

PPIAF Assistance in Morocco

Morocco currently faces the challenge of improving and expanding access to infrastructure while working within the constraints of serious fiscal constraints, exaggerated by the global financial crisis, which has left Morocco unable to finance critical infrastructure investments. As a result, the World Bank Group's 2010–2013 Country Partnership Strategy underlines the challenges created by a lack of infrastructure investment, and the need to improve the “quality” of infrastructure investments in order to generate sustainable economic growth.

The government of Morocco has identified public-private partnerships (PPPs) as a core means of delivering the necessary infrastructure services to its citizens, given that it is unable to finance these investments solely from its own resources. In order to help the government develop this objective, **PPIAF is currently providing assistance to support the establishment of a PPP Unit**, whose responsibility will be to promote, coordinate, and monitor all PPP projects in Morocco, in order to help the country develop a pipeline and portfolio of sustainable PPP projects across infrastructure sectors.

Since inception, PPIAF has successfully contributed to multiple sectoral reform strategies that have built the enabling environment for private investment in infrastructure. Moving forward, PPIAF will focus on continuing this strategy, as well as selectively supporting pioneering transactions that will provide replication potential as Morocco scales up its commitment to PPPs.

Technical Assistance for Morocco's Transport Sector

PPIAF has provided assistance for two activities in the transport sector in Morocco. In 2000 Morocco wished to gradually liberalize its airline industry to be allowed to join the *Espace aérien européen* (EAE). To be admitted, Morocco would have had to adopt its legislation to European Union (EU) directives and regulations on the aviation sector. Thus, in the field of ground handling, the airport of Casablanca, because it saw more than 3 million passengers per year, would be subject to the rules of the EU directive on free market access to ground handling assistance for third parties. At the time, the national carrier Royal Air Morocco had a monopoly on such services in Moroccan airports, with few exceptions.

PPIAF assistance was thus requested in 2000 to assess the technical and economic feasibility of competition in ground-handling at Casablanca and other major Moroccan airports. Specifically, the activity aimed to determine bottlenecks, constraints, and opportunities to introduce competition in handling, as well as identify measures to be taken to implement such competition, including fair access by new operators to facilities, etc. The resulting final report drew on international best practice in the liberalization of handling services in airports.

This activity spurred discussions among government officials on the benefits of private sector participation in the sector, and on what policy to adopt to engage the private sector in the airport ground handling industry. The report confirmed there was scope for introduction of competition in handling as well as strong interest from international handling operators. Although the government of Morocco was pleased with the final report *Etude sur la libéralisation de l'assistance en escale (handling) aux aéroports marocains*, delivered in April 2002, political concerns blocked further movement. However, in June 2003 a tender for the opening to competition through the introduction of a second operator in groundhandling services in Morocco (Casablanca, Marrakesh, and Agadir airports) was issued by the Ministry of Transport. We are following up as to whether a private operator was ever selected.

The second PPIAF activity in the transport sector was approved in 2009. The port sector in Morocco had been reformed in 2006 to increase ports efficiency through the separation of the previously integrated port agency into the landlord and regulatory functions on the one hand (through the creation of Agence Nationale des Ports (ANP)), and operation functions on the other hand (through the creation of another public entity, Marsa Maroc, for port operations and activities). In order to continue the reform in the sector, and to further increase ports efficiency and competitiveness, ANP aimed to generalize the concession of port facilities and services to private entities through concession contracts.

Against this background, ANP sought PPIAF assistance to build capacity in the design, award, and regulation of concessions. ANP had already granted two terminal concessions (the first to Marsa Maroc and the second, a greenfield container terminal, to a private company in 2008), and had realized it could benefit from PPIAF support to improve technical capacity to properly design and execute additional concessions, and establish effective regulation.

In May and June 2010 two PPIAF-supported training courses were held, attended by over 70 staff from the Moroccan Ministry of Transport and the ANP. The training courses, each eight days long, provided hands-on training on port regulation and the concessioning of port facilities and services to private entities through concession contracts.

The training course covered three main areas: (i) the main questions to address in a concession contract: scope, duration, rights and responsibilities, usage rights of public land, tariffs, operations, service and technical standards, fiscal and accounting provisions, assets, penalties, early termination, cancellation, buyback, and disputes resolution; (ii) allocation of risks between Concedant and Concessionnaire, and financing issues, selection process of concessionaire, and award of the contract; and (iii) suitable arrangements and mechanisms for the regulation of concessions such as economic regulation, technical regulation, and other controls by Grantor and public bodies.

The materials developed for the training course were subsequently put together into a training package, which can be used continuously by staff in the Ministry and at ANP.

As a result of the training course, the technical capacity of ANP staff has been strengthened, thus improving the oversight capacity of the institution. ANP is now better trained to be able to design, award, and regulate concessions in the port sector.

Results of PPIAF's Activities in Morocco's Transport Sector

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> • <i>Etude sur la libéralisation de l'assistance en escale (handling) aux aéroports marocains</i>, April 2002
Project cycle related assistance	
<i>Transaction support</i>	<ul style="list-style-type: none"> • Draft tender documents and terms of reference for handling concessions, April 2002
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Two training courses delivered to 70 staff from the Ministry of Transport and the Agence Nationale des Ports on port regulations and port concessioning, May–June 2010
<i>Knowledge products disseminated</i>	<ul style="list-style-type: none"> • Training materials on port regulation finalized and disseminated for further use, June 2010

Category	Outcomes
Enabling environment reform	
<i>Institution created or strengthened</i>	<ul style="list-style-type: none"> • Oversight role of Agence Nationale des Ports has been strengthened as it is now able to design, award, and regulate concessions in the port sector, 2010

Capacity and awareness building	
<i>Technical capacity enhanced</i>	<ul style="list-style-type: none"> Better skilled staff of Agence Nationale des Ports. Training specifically designed to enhance technical capacity of staff to design, award, and regulate concessions in the port sector, 2010

Technical Assistance for Morocco's Electricity, Water, and Sanitation Distribution Sector

In 1995 the government of Morocco launched an ambitious institutional reform program to modernize the water, sanitation, and electricity sectors and improve service levels. Following the experience of concessions in four large coastal cities, the government was interested in creating new opportunities for public-private partnerships that could address the infrastructure and service needs of urban and rural areas.

In this context, PPIAF assistance was requested in 2005 to support the regional consolidation of Morocco's highly fragmented public water, sanitation, and electricity distribution operators and service perimeters (outside of concessions already in place), into 7–10 critical-size regional operations, spanning urban and rural service areas. The consolidated service areas were expected to be more efficient and more amenable to private sector participation. Specifically, the PPIAF-funded study aimed to identify and develop the most effective approach toward regional consolidation of public distribution operators and service perimeters and produce a detailed action plan to be implemented in two full-scale pilot zones selected by the government of Morocco. The lessons and recommendations arising from this study would guide the implementation of the restructuring throughout the entire country.

The final report *Etude de restructuration des services de distribution d'électricité, d'eau et d'assainissement dans deux zones pilotes au Maroc* was delivered in November 2007. It contained a detailed diagnostic of the water, sanitation, and electricity distribution sectors; prerequisites to implementing any restructuring options; solutions for restructuring options; a short-term action plan (6 to 12 months) for the restructuring implementation; and a recommended nation-wide approach based on the work carried out in the two pilot zones. The restitution workshop with the government of Morocco took place through a series of four validation workshops in Rabat (with individual operators and the government's steering committee) on March 5–7, 2008, and was successfully received by the government. Despite differences in perspective and interest among stakeholders, the study on sector and regional diagnostics were deemed good, and consensus emerged on potential restructuring options. We are following up as to whether anything has happened since.

Results of PPIAF's Activities in Morocco's Electricity, Water, and Sanitation Distribution Sector

Category	Outputs
Enabling environment reform	
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> <i>Etude de restructuration des services de distribution d'électricité, d'eau et d'assainissement dans deux zones pilotes au Maroc</i>, November 2007
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> Four validation workshops in Rabat involving individual operators and the government's Steering Committee, March 5–7, 2008

Category	Outcomes
Enabling environment reform	
<i>Plans/strategies adopted</i>	<ul style="list-style-type: none"> Final report adopted by the government of Morocco, March 2008
Capacity and awareness building	
<i>Consensus achieved</i>	<ul style="list-style-type: none"> Consensus emerged on potential restructuring options, March 2008

Technical Assistance for Morocco's Electricity Sector

In 2006 Morocco was engaging in a power market liberalization process in coordination with various donors including the European Union and the World Bank. In this context, the government of Morocco wished to host an initial event to bring all agencies involved to the same level of knowledge of power sector liberalization, in the hopes of implementing the sector reform program over several years.

PPIAF assistance was thus requested in 2006 to fund a two-day Power Sector Liberalization kick-off seminar to convene a limited number (30 to 40) of high-level representatives from all government agencies directly involved and/or impacted by the envisaged electricity market liberalization in Morocco. The purpose of the event was to analyze various alternative market liberalization models based on international experience, to examine certain aspects particularly relevant to Morocco, and to propose a concrete implementation roadmap for the implementation and steering of the liberalization of the electricity market in Morocco.

The seminar on electricity market liberalization "*Contractual relations between operators in the electricity sector: issues, international experiences, and perspectives*" successfully took place on February 20, 2007 in Casablanca, Morocco. It involved 56 high-level representatives from the Office of the Prime Minister and numerous relevant ministries, the state-owned utility ONE (Office National de l'Electricité), private concessions and public operators, and other sector stakeholders, including the private sector. The workshop represented a unique opportunity for all market players (from IPP producers, concessionaires, and large corporate customers to government and elected officials) in Morocco to discuss the areas in which reform was most needed. The seminar also allowed participants to discuss international experiences and practices in electricity market reform, and helped clarify the necessary steps required to introduce effective reform in Morocco. Participants gained a much better understanding of the implications of various contracting models, thanks to a review of international experience, and of the various stakeholders' points of view. A seminar report documented the issues raised and suggestions made for a concrete application to Morocco. Furthermore, the seminar also helped build consensus on the planned restructuring of ONE as prescribed by the upcoming Electricity Market Liberalization Law.

This seminar was important in engaging broad participation from key stakeholders in the reforms process. The timing for this workshop contributed to its success as it was organized as the government was working on a new Electricity Law, the draft of which had been finalized in October 2006.

Results of PPIAF's Activities in Morocco's Electricity Sector

Category	Outputs
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> Seminar on electricity market liberalization "<i>Contractual relations between operators in the electricity sector: issues, international experiences, and perspectives</i>" held on February 20, 2007 in Casablanca, Morocco

Category	Outcomes
Capacity and awareness building	
<i>Consensus achieved</i>	<ul style="list-style-type: none"> • Consensus on the planned restructuring of ONE was achieved

Technical Assistance for Morocco's Solid Waste Management Sector

By 2008 Morocco produced about 4.7 million tons of municipal waste per year, and that figure could reach 6.2 million tons in the year 2020. Only 70% of municipal solid waste produced in urban areas was being collected, and 87% or about 4.1 million tons per year of the country's collected solid waste was disposed in 300 open dumps without sanitary controls. Problems resulting from disposal in uncontrolled dumpsites included, among others: (i) sites located in areas which usually do not meet environmental protection standards; (ii) uncontrolled access by waste pickers and children; and (iii) in most cases commingled final disposal of healthcare waste occurred with regular household waste. These practices posed serious health concerns and safety hazards linked to surface/ground water contamination and breeding grounds for disease in addition to negative impacts on development activities such as tourism.

On the institutional side, solid waste sector policies suffered from: (i) insufficient coordination between and within involved ministries and absence of strategic approach; (ii) poor solid waste technical and managerial capacity at regional and local levels; and (iii) lack of inter-municipal cooperation leading to inefficiencies and loss of economies of scale. It was reported that a third of ongoing contracts with private operators were experiencing difficulties because of poor bidding documents, confusing contracts, and lack of capacity to supervise relevant services.

Annual spending in the solid waste sector was in the order of DH 1.1 billion, including DH 930 million for collection services. Services contracted to private operator represented DH 800 million (i.e., 73% of the total spending for solid waste management). In the private sector, the average cost of collection was DH 360 per metric ton, and exceeded DH 500 per ton in a few cities. This average cost was slightly higher than common prices encountered internationally.

Since 2007 the government of Morocco has undertaken vigorous actions toward the development of solid waste sector, including the preparation of a DH 37 billion National Program on Municipal Solid Waste to facilitate institutional, financial, environmental, and social upgrading actions over 15 years (2007–2021) in order to achieve an acceptable coverage of sustainable municipal solid waste services in all urban areas.

Despite the political willingness and the strong interest at the central level to promote the role of the private sector in solid waste, there remained major difficulties and issues at the national and municipal levels that impacted the effectiveness of such participation in this sector. These issues were mainly related to: (i) a lack of sufficient financial resources at the municipal level to pay the private sector for services; (ii) the poor design of contracts and lack of technical capacity at the municipal level to select appropriate options for private sector participation (PSP) and to ensure appropriate management and supervision of PSP contracts and services; and (iii) excessive application of penalties leading in some cases to an early termination of PSP contracts.

Within this context PPIAF assistance was sought in 2008 to finance a study that reviewed the existing role of the private sector in solid waste management in Morocco, based on the prevailing PSP experience. The study was designed to highlight the benefits of PSP and take into consideration a number of issues such as: (i) what are the drivers for increased or decreased involvement; (ii) what are the trends; (iii) what can be done to increase the involvement (i.e., main incentives and disincentives and risks); (iv) what can be done to increase the effectiveness of the private sector; and (v) how can the private sector help to increase the overall efficiency of municipal solid waste service provision.

The activity began with a study tour to Brazil in May–June 2009, attended by Moroccan and Brazilian counterparts, which provided the opportunity to learn about best practices of PSP in the solid waste

sector in Brazil. Following from the study tour, a one-day workshop was held in Rabat in July 2009 to introduce municipal authorities to the benefits of sound PSP approaches and the required environment for such effective participation in the solid waste sector.

The main output of the PPIAF activity was an assessment of the current PSP experience in solid waste management in Morocco, including a review of PSP constraints and opportunities in the solid waste sector, an assessment of current solid waste services, and a cost/revenue analysis. This analysis also included an assessment of potential financing models for PSP in the solid waste sector and model bidding documents for a possible PSP transaction.

A final workshop to present the results of the study and build consensus on an action plan for the implementation of PSP in the solid waste sector was held in December 2009 in Rabat. The workshop was attended by 60 people, drawn from the public and private sectors, and the donor community. The workshop provided guidance for the finalization of a strategic action plan for the implementation of PSP in the solid waste sector in Morocco.

Results of PPIAF's Activities in Morocco's Solid Waste Management Sector

Category	Outputs
Enabling environment reform	
<i>Analysis/assessments prepared</i>	<ul style="list-style-type: none"> • Assessment of solid waste management in Morocco, April 2009 • Financing models for private sector participation in the solid waste sector, October 2009
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> • Action plan for private sector participation in the solid waste sector, December 2009
Project cycle related assistance	
<i>Transaction support</i>	<ul style="list-style-type: none"> • Model bidding documents for private sector participation transaction in the solid waste sector, December 2009
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Study tour to Brazil to increase understanding of private sector participation best practice in the solid waste sector, May-June 2009 • Workshop on best practice for private sector participation in the solid waste sector, July 2009 • Capacity development workshop on private sector participation in the solid waste sector, December 2009 • Workshop to disseminate study and develop implementation plan, December 2009

Category	Outcomes
Enabling environment reform	
<i>Plans/strategies adopted</i>	<ul style="list-style-type: none"> • Government adopted policy to improve private sector participation in the solid waste sector, December 2009
<i>Institutions created or strengthened</i>	<ul style="list-style-type: none"> • National capacity building program underway to reinforce technical capacity of municipalities to oversee private sector participation in the solid waste sector, December 2009

Policies adopted, legislation passed/amended, or regulations issued/revised

- The government incorporated new standardized documents for the award of management contracts, January 2010

Looking Ahead: PPIAF and the PPP Agenda in Morocco

PPIAF has enjoyed significant success in Morocco focused on upstream activities that have spurred sector reform strategies to open up infrastructure sectors to private sector operation and financing. In recent years, PPIAF provided crucial support to the Egyptian Central PPP Unit, which is now firmly established with a pipeline of projects worth a potential \$15 billion. PPIAF expects to replicate this success in other countries in the Middle East and North Africa, such as Morocco. In 2010 PPIAF provided similar funding to help with the establishment of a PPP Unit within the Directorate for State Enterprises and Privatization, a specialized department within the Moroccan Ministry of Finance. The activity also includes the identification and preliminary scoping of 2–3 pilot transactions to be carried out by IFC PPP Advisory. It is envisaged that this will ultimately help increase private sector investment in infrastructure and subsequently improve the quality, sustainability, and effectiveness of infrastructure investments in generating economic growth. The use of PPPs is seen as particularly timely, given the current economic context in Morocco where fiscal constraints and the impact of the global financial crisis has limited the ability of the government to finance critical infrastructure investments. As the work on the establishment of the PPP Unit unfolds, PPIAF will look for additional opportunities to support project preparation for infrastructure projects in Morocco.