

AFRICAN DEVELOPMENT BANK



**KINGDOM MOROCCO
COMPLETION REPORT
CONSOLIDATION OF THE STRUCTURAL ADJUSTMENT
PROGRAMME**

1993-1994

Country Department
North Region

September, 1997

RECEIVED



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This report was written by two macro-economists, Consultants, following their mission to Morocco from 21 May to 2 June 1997 under the supervision of Mr. J. KARANG-WA, Senior Economist, OCDN. Additional questions should be addressed to Messrs. Bisi OGUNJOBI, acting Director, OCDN (extension 4040) or A.E.N'Diaye, acting Division 'Chief, (extension 4677).

ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
BAJ1	Barnamaj al aoulaouiyat al ljtimaiya (Social Priorities Project)
IBRD	International Bank for Reconstruction and Development (World Bank)
DUM	Déclaration unique de marchandises
ECU	European currency unit
USA	United States of America
ADF	African Development Fund
TAF	Technical Assistance Fund
GFCF	Gross Fixed Capital Formation
IMF	International Monetary Fund
GATT	General Agreement on Tariff and Trade
EFF	Extended Fund Facility
OMC	Organisation mondiale du commerce (World Trade Organization)
SAP	Structural Adjustment Programme
FSAPI	Financial Sector Programme I
GDP	Gross Domestic Product
PIC	Programme d'investissement cible (Target Investment Programme)
GNP	Gross National Product
UNDP	United Nations Development Programme
SPR	Social Priority Projects
PSP-PSP	Private Sector Participation in Providing Public Services
PCR	Programme Completion Report
SDS	Social Development Strategy
SEGMA	Services gérés de manière autonome
BUA	Bank Unit of Account
FUA	Fund Unit of Account

BASIC PROGRAMME DATA

1. Number of loan	:	B/MAR/CON-PAS/93/47B
2. Borrower	:	Government of the Kingdom of Morocco
3. Recipient	:	Government of the Kingdom of Morocco
4. Executing Agency	:	Ministry of Finance, Treasury and External Finance Department

A. LOANPROJECTIONACTUAL

1. Amount	UA 100 million	UA 100 million
2. Interest Rate	Variable	
3. Charge	1 %	1 %
4. Repayment	15 years	15 years
5. Amortization	5 years	5 years
6. Date of negotiation		11-13 August 1993
7. Date approved		31 August 1993
8. Date signed	-	23 September 1993
9. Date of effectiveness		24 November 1993

B. PROGRAMME DATA

1. Total Cost	NA	NA
2. Source of finance		
- ADB	UA 100 million	UA 100 million
- IBRD	\$ US 275 million	\$ US 275 million
- European Union	ECU 80 million	ECU 80 million
3. Effective Date of 1 st disbursement	-	08 December 1993
4. Effective Date of Last disbursement	-	28 December 1994

C. PERFORMANCE INDICATORS

1. Balance (%)	0
2. Time Overruns	
- Time lag in becoming effective	None
- Time overruns in relation to completion date	None

- Time Overrun in relation to the last disbursement	:	None
- Sanction (duration)		None for the programme period
3. Status of Programme Implementation		Completed
4. Completion Indicators		NA
5. Institutional Performance		Satisfactory
6. Bank Performance		Satisfactory
7. Borrower's Performance		S a t i s f a c t o r y :
8. Assessment of the Overall Performance		Satisfactory

<u>D. MISSIONS</u>	<u>NBER/PERSONS</u>	<u>COMPOSITION</u>	<u>STAFF/MONTHS</u>
1. Preparation	2	1 Principal Economist 1 Consultant	1.3
1. Appraisal	2	1 Principal Economist 1 Consultant	1
2. Monitoring	4	1 Division Chief + 3 Economists	1.5
3. PCR	2	2 Consultants	0.87

<u>E. DISBURSEMENT</u>	<u>PROJECTION</u>	<u>ACTUAL</u>
1. Total Disbursed	UA 100 million	UA 100 million
2. Annual Disbursement		
1993	UA 40 million	UA 40 million
1994	UA 60 million	UA 60 million

F. OTHER PROJECTS FINANCED WITHIN THE CONTEXT OF THE
STRUCTURAL ADJUSTMENT PROGRAMME

- SAP I	:	1989-1990
- FSAPI 1	:	1993-1994
- FSAP12	:	1995-1996

CURRENCY EQUIVALENTS

Currency Unit: Dirham

At Appraisal (May 1993)	At Completion (31 December 1994)	At the PCR Preparation Mission (June 1997)
1 UA = \$ US 1.39773	1 UA = \$ US 1.45985	1 UA = \$ US 1.39179
1 UA = MAD 12.7129	1 UA = MAD 13.1210	1 UA = MAD 13.0245
1 \$ US = MAD 9.09539	1 \$ US = MAD 8.98791	1 \$ US = MAD 9.35809

Fiscal Year

1 st January - 31 December

(Since 1996, the fiscal year goes from 1st July to 30 June of the following year)

WEIGHTS AND MEASURES

Metric System

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SUMMARY OF THE COMPLETION REPORT

1. At the beginning of the 1980s, the Moroccan economy, after having been able to profit from rising prices on the phosphate market following the oil crisis of 1973, began to show signs of slowing down as a result of the destabilizing effects of the second oil crisis and the world-wide recession that followed. Therefore, the budget deficit reached about 13 % of GDP in 1981 and 1982 and 12 % of the current account. External debt went from US\$ 1.8 billion in 1975 to US\$ 13.4 billion in 1983, 96% of GDP, while the debt service ratio attained 40 % .
2. In view of the persistence of macro-economic and -financial imbalances, Moroccan authorities first adopted a series of measures to stabilize the economy; then the Government put emphasis on correcting structural flaws in the economy at the sectoral and global level. Despite the significant sectoral results achieved in 1988, Moroccan authorities considered that the structural flaws should be corrected within the context of traditional structural adjustment programmes, the first of which was implemented during the 1988-1990 period. In order to consolidate achievements from the implementation of this programme, and above all, to rectify some of the persisting shortcomings, especially the pockets of poverty afflicting a significant portion of the population, the Moroccan Government introduced, in 1992, the "Consolidation of the Structural Adjustment Programme" which was co-financed by the Bank.
3. This programme had the following basic objectives: (i) introduce a minimum of competition in sectors of the economy and set up an incentive system that was as neutral as possible so as to eliminate administrative impediments to trade, encourage exports and rapidly obtain convertibility of the MAD; (ii) attain sustainable reduction of the budget deficit by assuring better resource allocation, in order to encourage investment in productive sectors; and (iii) help to enhance social justice by (preparing a social development strategy for low-income households and redirect credits to social and agricultural sectors in order to further reduce social inequalities.
4. The programme comprised a total of twenty-seven (27) measures in three components, that is to say: (i) foreign trade (13 measures); (ii) public finances (3 measures); and (iii) the social sector (11 measures). All of these measures were implemented within the prescribed time, (except production of the final reports of certain studies which, in fact, was not one of the conditions), as most are conditions precedent of the loan agreement, which facilitate implementation of the programme within the time limits and under good conditions.
5. The Moroccan Government collaborated closely in preparing, identifying, and implementing the programme. The Government had no difficulty in fulfilling conditions for release of the different tranches. The programme's components were satisfactorily implemented within the prescribed time, owing, in particular, to the dynamic executing agency, the Treasury and External Finances Department which was efficient in

implementing the programme and, able to coordinate the activities of the various Ministries concerned by the reform. Nevertheless, the Government was not able to prepare progress reports, nor have an audit carried out of the programme's accounts. The Bank and the other co-financiers participated actively in implementing and supervising the programme and their commitments in financing the programme were fully satisfied.

6. Performances during the period of the programme seem mixed according to development of the programme's key indicators. The objectives of the programme were not attained by most of the indicators, especially the real GDP growth rate (except in 1994 with a rate of 11.6% in comparison to 4% after a 65% increase in agricultural production), the export of manufactured products which declined substantially, the gross investment rate, the outstanding ratio of foreign debt on foreign exchange earnings whose 2.4 value targeted by the programme was attained only in 1995. However, the flow of direct investments and the net external assets of the Bank Al-Magrib developed better than expected, especially in 1994, when they were \$815.2 million against projections of \$600 million and \$ 4500 million compared to projections of \$ 3800 million.
7. Implementation of the consolidation of the structural adjustment programme permitted the Moroccan Government to make substantial progress towards liberalization of the economy, to pay greater attention to the problems of poverty and to prepare a social development strategy whose initial implementation phase began in 1996 within the framework of the social priorities programme (BAJI). Nevertheless, the progress made in the field of stabilization remain fragile as development of the programme's key indicators show and are still inadequate in the social sector.
8. The lessons to be learned from this experience concern:
 - 8.1 Consolidation of the structural adjustment programme can be considered successful in the implementation phase. Moreover, the Government fulfilled the conditions for loan effectiveness and release of its different tranches within the prescribed time; the Bank was able to completely and promptly make disbursements.
 - 8.2 The programme's performances, through development of the key indicators selected, was able to show the mixed results, although Morocco satisfied all the required conditions, which indicates some difference between the objectives sought and the means used. However, attainment of the programme's objectives implied the absence of unfavorable exogenous factors, such as, for example, the drought during the programme's implementation period, which did not occur. This situation should attract attention to the basic role that an exogenous factor such as the drought can play with regard to the reform programme's performances.

- 8.3 The programme's performances also made us question the soundness of interrupting the structural adjustment process in Morocco. Consolidation of the SAP was not sufficient to rectify all the country's macro-economic imbalances, especially those regarding public finances.
- 8.4 Lastly, although Morocco made real progress in liberalizing the economy and reforming incentives, the social situation remains disturbing. Surely the Government prepared a social strategy but the progress made in this area remains quite insufficient. Improvement of the social situation can be achieved only within the framework of an integrated social strategy that requires efficient resource allocation. Moreover, implementation of the programme clearly shows that the budgetary allocations are not necessarily beneficial to the most under-privileged classes of society.
9. Based on the preceding, the following recommendations were made:
- a) For the Bank Group
- 9.1 The Bank should participate, at the same time as the other co-financiers, in financing reform programmes, during identification, preparation and implementation in order to better coordinate operations.
- 9.2 The Bank should be more rigid in having the Borrower fulfill general loan agreement provisions regarding regular production of project progress reports and special accounts' audit reports within the prescribed time.
- 9.3 The Bank should continue to help Morocco implement its social strategy initiated in 1996, particularly within the context of the social priorities programme (BAJI). It should also assist Morocco in consolidating liberalization of foreign trade, especially as regards information and training capacities for the administration and economic operators, in order to be able to cope with competition and dumping.
- b) For the Government
- 9.4 The Government should pursue efforts to stabilize the economy because its recent developments shows that the benefits of the reforms are still fragile. Furthermore, development of the GDP continues to be closely related to climatic hazardous, which necessitates thorough structural reforms to rectify this dependency.
- 9.5 An overall review of public expenditures in social sectors is needed in order to ensure that the credits allocated to the social sectors effectively are used to attain the objectives fixed by the Government

- 9.6 The Government should pursue and enhance efforts in the social sector. , A social development strategy was prepared., but its implementation is still insufficient,. Indeed, the BAJI programme, which is the first activity resulting from implementation of the social strategy, concerns the thirteen most under-privileged provinces. Efforts should be made to extend the programme to the entire country and to all under-privileged social classes.
- 9.7 The Government should strive to establish programme progress reports and have audit reports prepared at the end of these programmes.

LOGICAL FRAMEWORK FOR CONSOLIDATION OF THE SAP

Country: Kingdom of Morocco
 Project Title: Consolidation of the SAP
 Date of Summary: June 1997
 Design Team: Consultants

<u>HIERARCHY OF OBJECTIVES</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS: OBJECTIVES/PERFORMANCES</u>		<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS/RISKS</u>
<u>IOVERALL OBJECTIVE</u>	<u>OBJECTIVES</u>	<u>PERFORMANCES</u>		
Attain the conditions for sustainable economic growth while contributing to greater social justice	1.1 Attain a real GDP growth rate of 4% in 1993 and in 1994 i.2 Prepare a social development strategy	Real GDP growth rate of – 1.1% in 1993 and 11.6% in 1994 1.2 Social development strategy paper	1.1 Statistical directory 1.2 Report from the Ministry of Foreign Affairs	1.1 Absence of drought 1.2 Government's determination
<u>II PROJECT OBJECTIVES</u>	<u>OBJECTIVES</u>	<u>PERFORMANCES</u>		
2.1. Promote competition in various sectors of the economy 2.2 Ensure better allocation of public expenditures 2.3 Promote social justice	2.1 Strengthen competition 2.2 increase budgetary appropriations in 1994 for items "materials and miscellaneous expenditures" and "investment credits" for the Ministry of Health and Fundamental Education 2.3 Prepare plans of action for implementation of the social-strategy	2.1 Law N ^o 13-89 2.2 Partially achieved 2.3 Plans of Action for implementation of the social strategy prepared	2.1 Official Journal 2.2 Finance Act 2.3 Reports from the Ministries of Population and Social Affairs	II Government's determination to pursue reform programmes

<u>III RESULTS</u>	<u>OBJECTIVES</u>	<u>PERFORMANCES</u>		
3.1.1 Completion of the economic liberalisation process	3.1.1 Reduction of customs tariffs and implementation of an anti-dumping mechanism	3.1.1 Decree N° 2-93-415 of 2 July 1993 and the Circular from Customs and Excise Taxes Authorities	3.1.1 Official Journal	Internalisation of reforms Reaction of economic operators Administration's determination
3.1.2 Facilitate foreign trade	3.1.2 Carry out a logistics study	3.1.2 Logistics Study Report	3.1.2 Report from the Ministry of Foreign Trade	
3.2.1 Rationalisation of public expenditures	3.2.1 Increase by 15% per year in real terms expenditures for "materials and miscellaneous expenditures" and investment credits for the Ministry of Health; increase these two items respectively by 15 and 10% for "Fundamental Education"	3.2.1 Expenditures under the item "materials and miscellaneous expenditures" declined in real terms in 1994 by 2.7% whereas investment credits increased by 25% for fundamental education; they declined by 5.7% and 0.7% respectively.	3.2.1 Settlement Law	
3.2.2 Rationalisation of investment incentives	3.2.2 Prepare a single investment code	3.2.2 Framework Law N° 18-95 establishing the investment charter	3.2.2 Charter for Investment in Morocco	
3.3 Poverty reduction	3.3 Implementation of the social strategy	3.3 Social Priorities Project (PPS)	3.3 PPS Project implementation and monitoring reports	
<u>IV KEY ACTIVITIES</u>	<u>ANTICIPATED RESOURCES</u>	<u>MOBILIZED RESOURCES</u>		
4.1 Utilisation of ADB financing and the programme's other co-financiers	ADB: UA' 100 million IBRD: US\$ 275 million EU: ECU 100 million	ADB: UA 100 million IBRD: U-S'S 275 million EU: ECU 100 million	Loan agreement Policy letter Progress Report	Compliance with conditions
4.2 Matrix of measures				

I. INTRODUCTION

1.1 Between 1970, the year Bank operations started in Morocco, and 30 June 1993, after appraisal of the programme under review, the Bank Group financed 47 projects and studies whose approved net cumulative amounts are distributed as follows: UA 1,600.65 million for ADB; FUA 50.92 million (Fund units of account) for ADF; and UA 5.255 million for TAF including FUA 4.40 million in the form of grants. The scope of these operations is rather large and covers agriculture, industry, public utilities, transport, the social sector, and support to structural reforms.

1.2 The economic context of these operations of which more than 75% was implemented starting in 1980 is characterized by the persistence, in Morocco, of macro-economic and financial imbalances whose magnitude made economic rehabilitation impossible. Moreover, after having benefited from the increase of phosphate prices (of which Morocco is one of the major producers in the world) after the petrol crisis of 1973, the Moroccan economy began to show signs of losing ground at the beginning of the 1980s, under the destabilizing effects of the second oil crisis and the world-wide recession that followed. The budget deficit attained about 13 % of GDP in 1981 and 1982 and the current account deficit reached 12%. Morocco's external debt went from \$ 1.8 billion in 1975 to \$ 13.4 billion in 1983, that is to say around 96% of GDP, while the debt service ratio reached 40%.

1.3 To rectify this situation, the Government initially adopted a series of measures to stabilize the economy; subsequently, it put emphasis on correction of the economy's structural flaws at the sectoral level and then globally. Therefore, several adjustment programmes were implemented in the agricultural, industrial, education and public enterprises sectors. It was only after 1989 that a two-phased structural adjustment programme supplemented by a thorough financial sector reform was set up. The first structural adjustment programme (SAP), for the sum of BUA 100 million, approved by the Bank to Morocco, aimed at supporting implementation of economic reforms in 1989 and 1990. This loan aimed at correcting macro-economic imbalances and enhancing the Moroccan economy's productive potential with the help of reforms focussed on market mechanisms.

1.4 This completion report concerns the second phase of the structural adjustment programme entitled "Consolidation of the Structural Adjustment Programme". This programme, which covered the 1992-1994 period, was also supported by a loan of BUA 100 million appropriated by the Bank in Morocco in 1993, or one year after starting up. This delay stems from the Bank's obligation to stay within the limits of its non-project lending ceiling in 1992. For this reason, although the programme was prepared and appraised in 1991, the Bank loan was granted in 1993. Furthermore, the initial programme was divided into the consolidation of the SAP and the financial sector structural adjustment programme (FSAP I). This report was drafted on the basis of information available at the Bank and data collected during missions to Morocco from 20 May to 2 June 1997, and takes into consideration the conditions under which the consolidation of the structural adjustment programme, supported by the Bank, was developed and implemented. It also points out the difficulties encountered in implementing the programme as well as the results and failures of the various actions carried out within the context of the programme. On the basis of these evaluations, lessons were learned that will allow recommendations to be made for improvement of future Bank Group operations in Morocco.

2. OBJECTIVES OF THE PROGRAMME

2.1 General Objectives

Consolidation of the structural adjustment programme was intended, as its name indicates, to consolidate the progress achieved in previous years and to attain the following fundamental objectives: (i) introduce a minimum amount of competition in sectors of the economy and set up an incentive system that is as neutral as possible, so as to abolish administrative impediments to trade, further promote export and rapidly obtain convertibility of the dirham; (ii) attain a sustainable reduction of the budget deficit while ensuring better resource allocation, in order to foster investment in productive sectors; and (iii) help enhance social justice through preparation of a social development strategy for low-income households and redirect credits to social and agricultural sectors in order to further alleviate social inequalities.

2.2 Macro-Economic Context

2.2.1 Implementation of the programme's reforms was intended to permit the Kingdom of Morocco to complete its structural adjustment process and to be able to mobilize resources on the international capital market with soft terms, while reducing social inequalities.

The five indicators below were to be used to evaluate the programme's macro-economic results:

Table N° 2.1: Criteria of the programme's macro-economic performances

Indicators	1992	1993	1994
- GFCF/GDP (in %)	23.4	23.5	23.8
- Outstanding external public debt/foreign exchange revenues	2.40	2.48	2.40
- Real growth rate of export of manufactured products (%)	6.0	7.0	9.0
- Net external assets of the "Bank Al-Maghrib" (in million US\$)	3 500	3 700	3 800
- Direct Foreign Investments (in million US\$)	5 000	5 500	600

2.2.2 On this basis, and in the absence of negative exogenous factors, such as drought, implementation of the programme should have contributed to accelerating real growth of the GDP at the rate of 4% in 1993 and 1994 (against -3 in 1992.).

2.3 Planned' Actions

2.311 The actions anticipated within the framework of the programme. concerned the application of specific measures regarding public finances, foreign trade and the social sector.

a) Public Finances

2.3.2. Reforms for this component of the programme were aimed at taking into account the Government's priorities in the social sector, considering how the private sector could provide certain social services and rationalizing investment incentives. Consequently, the- anticipated measures were to:

- i) maintain the redirection of investment credits, to the six Ministries of the Target Investment Programme, i.e the Ministries of Agriculture and. Agrarian Reform, Transport, Public Works, Vocational Training and the Training of Managers, National Education, Public Health and Housing so that their average growth would be 5% in real terms;
- ii) carry out a study in order to analyze sectors where the State's activity may be reinforced or relayed, partially or totally, by the private sector; and
- iii) prepare and submit to the Council of State a draft of a single investment code in order to reform investment. incentives.

b) Foreign Trade

2.3.3 This component of the programme comprises two elements: one element to protect the economy and one to facilitate foreign trade. Concerning the first element, the Government intended to complete liberalization of foreign trade. The anticipated measures. included:

- i) further reduce protection of the economy and widespread of rates by:
 - reducing the maximum ad valorem rate. to 35 %; and
 - reducing the number of tariff quotas to 9.
- i i) enhance transparency and rationalization, of the system of protection by:
 - reducing quantitative restrictions, which should be abolished. by 1.993; except for a limited list of products, in accordance with the law on foreign trade.
 - applying to the five basic agricultural commodities: (1) import levies (cereals, sugar, oleaginous products) or (2) equivalent tariffs (meat and milk) and this, according to an agreed methodology which should take into account the trend of world. prices for these products.

2.3.4 Furthermore, industrial reference prices should concern only the equivalent of 10% of total industrial production, as their coverage is limited to some very sensitive sectors:

2.3.5 As regards the component to facilitate foreign trade, the anticipated actions were to facilitate foreign trade transactions and reduce costs by standardizing and simplifying administrative procedures, as well as reducing time limits. In this context, the Minister of Foreign Trade should supervise a study on foreign trade logistics and efficiency.

b) Social Component

2.3.6 Although poverty was reduced considerably between 1984-85 and 1990-91, absolute poverty afflicted more than 13 % of the population and social inequalities remained as... severe. For that reason, the programme aimed at promoting greater social justice and included :

- i) preparing a social strategy for low-income households focussed on developing and reinforcing social solidarity as well as job promotion;
- ii) preparing and utilizing a system to monitor a series of social indicators in order to gradually adapt policies to the needs of the under-privileged classes;
- iii) redirecting public expenditures on behalf of the social sectors; and
- (iv) increasing the number of hospitals autonomously managed (SEGMA Hospitals), in order to permit them to raise funds enabling them to partially auto-finance their operating expenses.

3. PROGRAMME FORMULATION

3.1 Origin of the Programme

3.1.1 In response to the financial crisis that occurred at the end of the 1970s subsequent to the severe decline in phosphate prices on the international market, in 1983 Moroccan authorities started a far-reaching economic reform programme with the support of their international partners. This programme is characterized by the effort to re-establish equilibrium to public finances and external accounts as well as by setting up several reform packages in the agricultural, industrial, trade, education and public enterprises sectors.

3.1.2 Despite the significant sectoral results attained in 1988, the authorities considered that the structural failures should be dealt with on the global level, by introducing a traditional structural adjustment programme. In 1989, the Bank responded favorably to the Moroccan Government's request for a loan of BUA 100 million to support the structural adjustment programme. Despite the implementation of this programme, several flaws persisted, in particular, pockets of poverty afflicting a considerable portion of the population, a high budget deficit level and the need to further liberalize foreign trade. In 1991, the Government prepared a consolidation of the structural adjustment programme, which it submitted to donors in order to obtain their financial backing. Therefore, it requested that the Bank co-

finance this second phase of the structural adjustment programme, entitled "Consolidation of the Structural Adjustment Programme" with the World Bank.

3.2. Preparation, Appraisal, Negotiation and Approval

3.2.1 The new programme comprised, in addition to the components on public finances, liberalization of foreign trade, the social dimension of adjustment and a component for financial sector reforms which was treated in a separate operation by the Bank (FSAP I). An initial mission went to Morocco in July 1991 to appraise the SAP 2, jointly with the World Bank. The Bank also participated, as an observer, in negotiations that took place in March 1992 in Washington, between the Moroccan Government and the World Bank in order to define the contents and conditions of the said programme.

3.2.2 However, during 1992, the Bank had to respect the ceiling for non-project lending which did not allow for financing, in totality, the five anticipated operations (Morocco, Tunisia, Cameroon, Congo, and Gabon). Considering the substantial amounts required to finance the SAP in Morocco, Bank management decided to postpone this operation until a later date.

3.2.3 After an exchange of correspondence, the Moroccan Government, in April 1993, submitted a new request for a loan which would be entirely disbursed in 1993. Bank management complied with this request and a re-appraisal mission went to Morocco in May 1993, with instruction, among other things, to prepare a loan of BUA 100 million, in two tranches and to be implemented over an 18 month period.

3.2.4 After this re-appraisal mission, questions on the number of tranches for the loan and measures contained in the matrix of policy reforms remained in abeyance and were sent to be renegotiated. The negotiations took place in Abidjan, on 11, 12 and 13 August 1993 between the Bank and representatives of the Moroccan Government. They permitted the two delegations to finalize the policy letter and the matrix of actions, define the programme's key indicators and examine the terms of loan disbursement and the loan agreement. The salient points that can be retained at the outcome of these negotiations are, on the one hand, that the loan for UA 100 million should be disbursed in three tranches of UA 40 million, (before 31/12/1993), UA 30 million (before 31/03/1994) and UA 30 million (before 30/06/1994) respectively, and on the other hand, that the anticipated matrix of actions for the programme was considerably modified according to the explanations given by the two parties on the timeliness and implementation schedule of certain activities. Lastly, the two parties agreed however to set a closing date for the loan at 31/12/1994.

3.2.5 The ADB Board of Directors approved consolidation of the Structural Adjustment Programme at sessions on 30 August and 1 September 1993 and the loan agreement was signed 23 September 1993 with the reference B/MAR/CON-PAS/93/47B.

4. PROGRAMME IMPLEMENTATION

4.1 Loan Effectiveness

4.1.1 The loan for UA 100 million granted to the Kingdom of Morocco was to be disbursed in three tranches, the first amounting to BUA 40 million. In addition to the general conditions applicable to all loan agreements, concluded with ADB, there were five specific conditions precedent to the loan agreement's effectiveness:

- (i) submission for approval of a draft bill establishing a single investment code;
- (ii) determination of profiles of the targeted population for a social strategy based on the Living Standards Measurement Survey and on other data;
- (iii) enforcement of the foreign trade law abolishing all quantitative restrictions on imports (excluding a limited number of goods in accordance with the provisions of Article 1 of the foreign trade law, basic agricultural products and their major by-products);
- (iv) reduction of ad valorem customs duty to 35 %; and
- (v) elimination of all industrial reference prices, except on products accounting for 10 % of industrial production's value.

4.1.2 During loan negotiations on 11, 12, 13 August 1993, evidence was shown of their having met the five aforesaid conditions. Thus, as regards condition n° 1, the Bank received a draft law on private investment incentives whose contents aim explicitly at joining several investment codes under a system of common provisions. As regards condition n° 2, the Bank received a paper prepared by the Moroccan Government in collaboration with the World Bank. The paper defined the methodology used to determine targeted population's profiles, and provided statistics obtained from the survey carried out in 1990/91 on households' standard of living. Lastly, evidence that conditions n° 3, 4, and 5 were fulfilled, is shown in decree n° 2-93-415 of 2 July 1993 for condition n° 3, circular n° 4267/212 of 10 June 1993 from customs and excise tax administration for condition n° 4 and circular n° 42711322 of 2 July 1993 from the same Administration for condition n° 5.

4.1.3 As all the conditions precedent were fulfilled, loan n° B/MAR/CON-PAS/93/47B became effective on 24 November, 1993, i.e. two months after the date of the loan agreement's signature. The first tranche was disbursed 8 December 1993.

4.2 Matrix of Actions and Programme Implementation

Background

4.2.1 The programme had twenty-seven (27) envisaged measures (see matrix of measures in annex 1) and comprised three components: foreign trade, public finances and the social sector. All of these measures were effectively put into application within the prescribed time

(except production of final reports for some studies which, in fact, were not conditions); most of these measures were conditions precedent listed in sections 4.01, 4.02 and 4.03 of the Loan Agreement, which facilitated implementation of the programme on time and under good conditions.

Implementation of Measures

A. Foreign Trade (13 measures)

4.2.2 The programme's foreign trade component comprised two elements: one reducing protection of the economy (8 measures) and one facilitating foreign trade (5 measures).

Reduction of protection of the economy (8 measures)

4.2.3 Concerning this component, the legal framework had already been fundamentally reformed by law n°13-89 of 9 November 1992 on foreign trade which establishes the legislative and legal framework required to complete the economic liberalization process. Also, the objective of this component of the programme was to ensure the Moroccan economy a moderate, homogenous, transparent and uniform level of protection. In order to do this, the enforcement order for law n° 13-89 (decree n° 2-93-415 of 2 July 1993) effectively set up an anti-dumping mechanism and abolished all quantitative restrictions on imports, excluding those concerning basic agricultural products (the latter were finally abolished by order n° 1308-94 of 19 April 1994 from the Ministry of Foreign Trade, External Investments and Cottage Industry) and a limited number of products, in accordance with the provisions of article n° 1 of the law.

4.2.4 Furthermore, circulars n° 4277/212 of 10 June 1993 and n° 4271/322 of 2 July 1993 from the Customs and Excise Tax Administration reduced maximum ad valorem customs duty to 35 % (except for certain agricultural products for which the 45% rate was kept, in particular because of the drought of 1993, then reduced to 43.5 % on 1 July 1996) and abolished all reference prices, except for products accounting for 10% of industrial production value which should be eliminated in 1998. Furthermore, the adoption of decrees setting reference prices and tariff equivalents for basic agricultural products and their major by-products was postponed with a view to introducing a system of protection solely through tariff equivalents, as planned by the GATT, instead of the reference price system. Tariff equivalents were adopted in May 1996 (decree n° 2-96-302 of 4 May 1996), in compliance with Morocco's commitments. Lastly, a preliminary evaluation of the anti-dumping mechanism was carried out and showed that only two complaints had been registered.

Facilitation of Foreign Trade (5 measures)

4.2.5 This concerned, first of all, simplifying and standardizing foreign trade procedures, then reducing freight transit time in ports and lastly improving efficiency in the transport sector. In this context, a survey of the logistics and efficiency of foreign trade including three components (administrative channels, banking system and transport) was carried out and submitted to the Bank during the mid-term review for the third tranche, rather than prior

to release of the second tranche, as was planned, and a plan of action was prepared on the basis of these conclusions. Furthermore, the 'systematic checking of containers' was abandoned for a more selective method of control that proved to be satisfactory. Moreover, the Government authorized, on 4 June 1993, implementation of Article VII of the GATT regarding the system of determining the customs value, however with a five year grace period for effective application of all the related provisions. Lastly, as regards finalizing documents other than the single customs declaration (SCD), the Ministry of Foreign Trade, following negotiations with the operators, adopted decree n° 1518-94 of 28 April 1994, setting the terms of subscription for important securities and the export of goods as well as specimen of the relevant forms.

Public Finances (3 measures)

4.2.6 The Public Finances component was intended to reduce budgetary charges for some public services that could be provided, partially or completely, by the private sector, and to rationalize investment incentives. Therefore, an analytical study of the areas where the private sector could provide public services was finalized in November 1993 and submitted to the Bank. It identified municipal services' sectors including, among others, water, electricity, education, health, accommodation, as possibilities for State withdrawal. As for investment incentive reforms, a draft text on the single code was submitted to the Bank during loan negotiations. The House of Representatives adopted this draft, which was considered by the Government in June 1993, on 8 November 1995, 'under the heading "law n° 18-95 establishing the Investment Charter"'. ..

The Social Component (11 measures)

4.2.7 This component of the programme comprised four items:

- (i) develop a global strategy to help low-income households to better profit from the development process;
- (ii) increase profit-making opportunities for low-income households;
- (iii) enhance the availability and quality of social services to low-income households; and
- (iv) protect low-income households against economic crises.

4.2.8 The "development of a global social strategy" component included six measures which are the following:

- (i) determining the social strategy's target population profile;
- (ii) prepare and utilize a priority indicators system;
- (iii) prepare the social strategy;

- (iv) prepare plans of action for application of the social strategy;
- (v) allocate, for 1994, at an acceptable level, budget items relating to material and miscellaneous expenditures as well as to the investment expenditures of the Ministry of Public Health; and
- (vi) allocate, for 1994, at an acceptable level, budget items relating to material and miscellaneous expenditures to the Ministry of Education.

4.2.9 All these measures were applied, except those related to budget allocations. Moreover, from the table below it is shown that in comparison to 1993, operating expenditures ("material and miscellaneous expenditures") for the Ministries of Education and Health and those for investment by the Ministry of Education declined in real terms. However, investment expenditures for the Ministry of Health increased 25.3 % in real terms in 1994.

Table N° 4.1 Development of Budgetary Appropriations (in constant 1993 MAD)

Items	1993	1994	Variations in real terms (%)
Ministry of Public Health			
-Material and miscellaneous expenditures	760 666 028	739 813 550	-2.7
-Investment	961 079 271	1 204 422 813	25.3
Ministry of Education			
-Material et miscellaneous expenditures	735 010 621	693 204 236	-5.7
-Investment	2 208 916 807	2 193 833 207	-0.7

Source: Budget Department - Ministry of Finance

4.2.10 The component "increased profit making opportunities for low-income households", had only one measure concerning the carrying out of a study on the impact of agricultural policies on low-income households a provisional version of which was submitted to the Bank during the mid-term review for disbursement of the second tranche of the loan. Considering the lack of adequate statistical data and the complexity of the problem to be analyzed, certain-anticipated results, particularly the impact of the agricultural sector structural adjustment policies and this sector's public expenditures regarding the standard of living of low-income households, could not be obtained. However, this study allowed it to be concluded that the only future alternative for agricultural policies is effective liberalization of Moroccan agriculture. Moreover, it needs measures to promote enhanced competition, especially in production and distribution of inputs and in the processing and commercialization of agricultural products.

4.2.11 The component "improvement of, the, availability and quality of social services for low-income households", comprised two measures, one concerning the realization of a study, and, the other, evaluation of the operation and tariffs at hospitals administered autonomously (SEGMA) and the possibility of extending the system. The study was on (i) the impact of social public expenditures for low-income households; and (ii) the possibility of recovering social services costs. This study, a copy of which was submitted to the Bank during the mid-term review for disbursement of the second tranche of the loan, pointed out the problem of equity in allocating public expenditures, in particular as regards health, education and accommodation. As regards evaluation of the administration of SEGMA hospitals, it was revealed that this experience was positive; which permitted the number of these hospitals to be increased from 9 at the beginning of the programme's implementation, to 34 in 1995 and to 37 at present. Furthermore, efforts are currently 'underway to extend the system to all provincial hospitals.

4.2.12 Lastly, the component "protection of low-income households against economic crises" also included two measures consisting of carrying out a study on the sources of vulnerability and safety nets for under-privileged classes and drafting plans of action for implementation of the study's recommendations. The study was carried out within the prescribed time and made it possible to identify the major sources of vulnerability (drought, floods, diseases, unemployment, abrupt price variations, etc.), as well as the mechanisms and means usually and 'spontaneously employed by the under-privileged classes to 'protect themselves against severe deterioration of their standards of living (the sale of livestock, use of savings, borrowings, family transfers, partial estate sales, etc.). 'On the basis of the study's recommendations, plans of action were prepared and focus mainly on education, literacy and national promotion. The study's recommendations were taken into consideration in the preparation of the social priorities programme, referred to by the acronym BAJ1.

4.3 Reports on the Programme

4.3.1 During implementation of the programme, the Government did not prepare the quarterly progress reports. The special account was not audited at the end of the programme. On the other hand, the Programme's completion report was prepared, a copy of which was transmitted to the Bank. This report takes into consideration the fulfillment of conditions for the release of the various tranches of the loan within the prescribed time, as well as the implementation of various programme components, but it does not analyze the country's economic performance during the period of the programme.

4.3.2 The Bank had the mid-term review reports prepared on time and the Disbursement Department carried out financial supervision missions. The Programme's other co-financiers, i.e. the World Bank and the European Union, also prepared completion reports.. The World Bank Report, copy of which was transmitted to the Bank, considered that the programme was correctly implemented, but noted that its results were mixed, while the Europe & Union's report. was drafted by the European Union's "Cour des Comptes" for the European Parliament; however, a copy was not transmitted to the Bank.

4.4 Procurement of Goods and Services

4.4.1 The ADB loan was intended to finance CFA costs for the import of goods and services, excluding those financed by other sources of finance, or under other programmes/projects and those on the negative list. Procedures for procurement provided that all supplies of goods and services for the public sector, equal to or more than BUA 4 million would be procured through international competitive bidding, in accordance with Bank rules, and those less than BUA 4 million through international shopping. On the other hand, supplies to be procured by private entities should be through the usual procedures utilized by the buyers concerned.

4.4.2 The Disbursement Department was responsible for the Programme's financial supervision and concluded that all the documentary evidence (bills, forwarding documents, proof of payment) were well preserved and in accordance with the summary statements that were joined to the claims.

4.5 Sources of Finance and Disbursement by Tranches

4.5.1 The programme's sources of finance were the World Bank for US \$ 275 million, the European Union for ECU 80 million and ADB for UA 100 million, that is to say about UA 306.5 million in all. The commitments of all these co-financiers were fully met.

4.5.2 The ADB loan for UA 100 million was to be disbursed in three tranches of UA 40 million for the first tranche and UA 30 million for the other two tranches. After fulfilling the conditions precedent to effectiveness and disbursement of the first tranche were fulfilled and the loan was declared effective on 24/11/1993, the first tranche for BUA 40 million was disbursed on 8 December 1993, that is to say two weeks after effectiveness, which is considerable.

4.5.3 Within the framework of the evaluation of progress realized by Moroccan authorities in the programme's implementation, the Bank's mid-term review mission effected from 7 to 20 July 1994 noted that the measures planned for the programme had, on the whole, been implemented within the prescribed time, and recommended release of the second tranche which took place 2/9/1994 for a total of UA 30 327 117 (the difference in comparison to UA 30 million is due to the fluctuation of exchange rates at the time of the confirmation). Likewise, the mid-term review mission from 11 to 19 December 1994 deemed satisfactory the progress made in implementing the programme, which permitted rapid disbursement of the third tranche, for the sum of UA 29,672,880 on 28/12/ 1994. Therefore, disbursements for the programme were made within the prescribed time.

5. INSTITUTIONAL PERFORMANCES

5.1 Programme Design And Development Phase

The Moroccan Government actively participated in the programme's design formulation. Although the Bank postponed its operations in 1993-1994, because of the ceiling on non-project commitments, the 1993 re-evaluation of the programme permitted its

actions to be better targeted and other measures to be added, while taking account the progress already made in its implementation. The loan became effective two months after its signature, which reflects, on one hand, the extent of progress in designing the necessary files, and, on the other hand, the Government's determination to implement the programme under good conditions.

5.2 Implementation Phase

Implementation of the first phase of the structural adjustment programme had prepared the Treasury Department for implementation of the SAP, so that the various components of the Consolidation of the SAP were implemented satisfactorily within the prescribed time, excluding preparation of final reports for some studies (but the provisional reports were available). Thus, owing to its energy, the Treasury and External Finances Department was efficient in implementing programme measures and was also able to coordinate the activities of different ministries concerned by the reforms. To accelerate implementation of certain measures and to ensure their monitoring, Inter-ministerial Committees were created, responsible mainly for preparation of the Social Development Strategy (established in 1993), monitoring the study on private sector participation in providing public services (PSP-PSP) (set up in 1993) and monitoring implementation of the social development strategy (created by the Circular from the Prime Minister N° 3/94/CAB/ of 18/14/1994).

6. ECONOMIC AND FINANCIAL PERFORMANCE

6.1 Approach Selected

Establishing cause/effect relations between a reform programme and economic performances is a problem to which there is no satisfactory solution. The complexity of the transmission mechanisms, the diversity of attitudes and reactions of agents designated in the implemented measures, interference from other policies carried out at the same time and the constraining or favorable effects of exogenous factors necessarily introduce distortions in the different approaches utilized. For these different reasons, the programme's economic and financial performances are perceived through the analysis of the development of the five key indicators which reflect the programme's global strategy, as indicated in the appraisal report and which should be monitored closely.

6.2 Macro-economic Objectives and Results Attained

6.2.1 The declared objectives of the consolidation of the structural adjustment programme were, on the one hand, to contribute, to accelerating growth of GDP at the rate of 4% in 1993 and 1994, then to obtaining sustained growth of the Moroccan economy during the remainder of the 1990s, and, on the other hand, to permit the Kingdom of Morocco to return to the international capital market at advantageous conditions.

6.2.2 The table below shows the development of the programme's key indicators in comparison to the objectives set.

Table 6.1: Evaluation of the major performance criteria

Economic and Financial Indicators	Before Programme	With Programme				After Programme	
	1992	1993		1994		1995	1996
	Actual	Objective	Actual	Objective	Actual	Actual	Estimate
Real GDP Growth (%)	-4.1 (-3)*	4	-1.1	4	11.6	-1.6	11.8
GFCF/GDP (%)	23.4	23.5	22.4	23.8	20.6	21.9	20.2
Outstanding external public debt/foreign exchange earnings	2.8 (2.4)*	2.48	2.8	2.4	2.71	2.41	2.35
Real Growth Rate for export of manufactured goods (%)	-8.4 (6)	7	0	9	-4.1	15.4	2.0
Net assets of "Bank Al-Maghrib" (in million US\$)	3 965 (3 500)*	3 700	4 100	3 800	4 500	4016	3966
Direct Foreign Investments (in million US\$)	503.4 (500)*	500	522	600	815.2	535	535

Sources: Statistics Department, IMF, Annual Reports of Bank Al-Maghrib

- (*) The figures in parentheses correspond to the estimates for 1992 when the Appraisal Report was prepared.

6.2.3 The table clearly shows that implementation of the programme did not permit real GDP growth to be accelerated to 4% in 1993. This growth has remained extremely sensitive to climatic changes which caused extreme variations in agricultural production. The latter, in fact, substantially affects development of the GDP by means of distributed revenues and the ensuing demand. Therefore, the real GDP growth rate from -1.1 % in 1993 is due to a 6.2% decline in agricultural production, while the 11.6% performance of the real GDP in 1994 is explained by a 65% increase in agricultural production. It seems that the programme's objectives were a little too optimistic.

6.2.4 That is all the more obvious as the analysis of the table above also clearly indicates that exports of manufactured products declined during the programme, contrary to growth projections of 7 and 9 %, in 1993 and 1994 respectively. This situation is explained, partly, by the fact that during the programme, the real effective exchange rate in Morocco, which was given no special attention during the programme, increased by 4.5 % between 1993 and 1995, while those in Malaysia and Indonesia, Morocco's competitors for manufactured products, depreciated considerably, which permitted the two countries to increase their imports from the European Union. It is also explained by the competition on European Union markets from Central European countries (especially Hungary and Poland) for textile and leather products.

6.2.5 Furthermore, the gross investment rate has remained below the programme's objectives and decreased from 22.4% in 1993 to 20.6% in 1994 contrary to projections of 23.5% and 23.8% respectively. That is due to the fact that private investment did not progress, while in the public sector, there was a reduction from 5.8 % to 3 % between 1993 and 1994. Furthermore, the national savings rate, on the average 20% the last ten years, suffered from considerable outflows of factor service revenues since the end of external debt relief in 1992.

6.2.6 As regards the outstanding external debt ratio on revenues in foreign exchange, its development is contrary. The value of 2.4 targeted by the programme was attained only in 1995, after its closure. The gains made on rescheduling external debt ended in 1992, which somewhat deteriorated the development of indicators. Also, mobilization of needed foreign capital remains one of the major challenges facing the Government. Direct investment flows developed better than expected during the programme, especially in 1994 when they attained \$ 815.2 million, against projections of \$ 600 million, due in particular to financing resulting from construction of the gas pipeline from Algeria. A considerable portion of these investments went directly to the Treasury, in the form of proceeds of the privatization programme. However, it can be noted that the level of direct foreign investments declined by \$ 535 million in 1995, after the decline in earnings from privatization.

6.2.7 Lastly, Bank Al-Maghrib net external assets also increased more than expected during the programme's implementation period. Their increase by more than 9% in 1994 however results partly from re-evaluating the Bank Al-Maghrib's gold asset. Morocco's exchange resources accounted for, at the end of 1994, seven and a half months of imports. Morocco's net external assets however declined in 1995 when they represented only five and a half months of imports, because of a drop in the Central Bank's exchange reserves.

6.2.8 On the other hand, public finances suffered from substantial slippage due in particular to exceptional expenditures in favour of rural areas hit by drought but also because of the over-optimistic growth projections which consequently had a very high level, of current expenditures (especially salaries) and investments. As a result, there was a reduction of budgetary savings, dropping from 5.4% of GDP to 1.8% in 1995. The share of public investments in relation to the GDP having almost never dropped, i.e. 7.8% in 1993 to 6.9% in 1995, the global deficit (commitment) went from 12.4% of GDP in 1993 to -5.1% in 1995.

6.2.9 Hence, although the Moroccan economy's performances during the programme through development of key indicators seem mixed, consolidation of the SAP permitted pursuit of reform of the incentive framework with the liberalization of foreign trade. Furthermore, it helped the Government to become more attentive to problems of poverty and to develop a poverty reduction strategy.

7. SOCIAL IMPACT

7.1 The programme's social component was intended to help enhanced social justice, by preparing a strategy for low-income households. During the programme, the social development strategy was finalized and adopted, while taking into account the conclusions and recommendations of the envisaged studies. The first programme of social priorities (BAJI) which constitutes the first phase of the social strategy's implementation programme began in 1996; however it is too soon to evaluate its impact. Furthermore, even if, within the context of the programme, efforts were made by the Moroccan Government through budgetary allocations for social sectors, it was noted that the programme was not necessarily profitable to the under privileged classes. Therefore, the study on the impact of social sector public expenditures on low-income households, carried out in 1993, shows that public expenditures committed by the Ministry of Education benefit high-income households more

than low-income households, and that high-income households benefit more from public health services than low-income classes of the population (in 1991, 20% of the rich classes of the population benefited from more than 40% of the Ministry of Health's budget and 40% of the needy received less than 20%).

7.2 Morocco's social situation is still disturbing. The social indicators did not improve significantly during the programme. The overall unemployment rate in 1996 was estimated at 16 % , but this average varies from 8.5 % in rural areas to 22.9 % in urban areas, with a peak of 23.4% among youths between 15 and 24 years of age. Furthermore, there is also the problem of under-employment; 16 % of the labour force 15 years and over, are seeking full time employment or are prepared to change their current job because of inadequate pay or the inadequacy of their training in relation to the job done. On the other hand, the literacy rate which was 65% in 1982, declined to 55% in 1994, while the rate of school enrolment of children from 8 to 13 years of age went from 53 % to 62 % during the same period. Despite these efforts, the social situation could only be improved within the context of an integrated social strategy, permitting efficient resource allocation. Therefore the first social priorities programme (BAJI) which accounts for implementation of the first tranche of the social development strategy (SDS) was to contribute to enhanced social justice.

8. SUSTAINABILITY OF THE PROGRAMME'S EFFECTS

8.1 The programme did make substantial progress toward liberalizing the economy, especially as regards the tariff reform, elimination of quantitative restrictions on imports and exports that will permit Morocco to meet its commitments vis-a-vis the GATT starting in 1998. However, although the process of opening up to the world economy seems irreversible, the Moroccan economy will be tried, in so far as the reforms undertaken in the area of foreign trade should be supplemented by reinforcing the capacities of the Administration and economic operators in areas pertaining to regulations on the origin and calculation of customs valuation which will be the bases of competition within OMC (World Trade Commission) member countries.

8.2 The programme also permitted the Moroccan Government to be more attentive to problems of poverty and to prepare a social development strategy based on the sector's real problems. The programme's reforms in this area are at the bases of those that are currently being implemented, in particular, the first social priorities programme (BAJI) implemented in 1996.

9. PERFORMANCE OF THE BANK AND OTHER CO-FINANCERS

9.1 Performance of the Bank

a) Identification and Preparation

9.1.1 The Bank Group decision to support the "Consolidation of the SAP" comes within the framework of efforts undertaken to help Morocco to complete reforms undertaken since the beginning of the 1980s, particularly those after the first SAP which covered the 1989-1990 period. Consolidation of the SAP did not raise any problems during identification and

preparation, since the performance audit report for the first SAP, carried out in 1991, had pointed out the flaws in public finances, the social sector, and foreign trade. These flaws made up the various components of the programme and reform measures were designed to rectify them with a view to consolidating progress made during implementation of the first structural adjustment programme.

b) Appraisal

9.1.2 The Bank participated very actively in appraising the programme. Within the framework of the programme's financing, an initial mission went to Morocco in July 1991 to appraise SAP 2, jointly with the World Bank. The Bank also participated, as an observer, in the negotiations that took place in March 1992 in Washington, between the Moroccan Government and the World Bank, in order to determine the contents and terms of the said programme. The Bank became involved only in 1993, after a re-appraisal mission went to Morocco in May 1993, which took into consideration the progress made in implementing the programme and determined, with the Moroccan Government, the matrix of reform actions to be executed. During loan negotiations which took place on 11, 12 and 13 August 1993, the two parties examined and finalized the development policy letter, the matrix of actions and updated the values of the programme's key indicators.

c) Supervision

9.1.3 After the signature of the loan agreement which took place on 23 September 1993, the Moroccan Government ratified decree N°2/93/772 of 15 October 1993, approving the loan agreement and gave evidence of having fulfilled conditions for the loan's effectiveness and disbursement of the first tranche. The proof was examined by Bank services, in accordance with section 4.01 of the Loan Agreement, which led to the loan becoming effective on 24/11/1993 and the first tranche being disbursed on 8/12/1993. Two mid-term review missions, which took place from 7 to 20 July 1994 and from 11 to 19 December 1994 respectively, made it possible to note that the conditions precedent to disbursement of the loan's second and the third tranches had effectively been fulfilled and that they should be disbursed (the second tranche 2/9/1994 and the third 28/12/1994).

9.2 Performance of the Borrower

The Government's performance in preparing and implementing the programme, in general, is satisfactory. The efficiency of the Moroccan Government and especially the programme's executing agency, made it possible to carry out the actions in the matrix of measures within the prescribed time, disburse the three loan tranches promptly, and implement the programme under good conditions. Nevertheless, the Government did not prepare the programme's quarterly progress reports, nor have the programme's account audited. However, the programme's completion report was prepared.

9.3 Performance of Co-Financiers

9.3.1 The World Bank actively participated in developing and supervising the programme. Within the context of monitoring implementation, the World Bank sent five supervision missions to Morocco.

9.3.2 The European Union, which also co-financed the programme, monitored its implementation through the intermediary of its local representative in Morocco and in collaboration with the Division responsible for relations with the European Union in the Ministry of Finance.

10. CONCLUSIONS, LESSONS AND RECOMMENDATIONS

10.1 Conclusions

10.1.1 The past decade in Morocco was marked by adjustment and stabilization. The country has made significant progress: the budget deficit and that of current external payments declined from 12 and 9% of GDP at the beginning of the '80s to 3.2 and 2.3 % in 1994, at the end of consolidation of the structural adjustment programme. The ratios of debt/GDP and debt service/GDP fell off about 100 and 36% respectively to 79.1 and 28 % during the same period, while inflation was stabilized at about 4-5%/year. Stabilization went along with liberalization of the economy, as more emphasis was put on growth led by the private sector. With the help of donors, these improvements were achieved while the real GDP growth rate stayed at 3-4% as a yearly average.

10.1.2 Nevertheless, the progress achieved regarding to stabilization remain fragile, as shown in the development of the programme's key indicators. In fact, although Morocco fulfilled all the conditions required by the programme, the real GDP growth rate remained closely related to climatic conditions, while the export of manufactured products declined during the programme, contrary to growth projections of 7 to 9%. In addition, export of manufactured products comes mainly from activities with insignificant value added. Lastly, although the Government prepared a social strategy, progress made in this area remains quite inadequate. Improvement of the social situation could be achieved only in the context of integrated social strategy which requires efficient resource allocation. Implementation of the programme clearly showed that the budgetary allocations are not necessarily beneficial to under-privileged classes.

10.2 Lessons to be Learned from Implementation of the Consolidation, of the Structural Adjustment Programme

10.2.1 Consolidation of the structural adjustment programme can be considered an example of success in its application phase. Moreover, the Government satisfied the conditions for loan effectiveness and release of the various tranches within the prescribed time, the entire loan was disbursed promptly.

10.2.2 The performances of the programme, through development of the key indicators selected, show mixed results although Morocco fulfilled all the required conditions, which denotes a certain gap between the objectives sought and the means utilized. However, achieving the programme's objectives assumed the absence of negative exogenous factors such as drought, during the programme's implementation, which did not occur. This situation should draw attention to the fundamental role that an exogenous factor, such as drought, can play in regard to the performances of a reform programme.

10.2.3 The performances of the programme also raise the question of the soundness of slowing down Morocco's structural adjustment process. Consolidation of the SAP was not sufficient to correct all the country's macro-economic imbalances, in particular those of public finances.

10.2.4 Although Morocco made real progress in liberalizing the economy and in the reform of incentives, the social situation is still disturbing. The Government effectively designed a social strategy but the progress made in this area remains highly inadequate. Improvement of the social situation can only be achieved within the framework of an integrated social strategy which requires efficient resource allocation. Moreover, implementation of the programme clearly showed that budgetary allocations are not necessarily beneficial to underprivileged classes.

10.3 Recommendations

a) For the Bank Group

10.3.1 The Bank should participate, along with other co-financiers, in financing the reform programme, in order to better coordinate operations during identification, preparation and implementation.

10.3.2 The Bank has to be a little more demanding with regard to obliging the Borrower, on the one hand, to comply with the general provisions of the loan agreement regarding the regular preparation of audit reports on the special account within the prescribed time.

10.3.3 The Bank should also assist Morocco in consolidating the liberalization of foreign trade, especially in relation to information and training capacities, with regard to the Government, and economic operators, in order to be able to meet competition and dumping.

b) For the Government

10.3.4 The Government should pursue efforts to stabilize the economy, because its recent development shows that the attainments of the reforms is still fragile. In addition, development of the GDP continues to be closely related to the climate which requires thorough structural reforms in order to correct this dependence.

10.3.5 Review of all public expenditures in social sectors is a necessity, in order to ensure that the credits allocated to the social sectors are effectively used to attain the objectives set by the Government.

10.3.6 The Government should pursue and intensify its efforts in the social sector undoubtedly. A social development strategy was prepared, but its implementation is still inadequate. Moreover, the BAJI programme, which is the first action stemming from implementation of the social strategy, concerns only thirteen provinces, and only some categories of the under privileged classes. Efforts should be carried out to expand the programme to the entire country and to all of the socially under privileged classes.

10.3.7 The Government should strive to prepare programme progress reports and have audit reports prepared at the end of programmes.

ANNEXES

MOROCCO
CONSOLIDATION OF THE STRUCTURAL ADJUSTMENT PROGRAMME
MATRIX OF MEASURES

COMPONENTS AND OBJECTIVES	RETAINED	RESULTS
FOREIGN TRADE		
A, Ensure a moderate, homogenous and transparent level of protection	<ul style="list-style-type: none"> -Adopt an enforcement decree regarding the law on foreign trade -Reduce maximum ad valorem custom tax to 35% -Adopt legal texts permitting effective implementation of the anti-dumping facility -Submit to the Bank a preliminary evaluation of operation of the anti-dumping facility -Adopt an enforcement decree regarding the law on foreign trade removing all quantitative import restrictions (except for a limited number of products in accordance with the provisions of article 1 of the law on foreign trade, except basic agricultural products) -Eliminate all reference prices, except for products accounting for 10% of industrial production's value -Eliminate quantitative restrictions on basic agricultural products and their major by-products 	<ul style="list-style-type: none"> -Decree n° 2-93-4 1.5 July 1993 -Circular n° 4267/2 12 of 10 June 1993 by Customs and Excise Taxes Authorities -Decree n° 2-93-4 15 of 2 July 1993 -Done two anti-dumping claims were registered -Decree n° 2-93-4 15 of 2 July 1993 Circular n° 4271/322 of the Customs and Excise Taxes Authorities on 2 July 1993 and becoming effective on 5 July 1993 Decision n° 1308-94 of 19 April 1994 from the Ministry of Foreign Trade, Investments and Crafts

<p>B Facilitate foreign trade</p> <p>-Simplify and standardise foreign trade procedures and improve their management system</p> <p>-Reduce cargo transit time in ports</p>	<p>-Adopt decisions fixing reference prices and equivalent tariffs for basic agricultural products and their major by-products</p> <p>-Present the findings of the study on logistics and efficiency of foreign trade</p> <p>-Prepare a plan of action</p> <p>-Negotiations with operators concerned to finalise documents other than the DUM</p> <p>-Present an, in a satisfactory manner, evaluation showing the Borrower and the Bank effective implementation of selective verification of containers</p> <p>-Acceptance by, the Moroccan Government of the. GATT system for determining customs value</p>	<p>-Postponed and implemented in May 1996 by decree n° 2-96-302 of 4 May 1996</p> <p>-Done. The three components of the study (administrative, banking and transport channels) were transmitted to the Bank during the mid-term review for the release of the second tranche, instead of that of the second tranche as planned</p> <p>-Done within the prescribed time, considering the significance given to the notion “plan of action” in the report on the loan negotiations</p> <p>Done. These negotiations led to adoption of decree No. 15 18-94 of 28 April 1994 from the Ministry of Foreign Trade setting the conditions for subscription to import and export instruments for merchandize and examples of related formalities.</p> <p>-Government acceptance on 4 June 1993 of implementation of Article VII of GATT (application of all the provisions however was put off-for a period of five years)</p>
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<p>PUBLIC FINANCES</p> <p>-Reflect the Government's priorities in the social sector and meet the requirements for infrastructure required for private sector development</p> <p>-Rationalise investment incentives</p>	<p>-Present to the Bank the final report of the study analysing areas where the private sector could provide public services</p> <p>-Transmit draft texts on the single code</p>	<p>-The study was finalised 9 June 1993</p> <p>- Transmitted to the Bank during loan negotiations</p> <p>-Examine during Board of Governors' meeting 9 June 1993. The text was finally adopted 3 October 1995 by the House of Representatives and became framework law n. 18-95 establishing the investment charter.</p>
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SOCIAL COMPONENT

<p>-Develop a global strategy to help low-income households to profit from the development process</p>	<p>-Determine the profile of the target population for the social strategy based on the survey of households' standards of living and other sources of data</p> <p>-Prepare and utilise a system to monitor priority indicators that are based on the available data</p> <p>-Prepare a social strategy for low-income households</p> <p>-Prepare a social strategy for moderate-income households</p> <p>-Prepare plans of action for implementation of the strategy for low-income households</p> <p>-For 1994, provide an acceptable level of budgetary items related to expenditures for "material and miscellaneous expenditures" as well as investment expenditure for the Ministry of Public Health</p> <p>-For 1994, provide an acceptable level of appropriations for budget items related to "material and miscellaneous expenditures" as well as investments for the Ministry of Fundamental Education</p> <p>-Increase low-income households' earning opportunities</p> <p>-Submit to the Bank a study on the effect of agricultural policies on low revenues</p>	<p>Done: The paper regarding the determination of the target population's profile was selected by the Bank during loan negotiations</p> <p>Done on 10 June 1993</p> <p>Adopted by the "Conseil de Government" on 9 June 1993</p> <p>Done. Papers produced: "progress of the implementation of the social development policy strategy" and "Social Priorities Project (PPS)"</p> <p>Expenditures for "material and miscellaneous expenditures" declined by 2.7% in real terms in 1994, while those for investments increased by 25.3% in comparison to 1993</p> <p>Expenditures for "material and miscellaneous expenditures" and investments decreased by 5.7% and 0.7% respectively in 1994 in comparison to 1993</p> <p>Done. Study carried out in 1993</p>
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Enhance the availability and quality of social services	<p>Submit to the Bank the study on: (1) the impact of social policy expenditures on low-income households and the possibility of recovering social services costs.</p> <p>Present the evaluation of operations and SEGMA hospital tariffs and the possibility of extending the system</p>	<p>Done. Study carried out in 1993 and presented to the Bank during the mid-term review for release of the second tranche</p> <p>Evaluation submitted to the Bank in 1993 during the mid-term review for the release of the second tranche</p>
Protect low-income households against economic crises	<p>- Present the Bank the study on sources of vulnerability and security nets for the underprivileged</p> <p>Considering the recommendations of the study reviewed jointly by the Government and the Bank, presentation of plans of action intended to introduce changes in current social protection systems for implementation of the study's recommendations</p>	<p>Study presented to the Bank in 1993 during the mid-term review for the release of the second tranche</p> <p>Done. Paper produced: "Progress of implementation of the Social Development Strategy" and "Social Priorities Projects (PPS)"</p>

MOROCCO: SOCIAL INDICATORS

INDICATORS	MEASURE	YEAR
1. DEMOGRAPHY		
- Total population (in million)	26.0	1994
- Demographic growth rate (%)	2.5	1994
- Population density (in km ²)	36.57	1994
- Life expectancy at birth (years)	63.3	1992
2. HEALTH AND NUTRITION		
- Infant mortality rate (per thousand)	68	1992
	70	1995
- Health coverage rate (%)	2985	1995
- Per capita daily caloric intake		
3. Education		
- Primary School enrolment ratio (%)		
Girls	65	1993
Boys	85	1993
- Secondary School enrolment ratio (1st cycle)	38.8	1995
Girls	29	1993
Boys	40	1993
- Literacy ratio (%)		
Men	57	1995
Women	31	1995
4. Standard of Living		
- GDP per capita (in US \$)	1140	1994
- IDH (rank out of 174 countries)	117	1995
- Unemployment Rate (%)	16.0	1994
- Prevalence of contraception (%)	42.0	1993

Sources: UNDP (1995) Report on Human Development
 IBRD, "World Development Report 1996"
 1994 Census, Department of Statistics, January 1996

MAC-RO-ECONOMIC INDICATORS, 1993 - 1996

	1993	1994	1995	1996
Growth Rate of GDP in %	-1.0	11.6	-7.6	11.8
Domestic Savings/GDP in %				
National Savings/GDP in %	20.9	19.3	16.2	19.2
Total Investments/GDP in %	22.5	21.2	20.9	20.2
<u>Public Finance</u>				
Investment/GDP in %	7.9	6.7	7.1	5.3
Overall Balance (base commit.)/GDP in % 1/	-3.9	-3.9	-5.7	-3.0
Revenue from Privatization	0.9	0.7	0.4	1.0
Arrears/GDP in %	-0.6	-0.1	1.9	-1.9
Overall Deficit (disburs.)/GDP in %	-3.6	-3.3	-3.4	-3.9
<u>Currency</u>				
M1/GDP (in %)	46.4	46.0	49.1	44.6
M2/GDP (in %)	63.5	62.4	67.3	61.9
<u>Balance of Payments</u>				
Trade Balance/GDP in %	-7.6	-6.9	-7.3	-6.9

Annex 4

Morocco: Statement of Treasury Charges and Resources, 1993-1996 (in million MAD)

	1993	1994	1995	1996 1/
Current Revenues	67030	69617	67462	75078
Direct Taxes	15,230	15214	15927	19204
Customs Duty	12,556	11983	11843	11852
Excise Taxes	27,528	29417	30299	31742
Registration	2,554	2772	2816	3303
Monopolies and Operation	3,676	5375	3660	3406
Ott&Revenues	3,144	2804	1676	3193
Privatization	2,142	2052	1241	2378
Total Expenditure	74551	78471	82015	84730
Recurrent Expenditure	54,954	59,793	62,335	68120
Capital Expenditure	19,597	18,678	19,680	16610
Ordinary Balance	12076	9824	5127	6958
Overall Deficit (base commit.) excl. privatization	(9,663)	(10,906)	(15,794)	(12,030)
Arrears Swings	(1,411)	-289	5122	n.d.
Overall Deficit (base disbursements)	-11074	-11195	-10671	n.d.
Financing Requirements	7,425	9,143	9,480	10,247
- Internal Financing	8,382	13,568	11,591	12913
- External Financing	(957)	(4,425)	(2,111)	-2666
Memo Item				
GDP	249,223	279323	281207	320920
Ordinary Balance/GDP in %	4.8	3.5	1.8	2.2
Investment/GDP in %	7.9	6.7	7.0	5.2
Overall Balance (commit.)/GDP in % (excl. privatization)	-3.9	-3.9	-5.6	-3.7
Overall Balance (commit.)/GDP in % (incl. privatization)	-3.0	-3.2	-5.2	-3.0
Overall Deficit (disburs.)/GDP in %	-4.4	-4.0	-3.8	n.d.

Source : Ministry of Finance and External Investments and IMF

1/ Civil year because since 1996, the fiscal year goes from 1 July to 30 June

Annex 5**Morocco : Monetary Survey Trend, 1993–1996**

(in million MAD)

	1993	1994	1995	1996
Net External Assets	38174	41497	34136	36316
Claims Against Treasury	59412	65229	74178	76443
Credits to the Economy	71753	79336	91406	100870
Balance of Misc. Elements	-11194	-11820	-13204	-14849
Consideration for Monetary and Quasi Monetary Stocks	158145	174242	186516	198780
Monetary and Quasi Monetary Stocks	158145	174242	186516	198780
Fiduciary Money	37202	41107	43261	46581
Bank Money	78256	87177	92703	97237
Quasi Money	42687	45958	50552	54962
<hr/>				
<u>Memo Item</u>				
M1/ GDP (in %)	46.4	46.0	49.1	44.8
M2 / GDP (in %)	63.5	62.4	67.3	61.9

Source: Bank Al Maghrib and Ministry of Finance and External Investments

Annex 6

Morocco : Balance of Payments 1993-1996 in million MAD

	1993	1994	1995	1996
Trade Balance	-19143	-23689	-20544	-16080
Exports	37225	36416	45836	49315
Imports	56368	60105	66380	65395
Services (net)	-6050	-2759	-11752	-7708
Transport Costs	-3063	-3748	-4285	-4036
Other Transport	687	887	1693	1147
Travel	9213	8554	7347	8950
Investment Revenues	-11393	-19772	-11254	-9902
Government Transactions	-2113	-2443	-3441	-2443
Others	619	4763	-1212	-1424
Payment of Transfers	20152	19763	19307	20527
Private	19876	19261	n.d.	n.d.
Public	276	502	n.d.	n.d.
Current Account	-5041	-6685	-12989	-3261
Non-monetary Capital	9144	11408	6489	5855
Private	6020	12603	8423	8822
-Foreign Investments	4854	7502	4349	4512
- Others (including errors and omissions)	1166	5101	4074	4310
Public	3124	-1195	-1934	-2967
Overall Balance	4103	4723	-6500	2594
Financing	-4103	-4723	6500	-2594
IMF Facilities /*	-1462	-1401	-861	-414
External Assets /*	-2641	-3322	7361	-2180
Rescheduling Obtained	-	-	-	-
Memo Item				
GDP	249323	279323	281207	320920
Trade Balance/GDP in %	-7.7	-8.5	-7.3	-5.0
Transfers/GDP in %	8.1	7.1	6.9	6.4
Current Account/GDP in %	-2.0	-2.4	-4.6	-1.0
Foreign Investments/GDP in %	1.9	2.7	1.5	1.4

Note : /* a negative sign indicates an increase

Source : Ministry of Finance and
Foreign Investments, April 1996.

MOROCCO

**REPORT ON LOAN NEGOTIATIONS FOR THE CONSOLIDATION
OF THE STRUCTURAL ADJUSTMENT PROGRAMME**

11-13 AUGUST 1993

1. Loan negotiations for the consolidation of the structural adjustment programme took place in Abidjan on 11, 12, and 13 August 1993 between the African Development Bank (ADB) and the Government of the Kingdom of Morocco.

2. The composition of the two delegations was as follows:

DELEGATION FROM THE KINGDOM OF MOROCCO

Messrs. M. DAIRI	Director of Treasury and External Finances (Head of Delegation)
A. LOUDYI	Assistant to the Director of Treasury
M. RAIS	Division Chief in the Custom's Duty and Excise Tax Administration
H. BERNOUSSI	Division Chief at the Ministry of Foreign Trade, Foreign Investment, and Tourism
Mmes Latifa EL ABIDA	Unit Head at the Budget Department
KHADIJA ADBELLAOUI :	Unit Head at the Planning Department in the Ministry of Economic and Social Affairs

DELEGATION FROM ADB

Messrs. P. KATOMBE	Head of Economic Division (Head of Delegation)
S.A. AMOUSSA	Head of Disbursements Division
A.E. N'DIAYE	Economist
M. SOUISSI	Programmes Officer
K. GAD10	Legal Council

3. After the Bank's statements welcoming the Guest Delegation, the two parties agreed that discussions should be conducted according to the agenda:

finalize the Policy Statement;
consider and finalise the matrix of actions;
update and define the key indicators (Table 1-Annex 2 of the loan's
disbursement report;
loan disbursements;
review of the loan agreement (Conditions)

4. POLICY STATEMENT

The project's Policy Statement was reviewed by the two parties, which reached an agreement on the final version while taking into consideration the arrangements agreed to after discussions. That version is annexed to this report.

The two parties however agreed to give details on the meaning given to the terms "plan of action" and "single code" used in the Policy Statement, the matrix of action and the loan agreement. Those terms should be interpreted as follows:

Plan of Action: After the two parties exchanged explanations on the meaning of this term, it was agreed that the plan of action to be prepared/presented to the Bank does not imply a statement of measures, but rather an indication of the different stages to be carried out in order to define and implement the measures to be taken.

Single Code: The Moroccan delegation indicated that the text on the single investment code had been submitted to the Government and, therefore considered that the condition, was fulfilled. However, the Bank will be informed of all developments regarding reform of investment incentives and will consider that the condition has been satisfied even if new texts including the benefits of the codes in common law are presented to the Government.

5. Matrix of Actions

The matrix of actions envisaged within the framework of the programme was thoroughly reviewed. Some measures were inserted in the matrix in view of the explanations given by the two parties regarding the timeliness of some actions. These measures concern the following actions:

A Foreign Trade

- Elimination, in the third tranche, of the measure regarding reduction of maximum industrial prices while ensuring reasonable protection. This measure is inadequate, as industrial sector reference prices only pertain to 10% of this sector's production.
- replacement of the measure on facilitating foreign trade envisaged in the third tranche (implementation of measures mutually agreed upon, aimed at improving logistics and the efficiency of foreign trade); deemed too restrictive by the Moroccan delegation, with the following actions:

*2nd tranche: presentation of the findings of the study on logistics;

*3rd tranche: preparation of the plan of action.

Furthermore, it was agreed that the proceeds, which, as of 1993, are no longer subject to import quantitative restrictions, might keep the customs rates at 40 or 45% until September 1994.

B Public Finances Component

Within the framework of the measures on private sector participation in providing social services, the condition for the 2nd tranche on preparation of plans of actions in order to apply the chosen measures, was replaced by the presentation of the study's final report. Moreover, considering the duration of the study and the time spent discussing it by the agencies concerned, the Moroccan delegation considered that the plan of action could not be finalised before June 1994.

C Social Component

- Elimination of the provision regarding improvement of the indicators' monitoring system envisaged in the 2nd tranche. The Moroccan delegation deems it untimely to envisage, in the short-term, improving the system, although still in the preparation phase.
- Reforming the two provisions in the first tranche regarding budget appropriations for 1994, health, and fundamental education. The Moroccan delegation indicated that, because of the timing, Bank presentation appropriation proposals, as a condition of the first tranche, couldn't be envisaged. For this reason, it was deemed more appropriate that those two provisions be deferred to the second tranche, with the following formulation:
- "Appropriations for 1994 at an acceptable level for budgetary items regarding equipment and miscellaneous expenditures, as well as investment expenditures of the Ministry of Public Health."
- "Appropriations for 1994 at an acceptable level for budgetary items regarding equipment and miscellaneous expenditures, as well as investment expenditures of Fundamental Education."

6. MACROECONOMIC INDICATORS

For the purpose of Annex A of the Policy Statement, the Moroccan delegation provided the Bank with updated figures for macroeconomic indicators.

The two delegations agree:

By fixed capital formation, is meant all of the expenditures made by economic agents to increase their fixed capital decreased by net sales of used goods.

By outstanding external public debt, is meant Treasury's direct debt in addition to that benefiting from the State's guarantee; **by foreign exchange earnings**, is meant all the earnings from the export of goods and services plus private transfers from Moroccan nationals abroad (RME).

By real growth rate from the export of manufactured products, is meant the movement of exports in US,\$ for finished capital goods, consumer goods and the reconstituted value of exports after temporary admission without payment; divided by the average unit value index for manufactured products (MUV), assessed by the World Bank. **By reconstituted value** is meant the amount of imports temporarily admitted without payment, increased by earnings from services corresponding to the value added.

By net foreign assets, is meant the net foreign assets from the issuing house (excluding the net position regarding the IMF).

By direct foreign investments, is meant non-debt producing capital flows credited to the item "Private" for the balance of payments' non-monetary capital.

7. LOAN DISBURSEMENTS

7.1 Loan Tranches

The ADB delegation pledges, subject to satisfactory progress in implementing the programme and in fulfilling conditions for each loan tranche, and taking measures, required to permit drawdown of the first tranche (BUA 40 million) before 31/12/1993, for the 2nd tranche (BUA 30 million) before 31/03/1994 and for the 3rd tranche (BUA 30 million) before 30/06/1994. In this regard, the first review will be scheduled, for 15 February 1994, at latest, and the 2nd review for 15 May 1994, at latest.

The Bank specified that the disbursement of each tranche of the loan would be made as soon as the relevant conditions had been fulfilled, justification shown for expenditures to be made after the release of funds.

7.2 Audit

It was agreed that the audit report for utilizers of the loan would be prepared by "Inspection Generale des Finances".

8. LOAN AGREEMENT

The loan agreement was considered and finalised.

Amendments were made to take into account the arrangements agreed to in the matrix of actions and redirecting the procedures already approved by the Bank within the framework of the implementation of SAP I and FSAP I. Therefore, it was agreed that:

the condition of the first tranche, regarding the opening of an account at Bank Al Maghrib for the deposit of loan resources, is withdrawn. Moreover, Moroccan Treasury can only have a single account at that institution, as authorised by the Bank during other programme loans allocated to Morocco

- the loan's closing date should be set at 31/12/1994.

Borrower's usual procedures should be applied for procurement of goods whose total value is less than CFA 4 million, like other loan programmes allocated to Morocco by the ADB.

international bidding procedures should not be applied for the procurement of oil products often available on the spot market.

9. DOUMENTS TRANSMITTED TO ADB

The Moroccan delegation transmitted the following documents to the Bank to support fulfilment of conditions for release of the first tranche:

- Decree regarding foreign trade including the means of applying antidumping mechanisms;
- Order fixing the list of mechanisms subject to import or export licences;
- Circular N^o 4267/2 12 of 10/06/1993 regarding import customs tariff reforms;
- Documents justifying the Moroccan Government's notice of acceptance of the agreement on implementation of article 7 of the GATT concerning the customs value;
- Circular N^o 4271/322 of 2/07/1993 concerning industrial reference prices;
- Document on evaluation of the implementation of selective verification of containers;
- Draft text on the single code;
- Document regarding defining the profile of the target population for the social strategy.

10. At the end of negotiations, Mr. DAIRI thanked the Bank for the warm reception given to the Moroccan delegation during their stay in Abidjan. The two delegations were pleased with the atmosphere, of mutual comprehension that prevailed throughout the negotiations.

FOR THE KINGDOM OF MOROCCO

Mr. M.DAIRI
Director of Treasury
& External Finance

**F O R THE AFRICAN
DEVELOPMENT
BANK**

Mr P.KATOMBE
Division Chief, Programming
Department, North
Region

Country : Morocco
 Borrower : Ministry of Finance, Treasury and Finance Department
 Name of Project : Consolidation of the Structural Adjustment Programme
 Loan Number : B/MAR/CON-PAS/93/47
 Sector : MULTISECTOR
 Date of Approval : 31/08/93
 Date of Signature : 23/09/93
 Interest Rate : 0.00 V.L.R.
 Commit. Charge : 0.00
 Commitment Commission : 1.00
 Statutory Commission : 0.00
 Terms of Repayment : 20 semestrial payments starting 01/10/97

Date of Loan Effectiveness : 24/11/93
 Deadline for Last Disburs. : 31/12/94
 Amount Approved : 100,000,000.00
 Amount Signed : 100,000,000.00
 Amount Cancelled : 0.00
 Amount Reactivated : 0.00
 Amount Transferred : 0.00
 Net Amount of Loan : 100,000,000.00

Value Date	Request N°	Amount/Currency of Claim	Beneficiary	LDV No.	FE/Amount Disbursed	Exchange Rate	Debit U.A.	Credit U.A.	Total U.A.	Undisbursed Balance U.A.
23/09/93	B/F								0.00	0.00
08/12/93	RP No1	USD 56736000.00	BANK AL-MAGHRIB (RABAT)	B/MAR/1993/2213	USD 56736000.00	1.41840	40000000.00		40000000.00	60000000.00
02/09/94	RP No 2	USD 43451100.00	BANK AL MAGHRIB (RABAT)	B/MAR/1994/1670	JPY 4350758643.00	143.46100	30327117.77		70327117.77	29572882.23
28/11/94	RP No3	USD 43541390.65	BANK AL-MAGHRIB (RABAT)	B/MAR/1994/2411	USD 43541390.65	1.46738	29672880.00		99999997.77	2.23

Disbursement Rate : 100.00%

LIST OF DOCUMENTS USED

- Social Development Strategy for the 1990 decade. Ministry responsible for Population, Department of Planning, April 1995.
- Framework Law establishing the Investment Charter, Ministry of Economic Promotion.
- First Social Priorities Programme, "BAJ1"; Provincial Actions Programmes, Ministry responsible for Population, Programming Department, February 1997.
- Statistical Directory for Morocco 1996, Ministry responsible for Population, Department of Statistics.
- Study on sources of vulnerability and safety nets for underprivileged populations. Ministry of Economic and Social Affairs, March 1993;
- 7 volumes National Promotion
 National Assistance
 School Cafeterias
 Compensation Fund
 Food Programme for mothers and children
 Case study on the sources of vulnerability
 Summary Report
- Statistical survey, households 1990/1991 living standards, volume 2; breakdown of standards of living; Ministry responsible for economic promotion, Department of Statistics.
- Annual Report of the Bank Al-Maghrib, 1994 - 1995 Fiscal Year.
- Medium-Term 1996-2000 Industrial Development Strategy, Ministry of Trade, Industry and Cottage Industry; March 1996
- List of Reference Prices in 1997, Customs and Excise Taxes Department
- Circular N^o 4271/322 of 2/7/1993 from the Customs and Excise Taxes Authorities modifying the reference price scale applied to refrigerators and cookers.
- Circular N^o 5538/106 of 25 April 1994 from the Customs and Excise Taxes Authorities modifying reference prices for refrigerators.
- Circular N^o 29360/413 of 31 December 1996 from the Customs and Excise Taxes Authorities regarding reference prices applied to textured yarn.
- Circular N^o 23137/212 of 23 October 1995, from Customs and Excise Taxes Authorities eliminating reference prices applied to the import of incandescent lamps.

- Circular N° 43 84/322 of 6 June 1995 from the Customs and Excise Taxes Authorities on reference prices applied to new and used tourist cars.
- Circular N° 4435/212 of 15 July 1996, from the Customs and Excise Taxes Authorities regarding taxes on used commercial vehicles.
- Circular N° 4271/322 of 2 July 1993, from the Customs and Excise Taxes Authorities establishing reference prices for imported merchandise.
- Statistics on fundamental education, Ministry of National Education.
- Monthly Report from the Department. of Statistics, December 1996-N° 4, February 1997-N° 6, Ministry responsible for Population.

Budgetary appropriations 1990-1993 under the items "investment" and "material and miscellaneous expenditures" for the Ministry of Public Health and the Ministry of National Education, Budget Department.

- Statistics on foreign debt, Department of Foreign Debt.,
- Dahir N° 1-95-8 of 22 February 1995 on the issue of law NO' 12-94 regarding the "Office Nationale Interprofessionnel des Cereales ET Des Legumineuses" and "l'organisation du marche des cereales et des legumineuses".
- Official Report NO 4375 bis of 6 May 1996.
- Circular N° 4461/412 of 21 January 1997, from the Customs and Excise Taxes Authorities on modification of customs tariffs,
- Decree from the Ministry of Commerce, Industry, Cottage Industry, Foreign Trade, N° 232-95 of 27 January 1995 specifying the list of merchandise subject to quantitative import and export restrictions.
- Decree from the Ministry of Foreign Trade N° 97 1-96 of 15 May 1996 specifying the list of merchandise subject to quantitative export and import restrictions.
- Decree from the Ministry of Foreign Trade, External Investments and Cottage Industry N° 1308-94 of 19 April 1994 specifying the merchandise subject to import and export quantitative restrictions.
- Circular 16 15 of 10 May 1994 regarding domiciliation of import instruments at authorised banks, foreign exchange office.
- Circular N° 1633 of 1 April 1996 regarding the introduction of a foreign exchange market in Morocco, foreign exchange office.
- Circular N° 1626 of 12 July 1995 regarding the introduction of foreign exchange,, accounts for exporters and Moroccan nationals living abroad, foreign exchange office.
- Draft Singapore Ministerial Declaration at the Ministerial Conference from 9-13 December 1996, from OMC in Singapore.

- World Bank Programme Completion Report, 3 1 March 1995.
- Programme Completion Report from the Government.
- Circular N^o 473/DAI/97 of 27 January 1997 from the Bank Al-Maghrib regarding amendment of Circular N^o 61/D.A.I/96 on the foreign exchange market.
- Circular N^o 9/G/96 of 29 March 1996 from Bank Al-Maghrib regarding the foreign exchange situation of banking establishments.
- Circular N^o 64/DAI/96 of 1 April 1996 from the Bank Al-Maghrib regarding foreign exchange accounts.
- Circular N^o 63/DAI/96 of 1 April 1996 from the Bank Al-Maghrib regarding the professional code of ethics for the foreign exchange market.
- Circular N^o 62/DAI/96 of 1 April 1996 from the Bank Al-Maghrib regarding the foreign exchange manual.
- Circular N^o 61/DAI/96 of April 1 1996 from the Bank Al-Maghrib regarding the foreign exchange market.
- Balance of Payments 1993-1995.
- Development of the money supply and its counterparts, 1993- 1995.
- Economic and Financial Indicators, 1992-1995.
- Note on the Study of private sector participation in providing public services (PSP-PSP).
- Budgetary appropriations for 1993, 1994 for the Ministry of Public Health and the Ministry of National Education, Budget Department.
- Law N^o 13-89 of 9 November 1992 regarding foreign trade.
- Law N^o 37-93 of 14 June 1994 modifying Law N^o 13-89 regarding foreign trade.
- Circular N^o 1606 of 21 September 1993 regarding the convertibility system for routine transactions, foreign exchange office.
- Statistics on the money supply and its counterparts from December 1995 to 3 1 March 1997, Bank Al-Maghrib, Department of Studies.
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