* **Second Sewerage and Water Re-use**

--The project will include (a) rehabilitation and expansion of the sewerage systems in Casablanca, Fes, and Marrakech Régies; (b) assistance to the Régies in the institutional, operational, and financial fields; (c) provision of credit lines for sewerage house connections; (d) provision of operational equipment; and (e) consulting services, technical assistance, and training. Negotiations are scheduled for January 1996. Environmental Assessment Category B.

US\$ 100.0 (IBRD). Consultants will be required for (a) final design and bidding documents for sewerage works; (b) supervision of sewerage works; (c) tariff structure studies; and (d) technical assistance.

RAD • 48 rue Mohamed Diouri • Casablanca • Morocco • Tel: (212-2) 30-41-17 • Fax: (212-2) 30-20-33; RADEEF • Rue de soudan • Fes • Morocco • Tel: (212-5) 62-50-15 • Fax: (212-5) 62-07-95; RADEEMA • Avenue de France • Marrakech • Tel: (212-4) 44-78-55 • Fax: (212-4) 44-78-53

Water Supply/Sanitation

* **Water Sector Investment**

--The project will assist the government in defining and implementing a comprehensive water resource management strategy. Pre-appraisal mission was scheduled for late November 1995. Environmental Assessment Category A. PID: MAPA05521.

US\$ 100.0 (IBRD). Consulting services to be determined. Ministry of Public Works • Administration de l'Hydraulique • Rabat • Morocco • Tel: (212-7) 77-90-08 • Fax: (212-7) 77-86-96

Ln.2825-MOR National Water Supply Rehabilitation Project: US\$60.0 Million Loan of July 27, 1987; Effective Date: April 22, 1988; Closing Date: June 30, 1996; Implementing Agencies: Hydraulics Administration. Office National de l'Eau Potable and Régies. This loan supports the rehabilitation of water supply and distribution systems in Morocco. Its principal objective is to introduce long-term policy reforms to strengthen the development of the water supply sector. The project includes (i) provision of leak detection equipment; (ii) rehabilitation of production and distribution facilities; (iii) acquisition of water meters; (iv) studies for water master plans, preventive maintenance programs and investment programs; (v) introduction of new financial policies; (vi) studies of sector organization, cost accounting, M.I.S., and provision of computer equipment; (vii) training and technical assistance; (viii) development of water resource management practices; and (ix) improvement of procurement procedures. Progress in implementing the action plan has been slow, and arrears built up until 1992, causing serious concerns. The financial situation of the Régies was difficult until 1991, but began to improve in 1992 with the water tariff increase of 10% in July 1992 and continued to improve in 1993, 1994 and 1995 through the further water tariff increase and the payment of the first tranche (33%) of the arrears (as of 12.31.92) of local communities (about DH 200 million). The payment of Government arrears (as of 12.31.92-DH576 million) to the Régies took place at the end of FY94, which further improved the financial situation of the Régies. Currently all major procurement has been completed and disbursements are improving. The signature of ONEP's contract program 1993-1995 took place in November 1992. The signature of "protocoles d'accord" between Government and the Régies: RAD, RADEEF, RADEEM, RADEEMA, RAK and RED took place in December 1993; this was a loan effectiveness condition of the Fifth Water Supply project. The closing date was Postponed to June 30, 1996.

Ln.2826-MOR Greater Casablanca Sewerage Project: US\$60.0 Million Loan of July 27, 1987; Effective: October 14, 1988; Closing Date: June 30, 1996; Implementing Agency: Régie of Casablanca (Sewerage Master Plan and Sewerage Works) and eight Régies (Sewerage Master Plans). The project is the urgent implementation stage of the Greater Casablanca Sewerage Master Plan. The objectives are: to rehabilitate the existing sewerage system; identify the least cost alternative for the treatment and disposal and possible reuse of waste water and to promote the creation and development of appropriate institutional, financial and technical structures to manage sewerage services in urban centers. The project has

Ln.3001-MOR First Structural Adjustment Loan: US\$200.0 Million Loan of December 2, 1988; Effective Date: December 2, 1988; Closing Date: December 31, 1989; Implementing Agencies: Ministry of Finance. The loan is now closed. A PCR was issued in March 1995 in conjunction with the PCR for the Sector Structural Adjustment Loan (SAL II) (Ln. 3463-MOR) which closed on December 31, 1993.

Ln.3026-MOR Rural Primary Education Project: US\$83.0 Million Loan of July 21, 1989; Effective Date: November 1, 1989; Closing Date: December 31, 1995; Implementing Agency: Ministry of Education. The project supports Government's efforts to implement the expansion and improvement of primary education in rural areas. The objectives of the project are to increase access to primary schooling, particularly among girls; to encourage rural primary education attendance; to improve the quality of education; and to strengthen the planning, monitoring and evaluation capacity of the education system. The project provides school facilities in under-supplied areas, improves the accessibility and affordability of textbooks and educational materials and supports improvements in the curriculum development, teacher selection and training, school management, health education and health services. In May 1990, the Moroccan Government transferred the financing responsibility of primary school construction to local governments; most of the school construction financed under the project has been completed and most schools equipped. A TA contract awarded to UNESCO has been implemented. While physical facilities have been constructed as planned, disbursements have been slower than expected in part because of the decentralization of school construction.

Ln.3036-MOR Agricultural Extension and Research Project: US\$28 million loan of September 22, 1989; Effective Date: March 21, 1990; Closing Date: June 30, 1996; Implementing Agencies: Ministry of Agriculture and National Institute for Agricultural Research. The Project consists of a 5-year time slice of a 10-year development program for agricultural research and extension in Morocco. The research component includes (a) INRA's reorganization; (b) development of programming by objectives for bread wheat, forage crops, livestock, oil crops and olives; (c) decentralization of research and development of research centers; (d) rehabilitation of 13 research farms; (e) establishment of 8 research/development units; (f) strengthening of the information/documentation division; (g) training, technical assistance and fellowships; and (h) improvement of INRA's personnel and financial

Ln.3121, 3122-MOR Second Housing Finance Project: US\$80.5 Million Loan of October 27, 1989 (CIH-US\$77,5 million) Effective Date: Dec. 27, 1989 (CIH); Effective date for Ln 3121-MOR: March 30, 1990; Closing Date: December 31, 1994. Implementing Agency: Crédit Immobilier et Hôtelier and Ministry of Interior, Ministry of Housing. The loans have been closed June 30, 1995. Loan 3122 to the Crédit Immobilier et Hôtelier (CIH), the housing bank of Morocco, included (i) a line of credit (US\$77 million) to support its lending activities for low and medium income housing and (ii) technical assistance funds of US\$0.5 million to increase its knowledge of the housing-supply system, develop savings and credit services, and adapt its management information and audit system to new depository and lending activities. Loan 3121 provided technical assistance funds of (i) US\$2 million for helping the Ministry of Interior develop, upgrade and apply simplified urban planning policies and procedures, and (ii) US\$1 million for helping the Ministry of Housing rationalize regulatory, organizational and procedural systems concerning land and housing development. The study under the responsibility of the Ministry of the Interior was not carried out, and about US\$2.0 million of the loan will remain undisbursed after the four-month disbursement rest period following the closing date.

Loan. 3136-0/7 MOR Industrial Finance Project: US\$170.0 Million Loan of February 7, 1990; Effective Date: June 7, 1990; Closing Date: June 30, 1996; Implementing Agency: Eight Moroccan Banks. This operation follows the successful implementation of the 1987 Industrial Export Finance Project. By continuing to provide long-term investment resources through financial intermediaries, the project: (i) supports the supply response of industry to the new set of incentives and policies introduced under the Government's adjustment program; and (ii) contributes to increased competition and efficiency in the financial sector. The project also seeks to strengthen institutional arrangements with respect to export promotion activities, and to ensure prompt payment by the Treasury of foreign exchange losses owed to participating banks. As of September 1995, 95% of the loan amount had been disbursed.

Ln.3156-MOR Second Forestry Development Project: US\$49 Million Loan of June 15, 1990; Effective Date: September 11, 1990; Closing Date: June 30, 1996; Implementing Agency: Department of Forestry and Soil Conservation (DEFCS), Ministry of Agriculture. The Project will strengthen forestry planning and policies and assist Morocco in maintaining and improving its forestry potential, meet part of the country's

provincial hospitals, vehicles, furniture, medical equipment and supplies, training and technical assistance in support of these programs. After a slow start, project implementation has significantly improved. Progress is as follows: the implementation of the basic health centers renovation and re-equipment and the renovation of hospital and diagnostic services is well advanced. Procurement and distribution of drugs are practically completed, studies related to the administrative reform of the MOPH and the drug supply system have been carried out and MOPH is evaluating their findings and recommendations.

Ln.3262-MOR Second Rural Electrification Project:

US\$114.0 Million Loan of June 14, 1991; Effective Date: February 9, 1993; Closing Date: June 30, 1997;

Implementing Agency: Office National de l'Electricité. The project is addressed to insure the connection to the main grid of about 460 villages located in 34 provinces, and would cover the cost of connecting about 170,000 new consumers, thus increasing the rate of electrification of the rural areas from 25% to 45%. It also will help expand ONE's operating facilities and regional offices and continue the institution building efforts, strengthening ONE's planning, distribution and marketing capabilities, and its financial performance. The pace of project implementation is less than satisfactory due to the lack of counterpart funding and the complex arrangements for project execution. The procurement program for phase "FG" has been completed. Only US\$10.9 Million or 10% of the loan have been disbursed. About US\$33.5 Million or 30% of the loan are committed through signed contracts currently under execution. In order to accelerate the pace of project implementation and disbursements, the project will be restructured through the implementation of measures currently being discussed by the Bank and the Moroccan authorities.

Ln.3283-MOR & Ln. 3284-MOR Port Sector Project:

US\$33.0 Million and US\$99 Million Loans of May 9, 1991: Effective date: January 6, 1992: Closing Date: June 30, 1996: Implementing Agency Ministry of Public Works and ODEP.

The objectives of the project are to: (i) improve the operational efficiency of the Borrower's ports, so as to assist the Borrower in adapting its operations to the growth and changing structure of foreign trade; (ii) assist the Borrower in strengthening the economic viability of its investments in the port sub-sector generally and increasing the recovery of related infrastructure costs; and (iii) promote policies and institutional measures for improving the planning and coordination of the Borrower's port operations in relation to its promotion of foreign trade. The effectiveness date had been

component has been completed with the second tranche being released in June 1993. Investment component: As of September 1995, US\$68.5 million had been disbursed.

Ln.3403-MOR Agriculture Sector Investment Loan: US\$50.0 Million Loan of October 25, 1991: Effective Date: March 24, 1992: Closing Date: June 30, 1994: Implementing Agency: Ministry of Agriculture and Agrarian Reform-(MARA). The Project closed on June 30, 1994. An ICR was issued on April 4, 1995.

Ln.3463-MOR Second Structural Adjustment Loan: US\$275.0 Million Loan of April 30, 1992: Effective Date: June 1, 1992; Closing Date: December 31, 1993; Implementing Agency: Ministry of Finance. The second tranche was released on July 16, 1993, and the loan is fully disbursed. This project is now closed and a ICR was issued in March 1995.

Ln. 3557-MOR Telecommunications Sector Restructuring Project: US\$100 Million Loan of April 29, 1993; Effective Date: October 20, 1993. Closing Date: December 31, 1996: Implementing Agency: National Post and Telecommunications Authority (ONPT). Medium-term targets for the sector are to (i) fully meet 96% of expected expressed demand for telephony by 1994 (1,020,000 lines) through the continuation of an ambitious network expansion program; (ii) bring the quality of existing services up to acceptable standards; and (iii) meet the demand for new services, particularly value-added services such as mobile cellular telephone, data transmission, videotext, etc., which are of particular relevance to the business community. With a view to helping Morocco achieve these ambitious targets, the project aims at supporting both sector reform and physical expansion. It consists of: (i) technical assistance, training, and studies, in particular, to strengthen the Ministry's institutional capabilities and to prepare the groundwork for sector liberalization; and (ii) a time slice (1992-94) of ONPT's investment program. Total cost is tentatively estimated at US\$1,204 million of which US\$634 million (53%) is in direct and indirect foreign exchange. The Bank's contribution of US\$100 million will cover primarily the direct and indirect foreign cost of (i) local networks construction; (ii) small equipment and spare parts for transmission; (iii) construction of fiber optical links (under supply and erect contracts); (iv) data processing equipment (including for frequency control); (v) expansion of facilities linking international networks; and (vi) technical assistance, studies, and training. ADB and EIB are co-financing for an amount equivalent to about US\$100 million each. Co-financing for Japan EXIM Bank is envisaged for an amount equivalent

capabilities; training for local governments' staff; and technical assistance, training and equipment to improve intergovernmental finances and the central government management systems related to the local sector. The Bank has committed 100 percent and disbursed 33 percent of loan funds for refinancing sub-projects. Technical assistance and training components under the government loan have stalled mainly because of government's inability to settle intramural discussions on whether loan funds should increase the spending envelope for central support to the local sector. A supervision mission in October will review this matter and the final version of the system for distributing the local share of the value added tax which will be implemented in January 1996.

Ln.3618, 3619, 3620, 3621-MOR, Land Development Project: US\$130 Million Loans of June 14, 1993; Effective Dates: December 10, 1993; September 21, 1993; December 17, 1993; November 2, 1993; respectively; Closing Date: June 30, 2000; Implementing Agencies: SNEC, CIH, SGMB and the Ministry of Housing. The project has four main objectives: (a) provide serviced residential lots at affordable prices specifically targeted to squatter and low-income families; (b) provide medium-term financing to eligible private sector property developers for construction of housing for low-income families; (c) foster the participation of private sector banks in the housing finance sector; and (d) improve the housing finance sub-sector, housing subsidy policies and the land delivery process. The project comprises four main components: (a) land development to be implemented by Société Nationale d'Équipement et de Construction (SNEC); (b) a line of credit to CIH (Crédit Immobilier et Hotelier) and two private sector banks to provide loans to private sector land or housing developers; (e) studies for MoH to review the housing finance sector, the level and distribution of land/housing subsidies and taxation, the land delivery process and market performance, the collection of housing sector information, and the socio-economic impacts of re-housing; and (d) technical assistance for SNEC and CIH.

Ln. 3662-MOR National Rural Finance Project: US\$100 million Loan of December 13, 1993; Effective Date: February 18, 1994; Closing Date: March 31, 1998; Implementing Agency: Caisse Nationale de Crédit Agricole. The Project would assist Morocco and CNCA, for 1994-1997, to consolidate and deepen the institutional reform process (initiated under loan 3088-MOR), and to develop the sustainable foundations of a financially sound rural finance system well-integrated into a gradually liberalized financial

institution building and cost recovery of water services; and (b) address the needs of the poorest population groups by improving water supply services in urban and rural areas, in particular through rehabilitation of existing facilities. The project provides for the following: (a) institutional, operational, and financial assistance to restructure the Régies, to strengthen ONEP, and to transfer operation and maintenance of rural water supply systems to local communities; (b) rehabilitation and expansion of urban and rural water supply systems of ONEP and six Régies; (c) operational and computer equipment for upgrading operational efficiency and management systems; (d) meteorological data gathering equipment; (e) poverty alleviation component comprising provision of equipment, technical assistance, and training for sanitary education campaigns, water quality control, and disinfection of water in rural areas, as well as credit lines for social house connections; and (f) consulting services and equipment to improve water resources management. The project would improve the Régies' and ONEP's operational efficiency and provide adequate water service to the inhabitants of the six cities where the participating Régies are operating and to 18 ONEP centers, where the global population is expected to reach 9.6 million people by the year 2000, or 60% of the total urban population. Furthermore, through the project, unaccounted for water would be reduced to 20-24%, sector institutions would be less dependent on already constrained public budget financing, and waterborne diseases and infant mortality would be significantly reduced. The project would benefit the poor, since most new house connections would be in low-income neighborhoods. It would also benefit women who, in 95% of cases, are the ones in charge of collecting water at standpipes, thus saving them from 1 to 3 hours/day. The rural population would benefit from the project through the country-wide rural water supply component, covering 3 million inhabitants through the rehabilitation of existing waterworks and the creation of new water supply systems, and providing guidance for the operation and cost recovery of all rural water supply facilities. The project became effective in September 1994. Project implementation is progressing satisfactorily. All contracts for T.A. and consulting services have been awarded; those for purchase of equipment to strengthen Regies operation efficiency are ongoing. Construction of water works would start by end 1995. House connections campaign is being pursued actively; Fes is expected to complete implementation of this component by end 1995. Three major issues need to be closely followed up: (1) shift from a priori control to a posteriori control; (2) approval of ONEP contract program; and (3) settlement of arrears as of December 31, 1994.

environmental impact assessments when appropriate, and monitoring impact results from investments.

Ln. 3901-MOR Secondary, Tertiary and Rural Roads Project:
US\$121 million Loan of June 8, 1995: Effective Date: Not yet effective; Closing Date: June 30, 2000. Implementing Agency: Ministry of Equipment. The project includes: (a) improving about 1,133 km of priority unpaved rural roads to all-weather gravel standard, constructing 96 km of paved rural roads, and finalizing the road classification; (b) improving about 2,219 km of paved branch roads (formerly classified in the secondary and tertiary networks) by carrying out maintenance backlog resealings, structural overlays and/or widening works; (c) improving network management (technical support, planning and programming, improvement phasing and training) and renewal of essential road maintenance equipment; and (d) streamlining the road safety organization and supporting priority actions. Project is still in start-up phase.

Ln. 3928-MOR Financial Markets Development Loan:
US\$225 million equivalent comprising: US dollars and FRF600 million; Effective Date: Closing Date: June 30, 1998. Implementing Agency: Ministry of Finance and External Investment. The Financial Markets Development Loan (FMDL) is the first of a US\$600-700 million equivalent multi-year private sector development (PSD) lending program currently under preparation and scheduled for FY96-98. The FMDL would support a program of reforms in the financial sector and finance the temporary cost to the Moroccan Treasury of implementing this program. Beyond a transitional period of three years, the budgetary impact will remain limited to about 0.17 percent of GDP per year and, therefore, consistent with macro-stabilization objectives. The specific policy measures concern: (a) the reform of Treasury financing including the removal of mandatory placement ratios for banks in Treasury bonds at below market rates; (b) indirect monetary control including the liberalization of lending rates; (c) the development of capital markets; and (d) the banking system, in particular the privatization of the remaining state-owned banks and the establishment of an interbank foreign exchange market together with related prudential measures. A policy matrix details the specific actions to be supported by the FMDL and shows how they complement those already implemented.

Ln. 3935-MOR Emergency Drought Recovery Project:
US\$100 million Loan of August 30, 1995: Effective Date: not yet effective; Closing Date: June 30, 1998. Implementing Agency: Interministerial Commission (comprising Ministries of Finance, Population, Agriculture, Public Works, Public

Notes

environmental impact assessments when appropriate, and monitoring impact results from investments.

Ln. 3891-3938 Secondary, Tertiary and Rural Roads Project:
US\$121 million Loan of June 8, 1995. Effective Date: Not yet effective; Closing Date: June 30, 2000. Implementing Agency: Ministry of Equipment. The project includes: (a) improving about 1,133 km of priority unpaved rural roads to all-weather gravel standard, constructing 96 km of paved rural roads, and finalizing the road classification; (b) improving about 2,219 km of paved branch roads (formerly classified in the secondary and tertiary networks) by carrying out maintenance backlog roadings, structural overlays and/or widening works; (c) improving network management (technical support, planning and programming, improvement phasing and training) and renewal of essential road maintenance equipment; and (d) streamlining the road safety organization and expanding priority actions. Project is still in start-up phase.

Ln. 3939-4000 Financial Markets Development Loan:
US\$225 million equivalent comprising US dollars and FRF600 million. Effective Date: Closing Date: June 30, 1998. Implementing Agency: Ministry of Finance and External Investment. The Financial Markets Development Loan (FMDL) is the first of a US\$600 million equivalent multi-year private sector development (PSD) lending program currently under preparation and scheduled for FY96-98. The FMDL would support a program of reforms in the financial sector and finance the temporary cost to the Moroccan Treasury of implementing this program. Beyond a transition period of three years, the budgetary impact will remain limited to about 0.17 percent of GDP per year and, therefore, consistent with macro-stabilization objectives. The specific policy measures concern: (a) the reform of Treasury financing including the removal of mandatory placement ratios for banks in Treasury bonds at below market rates; (b) a direct monetary control including the liberalization of lending rates; (c) the development of capital markets, and of the banking system, in particular the privatization of the remaining state-owned banks and the establishment of an open and free foreign exchange market together with related prudential reforms. A policy matrix details the specific actions to be supported by the FMDL, and shows the key implementation tasks already accomplished.

Ln. 4001-4008 Moroccan Export Credit Facility Project:
US\$100 million Loan of August 7, 1995. Effective Date: Not yet effective; Closing Date: June 30, 2000. Implementing Agency: Moroccan Export Credit Facility. The project is part of the Moroccan Export Credit Facility, which is being implemented by the Moroccan Export Credit Facility. The project is part of the Moroccan Export Credit Facility, which is being implemented by the Moroccan Export Credit Facility.