



1. Project Data:		Date Posted : 07/02/2004	
PROJ ID: P065736		Appraisal	Actual
Project Name: Information Infrastructure Sector Development Project	Project Costs (US\$M)	165.0	115.0
Country: Morocco	Loan/Credit (US\$M)	65.0	65.0
Sector(s): Board: GIC - Telecommunications (45%), Information technology (28%), Postal services (18%), Other industry (9%)	Cofinancing (US\$M)	100	50.0
L/C Number: L7055			
	Board Approval (FY)		01
Partners involved : African Development Bank (AfDB)	Closing Date	12/31/2001	06/30/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The main objectives of the Program were to: (i) support the Government's program to deepen the legal and regulatory environment of the telecommunications sector; (ii) assist the Government in the formulation and implementation of a strategy for the use and development of Information Technology (IT); and (iii) formulate a national strategy for the postal sector, including financial services provided through the postal network, which will serve as a basis for further specific reforms.

The objectives were defined in the context of Morocco's desire to pursue further reforms in its information and telecommunications technology sector as a next step of the Telecommunications, Post and Information Technology Adjustment Loan No. 4464-MA of 1999-2000, under which Morocco implemented the provisions of the new telecommunication law (Law 24-96 promulgated in August 1997) and introduced competition in the mobile phone market.

b. Components

The Program supported by the loan has 10 reform areas divided among the Telecommunications, Information Technology and Postal sub-sectors as follows:

(i) For the Telecommunications sub-sector:

- Privatization of Itissalat Al-Maghrib (Maroc Telecom);
- Reinforcing competition in telecommunications infrastructure and services;
- Expanding access to services at reasonable prices for all segments of the population;
- Reinforcing the telecommunications regulatory framework.

(ii) For the Information Technology sub-sector:

- Developing an adequate legal and regulatory framework for information technology and promoting the development of electronic commerce;
- Developing an inter-administrative network;
- Promotion of applications related to Information and Communications Technology (ICT) through public-private partnerships and integration of certain traditional sectors in global commerce.

(iii) For the Postal sub-sector:

- Designing a national strategy for modernization of the postal sub-sector;

- Modernizing the postal operator (Barid Al Maghrib, BAM);
- Extending the provision of financial services through the postal network.

c. Comments on Project Cost, Financing and Dates

Before Board approval the Borrower carried out the measures and took the actions agreed in the Program of this sector adjustment operation. However, disbursement of the one-tranche US\$65 million loan was delayed by two years as the condition for loan effectiveness (approval of the amendment of Law 24-96 by the Council of Government) was only satisfied by the Borrower on June 27, 2003. At the time the ICR was prepared, the co-financier, the African Development Bank (AfDB) had disbursed only the first US\$50 million tranche of its US\$100 million loan; the second tranche of the AfDB loan, also of US\$50 million, was unlikely to be disbursed because the Government had significantly slowed down its carrying out of the agreed reforms, in delaying the issuance of regulatory texts and bidding documents for the second fixed license.

3. Achievement of Relevant Objectives:

Overall, the program objectives were largely achieved, albeit with some shortcomings.

(i) In the Telecommunications sub-sector:

- Itissalat Al-Maghrib (Maroc Telecom) was partially privatized by selling a block of 35 percent of shares to Vivendi Universal Group for US\$2,330 million. A shareholder agreement gave Vivendi considerable authority to manage the company.
- Competition in telecommunications infrastructure and services was only partially strengthened: (i) communications prices did not decrease as forecast; and (ii) a Second National Operator license did not attract private sector. However, mobile phones stimulated strong and sustained subscriber growth.
- The telecommunications regulatory framework was improved: (i) *ex-post* financial control of the regulatory agency (ANRT) by a commission of experts and a comptroller designated by the Ministry of Finances replaced the standard public sector *ex-ante* controls; (ii) ANRT is now allowed to impose gradual sanctions; and (iii) spectrum fees were adjusted to reflect the cost of spectrum management and regulation.

(ii) In the Information Technology sub-sector:

- A draft for an adequate legal and regulatory framework for information technology and promotion of electronic commerce has been prepared by the Government. A pilot project for Administration-on-line was successful and progress achieved in the area of e-government networks has been substantial. The Government is now assessing the development of a platform to deliver electronic services to the public.

(iii) In the Postal sub-sector:

- The postal operator (BAM) carried out a restructuring and implemented a new corporate strategy successfully and responsibilities for operations were transferred to the regional level.
- However, extension of the provision of financial services through the postal network did not start.

4. Significant Outcomes/Impacts:

- The number of mobile subscribers increased sharply from about 2 million in year 2000 to 5 million in 2001 and about 7.5 million in 2004.
- BAM has developed a new corporate strategy based on an ambitious investment of about 220 Dirham million, focusing on the development of a customer-oriented action plan and a number of new products and services such as hybrid mail, ATMs, GPS and others.
- BAM's average annual profit jumped to US\$13.3 million in the period 2000-2002 (from zero in the period 1997-1999 and an average loss of US\$26 million in the period 1995-1996). Postal staff remained at about 9,000 in the period 2000-2002 and the number of inhabitants per postal employee increased by 10 percent to about 3,500.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The pending valuation of Maroc Telecom, uncertain timetable for further liberalization, unresolved interconnection problems, and absence of a working universal service financing mechanism have delayed the sale of a further 16 percent of shares of Maroc Telecom to Vivendi (which will give to the latter control of the company).

- The transfer of stocks to Maroc Telecom's employees, planned for 2001, is still pending
- Competition in telecommunications is less than forecast. The offer of a license for a second national operator did not elicit any interest from potential investors. Actual price of a 3 minute international phone call from Morocco to Paris is US\$1.05 (forecast was US\$0.28); actual price of international leased lines (2Mbps month) from Morocco to London is US\$25,000 (forecast was US\$2,000).

A financial mechanism to extend telecommunications services to places and users that are not commercially viable (under the universal service principle) was not set up. The growth of pre-paid mobile phones has begun to make up for this gap, but call initiation remains an issue because pre-paid call charges are relatively high for low income users

who receive many more call than they generate.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	The ICR rates Quality at Entry as unsatisfactory, in contrast with QAG's highly satisfactory rating because: (i) the one tranche design was inappropriate, (ii) cost of project preparation was well above average (US\$718,000), and (iii) the program preparation was started while a previous adjustment operation was still ongoing. The ICR argues that a two-tranche design would have been more appropriate because of the operation's high risks. However, these design weaknesses were offset by the satisfactory performance of the Bank which provided high quality advice and technical assistance during program preparation and supervision, and carried out a robust policy dialogue throughout implementation.
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

7.1 The success of adjustment lending with focus on policy dialogue and reform requires engaging a champion or proponent of the reform within the government. In this operation there was a delay of two years until the program elicited renewed interest and commitment from of a new Minister of Industry, Trade and Telecommunications with respect to the information technology component of the program.

7.2 The effectiveness of adjustment operations can be increased if advice and technical assistance is available to assist the Borrower in the design and implementation of the reforms. In this operation, the Bank provided high-level comments on the license and tender documents for the privatization of Maroc Telecom, engaged in a dialogue on telecommunications competition, rural access and postal an IT strategy, and provided grant technical assistance in the areas of e-commerce regulation, e-government and postal sector reform .

7.3 Privatization should be accompanied, or preceded, by credible measures aimed at strengthening competition because it carries the risk of reinforcing the dominant position of the incumbent operator. In this case, the Bank supported the introduction of competition in the cellular market before privatization of the incumbent.

7.4 Close working relationship with co-financiers can help the Bank to increase leverage or fill gaps in loan conditionality. In this case the Bank and AfDB teams worked well together and supported each other in the various phases of the Program. It gave the Bank the opportunity to jointly supervise the overall Program and have some leverage in Program implementation through the conditionality attached to the release of the second tranche of the AfDB loan.

8. Assessment Recommended? Yes No

Why? To assess how the issues outstanding at the time of ICR preparation (and mentioned in Section 5) are being and/or have been resolved

9. Comments on Quality of ICR:

Except for the length of the text, the ICR complies with the Bank guidelines for ICRs. It presents an excellent description of the Program achievements and shortcomings, and of the Bank and Borrower performance, supported with detailed Annexes and contributions from the Borrower and the co-financier AfDB.

