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REPORT AND RECOMMENDATION
OF THE
PRESIDENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
TO THE
KINGDOM OF MOROCCO
FOR THE
THIRD EDUCATION PROJECT

February 20, 1976

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CURRENCY EQUIVALENTS

US\$ 1.00 = Moroccan Dirham (D.H) 4.00

DH 1.00 = US\$ 0.25

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE
EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO THE KINGDOM
OF MOROCCO FOR A THIRD EDUCATION PROJECT

1. I submit the following report and recommendation on a proposed loan to the Kingdom of Morocco, for the equivalent of US\$25 million, to help finance a Third Education project. The loan would be made on standard Third Window terms of 25 years, including 7 years of grace, with interest at 4-1/2 percent per annum.

PART I - THE ECONOMY

2. A report entitled "Current Economic Position and Prospects of Morocco" (1021-MOR, dated January 26, 1976) was distributed to the Executive Directors on February 13, 1976. Country data are attached as Annex I.

3. During the 1968-72 Plan, Morocco succeeded in accelerating the growth of its economy and in improving the situation of its external payments. Aided substantially by good crops following favorable weather in three years out of five, real GDP growth averaged 5.6 percent per annum during the five-year period. Reflecting the sustained rise in exports during the Plan period and a slower growth of imports in 1971 and 1972, the balance of payments showed a surplus from 1969 onward. These results represented a definite improvement over those of the preceding decade, during which the rate of real GDP growth had barely exceeded that of population growth, and the balance of payments had been a source of constant concern. These achievements were accompanied by an increase in private consumption averaging about 2 percent per capita in real terms during the five-year period.

4. From 1967 to 1970, the main growth determinants had been exports, tourism and investment, all of which rose substantially; in addition, sizeable stocks were accumulated following the exceptionally good harvest in 1968. By contrast, in 1971-72 exports and tourism together with current government spending were the major factors to sustain economic growth. During these last two years of the Plan, the investment of public and semi-public enterprises declined, largely because the state-owned phosphate company (OCP) had completed its expansion program. Government investment stagnated after 1968. Private investors adopted a wait-and-see attitude in the face of political developments in 1971 and 1972 and in the expectation of new measures to encourage investment and exports. At the end of the 1968-72 Plan period, there was therefore an urgent need to revive public and private investment. Particularly, in the public sector, absorptive capacity needed to be increased by appropriate changes in staffing and organization.

5. Following a long period of very slow growth in private consumption, social problems had to be tackled. Over the 1960-71 period, there had been a slow but perceptible decline in real per capita consumption for about one-third of the rural population. Wealth and income differences between cities

and villages, among regions, and between rich and poor tended to widen. Unemployment remained high, in 1971 averaging 9 percent of the country's labor force, and ranging between 12 and 16 percent in large urban centers.

6. Recognizing these difficulties and problems, the Government began in 1971 to revise its development policies, paying increasing attention to social objectives. The changed orientations were reflected in the 1973-77 Plan which aims at (1) GDP growth of 7.5 percent per annum in real terms from 1973 to 1977, mainly through a sharp increase in public and private investment and a strategy geared strongly toward increasing exports; and (2) an improvement in the distribution of growth benefits among the different social groups and the various regions, in order to achieve greater equity and at the same time increase domestic demand. This improvement was to be brought about through further land distribution to poor farmers, more emphasis on the development of rainfed agriculture, "Moroccanization" of some industrial and commercial enterprises, reforms designed to make the tax system more equitable and progressive, a price and wage policy designed to enable the poorest segments of the population to satisfy their essential needs, an ambitious program of low-cost housing, various measures to improve the lot of the rural poor, and increased emphasis on the development of poorest regions.

7. During the first two years of the 1973-77 Plan, the main development policies proposed in the Plan were introduced. Further, in 1974, Morocco benefited from a steep rise in the price of phosphate, its main export product, which provided substantial additional resources compared to the Plan's expectation. The Government decided to step up investment spending for the years 1975-77, partly to reflect cost increases for the development program already adopted and partly to embark on additional investment projects.

Recent Economic Performance

8. In 1973, exports were the only dynamic element in the economy, and real GDP grew less than 3 percent. Agricultural output declined by 11 percent due to drought. Investment rose 3 percent in real terms, because of the insufficient number of fully prepared projects and the late publication of both the 1973-77 Plan and new investment incentives.

9. In 1974, by contrast, the economy registered a strong recovery (GDP grew by 10 percent) supported by all growth determinants. Agricultural output rose by 14 percent, thanks to good weather conditions and expansion of irrigation. Fixed investment increased by 34 percent in real terms due to public sector investment and the implementation of new incentives for semi-public and private investors, and stocks were replenished. Exports (including non-factor services) grew by 14 percent; and Government consumption rose by more than 20 percent at constant prices.

10. The revival of economic activity in 1974 was accompanied by further improvements in the balance of payments. There was a sharp increase in phosphate export earnings from \$192 million in 1973 to \$932 million in 1974, due to a 345 percent rise in average export price and a 16 percent growth in

quantities exported. This and a further large (52 percent) increase in workers' remittances from Europe were the main factors behind a doubling of the current surplus to \$237 million in 1974, in spite of increased import payments for foodstuffs and petroleum. The current surplus enabled Morocco to increase short-term financing of its exports to facilitate sales, and to raise the level of its external reserves. These reached \$454 million at the end of 1974.

11. Some weak spots should be noted, however. These were: the increased burden (5.4 percent of GDP in 1974) of price subsidies for imported foodstuffs and petroleum; the volume decline of agricultural exports and the high level of import requirements for wheat, sugar, edible oils and dairy products; the increasingly felt shortage of skilled manpower, particularly at mid-level of technical and managerial qualifications; and the rather low level of reserves in relation to imports (2.4 months at the end of 1974).

12. Available indicators show that the economic and financial situation was less favorable in 1975 than it was in 1974. Two factors in particular have held back economic growth. These are: (a) a decline in phosphate exports and downward pressure on phosphate prices, and (b) less favorable weather conditions in 1974/75 than in 1973/74 which caused a decline estimated at 10% in agricultural output. However, the growth of fixed investment and the Government's current expenditures continued at the rapid pace that began in 1974. On balance, real GDP growth was only an estimated 2 percent in 1975. At the same time, the internal and external financial situations have somewhat deteriorated compared to 1974. The Government's budget showed a substantially increased current and overall deficits, due to sharply rising current and capital spending. Despite smaller import price rises and a substantial increase in external borrowing, the balance of payments should register for the full year a very small surplus only. Reserves were about 2 months of 1975 imports by the end of 1975. The difficulties should however be temporary. A recovery of output and exports is expected in 1976 for the agriculture and phosphate sectors, which should provide the real resources for a further increase in investment. This and greater fiscal discipline introduced with the 1976 budget law would enable the country to ease the financial situation by comparison with 1975.

Revisions to the 1973-77 Plan

13. The Government revised upward the 1973-77 Plan allocations for the years 1975-77. Government investment appropriations for the five-year period have been raised to DH 25.6 billion (about \$6.4 billion) compared to the original DH 11.8 billion. Of the DH 13.8 billion increase, changes to original projects and cost increases represent DH 4.6 billion and new projects for 1975-77, DH 9.2 billion. Excluding defense, new projects fall in the following main categories:

- DH 2,500 million for regional development;
- DH 1,600 million for transport and communications;
- DH 1,300 million for agriculture and water development;
- DH 400 million for industry;
- DH 150 million (to be raised to more than DH 300 million depending on implementation capacity) for low-cost housing; and
- DH 200 million for social services.

Since planning is indicative only for the semi-public and private sector, the above allocations do not include investments by this sector. Nevertheless, the Plan revisions contain provisions to prepare for the implementation of two large industrial complexes (chemicals and steel) in the semi-public sector, and expect a vigorous investment growth in the private sector. The State Secretariat for Planning estimates that total investment at current prices could jump from DH 4.2 billion in 1974 to DH 12.0 billion in 1977. This would enable the country to meet the original GDP growth target of 7.5 percent a year for the 1973-77 period.

14. The thrust of the Plan revisions seems justified. Indeed, the achievement of initial (especially social) Plan objectives is eminently desirable. Similarly, Morocco's economy has developed to a stage where heavy industry should begin to find a place. The country possesses an obvious comparative advantage in the processing of phosphates, which would tend to stabilize export earnings. However, the Plan revisions raise several issues of importance for Morocco's long-term development strategy and prospects.

15. The steep investment growth foreseen by the plan revisions could exceed the country's absorptive capacity. Following the revival noted in 1974 and 1975, investment in real terms would rise by 39 percent in 1976 and 19 percent in 1977, and continue at very high rates in following years according to the tentative plans for heavy industry. Availability of skilled manpower may restrain the pace of project preparation and implementation. The manpower constraint can only be relieved gradually by training. For large industrial and infrastructure projects, Morocco may be able to use foreign services more extensively than in the past, but at considerable cost. In addition, the Government will have to ensure that the increase in capital intensity implied by the moves into heavy industry would be compatible with the objectives for increasing opportunities for unskilled employment.

16. Financial resources may also restrain investment growth. The analysis of Morocco's financial prospects shows that such resources would grow relatively slowly in the next five years. Export earnings are likely to be restrained by a decline in phosphate prices, and as a result, the phosphate company's savings which are a large share (36 percent in 1974) of national savings would be restrained. Taking into account the objective and

policies to improve consumption levels of low-income groups, the growth rate of national savings may be expected to be relatively low. In spite of planned efforts to increase budgetary savings and food import substitution, foreign exchange and national savings are likely to become a constraint on investment towards the end of the decade.

17. Despite the uncertainty over the future evolution of phosphate export receipts, it is likely that investment growth will still reach close to 13.5% p.a. on average during the 1973-77 Plan period. It would exceed the original plan targets for 1973-77, but remain below the revised targets. Provided the volume of phosphate exports recovers in 1976 real GDP gains would average about 6.5 percent yearly during the five years. Private per capita consumption would rise by about 3.5 percent a year, which should correspond to a net improvement in the situation of low-income groups. Despite heavy external borrowing, the balance of payments would remain strong until 1977. These results would be satisfactory by comparison with the initial objectives of the 1973-77 Plan for output and consumption growth, and for the balance of payments.

18. For the 1978-80 period, however, projected trends call for caution. Taking into account the absorptive capacity and resource availability constraints, investment growth could slow down to around 10 percent a year in real terms. Such growth and assumed export increases would lead to growth of real GDP of about 7 percent a year, and of private per capita consumption of about 2.5 percent. Import requirements for consumption and especially investment would grow rapidly, and with the likely deterioration in terms of trade, the economy's resource gap would widen substantially during the last three years of the decade. To cover it and service accumulated debt, external borrowing requirements on a commitment basis would need to average more than \$700 million annually in 1978-80, compared to an actual \$553 million in 1974 and an estimated annual average of \$540 million in 1975-77. Morocco's borrowing capacity seems sufficient to mobilize these amounts from available sources, provided the necessary effort in project preparation for external financing is made. The bulk of borrowings up to 1980 would be from official bilateral and international sources.

19. External debt and debt service would increase as a result of projected borrowings. Debt outstanding and disbursed would rise from \$1.0 billion at the end of 1974 to \$2.6 billion at the end of 1980. Debt service would go from \$121 million in 1974 to some \$464 million in 1980. Debt service would remain manageable although it would rise to 11 percent of exports (including non-factors services) in 1980, from 6 percent in 1974. The prolongation beyond 1980 of macro-economic trends foreseen during 1976-80 indicates that external borrowing requirements would remain large, due in particular to the rise in import needs for investment. These would lead to substantial debt service obligations, since an increasing share of external borrowing would come from commercial sources. However, with an additional and feasible export effort, debt service would remain a manageable burden on the balance of payments, provided the recourse to commercial sources is kept within reasonable limits and Morocco continues to obtain a share of external resources in the form of loans on less than commercial terms. On these assumptions

Morocco will remain creditworthy for substantial Bank lending, but it will have a continuing need to obtain external capital on as concessionary terms as possible. This need, together with Morocco's relative poverty and improving development performance make Morocco eligible for Third Window loans.

PART II - BANK GROUP OPERATIONS IN MOROCCO

20. Bank and IDA lending to Morocco has supported 25 projects with financing totalling \$520 million (net of cancellations). Of which \$304.5 million has been lent since FY73. IDA credits, totalling \$50.0 million, have been made available for five projects. IFC investments have amounted to \$2.9 million. Annex II contains a summary statement of Bank loans, IDA credits and IFC investments as of January 31, 1976, and notes on the execution of ongoing IBRD/IDA projects. In some cases, delays have been caused by management or procurement difficulties, and recently the risk of cost overruns has increased due to the upsurge in investment activity in Morocco and the recent acceleration of inflation. However, performance in project execution has considerably improved during the last two years.

21. Past Bank Group lending has been concentrated in the industrial and agricultural sectors, which together have accounted for 70 percent of total net commitments; the balance is accounted for by utilities (14 percent), roads (8 percent), tourism (5 percent) and education (3 percent). Apart from the transfer of resources to Morocco (Bank Group gross disbursements amounted to 5.5 percent of total fixed investment in 1970-74), the main objectives of lending were to foster and strengthen development institutions, provide technical assistance, particularly for project preparation, and increase productive capacity, particularly in order to improve the balance of payments.

22. While these objectives remain, emphasis is now also being given to supporting the new orientation of the Government's development effort in the field of income distribution. Future Bank lending will reflect this orientation. An increasing share of Bank Group lending will be devoted to projects developing directly or indirectly the productive capacity of the lowest urban and rural income groups.

23. Past lending for agriculture has supported irrigation development and credit. The Doukkala Irrigation Project has been recently approved by the Executive Directors. While continued lending for irrigation is envisaged, greater emphasis will be given to supporting the improvement of rainfed farming, and lending will in general be focussed on support to small farmers. A first project for the development of rainfed agriculture in the Meknes region has been approved recently. Projects for livestock/rural development in a rainfed zone in northern Morocco and for agricultural credit are being prepared.

24. Continued lending for industry and tourism through two DFC's (Banque Nationale pour le Developpement Economique and Credit Immobilier et Hotelier) will be proposed. The Bay of Agadir Tourism Project has been recently approved by the Executive Directors. A third line of credit for CIH

is now being appraised. A project for the construction of a large cement plant in the less developed northeast part of the country is envisaged. Projects in these sectors help to raise foreign exchange earnings and to improve sectoral policies.

25. A sites and services project in Casablanca is being prepared. It should contribute to solving the problem of rapid growth of slum areas. A substantial social services component is envisaged. The Bank is executing agency for project preparation being financed by UNDP; UNDP is also providing technical assistance for overall planning of the sector. A second Water Supply project is expected to meet the needs of several urban and rural centers. A multipurpose development project on the Oum-er-R'bia river, mainly for power but with substantial irrigation and industrial and potable water supply benefits is being appraised

26. Education is a critical bottleneck in Morocco's development. The proposed project is the Bank's third project to assist the Government in removing this bottleneck.

27. A consultative group for Morocco was formed in April 1967 under the chairmanship of the Bank. It includes Belgium, Canada, France, Germany, Italy, Japan, Kuwait, Spain, the U.K., the U.S., UNDP, OECD/DAC, the African Development Bank and the European Investment Bank. The last meeting of the Group, on March 28 and 29, 1974, expressed satisfaction with the improvement in Morocco's economic performance in recent years, and the emphasis in the Third Five-Year Plan (1973-77) on improving the distribution of growth benefits. The gross inflow of official loans and grants to Morocco rose from \$129 million in 1966 to \$159 million (of which \$18 million in grants) in 1971, but fell to \$128 million in 1972 and \$121 million in 1973; in 1974 the gross inflow rose again to \$190 million. The major sources of aid were France, the U.S., Germany and the Bank Group.

28. At the end of 1975, the Bank Group's share in Morocco's external public debt was estimated at 17 percent on a disbursement basis. The share of the Bank Group in debt service was 12 percent in 1974 and an estimated 14 percent in 1975. By 1980 the Bank Group's shares in debt outstanding and in debt service are expected to rise to about 24 percent and 15 percent respectively.

PART III - THE EDUCATION SECTOR

29. Before independence in 1956, Morocco's education system had developed along the lines of the system then prevailing in France. Basically, education was public and free, academically oriented and highly selective. The current system still retains these features despite a substantial expansion and efforts to generalize education in Arabic at all levels. Much remains to be done to

generalize basic education, train middle and higher level technicians and to adapt the system to the needs of the economy.

30. The school system consists of five years of primary school, a four-year lower and three-year upper secondary cycle and up to six years of higher education. Specialization begins at the upper secondary cycle, where students choose between arts, science, technical subjects and primary teacher training. In addition, they can enroll in specialized training institutions managed by the various technical ministries and public agencies. Higher education is conducted in two universities and thirteen specialized institutions. Private schools are restricted to primary and secondary levels and account for only 3.5 percent and 6 percent of respective total enrollments.

31. The fast expansion of schooling over the last decade favored higher and secondary education to provide for much needed higher and middle level manpower. Between 1970 and 1975, enrollments increased by 75 percent in higher, 40 percent in secondary and 24 percent in primary education. Despite these increases, coverage still remains inadequate. In 1974-75, primary, secondary and higher education enrollments (including over-aged students) represented 54%, 13% and 2% of the respective age groups. Illiteracy remains widespread. In 1974, 74% of the population over 5 years was illiterate.

32. Although less than half of the children aged 7-11 are in school, budgetary allocations still favor the development of education at higher levels. At the primary level, the more easily serviced urban areas have received the greatest attention. In 1974-75 about 68 percent of urban children, as compared to 38 percent of rural children, were enrolled in primary schools. A partial explanation for this is to be found in unfavorable parental attitudes toward the schooling of girls in rural areas (while in the larger cities, girls represent about 45 percent of total enrollment, in the poorest rural provinces their enrollment is only about 10 percent). However, the major reason for low rural enrollment ratios remains the government's past lack of attention to providing adequate and relevant schooling opportunities. Rural primary school facilities are far from satisfactory; many do not offer a complete cycle and often cater for different grade pupils in the same classroom, and in comparison with those in urban areas, a higher proportion of underqualified staff teach in rural schools.

33. Despite considerable efforts at increasing enrollments in secondary higher and technical education, the system remains inadequate to meet the needs of a rapidly developing economy for trained manpower. One major limiting factor has been the lack of Moroccan teachers. Despite the creation in 1971 of 13 new regional lower secondary teacher training colleges and the introduction of upgrading courses for the best qualified lower secondary teachers, about 36 percent of secondary teachers were still expatriates in 1974-75. During the same year, about 40 percent of full-time university staff were foreign.

34. While projections of manpower requirements and training needs are difficult due to lack of adequate data, shortfalls can be anticipated at all manpower levels in key sectors by 1985. Morocco has so far relied heavily on informal training to service its industrial and commercial expansion, but the need now to increase the supply and quality - particularly at middle and high staffing levels - is critical to achieve economic growth objectives and to ensure that the execution of the Government's new social and rural oriented plans and programs are not jeopardized by shortage of specialized and trained personnel.

35. The school system is also qualitatively ill-adapted to meet the country's needs. Some efforts have been made at reforming curricula, but the content of education still remains foreign to the requirements of the job market and poorly relevant to the learning needs of the students. At both primary and secondary levels, teaching methods are conventional; curricula favor arts at the expense of science, technology and practical subjects. The inadequacy of curricula and the high selectivity of the education system result in high repeater and drop-out rates. It currently takes for instance, 11.4 pupil/years to produce a typical 7-year course completer in secondary education. In addition, many students drop out of school before completing a cycle.

36. The education system is centrally run by two ministries, the Ministry for Primary and Secondary Education and the Ministry for Higher Education which share common management and planning departments. Recently, measures have been taken to decentralize these functions. It is expected that a much needed improvement will result. Further improvement in the management of the general education system would be brought about by the introduction of modern administrative techniques. Investment planning for the sector is split between the Ministries of Education, the State Secretariat for Planning and the various technical ministries which operate their own training systems. This situation is not conducive to proper coordination between the general education system and the specialized training systems nor to the preparation of consistent and economical training programs that would adequately meet the most urgent needs of the country. The Government is aware of the need for coordination and has requested the Bank's assistance for the preparation of a comprehensive program for technical education and vocational training.

37. Between 1971 and 1975, government expenditure on education and training increased at an annual average rate of 29 percent in current terms. It amounted to about 6 percent of GDP in 1973. Capital expenditure for education and training grew faster than recurrent expenditure; as a result, its share in total government expenditure for education which was less than 10 percent in 1970, increased to more than 30 percent in 1975. Fast development of teacher training facilities was the main cause of this large increase.

38. The National Development Plan 1973-1977 recognized the shortcomings of the educational system and proposed objectives for both the long and the medium term. A major research and development program is to be started for preparing a comprehensive educational reform aimed at making the system more

relevant to the country's needs and which would be implemented during the next plan period. Complete enrollment of the 7 year old group is to be achieved by 1995. During the present plan period, the specific targets included:

- (i) non-formal basic education: preparation of a national program for literacy and basic education and implementation of a first phase of this program;
- (ii) primary education: rationalization and expansion of the rural school network to reduce regional disparities; measures to improve the efficiency of the system and therefore to reduce repeater rates; and curricula reform to provide for more training in mathematics and practical subjects;
- (iii) secondary education: reorientation towards science and technology training by putting more emphasis on these subjects in the lower cycle and enrolling two-thirds of new upper cycle students in science subjects by 1977; "moroccanization" of teachers which should be completed by 1980 for the lower cycle and; arabization of the language of instruction;
- (iv) technical and vocational training: large expansion of training facilities including technical teacher training facilities and coordination of vocational and technical education programs.

39. Quantitative achievements during the first two years of the Third Plan implementation are generally in line with the Plan's objectives. Curricula reform in primary and secondary education is being gradually introduced. However, coordination and planning of vocational and technical education programs should still be improved while planning and preparation of a national literacy and basic education program remains to be organized.

40. Bank Group assistance for education started in 1965 with a first education credit (Cr 79-MOR of US\$11 million) which was designed to help expand general and specialized secondary schooling. The credit assisted the financing of 18 secondary schools. Poor project management, due to a lack of qualified and full time appointed staff and cumbersome contracting procedures during the early years, caused the project to be five years behind the original implementation schedule. Since 1973, these difficulties have been overcome, after the Government had taken vigorous measures. The project was completed in June 1975. The second education credit (Cr 266-MOR of US\$8.5 million), provided in 1971, was designed to help expand secondary teacher training, develop science and technology education in upper secondary level and increase vocational education. The credit helped finance construction and equipment of a higher teacher training college, a national education research institute and six regional teacher training colleges; extensions and science equipment in six secondary schools; extension to a middle level forestry school; and equipment for 10 industrial and 13 commercial schools. This project was also affected by delays similar to those experienced under the first project. However, it has been progressing well since 1973 and is expected to be completed by the end of 1976, nearly two years behind the original schedule.

PART IV - THE PROJECT

41. The project was identified by a UNESCO mission to Morocco in September 1973 and by a Bank mission which discussed the UNESCO findings with the Government in September 1974. Subsequently, the Government proposed to include additional components which were reviewed by a Bank/UNESCO mission in January 1975. In February/March 1975 a UNESCO preparation mission assisted in preparing the project which was appraised in April 1975. Negotiations were held in Washington in January 1976. The Moroccan delegation was headed by Mr. H. Belkoura of the Prime Minister's Office.

Project Objectives

42. The proposed project would assist the Government in implementing its program for (i) reorienting primary education to meet more effectively the needs of rural children and to reduce the present disparities in the distribution of primary schools between rural and urban areas; (ii) reforming general secondary education through introducing prevocational subject in the lower cycle and reorienting the upper cycle toward science and technology, (iii) further expanding secondary teacher training to help remove costly reliance on expatriates; (iv) expanding and improving specialized training to meet urgent manpower needs in agriculture, health and tourism; (v) preparing the launching of a major effort in technical education and vocational training for industry and commerce; and (vi) improving the management of the education system by introducing computerized techniques.

Project Description

43. The proposed project includes (i) construction, furnishing and equipping of 47 experimental rural primary schools, five secondary schools in rural areas, one secondary teacher training college, one hotel training school, four hotel training centers, one National Rural Development and Extension Training Center, one College of Public Health, one medical technicians' training unit and three health training centers; (ii) engineering design for five technical colleges, one technical teacher training college and one applied engineering training institute; and (iii) related technical assistance. The components are amplified in succeeding paragraphs and the main features are summarized in the Project and Loan Summary provided in Annex III. A report entitled "Appraisal of a Third Education Project in the Kingdom of Morocco" (No. 1059-MOR, dated February 25, 1976) is being distributed separately.

44. General Education. The 47 rural primary schools scattered through the poorest areas of the country would help improve the rural population's access to schooling and form a test base to develop new curricula and teaching methods to be generalized during the next (1978-1982) Plan period. The new curricula based on manual skills, in particular, basic farming and artizan skills, are aimed at children who will not continue into secondary schooling. A comprehensive evaluation of the experiment will be carried out by the Ministry of Primary and Secondary Education, and its results would be discussed with the Bank (Section 4.05 of the Loan Agreement).

45. The five secondary schools financed under the project would open opportunities for secondary education in rural areas so far not served by such facilities. Parting with the academic bias of existing secondary schools their curricula would emphasize technical and science teaching. A sufficient number of teachers will be available as the number of graduates from Morocco's existing higher teacher training college increases; however, in the initial phase some expatriate teachers may have to be employed.

46. The proposed teacher training college at Meknes, through one year resident courses, would upgrade selected qualified teachers to upper secondary teaching requirements. Candidates for this program would have at least five years of teaching experience at the lower secondary level. For upper secondary teaching staff Morocco still relies most heavily on expatriate teachers, and the proposed college, together with the existing higher teacher training college, should eliminate the need for employing foreigners in upper secondary teaching by 1985.

47. Data Processing Unit. The management of personnel and students files in the Ministry of Primary and Secondary Education is presently done manually with limited efficiency. The Government, with UNESCO's assistance has developed procedures to rationalize handling and utilization of data. The proposed project would provide technical expertise and some equipment to initiate the first phase of computerized data processing.

48. Industrial Training. The project includes the preparation of a comprehensive program to be part of the next National Development Plan (1978-1982) for technical education and vocational training to meet the skilled manpower requirements for industry and the need to provide skill training for primary and secondary school leavers. In addition it includes the engineering design and the development of curricula as well as instructional methodology for several institutions. These institutions include five technical colleges to meet middle level needs of the labor market, a technical teacher training college and a new applied engineering training institute. The engineering design of these institutions includes the preparation of master plans, preliminary drawings, equipment lists and detailed cost estimates, which would provide the basis for a possible follow-up education project.

49. Tourism Training. Existing facilities remain largely inadequate to meet the demand for middle and lower level hotel staff of the rapidly growing tourism industry. A Hotel Training School at El Jadida would supplement the five existing schools for middle-level technicians. Four hotel training centers, to be located in tourist areas of growing importance, would turn out semi-skilled hotel and restaurant staff.

50. Agricultural Education. Lack of adequately trained extension agents is the critical factor limiting the development and implementation of agricultural projects, mostly in rainfed areas. On average, one extension agent, seldom trained to cope with existing working conditions, has to deal with one thousand farm families. The proposed Center, to be part of the National School of Agriculture, Meknes, would help alleviate the shortage of well-trained extension agents and assist in developing modern extension methods

based on an array of communication techniques ranging from personal contact to mass media. The Center would provide in-service training for some 2,400 agricultural staff annually, experiment with new extension techniques, and help prepare and backstop new comprehensive regional schemes of non-formal education, interrelating agricultural extension with health education, cooperative activities, and other development inputs. To ensure proper dissemination of methods to be developed in the Center and adequate relationships between staff training and extension needs, a Board with representatives from the Ministry of Agriculture and from ministries and agencies concerned with rural development would be established to decide and follow up on work programs for the Center (Section 3.04 of the Loan Agreement).

51. Health Education. The Government is embarking on a large-scale policy aiming at expanding and rationalizing the health distribution system with emphasis on preventive and community medicine, for which the training of medical and paramedical personnel is indispensable. The proposed project would assist the Government in this task by constructing and equipping a new institution associated with the Rabat hospital to permit the expansion and amalgamation of training for various types of middle-level health staff and medical technicians which would improve efficiency and facilitate a team approach to health service delivery; by constructing and equipping a unit of a teaching hospital at Casablanca; and by constructing and equipping three regional health staff training centers to provide manpower to help implement the government's policy of expanding and improving rural health services.

Technical Assistance

52. A large program of technical assistance is recommended under the proposed project to help the Government in developing curricula and teaching methods, training teachers needed for the proposed institutions, initially staffing these institutions, physically implementing the project and preparing the program mentioned in paragraph 48. The project would provide for 5.5 man years of fellowship and about 49 man years of experts' assistance, most of which would be for technical training institutions.

Project Cost

53. The total cost of the project, including contingencies, is estimated at about \$59.5 million, with an estimated foreign exchange cost of approximately \$25 million proposed for Bank financing. The balance of \$34.5 million will be financed by the Government. In estimating the foreign exchange cost, it has been assumed that 50% of the contracts for furniture would be won by local manufacturers (whose production has an estimated 50% foreign exchange component) following international competitive bidding. The cost estimates for civil works are based on recently awarded contracts for the second education project (Cr. 266-MOR). Equipment and furniture cost estimates are based on reasonable C.I.F. unit prices for each category of goods. The detailed cost estimates are provided in Annex III.

Project Implementation

54. The Project Unit, established for the carrying out of the first and second education projects would be responsible for implementation of all project items pertaining to the Ministries of Education (representing about two thirds of the total project cost less technical assistance). In addition, it would support - to the extent necessary - the technical services of the other ministries directly responsible for the implementation of the health, tourism and agriculture components. The staff of the Project Unit will be expanded to ensure adequate and timely implementation of works. Additional staff is being hired, including a programming officer and an architect, whose appointment would be a special condition of effectiveness (Section 5.01 of the Loan Agreement) and a civil works supervisor. In addition, technical assistance totaling 6 man-years would be provided to the Project Unit under the proposed project for review of the detailed plans, preparation of bidding documents and furniture lists and design and for the development of building and maintenance procedures. The Ministries of Tourism, Agriculture and Health have each appointed a full time architect or civil engineer, with qualifications satisfactory to the Bank, who will be responsible for the technical aspects of construction (Section 3.01 (c) of the Loan Agreement). To ensure timely implementation of the project, according to detailed timetables agreed during negotiations, the Government, through the Prime Minister's Office would convene coordinating meetings of all agencies concerned at least once every three months.

55. The proposed project would be implemented over a period of about five years. Selection and acquisition of sites are underway and should be completed in March 1977. The final design of the first group of project items would be completed by May 1977. Procedures for awarding civil works contracts will begin in June 1977 and continue through June 1978. Construction of the first schools is expected to begin by the end of 1977. Construction and equipment installation are expected to be completed by the end of 1980.

Procurement

56. Civil works contracts would be awarded on the basis of international competitive bidding in accordance with Bank guidelines. Detailed lists of furniture and equipment would be presented for the Bank's review and approval prior to procurement. These lists would identify all items or categories of items costing more than US\$10,000, the residual items being included in one miscellaneous category not exceeding US\$100,000 for each institution. Items would be grouped to the extent possible to form sizeable packages to permit bulk procurement. Furniture and equipment contracts, except for the items included in the miscellaneous category, would be awarded on the basis of international competitive bidding in accordance with Bank guidelines. Local manufacturers of furniture and equipment would be allowed a margin of preference equal to the existing rate of customs duty applicable to competing imports or 15 percent of C.I.F. price, whichever is lower. Contracts for the

items in the miscellaneous category would be awarded under normal government procurement procedures which are satisfactory to the Bank and which would include price quotations from at least 3 suppliers. Nearly all equipment is expected to be obtained from foreign manufacturers, although about 50 percent of the furniture contracts might be won by local firms following international competitive bidding.

Disbursements

57. Disbursements would be on the basis of: (i) 100 percent of the C.I.F. cost of imported furniture and equipment or 100 percent of the ex-factory price for locally manufactured furniture and equipment for contracts awarded under ICB; (ii) 70 percent of the purchase price of furniture and equipment of foreign origin but procured locally; (iii) 50 percent of ex-factory price of locally produced furniture and equipment not tendered under ICB; (iv) 85 percent of the total expenditure for technical assistance; (v) 50 percent of the total expenditure of the consultant fees for the engineering preparation studies; (vi) 26 percent of total expenditure for civil works; and (vii) 16 percent of consultant architect fees. These percentages would be adjusted as necessary in order to distribute disbursements over the implementation period.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

58. The draft loan agreement between the Bank and the Government of Morocco, the Report of the Committee provided for in Article II, Section 4 (iii) of the Articles of Agreement and the text of a resolution approving the proposed loan are being distributed to the Executive Directors separately. The draft loan agreement conforms to the normal pattern for loans for education projects.

59. The appointment of a programming officer and of an architect to the Project Unit (paragraph 54) would be additional Condition of Effectiveness (Section 5.01, draft Loan Agreement).

60. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank and with the established criteria for Third Window loans.

PART VI - RECOMMENDATION

61. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara
President

TABLE 3A
SOCIAL INDICATORS DATA SHEET

	MOROCCO		REFERENCE COUNTRIES (1970)	
	1960	1970 ESTIMATE (1)	PHILIPPINES	TURKEY
AREA (THOUSAND SQUARE KM.)	441.7	446.6	300.0	780.6
POPULATION (MID-YR. MILLION)	11.6	14.8	36.9	35.2
POPULATION DENSITY				
PER SQUARE KM.	26.0	33.0	128.0	95.0
PER SQUARE KM. ARABLE LAND	..	..	..	140.0
GDP PER CAPITA (US\$) (2)	160.0	230.0	200.0	300.0
DEMOGRAPHY				
CRUDE BIRTH RATE PER THOUSAND	46.0	50.0	45.0	38.0
CRUDE DEATH RATE PER THOUSAND	19.0	17.0	12.0	13.0
INFANT MORTALITY RATE PER 1,000	150.0	120.0	100.0	80.0
LIFE EXPECTANCY AT BIRTH (YRS)	50.0	51.0	54.0	55.0
GROSS REPRODUCTION RATE (3)	3.4	3.4	3.4	2.6
POPULATION GROWTH RATE (4) (%)	2.4	2.5	2.4	3.5
URBAN	..	4.6	4.0	4.5
URBAN POPULATION (E OF TOTAL)	29.0	35.0	32.0	39.0
URBAN POPULATION (PERCENT)	..	..	..	..
10 TO 14 YEARS	44.0	46.0	47.0	41.8
15 TO 64 YEARS	52.0	51.0	50.0	53.9
65 YEARS AND OVER	4.0	3.0	4.0	4.3
AGE DEPENDENCY RATIO (5)	9.0	9.0	9.0	9.0
ECONOMIC DEPENDENCY RATIO (5)	2.0	..	1.0	1.0
FAMILY PLANNING	..	..	..	..
ACCEPTORS (CUMULATIVE, THOU)	..	67.0	..	409.0
USERS (E OF MARIED WOMEN)	..	3.0	..	9.0
EMPLOYMENT				
TOTAL LABOR FORCE (THOUSAND)	3100.0	..	12300.0	14500.0
LABOR FORCE IN AGRICULTURE (E)	56.0	..	51.0	67.0
UNEMPLOYED (E OF LABOR FORCE)	9.0	..	7.0	4.0
INCOME DISTRIBUTION				
% OF PRIVATE INCOME RECD BY-				
HIGHEST 20% OF POPULATION	..	..	..	..
HIGHEST 10% OF POPULATION	..	..	..	..
LOWEST 20% OF POPULATION	..	..	..	..
LOWEST 10% OF POPULATION	..	..	..	..
DISTRIBUTION OF LAND OWNERSHIP				
% OWNED BY TOP 10% OF OWNERS	..	..	..	..
% OWNED BY SMALLST 10% OWNERS	..	..	..	..
HEALTH AND NUTRITION				
POPULATION PER PHYSICIAN	9700.0	13270.0	13900.0*	2710.0
POPULATION PER NURSING PERSON	7350.0	..	1970.0	2220.0
POPULATION PER HOSPITAL BED	820.0	690.0	870.0	1080.0
POPULATION PER CALORIE SUPPLY (KCAL/PERSON/DAY)	70.0	99.0	92.0*	85.0
PROTEIN (GRAMS PER DAY) (7)	43.0	44.0	62.0*	45.0
% WHICH ANIMAL AND PULSE	..	14.0	22.0	22.0
DEATH RATE (1/THOU) AGES 1-18)	..	..	7.0	15.0
EDUCATION				
4-14% ENROLLMENT RATIO (6)	51.0	55.0	119.0	111.0
PRIMARY SCHOOL	5.0	12.0	45.0	28.0
SECONDARY SCHOOL	12.0	12.0	10.0	11.0
YEARS OF SCHOOLING PROVIDED	..	..	..	..
ILLITERATE POPULATION (PERCENT)	30.0	2.0	10.0	14.0
VOCATIONAL ENROLLMENT	17.0	..	72.0	55.0
ADULT LITERACY RATE (E)	..	..	..	..
HOUSING				
PERSONS PER ROOM (AVERAGE)	2.1	..	2.1*	1.9
GOVERNMENT OWNED	..	..	..	..
PIPED WATER (E)	..	..	35.0	46.0
ACCESS TO ELECTRICITY	76.0	..	82.0	23.0
PERCENT OF ALL DWELLINGS	..	..	..	..
NUMBER OF ALL DWELLINGS	31.0	..	..	6.0
ACCESS TO ELECTRICITY (E)	..	..	..	..
CONSUMPTION				
RADIO RECEIVERS (PER THOU POP)	46.0	60.0	74.0	89.0
PASSENGER CARS (PER THOU POP)	12.0	15.0	16.0*	4.0
TELEPHONE (PER THOU POP)	9.0	18.0	139.0*	24.0
ELECTRICITY (KWH PER CAP)	0.0	0.2	0.0	1.2
TELEVISION (PER THOU POP)	..	..	..	..

(1) 1970: DATA DERIVED FROM 1970 CENSUS. DATA FOR 1970 IS NOT AVAILABLE.
 (2) GDP PER CAPITA ESTIMATES ARE AT MARKET PRICES.
 (3) COUNTRIES FOR WHICH DATA IS AVAILABLE BY THE COMMISSION METHOD AS THE WORLD BANK ATLAS (1965-72).
 (4) AVERAGE NUMBER OF LIVE DAUGHTERS A WOMAN WILL BEAR IN HER LIFETIME IF SHE EXPERIENCES THE PRESENT AGE-SPECIFIC FERTILITY RATES.
 (5) POPULATION GROWTH RATES ARE FOR THE DECADES ENDING IN 1960 AND 1970, AND - FOR THE MOST RECENT ESTIMATE - FOR THE PERIOD 1960 TO THE MOST RECENT YEAR.
 (6) "RATIO OF POPULATION UNDER 15 AND 65 AND OVER TO POPULATION OF AGES 15 THROUGH 64 FOR AGE DEPENDENCY RATIO AND POPULATION OF AGES 15 THROUGH 64 FOR ECONOMIC DEPENDENCY RATIO."
 (7) FOOD REFERENCE STANDARDS REPRESENT PHYSIOLOGICAL REQUIREMENTS FOR NORMAL ACTIVITY AND HEALTH.
 (8) 1960: DATA REFERRED TO 1959 OR 1960 DATA NOT BEEN POSTPONED.
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ECONOMIC DEVELOPMENT DATA
(Amounts in millions of U.S. dollars)

	Actual			Estimates		Projected			Annual Growth Rates			Percent of GDP 1974
	1967	1972	1973	1974	1975	1976	1977	1980	1968-72	1973-77	1975-80	
NATIONAL ACCOUNTS (1974 Prices)												
Gross Domestic Product	4549	5961	6121	6726	7114	7567	8081	9870	5.6	6.3	6.6	100.0
Gains from Terms of Trade (+)	-133	-368	-317	0	166	69	-20	-554	-	-	-	-
Gross Domestic Income	4416	5593	5804	6726	7280	7636	8061	9316	3.6	7.6	5.6	100.0
Imports (incl. NPS)	1404	1587	1978	2163	2833	2503	2690	3416	2.5	11.1	7.9	32.1
Exports " (import capacity)	1251	-154	1663	2115	1978	2424	2617	2688	4.2	11.3	4.1	31.4
Resource Gap	153	53	115	48	855	79	73	728	-	-	-	0.7
Consumption Expenditures	3991	4972	5299	5781	6419	6361	6697	8019	3.2	5.3	5.6	85.9
Gross fixed investment	569	697	715	989	1602	1216	1387	1960	4.1	14.8	12.6	14.3
Domestic Savings	426	621	505	945	856	1275	1364	1296	7.9	17.1	5.4	14.1
National Savings	422	736	729	1230	1252	1535	1631	1566	11.8	17.3	4.1	17.6
EXTERNAL TRADE (Current prices)												Percent of total 1974
Imports												
Foodstuffs	143	136	262	420	658	401	398	473	-1.0	24.0	2.0	19.4
Petroleum	25	56	74	258	268	360	434	735	17.5	41.7	19.1	11.9
Intermediates	166	307	437	711	732	988	1182	2029	13.1	31.0	19.1	32.9
Capital goods	105	154	207	326	639	553	634	984	8.0	32.7	20.5	15.1
Consumer goods	79	124	168	192	263	252	283	423	9.4	17.9	14.1	8.9
Non-factor services	182	199	231	256	239	353	408	628	14.3	15.5	16.2	11.6
Total	620	977	1380	2163	2799	2907	3338	5273	9.5	27.9	16.0	100.0
Exports												
Phosphate	108	146	192	932	854	1371	1599	1673	6.2	61.2	10.2	44.1
Agricultural products	238	357	517	463	439	488	529	739	8.4	8.2	8.1	21.9
Other minerals	41	44	62	100	61	118	142	200	1.4	26.4	12.3	7.7
Manufactures	37	93	140	197	232	288	341	562	20.2	29.7	19.1	9.3
Non-factor services	129	302	390	422	366	549	634	976	18.6	16.0	15.0	20.0
Total	553	943	1301	2115	1932	2815	3246	4150	11.3	28.0	11.9	100.0
Trade indices (1974=1.000)												
Export price index	0.463	0.522	0.561	1.000	1.077	1.195	1.231	1.280	2.4	18.7	4.2	.
Import price index	0.512	0.647	0.656	1.000	0.987	1.161	1.240	1.544	4.8	13.9	7.5	.
Terms of trade	0.904	0.807	0.855	1.000	1.091	1.029	0.922	0.828	-2.1	4.2	-3.2	.
VALUE ADDED BY SECTOR (Share of GDP at current prices)												
Agriculture	27.4	27.8	24.4	22.7	20.2	17.1	16.2	15.1	5.9	1.7	3.0	.
Mining	5.2	5.2	5.8	14.3	12.2	15.3	14.9	12.5	5.6	8.1	8.6	.
Other industry	20.3	20.4	21.6	19.0	21.7	21.4	21.9	23.4	5.7	8.7	8.6	.
Services	47.1	46.6	48.2	44.0	45.9	46.2	47.0	49.0	5.3	7.0	6.8	.
PUBLIC FINANCE (Annual data at current prices and exchange rates)												
(Central Government)												Percent of GDP 1974
Current receipts	453	773	1013	1628	2096	.	.	.	.	.	.	24.2
Current expenditures	415	729	882	1479	1984	.	.	.	.	.	.	22.0
Budgetary savings	37	44	131	149	112	.	.	.	.	.	.	2.2
Investment expenditures	212	259	294	512	854	.	.	.	.	.	.	7.6
CURRENT EXPENDITURE DETAILS (As % Total Current Expend.)												
	Actual			Est.		DETAIL ON CENTRAL GOVERNMENT INVESTMENT						
Education	26.1	28.2	31.1	17.1	15.1	1973-1974		%				
Other Social Services	11.6	9.7	9.2	5.6	4.5	Agriculture	236	29.2				
Agriculture	8.0	7.2	7.1	4.3	3.6	Industry and mining	130	16.1				
Other Economic Services	6.3	5.3	4.8	2.8	2.6	Economic infrastructure	105	13.0				
Administration and Defense	31.3	30.9	31.2	18.5	15.6	Education and training	69	8.5				
Other	16.7	18.7	16.6	51.7	58.7	Other social sectors	76	9.4				
Total Current Expenditures	100.0	100.0	100.0	100.0	100.0	Administration and security	102	12.6				
						Regional development	52	6.4				
						Unclassified	38	4.8				
						Total	868	100.0				
SELECTED INDICATORS												
		1968-1972	1973-1977	1975-1980		FINANCING						
Average ICOR		2.4	2.5	2.6		Public sector savings	280	34.7				
Import Elasticity		0.5	1.8	1.2		External borrowing	42	5.2				
Average National Savings Rate		12.8	18.2	17.1		Domestic borrowing	486	60.1				
Marginal National Savings Rate		0.3	0.4	0.1		Total financing	808	100.0				
LABOR FORCE AND OUTPUT PER WORKER												
	Total Employment					Value Added Per Worker (1960 Prices + Exc. Rates)						
	In Thousands		% of Total		1960-71 Growth Rate	in U.S. Dollars		Percent of Average		1960-71 Growth Rate		
	1960	1971	1960	1971		1960	1971	1960	1971			
Agriculture	1,834	1988	62.2	54.7	0.7	358	496	51.8	56.6	3.0		
Industry	369	593	12.5	16.3	4.4	1328	1354	192.2	154.6	0.1		
Services	641	895	21.7	24.7	3.1	1393	1558	201.6	177.2	1.0		
Unclassified	106	155	3.6	4.3	-	-	-	-	-	-		
Total	2,950	3,632	100.0	100.0	1.9	691	876	100.0	100.0	2.2		
Unemployment	305	349	-	-	1.2							

. not applicable
.. not available
- nil or negligible

BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT
(amounts in millions of U.S. dollars at current prices)

Annex I
Page 3 of 3 pages

	Actual				Est. 1975	Projected		
	1967	1972	1973	1974		1976	1977	1980
SUMMARY OF BALANCE OF PAYMENTS								
Exports, incl. NPS	553	943	1301	2115	1952	2815	3266	4150
Imports, incl. NPS	-620	-977	-1380	-2163	-2799	-2907	-3338	-5273
Resource balance	-67	-34	-79	-48	-847	-92	-92	-1124
Net factor services	-37	38	138	266	421	291	323	401
Interest receipts	3	9	11	24	34	49	60	65
Interest payments	-17	-38	-40	-44	-41	-72	-85	-143
Net investment income	-22	-28	-38	-31	-46	-38	-40	-50
Workers' remittances	41	139	249	356	481	399	440	592
Other (net)	-42	-44	-44	-39	-7	-48	-51	-63
Current transfers (net)	35	43	46	19	-25	24	25	31
Current account balance	-69	47	105	237	-451	221	256	-691
Private direct invest. (net)	10	24	15	5	6	6	7	10
Public M+LT loans								
Disbursements	88	111	82	148	481	243	357	774
Repayments	-29	-79	-79	-82	-121	-121	-160	-321
Net disbursements	59	32	3	66	360	122	197	453
Short-term capital (net)	-15	-35	-75	-158	135	-96	-114	-22
Capital n.e.i.	-4	7	-13	-27	-	-	-	-
Change in reserves	19	-75	-35	-123	-80	-254	-345	250
Level of reserves								
- amount	90	256	331	454	504	758	1103	957
- months' imports	1.7	3.1	2.9	2.5	2.0	3.1	4.0	2.2
GRANT AND LOAN COMMITMENTS								
Official grants	23	17	40	42		47	50	50
Total public M+LT loans	..	177	168	553		511	523	977
IBRD/IDA	..	97	49	141		120	120	140
Other intern'l institutions	..	-	4	38		27	29	36
Governments	..	-	100	246		281	302	374
Suppliers' credits	..	61	4	31		63	72	248
Financial institutions	..	19	11	97		-	-	179

EXTERNAL DEBT

	Actual Debt Outstanding on Dec. 31, 1974	
	Disbursed Only	Percent
World Bank	148	14.2
IDA	26	2.5
Other Multilaterals	7	0.7
Governments	691	66.2
Suppliers	79	7.6
Financial Institutions	64	6.0
Bonds	-	-
Public Debts n.e.i.	29	2.8
Total Public M+LT Debt	1043	100.0
Other M+LT Debts	..	..
Short-term Debt (disb. only)	..	..

	Actual				Est. 1975
	1967	1972	1973	1974	
DEBT AND DEBT SERVICE					
Public Debt Out. + Disbursed	490	896	977	1043	1336
Interest on Public Debt	17	38	40	44	41
Repayments on Public Debt	29	79	79	77	97
Total Public Debt Service	46	117	119	121	138
Other Debt Service (net)	..	..	..	..	..
Total Debt Service (net)	46	117	119	121	138
Burden on Export Earnings (%)					
Public Debt Service	8.3	12.4	9.1	6.0	5.7
Total Debt Service	8.3	12.4	12.1	6.0	5.7
TDS + Direct Invest. Inc.	12.3	15.4	12.1	7.4	7.2
Average Terms of Public Debt					
Int. as % Prior Year DOD	2.4	4.4	4.5	3.8	3.0
Amort. as % Prior Year DOD	6.5	9.1	8.8	7.8	7.4
IBRD Debt Out. and Disbursed					
IBRD as % Public Debt OD	6.0	9.5	10.8	14.2	14.4
IBRD as % Public Debt Service	5.7	10.7	14.4	12.1	13.7
IDA Debt Out. and Disbursed					
IDA as % Public Debt OD	0.0	1.7	2.4	2.5	2.1
IDA as % Public Debt Service	0.0	0.1	0.2	0.1	0.1

.. not available
- nil or negligible

THE STATUS OF BANK GROUP OPERATIONS IN MOROCCO

A. STATEMENT OF BANK LOANS AND IDA CREDITS (as of January 31, 1976)

<u>Loan or Credit Number</u>	<u>Borrower</u>	<u>Purpose</u>	US \$1 Million		
			<u>Amount (less cancellations) Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
Seven	Loans	fully disbursed	111.9		
79	1965	Kingdom of Morocco	Education	10.2	---
167	1969	Kingdom of Morocco	Highways	7.3	---
642	1969	Kingdom of Morocco	Highways	7.3	0.2
643	1969	Kingdom of Morocco	Irrigation	46.0	15.4
704	1970	CIH	DFC (Tourism)	8.8	0.1
266	1971	Kingdom of Morocco	Education	8.5	7.8
848	1972	CIH	DFC (Tourism)	15.0	7.4
850	1972	ONEP	Water Supply	48.0	16.3
338	1972	Kingdom of Morocco	Agriculture	10.0	---
861	1972	CNCA	Agriculture	24.0	6.0
890	1973	BNDE	DFC	24.0	1.2
936	1973	ONE	Power	25.0	6.3
955	1974	Kingdom of Morocco	Highways	29.0	23.4
1017	1974	Maroc-Phosphore	Industry	50.0	12.8
1018	1974	Kingdom of Morocco	Agriculture	32.0	20.2
1061	1974	BNDE	DFC	30.0	22.2
555	1975	Kingdom of Morocco	Agriculture	14.0	14.0
1123	1975	Kingdom of Morocco	Agriculture	18.5	18.5
Total				469.5	50.0
of which has been repaid				66.9	
Total now outstanding				402.6	50.0
Amount sold			1.3		
of which has been repaid			1.3		
Total now held by Bank and the IDA*			402.6	50.0	
Total undisbursed			150.0	21.8	171.8

Prior to exchange adjustment

B. STATEMENT OF IFC INVESTMENTS (as of January 31, 1976)

<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US \$ Million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1962	BNDE	Development Bank	--	1.5	1.5
1966	CIL	Canning Factory	0.9	0.5	1.4
Total gross commitments			0.9	2.0	2.9
less cancellations, terminations, repayments and sales			0.8	0.7	1.5
Total commitments now held by IFC			0.1	1.3	1.4
Total undisbursed			-	-	-

C. PROJECTS IN EXECUTION ^{1/}

Ln. No. 642 and Cr. No. 167 First Highway Project: US\$14.6 million of November 13, 1969; Date of Effectiveness: May 22, 1970; Closing Date: December 31, 1975.

The project suffered from initial delays; however, construction was completed in late 1973 and within the estimated cost. By September 1975, \$0.2 million was still undisbursed out of the combined credit/loan, mainly because of cumbersome Government disbursement procedures. The original closing date has been extended three times, from the original date of February 28, 1974.

Ln. No. 643 Rharb-Sebou Irrigation Project: US\$46 million Loan of November 13, 1969; Date of Effectiveness: June 8, 1970; Closing Date: November 30, 1978.

Progress in implementing the project is now satisfactory although considerable problems were first experienced with management and procurement, and some procurement difficulties continue. The major project structure, Idriss 1^{er} Dam, is completed and equipment of 13,200 ha out of a total of 35,000 ha is completed. Additional infrastructure for the project area, including a sugar cane processing factory and flood protection works, are being provided by Loan No. 1018-MOR.

Ln. No. 704 First Hotel Development Project; US\$10.0 million of August 12, 1970; Date of Effectiveness: January 28, 1971; Closing Date: December 31, 1975.

Disbursements and commitments were initially lower than originally expected, as construction of some hotels ran into difficulties in 1971-73. As a result, the original closing date of December 31, 1973 was extended, and \$1.2 million was cancelled from the loan. With returning confidence and renewed investment activity, project execution substantially improved in 1974. The loan is now fully committed, but a further postponement in the closing date has been necessary to complete disbursements.

^{1/} These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Cr. No. 266 Second Education Project: US\$8.5 million Credit of August 18, 1971; Date of Effectiveness: December 10, 1971; Closing Date: April 30, 1976.

The project included the expansion and improvement of specific sections of the secondary, vocational and higher educational systems of the Borrower, and technical assistance for project administration and school maintenance. Subsequently the Association agreed not to finance two Vocational Training Centers and the Department of Veterinary Medicine. Accordingly, an amount of about US\$0.9 million has been transferred to the unallocated category for future reallocation and/or cancellation. Initial delays occurred in the appointment of consultant architects, in the recruitment of local personnel and technical assistance experts for the Project Unit, and in procurement. However, execution is now proceeding satisfactorily, and all civil works contracts under the project have been awarded. Physical execution of the project is forecast for completion by the end of 1976, about one year and a half later than originally planned, and an extension of the closing date will be necessary.

Ln. No. 848 Second Hotel Development Project; US\$15 million of June 30, 1972; Date of Effectiveness: November 1, 1972; Closing Date: December 31, 1976.

Commitments initially lagged behind expectations, as in the case of Loan No. 704, due to sluggish investment activity, but the loan should be fully committed by December 1975, as against the appraisal estimate of year-end 1973. A third loan is now being appraised.

Ln. No. 850 Water Supply Project; US\$48 million Loan of July 19, 1972; Date of Effectiveness: May 2, 1973; Closing Date: December 31, 1977.

The dam which was the major component of the project was inaugurated in August 1974. All project elements are being completed on schedule except for the treatment plant and the training school, which are both about six months behind schedule. The financial position of the Borrower, Office National de l'Eau Potable (ONEP), is satisfactory. In early 1976 consultants are due to complete a tariff study which will assist in improving ONEP's long-term financial performance. Consultants should be engaged shortly to undertake a management study for ONEP.

Ln. No. 861, Cr. No. 338 Second Agricultural Credit Project; US\$34.0 million of October 10, 1972; Date of Effectiveness: February 2, 1973; Closing Date: August 31, 1976.

The project has been progressing satisfactorily and disbursements had reached US\$23.3 million by the end of September 1975. The Caisse Nationale de Credit Agricole (CNCA) increased its lending rates in September 1975; as a result, the total of sub-loans which qualify for reimbursement under the Bank loan has increased, and disbursements are likely to be completed by March 1976 in line with the appraisal forecast.

Ln. No. 890 Sixth BNDE Project; US\$24 million of May 14, 1973; Date of Effectiveness: September 10, 1973; Closing Date: December 31, 1976.

The loan was fully committed by May 1974, about six months earlier than expected, due to rapid improvement of the investment climate since mid-1973. Disbursements are also running slightly ahead of the appraisal estimate and should be completed by the end of 1975.

Ln. No. 936 Power Project; US\$25 million of October 5, 1973; Date of Effectiveness: January 23, 1974; Closing Date: December 31, 1976.

Execution of the project was completed in mid-1975, and disbursements are likely to be completed 6 months behind the appraisal estimate. The Government has undertaken to increase tariffs by the end of 1975 in order to comply with the rate of return covenant of the Loan Agreement.

Ln. No. 955 Second Highway Project; US\$29 million of January 11, 1974; Date of Effectiveness: May 21, 1974; Closing Date: June 30, 1977.

Construction of the Rabat-Casablanca expressway began in early 1975, 8 months behind schedule; the contract was awarded for the equivalent of about \$21 million, 20 percent above the appraisal estimate. Purchase of maintenance equipment and work on the highway improvement programme are proceeding satisfactorily, close to the appraisal cost estimates. The urban traffic and transport study in the towns of Casablanca and Rabat is now under way. The Government has recently invited consultants' proposals for technical assistance for the establishment of a Transport Planning Office in the Ministry of Public Works.

Ln. No. 1017 Phosphoric Acid Project: US\$50.0 million of June 27, 1974; Date of Effectiveness: February 27, 1975; Closing Date: June 30, 1977.

Progress in project execution is good, although there is likely to be a delay in completion of one to three months, due to a delay in the civil works component of the turnkey contract. Commercial operations of the first production unit are presently scheduled to start in early 1976, and construction of all units should be completed by October 1976.

Ln. No. 1018 Sebou II Development Project: US\$32.0 million of June 27, 1974; Date of Effectiveness: February 28, 1975; Closing Date: June 30, 1979.

The sugar cane processing factory was commissioned in June, 1975, one month later than originally scheduled, but in time to process the 1975 harvest. Construction of the flood protection dykes and project area roads is on schedule. The studies of pollution control and the incidence of bilharzia on the Rharb plain have not yet been started.

Ln. No. 1061 Seventh BNDE Project; US\$30 million of December 20, 1974;
Date of Effectiveness: January 15, 1975; Closing Date:
December 31, 1978.

About half the loan amount has been committed. Disbursements amounted to \$4.7 million at end-September, 1975, ahead of the appraisal forecast.

Ln. No. 1123 Souss Groundwater Project; US\$18.5 million of June 11, 1975;
Date of Effectiveness: September 26, 1975; Closing Date:
June 30, 1980.

Project execution has begun on schedule. The project unit has been created, its staff appointed, and the project co-ordinating committee has been established.

Cr. No. 555 Meknes Agricultural Development Project; US\$14.0 million of
June 11, 1975; Date of Effectiveness: November 14, 1975;
Closing Date: March 31, 1981.

Project execution is somewhat behind schedule due to staff constraints and organizational problems which are presently being reviewed with the Government.

MOROCCO THIRD EDUCATION PROJECT LOAN
AND PROJECT SUMMARY

- Borrower: Kingdom of Morocco.
- Amount: US\$25 million equivalent in various currencies.
- Terms: 25 years including seven years of grace with interest at 4-1/2 percent per annum.
- Project Description: The proposed project which supports Morocco's program of reforms in the education sector comprises the following:
1. Design, construction and equipping of 47 primary schools (9,400 student places), 5 secondary schools (6,000 student places), 1 secondary teacher training college (275 student places), 1 hotel training school (180 student places), 4 hotel training centers (540 student places), 1 rural development and extension training center (120 student places), 1 college of public health (replacing 780 student places), 1 medical technicians school (80 student places) and 3 health training centers (240 student places).
 2. Detailed preparation and design for 5 technical colleges (4,000 student places), 1 applied engineering institute (240 student places) and 1 technical teacher training college (470 student places) and demonstration school (390 student places).
 3. Equipment for a computerization unit.
 4. Technical assistance (49 man/years) to operate the computer unit, prepare a national program for technical education and vocational training, develop curricula, train trainers, bridge the gap in training needs and help in physically implementing the project; and fellowships (5.5 man/years) for computer techniques and mass media development training.

<u>Estimated Cost</u>	<u>Millions of US\$</u>		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
- General Education	14.54	7.83	22.37
of which: 47 Primary Schools	(6.12)	(2.66)	(8.78)
5 Secondary Schools	(7.40)	(4.63)	(12.03)
Teacher Training College	(1.02)	(0.54)	(1.56)
- Hotel Training	3.59	3.43	7.02
of which: Hotel School	(0.74)	(0.71)	(1.45)
4 Hotel Training Centers	(2.85)	(2.72)	(5.57)
- Rural Development and Extension Training Center	0.97	0.71	1.68
- Health Training	2.25	1.26	3.51
of which: College of Public Health	(1.79)	(0.91)	(2.70)
Medical Technicians School	(0.10)	(0.10)	(0.20)
3 Health Training Centers	(0.36)	(0.25)	(0.61)
- Detailed Preparation and Design	0.59	0.60	1.19
of which: 5 Technical Colleges	(0.43)	(0.43)	(0.86)
Applied Engineering Training Institute	(0.06)	(0.07)	(0.13)
Technical Teacher Training College and Demonstration School	(0.10)	(0.10)	(0.20)
- Computerizing Data Processing Unit	0.07	0.52	0.59
- Consultant Services and Fellowships	0.31	1.77	2.08
of which: Project Implementation	(0.04)	(0.26)	(0.30)
Curricula Development and Trainers	(0.27)	(1.51)	(1.78)
- Contingencies	12.84	8.26	21.10
of which: Physical	(2.19)	(1.88)	(4.07)
Price	(10.65)	(6.38)	(17.03)
GRAND TOTAL	35.16	24.38	59.54

<u>Financing Plan</u>	<u>Millions of US\$</u>	
Bank	25.00	
Government	34.54	

<u>Estimated Disbursements:</u>	<u>Millions of US\$</u>				
	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>
Annual	0.60	0.98	8.98	12.05	2.39
Cumulative	0.60	1.58	10.56	22.61	25.00

Procurement
Arrangements:

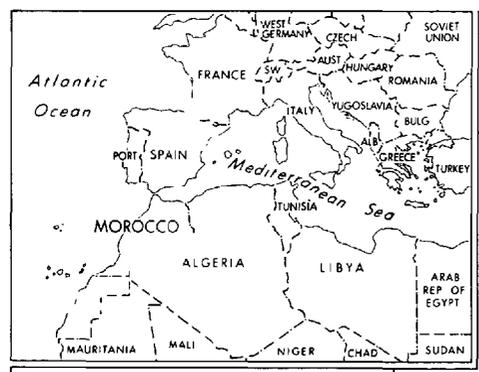
International competitive bidding for civil works equipment and furniture in accordance with Bank's Guidelines for Procurement 15 percent preference for local suppliers of furniture and equipment. Detailed lists of equipment and furniture identifying all items or categories of items costing more than US\$10,000 would be presented for Bank's review and approval prior to procurement. Residual items included in miscellaneous category not exceeding US\$100,000 for each institution. Nearly all equipment and 50 percent of furniture expected to be obtained from foreign manufacturers.

Consultants:

Services of local architectural firms employing both local and foreign architects.

Appraisal Report:

1059-MOR of February 25, 1976.



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

- MAIN ROADS
- SECONDARY ROADS
- - - TRACKS
- RAILROADS
- ✈ AIRPORTS
- ⚓ PORTS
- RIVERS
- PROVINCIAL BOUNDARIES
- INTERNATIONAL BOUNDARIES

