



1. Project Data:		Date Posted : 07/24/2001	
PROJ ID: P058128		Appraisal	Actual
Project Name: Telecommunications, Post and Information Technology Sector Adjustment Loan	Project Costs (US\$M)	101.0	101.1
Country: Morocco	Loan/Credit (US\$M)	101.0	101.0
Sector(s): Board: GIC - Telecommunications (47%), Central government administration (20%), Postal services (13%), Other industry (13%), Information technology (7%)	Cofinancing (US\$M)		
L/C Number: L4465			
	Board Approval (FY)		99
Partners involved : AfDB	Closing Date	12/31/2000	12/31/2000
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2. Project Objectives and Components

a. Objectives

The main objectives of the TPI-SAL are to:

- (1) introduce competition in Morocco's telecommunications sector;
- (2) develop effective regulatory capacity in telecommunications;
- (3) prepare the incumbent operator for privatization;
- (4) broaden access to communications in poor and rural communities;
- (5) improve competitiveness of postal service provision; and
- (6) assist in the development of a national information technology (IT) strategy to facilitate Morocco's integration in the global information society.

b. Components

The project components under each objective are:

(1) Introduce competition in Morocco's telecommunications sector : (a) licensing of a second Global System for Mobile Communications (GSM) operator; (b) licensing of at least two Very Small Aperture Terminals (VSAT); and (c) preparation of a study on how to enable owners of alternative telecommunications infrastructure to become full-fledged telecommunications operators.

(2) Develop effective regulatory capacity in telecommunication s: (a) establishment of a fee structure for the Agence Nationale de Reglementation des Telecommunications (ANRT); (b) elaboration of interconnection rules and introduction of a dispute resolution mechanism to solve interconnection disputes; (c) adoption of an optimization plan for use and allocation of frequencies guaranteeing similar treatment to both the first and second operators with respect to access to GSM frequencies, and reserving frequencies which could possibly be granted to other operators; (d) completion of a study on legal issues pertaining to the imposition of sanctions or penalties adapted for violations; (e) submission to the WTO of a Revised Schedule of Commitments on Basic Telecommunications, including the standard Regulatory Annex.

(3) Prepare the incumbent operator (Itissalat-al-Maghrib (IAM)) for privatization : (a) adoption of a privatization strategy; (b) selection of auditors for IAM's account; (c) adoption of an action plan to reduce the arrears owed by the administration to IAM; and (d) implementation of a recruitment procedure for financial advisors to implement the privatization transaction.

(4) Broaden access to communications in poor and rural communities : (a) elaboration of a pilot project in the poor or remote areas of the Northern Provinces; and (b) adoption of a decree requiring telecommunications operators' contributions for public service obligations and introducing the use of market mechanisms for meeting public service obligations.

(5) Improve competitiveness of postal service provision : (a) elaboration of an action plan for public service obligations of the postal entity; and (b) completion of a study on private provision of postal services to rural areas .
(6) Assist in the development of a national information technology (IT) strategy to facilitate Morocco's integration in the global information society : (a) development of a strategy that would incorporate policy guidelines on e-commerce, e-government, and indications on how to promote IT investment and entrepreneurship .

c. Comments on Project Cost, Financing and Dates

The loan was a \$101 million two-tranche SAL. AfDB prepared the TPI-SAL jointly with the Bank and provided parallel financing of USM\$113 with disbursements predicated on the same sets of measures . The project closed as planned on 12/31/2001.

3. Achievement of Relevant Objectives:

(1) Introduce competition in Morocco's telecommunications sector : This objective has been highly achieved. A license for a second GSM license was awarded to MediTelecom through an open, competitive and transparent international bid. In response to this competitive threat, the incumbent operator reduced tariffs three times resulting in a 60% price reduction in wireless services . New services, including the Wireless Application Protocol (WAP) were introduced. Following an international bidding process, three VSAT licenses were awarded in May 2000. Two studies on alternative infrastructure contributed to understanding of the necessary legal requirements for owners of alternative telecommunications infrastructures to lease capacity to service providers .

(2) Develop effective regulatory capacity in telecommunications : This objective has been highly achieved. ANRT led the GSM tender in a professional and transparent manner . It established and implemented fair and transparent rules and procedures to resolve interconnection disputes and allocate frequency . The establishment of ANRT as a competent arbitrator was evident during its satisfactory resolution of two complex interconnection disputes between IAM and MediTelecom. Although the independence of ANRT's regulatory authority was sufficient to win the confidence of potential investors, ANRT still lacks full financial autonomy . The FY2000 Appropriations Law did not grant ANRT a predetermined percentage of operator license fees . A Revised Schedule of Commitments on Basic Telecommunications was submitted to the WTO .

(3) Prepare the incumbent operator for privatization : This objective has been highly achieved. Preparation for privatization of IAM was greatly accelerated due to the entry of a competitor to the sector . A privatization strategy was adopted; IAM accounts audited; a timetable for reimbursing the arrears due to IAM by the Public Administration was adopted by the Government; and a reputable investment bank and legal experts were hired to assist the Government with privatization of IAM. This greatly assisted in the recent sale of 35% of IAM's shares to a strategic investor in February 2001.

(4) Broaden access to communications in poor and rural communities : This objective has been substantially achieved. The pilot program to expand access to poor remote regions was not undertaken as the Government decided to first define the broader policies and implementation mechanisms for universal service . An implementation decree on this is in preparation . Nonetheless, greater rural access is expected as competition for the second GSM license resulted in bidders exceeding the tender documents' minimum requirements for territorial coverage . MediTelecom committed to and has achieved coverage of 90% of Morocco. With the advent of GSM competition, pre-paid service used by many lower income urban residents has been introduced and has experienced high growth . Furthermore, decrees requiring telecom operator contributions and the use of market mechanisms for public service obligations have been adopted.

(5) Improve competitiveness of postal service provision : This objective has been modestly achieved. Two studies that help define a postal sector strategy, including definition of universal service obligations, determination of a market liberalization path, and evaluation of the postal operator's future strategic reorientation and private participation, are near completion .

(6) Assist in the development of a national information technology (IT) strategy to facilitate Morocco's integration in the global information society : This objective has been substantially achieved. A national IT strategy has been prepared and published on the internet. It aims to improve and finalize the legal and regulatory framework for IT development and promotes e-commerce, IT entrepreneurship, and the use of high-capacity links among administrative and business centers, hospitals, and universities . Implementation of the strategy has begun through, for example, the preparation of draft laws on legal status of electronic signatures and privacy protection; the selection of two business-to-consumer e-commerce portals; and establishment of a Cyberpark dedicated to the development of IT companies.

4. Significant Outcomes/Impacts:

(1) The US\$1.1 billion license fee paid by MediTelecom was the highest license price paid per inhabitant during 1997-1999 for mobile licenses compared to countries such as Egypt, Turkey, Hungary, Italy, Spain, Belgium and the Netherlands. Only Austria received a higher price during this time period . The fee increased Morocco's fiscal revenues for 1999 by about 13 percent. The total fiscal impact could be as much as US\$ 3.5 billion by 2008 in NPV terms.

(2) Within one year, introduction of competition and associated drops in prices, aggressive marketing campaigns, and extended distribution networks have led to approximately 1 million more Moroccans (about a 66% increase) having access to a telephone . Mobile penetration has increased from 0.4 percent in 1998 to approximately 10.7 percent in 2000.

(3) MediTelecom's entry has resulted in the recruitment of 3000 people and a potential creation of 20,000 new jobs,

Including staff needed for a major new call center .

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

(1) As described in Section 3, ANRT lacks full financial autonomy .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Highly Satisfactory	Highly Satisfactory	
Institutional Dev .:	High	High	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

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

7. Lessons of Broad Applicability:

The most important lessons, well-identified in the ICR, are:

- (1) The integration of telecommunications, information technology, and postal components in TPI -SAL's design has encouraged the Government to consider the broader scope of information infrastructure, consistent with the global convergence among what were traditionally separate services, networks, and businesses .
- (2) Project design must realistically reflect the differences in institutional capacity, resources and political will for reform amongst the subsectors. In the case of TPI-SAL, expectations and achievements were higher for telecommunications, more modest for the posts, and fragmentary for IT .
- (3) The introduction of competition before privatization of the incumbent telecommunications operator is a powerful option for sector reform. As a result of competition, the following occurred : (a) IAM was forced to focus early on customer service, accelerate service roll-out, reduce prices, and strengthen commercial management; (b) the privatization of IAM accelerated to enable IAM to compete effectively by freeing it from public sector restrictions and facilitating access to global capital markets, technology, and management; and (c) the risk of the monopoly privileges of IAM being extended to increase its sale price was reduced .
- (4) The incremental costs of providing universal service, including rural areas, can be reduced through the market rather than through the imposition of obligations for potentially unprofitable services on the incumbent and new entrants. Competition has resulted in the rapid build-out of new networks and made affordable, new service modalities available to modest urban users . In this way, the cost of the gap between what operators are prepared to do on commercial terms and public service objectives of the Government can be reduced .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is very well-written and provides strong evidence of project achievements . Useful additions to the ICR would have been: a schedule of the timing and amounts of tranche releases; and evidence of how the studies and associated workshops and seminars on modernization of the postal sector have strengthened the restructuring of the postal operator, as implied in the ICR .