African Development Bank Group
and the Kingdom of Morocco
Five decades of fruitful partnership
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Five decades of fruitful partnership
We are united by an admirable partnership

The African Development Bank (AfDB) is the first partner of the Kingdom of Morocco within the development community. Likewise, Morocco is the Bank’s first client among its regional member countries. This double positioning of the Kingdom of Morocco is an eloquent indicator of the dynamism and admirability that characterizes the cooperative relationship that has united the country to the Bank since 1970. This mutual trust has allowed the AfDB to contribute to the modernization and structural transformation of the Moroccan economy, thus reinforcing its resilience and establishing the Kingdom at the level of the regional investment, production and exchanges on the continent.

In particular, the Bank’s contribution has focused on infrastructure (transportation, energy and mining, water and sanitation, irrigation) and on the support to key reforms in different sectors (finance, public administration, water, agriculture, energy, transportation, telecommunications and new information technology, education, health). Thus, the Bank is confident about its contribution towards the financing of investment programmes which have enabled Morocco to gain the most modern infrastructure and equipment, namely in the transportation, energy and water sectors. The Bank has equally intervened in the social sector (education and health), thus contributing towards the improvement of human development indicators and, obviously, the improvement of the population’s quality of life, namely in the most remote areas. Since the beginning of our cooperation in 1970, the cumulative involvement of the Bank in Morocco totalled nearly 7 billion euros.

With this experience and knowledge of the realities of the country as well as its challenges, and considering the changes that have arisen internationally and regionally (namely, the debt crisis in Europe and the Arab Spring), the AfDB has decided to redouble its efforts in supporting Morocco in this environment, which is both complex and changing. Additionally, to respond to the challenges including the integration of young people in the job market, the reduction of unemployment, economic and social inclusion, as well as climate and environmental problems, the Bank and Morocco have agreed on a partnership strategy covering the 2012-2016 period. This strategy is articulated around two pillars:

- reinforcing governance and social inclusion;
- supporting the development of “green” infrastructure.

The positive performance of the projects implemented up to this day, the reciprocal trust that characterizes our partnership, the reinforced collaboration with the country, and the close follow-up of operations on the field, namely by the Bank’s country office in Morocco, surely constitute drivers for future success.

I would like to express my gratitude to the Moroccan authorities for the trust and the firm support they have always shown regarding our institution. Similarly, I would like to reiterate the Bank’s wish to pursue its support to the Moroccan Government’s efforts to reinforce the basis of an inclusive and green growth.
The publication of this brochure gives us the chance to highlight this constant and regular support, which constantly brings the AfDB to economic and social development initiatives initiated by our country.

I would like to take advantage of this moment to pay tribute to the senior management of the AfDB, its Management Board and staff, for the efforts they continuously deploy to reinforce the admirable cooperation between Morocco and this institution.

Since 1970, the date of the beginning of its activities in Morocco, the AfDB has financed over one hundred operations, for a cumulative amount of nearly 10 billion dollars. This package, which classifies Morocco among the AfDB’s main clients, allowed the institution to follow up the economic and social development of the Kingdom, through the financing of significant reforms and large investment projects in highly prioritized sectors for the Moroccan economy, namely transportation, energy, administration, water and sanitation, finance, agriculture, education and health.

The current cooperation with the AfDB is inscribed in the framework of the strategic document for the country which covers the 2012-2016 period and which is articulated around the two following pillars: (i) the reinforcement of governance and social inclusion; and (ii) the support to the development of “green” infrastructures.

I welcome the achievement of the implementation of the agreements foreseen for 2012, the first year of the current Country Strategy Paper (CSP), valued at a global amount of over 1.1 billion dollars. This amount has been directed at financing reforms that are relevant in the administration and agriculture sectors as well as following up our country in the implementation of important projects, namely in the sector of renewable energy, particularly the production of solar and wind power.

As well as this, I am glad that Morocco will be hosting the AfDB Group’s Annual General Meetings, from the 27th to the 31st of May, 2013. Over 3,000 people, including finance ministers, central bank governors and CEOs from 77 member states that are part of the institution, are awaited at the ochre city of Marrakech. Hosting the Annual Meetings will offer my country the opportunity to establish economic and social development programmes. It is also a real forum to transmit these economical liberalization policies and to present its vast investment potential.

In this respect, I would like to thank the AfDB for having chosen Morocco to host the 2013 edition of the Annual Meetings.

This choice shows the AfDB’s confidence in the development process initiated by Morocco under the clear conduct of His Majesty King Mohammed VI.
Pedestrian walkway, Rabat
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Marrakesh passenger station

A - Birth and Pan-African deployment

It was in Khartoum, only fifty years ago, that the African Development Bank (AfDB) was born, under the auspices of twenty-three African governments who signed the agreement that created the institution, on the 4th of August, 1963. Stated objective: to promote the development of Africa, both at an economic and social level.

Included in the first signatories in Khartoum, the Kingdom of Morocco was one of the first to ratify the original Agreement, officially joining the AfDB on the 2nd of June, 1962, only three months before it became effective, on the 10th of September, 1964 – when twenty African states subscribed 65% of the Bank’s capital, a total of 250 million dollars at the time.

With its headquarters in Abidjan, Ivory Coast, the AfDB became operational on July 1, 1966, with the launch of its operations in the field. These have not stopped since and have been extended, reinforcing the Bank’s presence and implementing its support at a continental scale. Nowadays, with a capital of 100 billion dollars and 77 member states – African and non-African – the AfDB has become an international development partner of choice on the continent.
B - One group, three entities

In fact, the Bank Group comprises three distinct entities, with two concessional windows:

1. The African Development Bank (AfDB), which counts on 53 countries in the African continent (Regional Member Countries, or RMCs) and 24 non-African countries (non-regional member countries), authorized to buy into the Bank’s capital since 1982.

2. The African Development Fund (ADF), created in 1972 and launched the year after, is financed by periodical contributions (every three years) by participant states. Joining the ADF is a necessary requirement for non-African countries wishing to join the AfDB.

3. The Nigeria Trust Fund (NTF) was launched in 1978 by Nigeria, with an initial capital of 80 million dollars.

On the 31st of December, 2012, the cumulative approvals, loans and donations given to regional member countries (RMCs), totalled 63.66 billion UA (97.3 billion dollars) for 3,796 operations implemented.

In 2012 alone, 199 approvals were registered, representing a total involvement of 4.25 billion UA (6.50 billion dollars).

C - A stable and reliable institution

The tangible actions implemented across time by the Bank Group have contributed to the establishment of its image and credibility in the international financial markets. As a proof, the AfDB received AAA and AA+ ratings regarding its senior debt and its subordinated debt, delivered by Standard & Poors, Moody’s, Fitch Ratings and Japan Credit Rating agencies – a particularly valuable sign of confidence in these troubled times of global financial crisis.

This trust attests the solid support the Bank receives from its agents, through its status as a privileged creditor, the solidity of its financial structure and the prudence of its policies and management.

Donald Kaberuka, previously the Rwandan Finance Minister, was elected as the head of the Bank Group in 2005, becoming the 7th President of the AfDB since its inception. He was re-elected in 2010, at the end of a renewable five-year term.

The Bank’s headquarters is in Abidjan. However, after 2003, restricted by the political turmoil that affected Ivory Coast, the AfDB moved to its temporary relocation agency (TRA) in Tunis, Tunisia.
Evolving agriculture
Ben Guerir railroad enlargement works
A - Morocco, strengths and challenges

1. An island of stability

In a difficult regional context in terms of politics and economy in July 2011, Morocco knew how to maintain its position as a block of stability. Despite not having faltered, the country established a new constitution based on rights and liberties for Moroccan citizens. The current coalition government is led by a party which, for the first time, has access to the exercise of power. Furthermore, thanks to the sound macroeconomic options and a sustainable growth in the non-agricultural sectors, the Moroccan economy has proved a certain resilience facing the world economic recession since 2008.

Even better, in this context of rising difficulties, the Sherifian bases of the economy have been consolidated. The political alternation did not have a particular incidence on the macro-economic policies conducted in the Kingdom.

Nevertheless, the improvement seen in 2011, despite the ups and downs through North Africa, could not be maintained. The growth rate decreased to 3.4% in 2012, from 5% in 2011. This fall was mainly due to the effects of a reduced global demand and the sharp decrease of international income from tourism. Adding to this, there was a reduction in transfers from Moroccans living abroad and a fall in agriculture production, due to the impact of deficient rainfall on cereal crops.

Furthermore, Morocco has seen its global budget deficit reach 7.1% of the GDP in 2012, compared to 6.2% in 2011 and had to face the increase in energy prices.

At the level of perspectives, the Kingdom needs to highlight the challenges and barriers present in its economy, to free its huge growth potential.

It is mainly about responding to the persistence of young people’s unemployment, realizing the conditions of a perennial and inclusive growth, readdressing the external competitiveness of the economy, resorbing social deficits, improving the access to basic services and implementing the necessary measures of adaptation to the effects of climate change.
2. **Appealing to investors**

As proof that Morocco knew how to negotiate the turning of the crisis, its rating remains practically intact for investors. The figures for Foreign Direct Investment (FDI) attest to this: Morocco remains a privileged destination in this aspect.

Another sign of the power of attraction of the Kingdom: the launch of a 1.5 billion dollars bond issue in December 2012, in the international financial markets. The operation was greeted by the markets and its success confirmed investors’ confidence. For its part, the IMF confirmed in February 2013 Morocco’s “continued qualification” to receive a Stand by Line of Credit approved in the autumn of 2012.

This positive performance could not hide the challenges and constraints weighing over the Moroccan economy and from which the Kingdom needs to free itself to reach its full potential for growth.

It is mainly about responding to the persistence of young people’s unemployment, implementing the conditions of a perennial and inclusive growth, boosting external competitiveness of the economy, resorbing social deficits, improving the access to basic services and implementing the necessary measures of adaptation to the effects of climate change. A vast programme, which is proportional to the Kingdom’s ambitions.

B - **The Kingdom, the AfDB’s first client**

1. **An exemplary cooperation**

Morocco and the African Development Bank (AfDB) are partners of experience, with a long relationship of cooperation dating from 1970, when the Bank started financing development projects in the Kingdom. Four priority sectors stand out among the consented investment: infrastructure, economic and financial governance, the social sector and agriculture. Overall, the Bank has invested approximately 7 billion euros in Morocco
since 1970, thus imposing itself as the first donor in the Kingdom.

The regular exchanges with the Moroccan authorities have been determinant in the design and structuring of the new operations, namely in terms of conditionalities and the pertinence of the adopted institutional approaches. The reinforced follow-up of projects by the Bank, namely thanks to the work accomplished by the Bank’s country office in Morocco (opened in 2006) in terms of tidying up the portfolio, has largely contributed to the improvement of the programme performance indicators and projects being implemented.

The structural and sectorial reforms directed at accentuating the diversification of the Moroccan economy have been fruitful on the field. To capitalize its assets and give rise to a more sustainable and inclusive growth, the Moroccan authorities have chosen to focus on the promotion of governance and the upgrade of infrastructures. This strategic focus logically updated the need to implement the necessary conditions for the promotion of a dynamic private sector, to assure the diversification of the Moroccan economy.

The trust which constantly reigned among successive Moroccan governments and the AfDB, and the calibre of cooperation which has always united them, are admirable. The major role of the first partnership for development played by the AfDB in the Kingdom is evident, with the sole objective of responding, in the most efficient manner, to the economic and social challenges faced by Morocco.

**Figure 1** Cumulative loans and donations by the AfDB in Morocco, per instrument (1970 – 2012)
2. Future perspectives: maintaining the same momentum

Morocco has set the improvement of its economic competitiveness and the reduction of social disparity as its priorities. A leading partner in development, the African Development Bank can only follow the country’s strategic choices. For this purpose and with the concern of responding in the most satisfactory and efficient manner possible to the needs of Morocco in terms of economic and social development, the AfDB will continue to improve the quality of its performance and its availability. The major intervention aspects will focus on the modernization of infrastructures – namely in terms of renewable energy – the improvement of economic and financial governance and the support to inclusive growth.

Finally, as an overt sign of this confidence built over half a century and a sign of the willingness to maintain the momentum of this virtuous cooperation, Morocco has been chosen to host the AfDB’s Annual Meetings, in Marrakech, from the 27th to the 31st of May, 2013. This comes nearly thirty years after having hosted the meeting for the first time, in Rabat, in 1974.

The event, which hosts approximately 3,000 participants, is a high level of gatherings and exchanges between African and Western leaders, political delegates, central bank governors, officers from development agencies, representatives of the private sector, members of the civil society.

C - Planning the Morocco of tomorrow: prioritizing infrastructure

1.1 billion euros. This is the amount the AfDB had available for Morocco for operations approved in 2012. The whole of projects and programmes implemented to date by the AfDB in the country totals more than 2 billion euros.

Approximately 80% of the financing granted was directed at infrastructure (transportation, water, energy) in the context of large scale projects.

In line with the Moroccan Government’s priorities, the strategy adopted by the AfDB for the 2012-2016 period in Morocco, is based on two major pillars: the reinforcement of governance and social inclusion on the one hand, and the support to the development of green infrastructure on the other.

**Figure 2** The Bank’s cumulative loans and donations in Morocco, per sector (1970 – 2012)
2. A shared principle: growth for all

The role of the Bank Group is to follow up Morocco in its strategic policies, structural and sectorial, pursuing a common goal: to promote an inclusive growth which benefits all Moroccans in national territory, but which also respects the environment.

A - The human approach

The Bank supports the Government of Morocco in its efforts aimed at establishing a consequent social development. The first front is that of education. The common efforts are aimed at the improvement of the quality of secondary education level, the resolution of cross-cutting problems in the educational system and governance as well as the management of human resources.

Sanitation has also been considered, namely the improvement of the population’s health and the lasting improvement of access to quality services.

Additionally, the AfDB intervenes in the reinforcement of the employability of young people. The programme consists of a sectorial budgetary support to the Moroccan Government’s strategy, aiming at better alignment of training with the demands of the job market.

B - Preserved environment and green growth

The middle class is at the core of the continued growth in Morocco. As a result, the implementation of a transportation and telecommunications network, leisure centres, and the preservation of a clean and healthy environment is of key importance.

In Morocco, the third industrial revolution is ongoing, boosted by the need to change the current energy regime, which rests almost entirely on fossil fuels like petrol, coal and natural gas. The increase of energy prices and the obligation to fight against global warming strongly incite the Moroccan economy to turn towards alternative energy sources, like wind and solar power.
Also, the AfDB supports the Kingdom’s initiatives to initiate a mass production of renewable energy. Also, it follows the Kingdom in its management policies for energy stocks to free itself from uncertainties, namely through international cooperation programmes between countries in the region to assure supply.

This is how the AfDB’s interventions favour the future of an inclusive growth, while respecting the environment. At the service of a growth that is more inclusive for the rural world, the AfDB acts daily within the framework of an integrated development approach, enabling the integration of rural territories in the country’s development dynamic; a logic of action which progressively opens up the rural world thanks to a series of multi-sector operations which support the public policies set by the Government of Morocco, namely: the reinforcement of drinking water supply; the opening up and electrification of rural areas; the support to agricultural development; and improved access to financial services.

Additionally, the Bank supports green growth policies with the necessary financing for renewable energy sources to gain power in the national energy matrix, with the deployment, namely, of projects (solar, wind, hydro) and the project regarding the integrated cycle thermal-solar plant in Ain Beni Mathar.

C - Stimulating competitiveness

Green growth has the aim of installing a healthy environment, in which citizens can expand and attain excellence. But it also leads to other challenges, even the encouragement of a performing economy that stimulates capital.

To this effect, to sustain the development of the competitiveness of Moroccan companies, the Bank supports the realization of the goals inscribed in the sectorial reform programmes, by financing the activities that enable the improvement of the business environment. Its action will bring about the reinforcement of the judicial system and the reform of regulatory texts regarding a better implication of the private sector in the investment and management of basic infrastructures. At a parallel level, the AfDB will bring its financial and technical support to the sector of SMEs, through the development of specific programmes, namely in the domain of franchising, supporting the expansion of activities in the sector of micro-finance for SMEs that cannot, in the current conditions, have access to bank credit. The Bank will play an active role in the promotion of the company’s good governance, through specific programmes aimed mainly at the financial sector, with the aim of driving good practices within the private sector, namely in SMEs.
A pivotal year, 2012 saw an important progression in the number of activities implemented by the African Development Bank for the development of Morocco. The most notable is the reinforcement of the support that the institution has brought about to the strategy of developing the Kingdom at the level of various sectors, such as renewable energy, agriculture, drinking water and the improvement of economic and financial governance.

At the financial level, the AfDB intervened by granting 1.1 billion euros to Morocco for operations approved in 2012. These new interventions have shown and confirm our engagement, as well as placing the Bank as the first donor in Morocco.

The financing granted to the portfolio, that is, the whole of the projects or programmes undertaken by the AfDB in Morocco, is currently at more 2 billion euros. The division of the Bank’s activities covers numerous sectors: water and sanitation, energy, governance, education, health, employment, agriculture, finance and transportation, with a strong focus on infrastructure.

More precisely, the operations of the energy sector represent 34% of the portfolio engagements in banking in Morocco, followed by transportation (24%), water and sanitation (21%) and agriculture (7%). The “multi-sector” operations related to the programmes that support the reforms, mostly under the form of a budgetary support, represent 5% of the portfolio, and those at the profit of the private sector, 9%.

The support to the private sector is made by the AfDB’s private counter. The current portfolio includes two operations: a loan to the Sheriffian Office of phosphates, and a participation in the ARGAN funds for the development of infrastructure for a total of 265 million euros.

The Bank’s interventions in Morocco also integrate twelve operations (studies and technical support) with a regional feature (support to the Secretary-General of the Arab Maghreb Union, AMU), with a total amount of 8.5 billion euros. The core of this technical support is financed through donations by the technical support fund for countries with intermediate revenue (FAT/PRI) and the African Water Facility (AWF).

The AfDB country office in Morocco (MAFO) ensures the dialogue with public powers, the coordination with partnerships to the development and care to the follow-up of operations with execution organizations in the country. Its activities are inscribed in the process of decentralisation engaged by the AfDB, with the opening of the local office in Morocco, in 2006. The Bank’s presence on the field not only allowed the improvement of the portfolio’s quality and performance, but also the reinforcement of its participation at the level of the coordination and harmonisation of development aid with other loan funds, bilateral and multilateral. This coordination is made within the framework of consultation of theme groups and the organisation of joint operational missions.

In a particularly difficult context, namely with the debt crisis in Europe and the troubles in certain countries in North Africa and the rest of the continent, the AfDB marks its willingness to continue to follow Morocco in its efforts to pursue the needed economic, social and institutional reforms. The level of engagement and the continuity of our support are indicators which are sufficiently eloquent of the dynamics and the admirability of the partnership between the African Development Bank and the Kingdom of Morocco.

It is thus with satisfaction that we envisage the reinforcement of our frame of cooperation with the Moroccan authorities, facilitated namely by the increasing presence of pluri-disciplinary teams at the AfDB’s office in Rabat and by the implementation of new tools and procedures and the response to the needs of the Kingdom.
One of the numerous allies of the souk in Marrakesh
A - Human Development

Several years ago, improving the quality of access to basic services became a priority for Morocco. It is an ambition in line with the AfDB’s aid development strategy: to promote inclusive growth for the whole population, particularly the poor and vulnerable. Fighting inequality and reducing poverty in the Kingdom is a priority, as poverty affects approximately 700,000 households, and approximately 200,000 people who are living in precarious conditions (street children, homeless and elderly) along with numerous rural communities.

1. Health for all

In this inclusive growth strategy, closely linked to the realization of the Millennium Development Goals (MDGs), the promotion of health is paramount.

- Medical coverage reform support programme (PARCOUM)

The extension of medical coverage and the availability of quality care to impoverished populations is a central tenet in the fight against social disparity. The improvement of healthcare, along with a decrease or, where required, the elimination of fees for medical services will contribute to the improvement of the economic situation of impoverished households.

The RAMED system (medical support regime) was launched in the context of the programme supporting the medical coverage reform (PARCOUM), and was implemented in three phases with the aim of improving the population’s health and particularly the access to quality care, thanks to the extension of the basic medical coverage for the whole population.
A link to life in Kasba Tadla

Located 200 km southeast of Casablanca, the town of Kasba Tadla was previously an imposing citadelle with a famous bridge of ten arches. Today, it has another strong point: its new hospital, set up as a pilot in 2010, with the programme taking effect on the 13th of March, 2013. “I had stopped my haemodialysis sessions in 2006 because they cost me 2,600 dirhams (260 euros) per week”, said Rakia, a patient interviewed in March 2013. “Now, I am doing my second weekly session, for free”. She has a lively look despite the fatigue inflicted by the treatment. “If I didn’t have the possibility to be hospitalised here, I don’t know what would have happened to me…” The hospital can assure the care of 35 haemodialysis patients, thus offering a breath of hope for the applicants on the waiting list – nearly 120 people. The long and costly trip to Casablanca and other destinations is no longer an issue.

With another testimony and tribute to this passport to life that is the sanitation device implemented, Inan does not spare the praise. To get medical treatment, he would have to pay 3,000 dirhams beforehand (approximately 300 euros) for three weekly trips. Now, he benefits from efficient care and the proximity of his family, a source of comfort. But above all, thanks to PARCOUM, Inan finally has the means to get care. This is because the programme has implemented the right to health for vulnerable populations, defining the amount of the annual contribution according to household resources. This amount is raised to 120 dirhams (MAD) for the homes where annual revenue oscillate between 3,600 MAD and 5,000 MAD (36 to 50 euros) and to 40 MAD (4 euros) only for the poorest, where revenue is below 3,600 MAD (36 euros).
2. Drinking water and sanitation: for a better life

The water resources available in Morocco are among the poorest in the world. Due to irregular rainfall and marked by years of drought, the Kingdom has long suffered from water shortages.

Also, the supply of drinking water has always been a major source of concern. This concern turned more acute due to rapid demographic growth and continuous improvement of the quality of living, accelerated urbanism and industrial development. These evolutions have led to a strong demand for drinking water, accentuating regional disparities.

In this context, and to favour the development of the country, the Moroccan authorities have been engaged in the mastery of water resources. This, with the creation of an efficient model for water management and relevant hydraulic infrastructure, has the aim of responding to the following needs: 130 dams mesh the Moroccan territory at present, totalling a capacity of nearly 17 billion m³, and several billion bores and wells capturing subterranean water.

Depletion under the effect of climate change, the overexploitation of subterranean resources, a low valuation – namely in agriculture – and a changed quality due to delays in sanitation and purification of used water – these are some of the challenges the Kingdom is confronted with in this domain. To face these challenges, while assuring the experience, a new strategy aimed at reinforcing the water policy has been initiated and presented to His Majesty on the 14th of April, 2009, in Fès.
The major guidelines of this strategy are:

- the management of water demand and the valuation of water;
- the management and development of offer;
- the preservation and the protection of water resources, from the natural environment and fragile areas;
- the reduction of vulnerability to natural risks linked to water and the adaptation to climate change;
- the pursuit of regulatory and institutional reforms.

In terms of drinking water, 2001 marked a major turn, with the speech of King Mohammed VI during the opening of the 9th session of the senior council for water and climate: previously based essentially on offer, the new water management policy is now also based on demand. A change in perspective, thanks to the National Office of Electricity and Water Supply (ONEE) was able to review this strategy around a three key elements:

1. security and sustainability of the industrial heritage;
2. generalisation of the access to drinking water for all citizens, in accordance with the principle of the right to water;
3. taking over sanitation, in the context of a global vision of the water cycle.

**Box 1 AfDB’s engagement in numbers**

The different projects financed by the Bank in the water sector have enabled, among others, the improvement of the supply and distribution systems in 30 Moroccan cities (over 2/3 of the country’s population), divided among the whole territory. These projects have contributed to the security of access to drinking water in an urban environment, around 100% at present, and the increase in the access rate to drinking water in a rural environment, which went from 14% in 1990 to 92% at present. As to the access rate to sanitation in an urban environment, this is now above 70%, compared to less than 50% in 1990.

Thanks to the projects implemented, 10 million Moroccans living in an urban environment (Taounate, Khénifra, Settat, Marrakech, Tamesna, Rabat-Cablanca axis) now benefit from access to water and sanitation.

In the context of this water policy defined by the Moroccan Government, the Bank is involved in supporting the National Office of Electricity and Drinking Water Supply (ONEE) in its mission: to supply drinking water to the urban and rural populations and economic stakeholders (industries, tourism sector) in the country, in sufficient quantity and quality, as well as preparing the implementation of sanitation systems. To this effect, the Bank participated – and continues doing so – in the financing of numerous projects in most big cities in Morocco. The Bank is thus the first fund lessor in the water sector in Morocco.

In terms of liquid sanitation, Morocco has launched its national liquid sanitation and wastewater purification programme, aiming for a global connection rate of over 80% in an urban environment, and a reduction of 60% at a minimum for wastewater. The AfDB finances projects directed at assuring the collection and purification of wastewater in the cities of Khouribga, Oued Zem and Boujaad, for a population estimated at approximately 380,000 inhabitants.

**Béni Mellal, blessed by water**

By the balcony of his two-storey home, Mohammed, a chiseled forty-year-old, is confident about turning the tap to let the water flow in front of his visitors. Water collection and all the domestic annoyances linked to it have ended two years ago!

This was the paradox in Beni Mellal, with its 260,000 population between the plains and the mountain, in the centre of Morocco: the region’s plains have important water and agricultural resources (irrigated in the plains, and growing in the mountains) and are the main economic activity. Therefore, water collection
had been implemented in Beni Mellal for a long time. In addition, “people were selling their house because of water problems”, highlights Mohammed, from the roof of his house, in the neighbourhood of the 3rd administrative annex. He added: “Now, they regret it. Because, after water started being distributed, two years ago, the houses gained 5% over their initial value”.

Meanwhile, the location has a reservoir with a capacity for 4,200 m³. The neighbourhood’s fountain is no longer a battle field filled with water buckets, causing conflicts around the precious liquid.

Now, the quarterly bills oscillate between 100 and 200 MAD (10 to 20 euros).

- **8th Drinking Water Supply Project (AEPA)**

Mohammed, like tens of thousands of other fellow Moroccans, is benefitting from the 8th drinking water supply project (AEPA). Based on this, two components of the project have been defined. The first component regarding the AEPA in a rural environment...
has also benefitted from the Water Adjustment Programme (PAS Eau). Financed by the Bank, the PAS Eau programme has enabled the establishment of the programme’s grouped supply record in terms of drinking water for rural environments (PAGER) thanks to a diagnosis undertaken by the national office for drinking water (ONEP) in 2005 and to confirm the institutional framework (ONEP was designated the sole mouthpiece in this programme).

• **Satisfying the water needs for 3 million Marrakechians**

The city of Marrakech is now the symbol of the vitality of tourism in Morocco. The gateway to the Atlas and the Sahara, this green oasis has the typical red dirt and ochre architecture and is also called “Marrakech, the red” or “Southern pearl”. Its medina, its souks, its roadside shops, its artisans, its famous Djemaa el-Fna square, now considered a representation of Intangible Cultural Heritage of Humanity by UNESCO, sees over 2 million visitors every year.

In constant extension, this city with 3 million inhabitants has an extreme need for a water matrix. Filled with potential (tourism, phosphate) the region of Marrakech has seen an important economic growth, but the lack of water is a barrier to its economic and social development. This is why the water supply project was launched in the Marrakech region.

The concerned area includes three hubs (Marrakech, Al Haouz and El Kelaâ) which all know an urban, touristic and industrial development. The project aims to assure the needs for drinking water and industrial water in this vast region of Marrakech by 2030. With an estimated cost of 212.1 million UA (247.3 million euros, approximately), it is programmed over a period of 60 months, between 2013 and 2017. The AfDB and the French Development Agency (AFD) co-finance the project, with ONEE and the Group Sherifien of Phosphates (OCP). The implication of the OCP will reinforce the approach to integrated and partnership projects between various stakeholders/beneficiaries in the water sector, thus contributing to the promotion of an integrated management of water resources.

Objectives: in terms of supply, to assure the reinforcement and the improvement, in quantity and quality, of the supply of drinking water to 2 million people by 2017; to supply ONEE with the necessary means (water sector), as a distributor and producer, as well as the autonomous region for the distribution of water and electricity in Marrakech (RADEEMA) as a distributor, and to match the demand in the concerned areas by 2030. To date, the population will reach nearly 3 million inhabitants, out of which over a million will live in a rural environment.

The AfDB has intervened in a decisive manner in the region since 1982, involved in the first work phase of the purification plant in Marrakech, destined to treat 1,400 litres/second, and on the second phase, in 2008, for an additional capacity of 700 litres/second, and finally in 2012, the third phase of the project (“AfDB 12”), aimed at the treatment of 1,000 litres/second more. This third phase of works to extend the treatment capacities will en-

![Marrakesh water supply facility](image1)
able the response to the growing needs of the region by 2030. The project is aligned with the realization of indicator 7 of the Millennium Development Goals (MDGs), regarding the access to drinking water, since the access rate to drinking water in a rural environment in Morocco will surpass 95% by 2016 (compared to 92% in 2011). It will also enable the response to a significant economic issue: satisfying the needs of the Sherifien Office of Phosphates (OCP) and pre-treated waters for its production site in Ben Guérir. Also confronted with the depletion of water resources in the region, the OCP will benefit from the waters of the Al Massira dam, not far from Ben Guérir – according to the principle adopted in the context of the national framework for deficient basins.

3. Education & Training, a whole programme

Just inaugurated, the Toualaa high school, in a small rural community nestled in the province of Benslimane, in the Chaouia-Ouardigha region, quickly raised its ambitions. Mohamed Manchour, director of the school, is very sure of this: “When the school was opened, we had planned to have only the 1st year of schooling. But facing the demand from parents and municipal voters, we started classes for the 2nd and 3rd years”. He added: “The population is thankful, especially the girls, because this is a very conservative region. Thus it was very difficult for the parents to send their daughters far from home. Nowadays, things are different, it’s a big change”.

Thanks to the new school, the children can now have hope. Like 13-year-old Fatiha: “Now I know that I can finish my studies. The college is great, it’s close to where I live. If I had to go far away, my parents would have had to rent some sort of transport, without mentioning all the difficulties”. In the community, parents cannot allow themselves the luxury of paying for transport for their children. Far from it. And the children know what this would represent for them. Like Walid, who lives 5 km from the Toualaa high school: “I would have been able to study after primary school, but I would have to go to Benslimane. That would have cost my parents a lot of money”.

- **Education Emergency Plan support programme (PUEN)**

If the Toualaa high school was able to open its doors, it was due to the Education Emergency Plan (PUEN) launched by the Moroccan Government. With an implementation period of four years, the

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**Box 3 2013-2016: record investment**

Over the 2013-2016 period, ONEE estimated an investment of 21.6 billion MAD (nearly 2 billion euros), divided as follows:

- 12.5 billion MAD to secure the supply of drinking water (AEP) in urban areas and to follow the urban, industrial and touristic development thanks to a supplementary debit of over 18.6 m3/s. The mains connection rate will also be improved, as well as the efficiency of power production facilities to fight against waste;
- 4.3 billion MAD for the AEP in a rural environment enabling the access to drinking water for nearly 96% of this population, as well as the improvement of their coverage conditions. It has also estimated the intervention in nearly 80 rural centres to manage the distribution service for drinking water;
- 4.8 billion MAD for liquid sanitation. ONEE has foreseen the increase of the purification capacity to nearly supplementary 118,000 m3/d and to intervene in 40 cities and centres to manage the service of liquid sanitation.
The project aims to accelerate the implementation of the works stipulated in the National Charter for Education and Training (CNEF). Specifically, it is about generalising compulsory education to all the children from six to 15 years old, and to improve the quality of teaching and the efficiency of the educational system – this is the focus of the PUEN for the country’s education and training system. Therefore, this involves students, teachers, administrative and service staff, as well as structures (even decentralised) from the Ministries of National Education, and Higher Education and Training.

Additionally, a support programme has been created, to support the efforts deployed by the Moroccan Government in terms of the development of skills, the reduction of poverty according to the framework of the national initiative for human development (INDH) and the Millennium Development Goals (MDGs) by 2015.

As well as the engagement with the Moroccan Ministry of Education, the AfDB contributes with 75 million euros for the support programme, as well as other funders like the European Union (EU), the World Bank (WB), the European Investment Bank (EIB), the French Development Agency (AFD) and the Spanish Agency for International Cooperation for Development (AECID).

Beyond the education of young people and the benefits of education for all, the issue of the employability of young people is key, including ensuring the education and training available matches the needs of the Moroccan job market.

- **Training/Job consonance support programme (PAAFE)**

This is the goal of the adequacy of training and jobs support programme (PAAFE) agreed for 2013, for which the AfDB contributes with 100 million euros and which include the World Bank (WB), the French Development Agency (AFD), the European Union (EU) and the Moroccan Ministry of Education.

**B - Infrastructure**

1. **Transportation: the driver**

Always concerned with the economic competitiveness of the country, the Moroccan authorities have focused on the transportation sector: railway, roads, airports. Morocco is pursuing the revolution of the transportation sector, already at an advanced pace. With this double belief on their radar: modernization and development.
a. Railway sector: on the railways of the future

Marrakech, Saturday, March 16, 2013, 9:20 am. The Marrakech station is pretty quiet. Even the information boards with the numerous destinations and departures and the arrivals at the terminal, seem calm. However, less than an hour later, the lethargy goes away, when a train enters the station and its flow of passengers shed across the platform. Hamdi seems to hesitate for a moment, he just stepped down. Logically, he looks like it was the first time he’s been on a train. But the novice, from Berrechid, 180 km from Marrakech, quickly found his assurance. Satisfied with the trip, Hamdi assures that he will “happily” take the train again, “due to the comfort and punctuality”.

In the crowd of passengers, the three members of the Diallo family get ready to spend a few days in the red city. They took the train because “it’s a service with a good value for money. Especially now that we travel in a group!”

Facing the bus terminal that borders the station, the railways lead to Agadir and Dakhla. The works to double the railway, financed by the ADB, have been initiated in 2008. 29 months of building sites and 129 million MAD have been needed. The second phase of works is ongoing, with the aim of increasing the capacity so the train can achieve speeds of 60 km/h to 100 km/h. Another time gain (1/2 hour less since June 2013), the level crossings will be replaced between Casablanca and Marrakech, as well as between Kenitra and Casablanca. Additionally, a logistic platform should be implemented, towards a future mutualisation at the levels of industrials, which will thus be able to benefit from the grouping system.

Renovated in 2008, the Marrakech station receives nearly 3 million passengers every year. Fadl-Allah Cherkaiouj, head of the central station in Marrakech, has an acute conscience of his responsibilities: “For us, it is essential that we refer to the quality barometer, twice a year, to anticipate problems”. He explained: “We apply the ‘mystery client’ technique and we inquire about the hospitality and conditions, as well as other aspects.”

Marrakech is not the only station confronted with a growing flow of travellers. Over the 2004-2009 period, the traffic of travellers throughout the country also registered an average annual growth rate of 8.1%, while the traffic of goods grew by 2.9%.
• **Project for the increase of the capacity of the Tangier/Marrakech rail route**

Additionally, the important development in the region of Tangier, thanks to the flight of tourism and the start of the port complex Tangier Med in 2007, has led Moroccan authorities to draw a project to link Tangier and Kenitra with a high-speed train, by 2015.

To this effect, a project to increase the capacity of the Tangier/Marrakech railway route has been launched, to respond to the growing needs for the traffic of goods and travellers by 2016. Upgrades on the Settat-Marrakech line with the partial doubling of the railway on 40 km between the Skhour-Benguerir and Sidi Ghanem-Marrakech sections, robustness works and the creation of a third track on the Kenitra-Casablanca line, control and supervision of works. The project, to which the AfDB granted 300 million euros, is significant. Once achieved, it should help to develop five areas of logistic activity (ZAL) in Tangier, Casablanca, Zenata, Fès and Marrakech, with 20,000 jobs created expected here and connected activities generated by 2020.

b. **Road sector: attention, building sites**

The Kingdom of Morocco has an important road network, with approximately 32,100 km of coated roads and nearly one thousand km of motorway. Road transport in Morocco assures 90% of the mobility for people and 75% in terms of the flow of goods except for phosphate.

Since 1991, the Moroccan government has defined a national motorway scheme (SAAN) aimed at the construction of 1,500 km, according to the economic importance of the area and the structural effect of the implementation of roads. In 2010, 1,096 km had already been achieved.

• **The Marrakech-Agadir motorway into the fast lane**

In line with the national road armature scheme, the last mesh of the North-South link, the Marrakech-Agadir road project, is among the priorities defined in the transportation sector for the 2006-2010 period.

The freshly built road now offers a double opening to the touristic and agro-industrial potential of the interior of the country, towards the north (Tangier) and towards the Atlantic (Agadir). This link also comes as needed under the perspective of the Maghreb motorway and will contribute towards the sub-regional integration between North Africa, and assure a permanent link for exchanges between Mediterranean Europe and Sub-Saharan Africa/North Africa.

Because of the success of the previous achievements, the Bank was requested to participate in the financing of the project for the Marrakech-Agadir motorway, at a cost of 118.60 million
The basic infrastructure, namely those regarding the opening up of routes, plays an essential role in the social and economic development strategy in the rural world. Hence the launch, in 2005, of the national programme for rural roads (PNRR II), ten years after the first. During the programme, the construction of 15,560 km of rural roads are foreseen, divided among coated roads (65%) and dirt roads (35%), undertaken in two phases, between 2005 and 2010, and between 2010 and 2015. In this perspective, Morocco has great chances to achieve the opening up rate of 80% for the rural population, set for 2015. One of the priorities of the Kingdom, mentioned in the rural development strategy for 2020, is the optimisation of living conditions for the rural population, and the improvement of access to basic infrastructures and social services. This policy is precisely aimed at the reduction of the gap in terms of access between the provinces most poorly serviced and the ones better doted in this aspect.

Rural development is included in the objectives of the proximity policy held by the Moroccan Government and constitutes a real
issue for the global development of the Kingdom. It needs a strong participation by all the intervening Moroccans for various reasons, namely linked to the balanced arrangement of the territory, the reinforcement of national solidarity through the reduction of regional disparities, the improvement of socio-economic conditions for the population and the promotion of jobs, the fight against poverty and the preservation of the country’s natural resources.

The African Development Bank took advantage of the importance of the issue and financed 10,617,918 euros in works, programmed over nine months, for the second PNRR. The AfDB has been implied in the PNRR II with 45 million euros, lent under the form of a loan.

C - **Airport: even higher**

Faithful to its strategy in the sector of air transport, linked to the liberalisation of the sector, the integration with the European air space, the implementation of compliance with international standards, the growth of airport capacity and the extension of the air navigation system, the improvement of ground services and the adoption of best practices to respond to the safety and security demands of civil aviation, Morocco has launched itself in relevant projects regarding the extension and upgrading of airport infrastructures. The necessary demands for the important and rapid growth of air traffic, ascertained during the last few years, have brought about a saturation of the operational capacities of the country’s main airports.

**Box 4 Open air figures**

The growth rates registered between 2004 and 2007 enlightening, a proof of the accelerated flight of air traffic and airport traffic in Morocco, which hosts over 3 million visitors every year with an increasing domestic traffic. +17% for passenger traffic; +7% for freight; +14% for flyover; +10% for movement. In itself, the traffic of travellers would have reached about 15 million passengers in 2012, compared to 7 million eight years before.

Arising from the 2008-2012 strategic plan by the National Airport Office (ONDA) and focused on the five main airports of the country (Casablanca, Fès, Agadir, Marrakech and Rabat), this project was estimated to have been executed in five years, between 2009 and 2013. For the 320.12 million euros of necessary investment for the 3rd airport project in the Kingdom, the AfDB agreed on a loan of 240 million euros, with the ONDA financing the remaining 80.12 million.

- **3rd airport project: Casablanca on the airway**

A sign of the important building site initiated by this 3rd airport project, whose achievement was estimated for December 2013, the Mohammed V Airport in Casablanca began to impose itself as a real international hub, a platform which links Africa to Europe and America to the Middle East. “This airport can compete with the major European airports I know”, confirmed a passenger carrying luggage at the departure hall. “We easily recognise it”. The
refit of Terminal 1, extension of Terminal 2, a cargo platform, construction of a third runway (estimated for 2015) and Terminal 4, aviation infrastructure – the Mohammed V Airport is equipping itself according to its ambitions. This was confirmed by the airport’s head of architectural studies, Lamia Larhimi: “The aim is to increase the carrying capacity from 4 to 6 million passengers per year, assuring the security and quality of services at all times”. In terms of aerial security, Brahim Lakhifi is particularly well-placed, as an official and director of aerial navigation. At the control centre’s facilities for aerial security, he explained: “The positive impacts of the works are numerous: an interoperability with the adjacent European air spaces which allows us to quietly prepare the integration of the European air space, at first. Then, the air space allows us to attract more resources, thus more clients and more turnover for Morocco. The equipment available also has a positive impact on the services provided, thanks to the skills of human resources. Thus we have been able to improve the security of operations”.

D - Energy

Poorly supplied in terms of conventional energy resources, Morocco depends from imports at over 97% – almost entirely – to get energy supplies and satisfy growing demand, inherent to its economic flight and demographic progression.

The Ministry of Energy, Mines, Water and Environment, which plays a central role in the development of the country’s energy sector, has prepared, pursuant to Royal directives, a new national energy strategy, to free the country from the challenges linked to the energy sector. This is set with the objective of securing supply and the availability of energy for a lasting development; generalised access to energy at competitive prices, the demand matrix and, finally, the preservation of the environment.

To achieve these goals, the strategic guidelines adopted and declines in terms of short, medium and long-term action plans have defined strong lines to be implemented to satisfy the growing energy demand:

- The implementation of an optimised electrical mix around reliable and competitive technological choices;
- The mobilisation of national resources for the increase in power of renewable energy;
- The promotion of energy efficiency, erected as a national priority as the fastest means and less costly means to better use and save energy; and,
- Regional integration.

This strategy is translated in a concrete action plan, achievable in the short-term, medium-term and long-term, matched by organisational and regulatory measures which enable the necessary visibility for operators.

- **Short-term: 2009 – 2012** : the adoption and creation of a National Plan for Priority Actions assuring the balance between the offer and demand of power and with a particular focus on the offer, with the creation of 1,400 MW with a budget of 14 billion MAD between 2008 and 2012, and concerning demand with the achievement of various actions related to energy efficiency.
These actions have been matched by the implementation of a new legal and institutional framework, a complete industrial offer integrated for investors and operators (infrastructure, human capital and incentives) and the encouragement of research and development through the creation of the IRESEN (Institute of Research in Solar and Renewable Energy) in 2011.

- **Medium-term: 2013 – 2019**, an energy mix based on robust and economical technologies (carbon, rising power of renewable energies: 42% of the installed capacity will come from renewable resources by 2020).


1. **Electricity: the main energy source**

For ONEE’s intervention sectors, the projects benefitting from the support of the AfDB are projects with a strong sustainable development component.

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**Box 6 ONEE/ AfDB: an admirable cooperation**

The AfDB is a leading partner of ONEE as invested with a meaningful public service mission. In addition to water and sanitation, ONEE is in charge of the power sector in all its components: production, transportation, distribution, rural electrification and renewable energy.

Initiated in 1970, cooperation between the AfDB and the National Electricity Office (ONE at the time) in this area is among the first interventions of the AfDB in the Kingdom. Since then, the AfDB has spent nearly 11.7 billion MAD, in favour of the Moroccan power sector, for about a dozen operations. The last of these projects concern two loans signed on 19 November 2012 and 19 December 2012 which respectively concern (i) the integrated wind energy programme, the hydropower and rural electrification programme in the amount of 359 million euros, and (ii) the Moroccan Agency for Solar Energy (MASEN) which is part of the 1st phase of the solar plant project in Ouarzazate amounting to 168 million euros. Both these projects were coupled with highly concessional loans made by the Green Technology Fund (FTP) amounting to USD 125 million for the wind energy programme and USD 100 million for the MASEN project.

In 2012, the AfDB made a noteworthy contribution to power sector financing in Morocco.
• Electricity Transmission and Distribution Network Development Programme (PDRE)

On 3 December 2009, the AfDB approved a 109.82 million euro loan for the National Power Authority and its proposed Electricity Transmission and Distribution Network Development Programme (PDRE). Co-financed by AFD, EIB and WB, PDRTRE aims at enhancing the quality of services provided to all ONE’s domestic and industrial customers and distribution agencies, improving and securing electricity supply and the network’s reliability through increased transmission capacity of the lines. This project will thus facilitate the completion of the Overall Rural Electrification Programme (PERG).

Indeed, the strong growth in electricity demand (+6% to +8% per year on average) and the extension of networks to the entire country have led to a saturation of the electricity transmission network, resulting, in particular, in declines in voltage.

Lastly, PDRTRE aims at reducing energy losses between production sites and the distribution network (reduced to 3.5% at the end of the project, against 4.7% in 2008), which will also help in avoiding the release of 183,000 t/year of CO2 emissions.

The Bank’s participation in PDRTRE’s financing is in continuation of its operations in Morocco’s energy sector. A review of the electricity sub-sector in Regional Member Countries, conducted by the Bank’s Operations Evaluation Department (OPEV) also commended the quality of electricity transmission projects implemented in Morocco, noting that all the projects had achieved their initial objectives.

• Electricity Power Grid Interconnections strengthening Project (Morocco/Algeria and Morocco/Spain)

On the edge of the Atlantic, the legendary Tangier is the gateway to Europe. Only the 14 km of the Straits of Gibraltar separate it from the Spanish coast. Not far from Tangier, nestled in the rugged region of the country’s northern tip and facing Spain, the Mellousa Electrical Interconnection Station accounts for 15% of the country’s national electricity production. That is if the infrastructure is strategic. “This project is the first and only electricity interconnection linking Africa, Europe and the Maghreb,” ONEE Division Manager, Ahmed Hamid, said. The connection to Spain through a 27-km submarine cable with a 1400-KW capacity has “helped in improving the quality of electricity supply,” he proudly said of the project. Indeed, the electrical interconnection with Spain, commencing with a first line in 1997, reinforced by new cables in 2006 to increase transmission capacity (increased from 700 MW to 1,400 MW), and soon a third line of 700 MW which is being launched, helps in stabilizing the frequency and voltage of the Moroccan network. It is also symbolic of Morocco’s determination to reduce its share of fossil fuel generation.

An actor of this pioneering project, the submarine interconnection between two continents, Morocco is also at the heart of the Maghrebian electric power interconnection. The Moroccan, Algerian and Tunisian networks have indeed been interconnected since 1988. In June 2010, Morocco, Tunisia and Algeria adopted an action plan for the 2010-2015 period, expressing their common will to create a Maghrebian electricity market with a view to joining the European market. Since 2010, a third line linking Algeria to Morocco enabled the Kingdom to benefit from increased capacity of 400 KV – a marginal performance, well below the potential of the energy partnership between the two countries.

2. Focus on renewable energy

Thanks to many ongoing projects, Morocco is on track to achieve its goal of avoiding dependence on fossil fuels thanks to energy diversification. However, though Morocco is not rich in oil and gas resources, it has an unusual potential for renewable energy, with 3,000 hours of sunshine per year on average and 3,500 km of coastline exposed to winds.

In 2009, King Mohammed VI set the direction: the priority is now on renewable energy. The renewable energy development plan was immediately launched. In 2010, the adoption of law 13-09 on renewable energy supports this new direction for the Moroccan electricity market, endorsing the liberalization of production and commercialization of renewable energy.
The ambition is lofty: by the end of this decade, renewable sources of energy will account for 42% of Morocco’s energy mix (against 19% today). The 6,000 MW of scheduled power will be divided equally between hydropower, solar and wind: 14% solar, 14% wind and 14% hydropower by 2020.

In this perspective, a portfolio of diversified projects (solar and thermal power plants, pumped storage power stations, waste energy recovery, water pumping, air conditioning and solar water heaters, etc.) has been scheduled.

- **Integrated Wind Energy and Rural Electrification Programme (PIEHER)**

One of the major energy projects in this area is the integrated Wind Energy and Rural Electrification Programme launched under the auspices of ONEE with completion set for 2018: Building four wind farms with a total capacity of 750 MW, building an energy pumping station (STEP) as well as an hydroelectric complex with a 520-MW capacity, building medium voltage lines (MV) and low voltage (LV) and MV / LV distribution networks to connect some 86,000 households in 25 provinces; building a 225 kV HV line of 55 km and a 225 / 60 kV station to transmit additional power (300 MW) from the Kenitra station; building a 400 kV sub-station to evacuate the additional power (700 MW) to be installed at the Jorf Lasfar station.

Given the programme’s ambition, which is in line with the strategic vision promoted by the Bank in the energy sector. The Bank gave its approval in 2012, granting the PIEHER 271,837,000 euros (more than 3 billion MAD).

- **The Ain Beni Mathar Solar Thermal Power Station Project**

On 12 May 2010, 130 km south of Oujda and some thirty kilometres from the Algerian border, the Ain Beni Mathar Solar Thermal Power Plant was inaugurated – the first in Africa, indeed in the world. This solar, gas, steam, combined state-of-the-art power plant with a total capacity of 472 MW and powered via a
12.6-km long transmission line connected to the Maghreb-Europe gas pipeline (GME), covers 160 ha. Its solar field covers about 88 hectares. Sun rays help in increasing the plant’s total capacity by more than 20 MW.

The environment remains a priority for site managers such as Mohamed Bouziane, engineer and head of water treatment: "We do not use chemicals or fuels. It is a power station that is adaptable to the environment."

Estimated at 420 million euros, the project, co-financed by the Global Environment Fund (GEF) through the World Bank, the Spanish ICO bilateral fund and ONEE, received 287 million euros through two African Development Bank loans. "The AfDB has been our main donor," said ONEE Project Manager, Noureddine Badawi. In addition, it helped us during the establishment of the contract, the tender period and evaluation."

- **Ouarzazate Solar Power Station Project (OZZ I)**

2015 will mark the end of a new phase, with the inauguration of the Ouarzazate new thermal power plant, currently under construction.

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**E - Green growth**

- **Green Moroccan Support Programme (PAPMV)**

In July 2012, the AfDB allocated 105 million euros in the form of a loan to support the Green Morocco Support Programme (PAPMV).

Endorsed by Moroccan authorities in April 2008, the Green Morocco Support Programme was launched over twelve years (2008-2020) to implement and give shape to the vast structural and sector reforms on agriculture, the central pillar of Morocco’s economy. PAPMV’s strategic objective is to help in strengthening the agricultural sector’s competitiveness, while promoting inclusive economic growth. It also aims at stimulating a huge wave of agricultural investments estimated at about 10 billion MAD per year so as to transform the agricultural sector – and all its stakeholders, starting with Moroccan farmers – into a real socio-economic development engine.

Scheduled for completion in 2014, the PAPMV aims at improving the business climate and sustainable agricultural water management within a context of increasingly scarce
resources. It is thus focused on the modernization of agricultural water infrastructure; improving water resources management governance (a savings of 360 million m$^3$ of agricultural water upon completion); developing agricultural water; optimizing the business climate; promoting gender and energy savings (10 energy audits have been conducted, 4 biomass plans designed).

1. Saving Water – An Imperative

Beni Moussa, “bathed in water”

On the left bank of oued Oum Rabiaâ, on Tadla Plain, Beni Moussa spreads out its fields of crops under the ardent rays of the sun. For Salah Atir, farmer in this small rural community 200 km to the southeast of Casablanca, change and modern methods are good, no doubt about that. “Before the drip irrigation system, it was wastage. Today, with less water, we obtain good crops.”

Salah Atir belongs to the Al Raja (“Hope”) Association, with 819 farmers within the nearby districts as members. Chikaoui Najih, who heads the young association (established in 2010), explains its role: “The aim of the Association is to minimize water consumption, promote quality, in addition to reducing charges and labour cost.” Al Raja provides supervision for the farmers and “serves as interface with the Irrigation Basins Agency”.

“With proper fertilizer use, we produce 50 tons per hectare compared to 30 tons before now,” a happy Salah Atir reveals. “All that, with quality as bonus!”

Béni Moussa, on the left bank of oued Oum Rabiaâ, and Béni Amir on the right bank, are two irrigation schemes covering 100 ha that have received AfDB financing – a 53.59 million euro loan approved in December 2009.
• The National Irrigation Water Saving Programme Support Project – (PAPNEEI)

Faced with high water stress, Morocco has no choice. It must effectively and economically manage the increasingly rare water resources. Effective management is necessarily contingent on the meaningful and sustainable use of irrigation water, which consumes more than 80% of water resource mobilized. In this regard, the Moroccan Government has adopted the National Irrigation Water Saving Programme (PNEEI) that aims to reconvert a total of 500,000 ha through localized irrigation.

Approved by AfDB in December 2009, the National Irrigation Water Saving Programme Support Project (PAPNEEI) involves a budget support (53.59 million euros) to back the virtuous initiative by the Moroccan authorities. Concentrated in Loukkos, Tadla, Doukkala and Moulouya agricultural regions on nearly 20,000 ha, the project is a privileged instrument for effecting a triple conversion: from gravity-fed and spray irrigation to localized irrigation; a crop conversion towards high value added crops; and an institutional conversion towards new organizational systems (aggregation, delegated management, etc.). The fact that sustainable water resources management cannot but help to improve the living conditions of rural dwellers is one of the project’s main attractions.

F - Economy and Finance: Modernization and Good Governance

• Financial Sector Development Support Programme (PADESFI)

For more than two decades now, Morocco has engaged in a long process of extensive economic transformation. This action is based on an economy regulated by market forces and gradually open to the outside world. In this regard, the Government launched a series of reforms to stabilize the macro-economic framework, strengthen the quality of the private investment environment and upgrade various sectors, especially the financial sector. The main challenges involved modernizing the regulatory framework of the financial sector (banking, insurance and capital markets), and mobilizing savings with a view to boosting private investment in the productive sectors.

Hence, a series of first generation reforms were successfully implemented from 1991, through four phases of the Financial Sector Adjustment Programme supported by the Bank.

However, in a bid to further diversify the economy, strengthen competition and improve the business climate, it was necessary to seek additional mechanisms that would allow for greater resource mobilization, while guaranteeing the stability of the fi-
nancial sector. In pursuit of this, a series of second generation reforms was launched under the Financial Sector Development Support Programme (PADESFI). In 2009, PADESFI I was backed with a 162 million euro loan, followed in 2011 by a 224 million euro loan in support of PADESFI II.

Both loans helped to offer greater banking access to individuals. This reflects Morocco’s resolute choice to modernize its banking sector and mobilize savings for private investment. The promotion of conditions for economic growth did not overshadow the need to make such growth inclusive. Hence, banks rolled out tools offering access to citizens. “I am a customer for twelve or so years. One of the strong points of the system is its proximity to customers.” This testimony by Hamid, an Al Barid Bank customer living in Casablanca, is a high mark for that establishment. Youssef, who also shares that view, is also quite happy with the services offered. “I have just opened a savings account, from which I will pay my children’s school fees.”

Within the framework of the Financial Sector Development Support Programme (PADESFI) backed by the Bank, a number of key reforms were undertaken, particularly to boost the effectiveness of the national guarantee system. In this regard, the Caisse Centrale de Garantie (Central Guarantee Fund, CCG) was retained as the sole guarantee system actor. The approach chosen was to set up a modern and integrated information system capable of covering all customer products/processes and various phases of the CCG.

**Box 8 Supervise financial products to improve living conditions**

The bank penetration rate increased by 83% between 2009 and 2012, thanks particularly to the activities of the Postal Bank (Banque Postale). The Bank has enabled underprivileged rural and semi-urban dwellers, especially those with irregular income (75% of the Bank’s customers), to have access to new financial products capable of improving their living conditions. Moreover, social housing credit received a boost and rose by 40% between 2010 and 2012, while two-thirds of all micro-credit were granted to women in 2011. Lastly, crossed debt in the micro-credit sector fell by 75%.
intervention portfolio, and open to partners and customers to streamline exchange based on electronic transactions between stakeholders. Similar to the existing mechanism in banks, it would also include a global risk management mechanism for better risk management and system sustainability.

Testimonies:

Two associates in a legal financing consulting firm (Tangier): “CCG’s support was very important to us. The fact that they provided guarantee to a bank enabled us to start our activity rapidly, within a few weeks. That would have been far more difficult with a traditional bank.”

A manager in a transport and logistics company (Tangier): “We became aware of Morocco’s position on the international scene. This led us to request financing through CCG to increase our capacity. It also enabled us to obtain a guarantee. This saved us time when looking for financing. In other words, instead of one year, we would have taken three more years to obtain funding.”

The project helped to double the outstanding guarantee commitment to companies by the Caisse Centrale de Garantie (Central Guarantee Fund, CCG) between 2008 and 2010. Furthermore, more than 500 very small businesses (VSBs) have benefited from the special guarantee product introduced in 2012.

“Without CCG, we would have been forced to present guarantors for 3 to 4 million dirhams (300,000 – 400,000 euros). Thanks to CCG, we were able to take off in 2010 – a real godsend.”

A manager in a waste management company (Tangier): We nursed the idea of setting up a company as far back as 2006. With all the equipment and logistics necessary to operate, we did not have the resources to take off. For us, CCG provided an access to a guarantee and the investment.

The beneficiaries and the manager of the CCG (Tangier) in a meeting
Box 9 Distinction for a Moroccan project

2012 prize for best monitoring and evaluation system design and 2012 prize for best project completion report

On Thursday, 6 December 2012, the Post-Evaluation Department (OPEV) of the African Development Bank Group awarded the 2012 prize for best project monitoring and evaluation system design and the 2012 prize for best project completion report. Morocco was honoured: the Financial Sector Development Support Programme (PADESFI) won both prizes. The two prizes were selected from current projects by the two different panels.

The prize for best project monitoring and evaluation design system is based on the quality of project design, appraisal, implementation and monitoring. Therefore, the prize compensates both the project quality at entry and the quality of implementation.

The best completion report prize highlights the quality of evaluation of project outcomes on completion, including lessons drawn from its implementation. It also compensates the project quality at exit. Both prizes won by PADESFI are the result of a number of factors, in particular:

The clear vision of the Programme and its strong ownership by the Moroccan Government; the excellent quality of dialogue between the Treasury Directorate and the AfDB team; the technical capacity of both parties to identify, design and appraise the Programme, monitor its implementation and evaluate its outcomes in a coordinate and harmonized manner; and the strong synergy with the World Bank, the Programme’s co-financer.

The prize award ceremony was presided by Mr. Mohamed Mahroug, AfDB’s Executive Director for Morocco, Tunisia and Guinea, in his capacity as the Dean of the Board of Directors.
Annex: Abbreviations and acronyms

AEP  Drinking Water supply
AEPA  Drinking water supply and sanitation
AFD  French Development Agency
AIDB  African Development Bank
AMDI  Moroccan Investment Agency
ANP  National Port Authority
EIB  European Investment Bank
EES  Economic and sectoral study
EU  European Union
GDP  Gross Domestic Product
IMF  International Monetary Fund
INDH  National Human Development Initiative
MAD  Moroccan dirham
MAFO  Morocco Field Office
MIC  Middle-Income Country
MDGs  Millennium Development Goals
OCP  Phosphates marketing board
ONCF  National Railroads head office
ONDA  National airport administration
ONE  National Electricity Board
ONEP  National Water Supply Board
PADESFII  Support programme to financial sector development
PARAP  Support programme to public administration reform
PARCOUM  Support programme to medical assistance reform
PERG  Global rural electrification programme
PMV  Morocco Green Plan
PNIEI  National Irrigation Water Authority
PNRR  National Rural Roads Programme
PPP  Public-Private Partnership
PUEN  Emergency education programme
SMEs  Small and medium-scale enterprises
TFPs  Technical and financial partners
TPE  Minor enterprises
UA  Unit of account
UNDP  United Nations Development Programme
ZAL  Logistic Activity Zone
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