

Document of
The World Bank

Report No.: 18462-MOR

PROJECT APPRAISAL DOCUMENT
ON PROPOSED LOANS
IN THE AMOUNTS
OF
FRF 40.9 MILLION
TO
THE KINGDOM OF MOROCCO
AND
FRF 40.9 MILLION
TO
THE MUNICIPALITY OF FES-MEDINA
FOR A
FES-MEDINA REHABILITATION PROJECT

October 7, 1998

Infrastructure Development Group
Middle East and North Africa Region

CURRENCY EQUIVALENTS

(as of September 1, 1998)

Currency Unit = Moroccan Dirham (MAD)

US\$1.00 = 9.3 MD

MAD 1 = US\$0.107

FISCAL YEAR

July 1 - June 30

GLOSSARY OF ACRONYMS

ADER-Fès	<i>Agence pour la Dédensification et la Réhabilitation de la Médina de Fès</i> (Agency for the Rehabilitation of Fes Medina)
BITS	Board for Investment and Technical Support (<i>Conseil à l'investissement et à l'appui technique</i>)
BOT	Build, Operate, Transfer (<i>Construction, exploitation, transfert, CET</i>)
CAS	Country Assistance Strategy (<i>Stratégie d'assistance au pays</i>)
CDG	<i>Caisse de dépôt et gestion</i> (Savings Management Fund)
CIH	<i>Crédit immobilier et hôtelier</i> (Real Estate and Hotel Credit Institution)
CUF	<i>Communauté urbaine de Fès</i> (Urban Community of Fes)
FADES	<i>Fonds arabe pour le développement économique et social</i> (Arab Fund for Economic and Social Development)
FEC	<i>Fonds d'équipement communal</i> (Municipal Fund)
FES-SAIS	<i>Association pour le développement culturel, social et économique de Fès</i> (Association for Cultural, Social, and Economic Development of Fes)
FIAHS	Fund for Innovative Approaches in Human and Social Development (<i>Fonds pour la promotion d'approches novatrices en matière de développement humain et social</i>)
GIS	Geographical Information System (<i>Système d'information géographique, SIG</i>)
GoM	Government of Morocco (<i>Gouvernement du Maroc</i>)
MCA	Ministry of Cultural Affairs (<i>Ministère des Affaires Culturelles</i>)
NGO	Nongovernmental Organization (<i>Agence non-gouvernementale</i>)
OFPPT	<i>Office de la formation professionnelle et de la promotion du travail</i> (Vocational Training and Labor Promotion Office)
RADEF	<i>Régie autonome de distribution d'eau et d'électricité de Fès</i> (Water Supply and Electricity Public Utility of Fes)
UDC	<i>Unité de développement communautaire</i> (Local Development Unit)
UNDP	United Nations Development Programme (<i>Programme des Nations Unies pour le Développement, PNUD</i>)
UNESCO	United Nations Educational, Scientific, and Cultural Organization (<i>Organisation des Nations Unies pour l'éducation, les sciences et la culture</i>)
VAT	Value Added Tax (<i>Taxe à la valeur ajoutée, TVA</i>)

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Sector Director : Jean-Claude Villiard
Team Leader : François Amiot

KINGDOM OF MOROCCO
Fes-Medina Rehabilitation Project
Project Appraisal Document

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Middle East and North Africa Regional Office
Infrastructure Development Group

Project Appraisal Document

Kingdom of Morocco
Fes-Medina Rehabilitation Project

Date: October 7, 1998	Team Leader: François Amiot
Country Director: Christian Delvoie	Sector Director: Jean-Claude Villiard
Project ID: MA-PE-5524	Sector: Urban
Lending Instrument: Specific Investment Loan	PTI: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Project Financing Data	<input checked="" type="checkbox"/> Loan	<input type="checkbox"/> Credit	<input type="checkbox"/> <input type="checkbox"/> Other [Specify]		
Amount FRF 81.8 million in two loans of 40.9 million each (US\$14.0 million equivalent in two loans)					
Proposed Terms:	<input type="checkbox"/> Multicurrency	<input checked="" type="checkbox"/> Single currency (French Francs)			
Grace period: 5 years	<input type="checkbox"/> Standard variable	<input type="checkbox"/> Fixed	<input checked="" type="checkbox"/> PIBOR-based		
Years to maturity: 20					
Commitment fee: 0.75%					
Service charge: n/a					
Financing plan (US\$m): 27.59 million					
Source	Local	Foreign	Total		
Government	3.08	0	3.08		
Municipality of Fès-Médina	3.37	0	3.37		
IBRD	5.80	8.20	14.00		
Grants to municipality of Fès-Jdid	0.59	0.54	1.13		
Municipality of Fès-Jdid	0.22	0	0.22		
Private beneficiaries	3.76	2.03	5.79		
Total	16.82	10.77	27.59		
Borrower: Government of Morocco for FRF 40.9 million and Municipality of Fès-Médina for FRF 40.9 million					
Responsible agency: ADER-Fès					
Estimated disbursements (Bank FY/US\$):	1999	2000	2001	2002	2003
Annual	1.5	3.2	4.2	2.6	2.5
Cumulative	1.5	4.7	8.9	11.5	14.0
Expected effectiveness date: 01/31/1999			Closing date: 12/31/2003		

Block 1: Project Description

1. Project development objectives (see Annex 1 for key performance indicators):

Fès-Médina, a UNESCO World Heritage site since 1976 and center of Moroccan commerce and culture, also has a high concentration of poverty and substandard living conditions.

Under a comprehensive definition of cultural heritage as the historically built environment and the social structures which support it, the primary objective of the proposed project is to assist in the conservation and rehabilitation of the Fès-Médina, especially the historic housing stock and urban environment. To reach this objective, the project will: (a) expand and accelerate ongoing conservation efforts; (b) consolidate partnerships among the public and private sectors, World Bank, and other donors; and (c) use the rehabilitation process to alleviate poverty.

2. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The proposed project will support the above development objectives by: (a) conserving cultural heritage through a variety of priority rehabilitation activities aimed at upgrading the historic housing stock and expanding the tourism offering; (b) providing priority access for emergency public services extending to the center of the medina, and facilitating logistical activities for residents and businesses, thereby creating favorable conditions for efficient urban development and private sector investment; (c) improving the urban environment by instituting programs for solid waste collection and pollution reduction for small-scale industries; (d) reducing poverty by creating employment through a labor-intensive public works program linked with the rehabilitation process and a specific training program; and (e) strengthening the capacity of the municipality and responsible local agencies to plan and carry out proposed improvements.

<u>Component (including private sector)</u>	<u>Category (main)</u>	<u>US\$ million incl. Contingencies</u>	<u>% of Total</u>
Rehabilitation of built heritage	Civil Works & Goods	3.7	14
Infrastructure rehabilitation			
- Historic and emergency network	Civil Works	2.7	10
- Medina gates and logistic facilities	Civil Works	11.9	42
Improvement of medina environment	Civil Works & Goods	3.5	13
Poverty alleviation	Civil Works	3.5	13
Institutional strengthening	Consultants Services & Goods	2.3	8
Total		27.6	100

The loans will be shared between the State and the municipality of Fès-Médina as follows:

A. STATE

	<u>US\$M</u>	<u>Share by component (%)</u>
Rehabilitation of built heritage	2.7	100
Infrastructure rehabilitation	1.8	33
Improvement of medina environment	1.2	50
Institutional strengthening	1.3	77
Total	7.0	50

B. MUNICIPALITY

Infrastructure rehabilitation	3.6	67
Improvement of medina environment	1.2	50
Poverty alleviation	1.8	100
Institutional strengthening	0.4	23
Total	7.0	50

3. Benefits and target population:

Extensive information on the composition, status, and income of the Fès-Médina's population and the actual physical condition of the built environment, integrated into a Geographic Information System (GIS), provides the basic data for the proposed project. Development and analysis of this social and urban data undertaken during project preparation have dispelled earlier assumptions and allowed a targeted approach to problem solving.

A 1995 project survey indicates that 36 percent of the medina's population is below the poverty threshold, a proportion far exceeding the national average for both urban (10.4 percent) and rural (28.7 percent). Moreover, half of the housing stock is seriously decayed and housing occupancy levels surpass acceptable levels. This cycle of decline also affects the architectural heritage of Fès, despite recent efforts by Moroccan authorities to preserve selected monuments. However, data collected on the demand for building permits to rehabilitate the housing stock, as well as on land transactions, indicate a potential for reversing the cycle of decline among all segments of the medina's population. A good indicator of the long-term benefits expected from the project is the leveraging ratio computed under the project's economic analysis. It shows that for every dollar of public funds invested under the project, more than US\$3.0 will be invested by the medina's population over the long term.

The target population is the residents of the medina (150,500 inhabitants), with special attention to those living below the poverty threshold (52,700 inhabitants). About one third of the residents would benefit directly from improved infrastructure network, including an emergency network of some 14 km which would improve access to the medina for medical emergencies, fire brigades, security services, solid waste collection, etc. Another direct benefit would be the creation of some 10,000 jobs over the next fifteen years, in part targeted to the poor under a specific poverty alleviation component. Benefits of the project would also accrue to various professional and artisan groups working in the medina; those individuals receiving training and technical assistance; local institutions, universities, NGOs, and neighborhood associations involved in rehabilitation of the medina; and the tourism industry. A related institutional benefit would be the sharing of the Geographic Information System (GIS), which has been expanded during the preparation of the project among local institutions, including the agency in charge of the water and sewerage projects, and the medina municipality. The ultimate beneficiary, of course, would be the World Heritage city of Fès, which would benefit from the new rhythm of maintenance and rehabilitation and resulting inward investment. There would also be benefits at the national level, since the Fès experience would serve as a demonstration project that could be replicated in other medinas of Morocco.

4. Institutional and implementation arrangements:

An agreement has been signed among State representatives (Ministers of Interior, Finance, and Cultural Affairs), the two municipalities (Fès-Médina and Fès Jdid), and ADER-FES which includes the following: role of ADER as executive agency; project coordination; project cost sharing between the State and the municipalities; procurement; and disbursement procedures. Under this agreement, ADER will execute the State's components on its behalf and will assist the municipality of Fès Médina on all technical matters (including control over technical studies and civil works) to implement its related components. To facilitate the flow of funds, the State will open a specific Treasury account located in Fès and in the name of ADER's managing director, while the Municipality of Fès-Médina will open a revolving fund (*Compte d'affectation spéciale*), funded by the budget under a specific line, and identifying all sources and application of counter-part funds. To facilitate control over implementation, ADER's management information and accounting system will be reinforced, allowing the detail monitoring of each operation. Policy and overall project supervision will be performed by two separate steering committees (see below). Any operation directly related to the cultural and historic heritage will have to receive clearance from the Ministry of Cultural Affairs.

Implementation period: Four years (FY 1999-FY 2003).

Executing agency: ADER-Fès was the main agency in charge of preparing the project, and will act as executing agency for the project. For the State and the Fès Jdid components, it will be in charge of preparing the bidding documents; and controlling and monitoring all rehabilitation projects, studies and training activities. For the Fès-Médina municipality, ADER will act as technical and monitoring agency (*Assistance à la maîtrise d'ouvrage*), and will manage the poverty alleviation component under a specific unit (*Unité de développement communautaire*, or UDC), with a separate accounting system. ADER's institutional, financial, and technical assessments are presented in block 3 below.

Project coordination: A Technical Committee, chaired by the Governor of Fès-Médina, and comprising the two municipalities' chairmen and the regional representative of the Ministry of Culture, will have overall responsibility for project coordination and supervision in the following areas: project implementation, bidding procedures, selection of beneficiaries under the grant rehabilitation scheme (Annex 2).

Project oversight (policy guidance, etc.): A consultative steering committee (*Comité de suivi*), under the chairmanship of the Wali of Fès, and composed of representatives of local governments, central government main agencies (*Agence urbaine, Ministère de la culture, Ministère des habous, Ministère des finances, RADEF* etc.), University of Fès, UNESCO, and the World Bank has been formed to solve policy issues, particularly in conservation heritage. ADER-Fès will act as permanent secretariat for the two above committees.

Accounting, financial reporting and auditing arrangements: All of ADER's accounting documents will be made available to Bank missions. Its financial statements will be audited annually by an independent auditor and certain specific and detailed information on all project operations. The municipality of Fès-Médina will make available to Bank missions its annual expenditure and investment budget, cleared by the Ministry of Interior (*Direction des finances locales*).

Monitoring and evaluation arrangements: Quarterly reports done by ADER-Fès, on the basis of agreed key performance indicators, cleared by the municipalities and by the Governor of Fès-Médina; annual indicators on the indebtedness of the Fès-Médina municipality (debt to receipts ratio); and final evaluation report to be submitted by ADER-Fès within six months of the loan closing date.

Block 2: Project Rationale

5. CAS objective(s) supported by the Project: Yes Document number and date of latest CAS discussion: N° R97-2 of 01/30/1997

The proposed project provides a window of opportunity and necessity to support the CAS objectives, with particular focus on social development and environmental management. The former will be particularly enhanced by the launching of a component on urban poverty alleviation, which will be pilot in Morocco. The latter will encompass traditional activities such as solid waste management and reduction of pollution from traditional industries. It will extend to new areas such as conservation of cultural heritage resources. The project also emphasizes the importance of partnerships with other donors and the private sector.

6. Main sector issues and Government strategy:

Conditions prevailing in the medinas: Morocco's 30 medinas have been largely overlooked for much of the 20th century, since investment has been concentrated in areas outside the traditional urban centers. The result has been a serious deterioration of the historic building stock, urban infrastructure, and the urban environment. This decline has been compounded by rural migration and the exodus of the original inhabitants of the medina so that population density in the medinas is high and income levels are often below national averages. The absence of a focused Government policy towards these historic cities and relatively low levels of investment have deterred their ability to provide satisfactory living conditions for their inhabitants.

Cultural heritage conservation: Cultural heritage activity in Morocco is characterized by work on individual monuments, with little attention to the remaining built environment. Major constraints to developing an overall strategy for managing and utilizing the heritage, particularly the medinas include: the lack of a comprehensive and accessible inventory; cumbersome legal tools (particularly on listing); inadequate laboratory facilities for conservation works; weak understanding of the economic underpinnings of conservation policy; and the relative isolation of the Ministry of Culture from other Government agencies. The Ministry of Culture receives low levels of funding and is thinly staffed in its regional offices. Related issues of particular significance for the medinas are property rental and ownership issues, and the integration of the habous (religious trust) into the rehabilitation process. De facto residential rent control (ref. Decree no. 280-552, dated 1980) has resulted in very low rents which leave owners unable to afford proper maintenance, while offering no incentives for renters to carry out necessary repairs (some 10 percent of traditional buildings in the medina are on the verge of collapse). Until this law is changed, private investors are likely to prefer investing in commercial rather than residential space.

Urban environment and infrastructure: Urban centers in Morocco, in particular the medinas, are typically the location of small-scale polluting industries. Air and water quality is frequently deficient in urban centers, with important negative health impacts including cholera. For the medinas, which are a subset of urban areas, there is a need to redress the imbalance of the last decades when medinas were overlooked in favor of new built areas, through increased allocation of expenditures to reduce the infrastructure and conservation backlog. In the medinas, infrastructure is often in need of replacement or modernization, particularly water supply, sewerage and solid waste disposal, telecommunications, and transport. Age and overloading are factors which put stress on infrastructure. The Government has made efforts to improve urban infrastructure, although a serious backlog of unmet needs remains. Progress on environmental work in Morocco has been slow: the Ministry of Environment is technically weak; the basic environmental legislation and regulatory framework are lacking; and incentives for improved resource conservation and use of clean technologies are not yet in place.

Decentralization: Morocco is beginning to decentralize responsibility for urban management, especially in major cities. Local governments are now more likely to take greater responsibility for provision of services and resource allocation decisions. Considerable strengthening of local institutions is necessary to support the move to decentralization. Resource allocation to match new requirements is beginning through the Value Added Tax (VAT) transfer. Since the main criteria for the VAT allocation relies primarily on both population and commercial activities criteria, the municipality of Fès-Médina will benefit substantially from the VAT (up to about 35 percent of total source of funds), while the municipality of Fès Jdid will share only a residual portion of the VAT allocated among the poorest municipalities.

7. Sector issues to be addressed by the project and strategic choices:

The strategic choices which led to the proposed development objective are summarized in Annex 1: Project Design Summary, using the logical framework approach.

To empower the medina's inhabitants, as well as local institutions, to conserve and rehabilitate their historic city, the project aims at successfully achieve five expected outputs, which are also the five components of the project. Among these outputs, four address the above-mentioned sector issues, while one is targeted to alleviate the unusual level of poverty.

The output related to public infrastructure improvements is key to providing rehabilitated or new public facilities, enabling the residents to invest in either residential or commercial space. The strategic approach adopted for selecting and designing the proposed infrastructure was to improve access to the medina, while minimizing resettlements, addressing traffic congestion, facilitating the financing of logistical activities by the private sector through small BOT schemes, avoiding the destruction or the modification of the historic built heritage, and improving key urban services. The underlying assumption was that such public and private investments would raise the medina property values, at least along or just around major works, enabling the medina residents to invest in the historic housing stock. Surveys on past building permits, on current housing renovation process, and on some 2,300 land transactions were conducted to document this assumption, which was ultimately confirmed by economic analysis. Arbitrage from an economic point of view is, however, not sufficient in this case, since maximization of benefits would lead to the rapid diminution of residents, to the advantage of commercial activities. Such a scenario would distort the fragile demo-economic balance that the medina enjoys, and would accelerate the pernicious effects of national legislation on the housing rent system. Beyond the goal of improving the medina infrastructure, the success of the project still hinges on the capacity to stimulate private investment in the rehabilitation of dwellings.

The output related to cultural heritage conservation issues relies, first, on a pilot program (frontal grants to households) which is intended to create incentives, complementary to the rehabilitation program of public infrastructure, targeted to the medina's inhabitants, to encourage investment in the historic built stock. If successful, this program will be the starting point for a self-rehabilitation process. The heritage conservation strategy also includes a tourism program aimed at integrating the medina into a regional tourist network, while developing within the medina new tourist itineraries, implying rehabilitation works of historic buildings along tourist routes. This operation might also be labeled pilot, since its economic analysis provides a justification for the Bank or other donors to finance the rehabilitation of historic buildings, including the establishment of an Heritage and Cultural Animation Center.

The output addressing environmental issues was designed to complement past or current actions undertaken by local authorities (resettlement of polluting activities in an area outside the medina, contracting solid waste collection to the private sector, etc.), without being in potential conflict with planned regulations to be issued by the Ministry of Environment. The underlying strategy of this component is to tackle simple activities which can benefit a large portion of inhabitants. This is the case for rendering more efficient the current solid waste collection system through the provision of specific equipment adapted to the new street network implemented by the project, and for the voluntary resettlement of traditional artisans willing to regroup together in view of pollution abatement. Beyond these rather simple activities, the project will launch a study aimed at defining specific environmental standards for the medinas.

The fourth output addresses institutional strengthening at the local level, taking into account the active leadership of ADER-Fès as an institution specialized in heritage conservation. The strategic approach for the project is threefold: support the decentralization process; develop partnerships among local authorities, with the objective of rendering ADER more accountable to these authorities; involve private and possibly trained operators and existing associations in the provision of services to the bulk of the population willing to rehabilitate their dwellings. The strategy also aims at strengthening ADER's managerial and technical capacities in heritage conservation, with the long term view of providing assistance to other medinas of Morocco.

As for the poverty alleviation component, the strategic choice was straightforward: use the rehabilitation process to alleviate poverty by creating a maximum number of labor-intensive jobs. The sustainability of such a program should benefit from the natural constraints imposed by the medina, which limit the use of capital-intensive methods, as well as from the commitment of the two municipalities to rehabilitate the medina.

8. Project alternatives considered and reasons for rejection:

The proposed project benefited from the studies carried out under two PHRD grants, which have enabled activities to be tailored to respond to the specific conditions of the medina. Significant adjustments in preliminary design (UNDP prefeasibility study) were made in the choice of heritage conservation activities, road access, and the project's borrowing requirements.

The accessibility of the medina has been closely studied, with the objective of maximizing the positive impact of access on the self-rehabilitation dynamic and minimizing resettlement. This led to the rejection of UNDP's prefeasibility study proposal for major new access routes in favor of improving emergency access network with a minimum of demolition. Two further grounds for preferring the revised project are: the sensitivity of the historic city to major new construction, and a sustained dialogue with UNESCO.

A further change in the project was necessitated by the limitation on borrowing set by the Government of Morocco. The initial project cost of US\$65 million was reduced, after extensive discussions with GoM, to the proposed core project cost. The latter is the base case scenario and is the minimum necessary for launching the rehabilitation process.

9. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned):

Several Bank projects have contributed to the preconditions necessary for the rehabilitation of the medina. These projects include: the Fifth Water Supply (Loan 3664), which is helping to supply water to the medina; the Second National Sewerage Project (Loan 4010), in which the French, through the *Agence française de développement*, are cofinancing work to rehabilitate the sewerage system in the medina; and the planned Low Income Housing Project (FY99) which would reduce the density of housing occupation. The proposed Sebou Watershed Project would have a direct impact on the water quality of Fès, while the Environment Management Project would have an indirect effect on Fès in terms of increasing institutional capacity to manage environmental resources.

Other agencies which have been involved in Fès are UNESCO, UNDP, *Fonds arabe pour le développement économique et social* (FADES), and several bilateral donors. Fès was put on the World Heritage List in 1976 and in 1980 UNESCO launched an international safeguarding campaign. The campaign raised awareness of the importance of Fès but did not succeed in generating the financial support needed to carry out significant rehabilitation works. UNDP financed the above-mentioned prefeasibility study in 1991. FADES has financed conservation of segments of the city walls, gateways, and parts of the traditional sewerage network. The Swedish Board for Investment and Technical Support (BITS) has done work on industrial pollution abatement. US-AID is carrying out studies on the medina's artisans.

Under the PHRD grants, an expanded program of rehabilitation was prepared and will be presented to a donors conference after effectiveness, with the aim of supplementing the base case scenario and financing the Fès Jdid components. During this conference, particular focus will be put on financing activities which relate directly to the poverty alleviation component, as well as on the rehabilitation of historical buildings or monuments along the six tourism itineraries included in the project.

10. Lessons learned and reflected in the project design:

Through an iterative process of analysis and consensus building, the project team, with its Moroccan counterparts, defined a program of strategic actions that are most likely to overcome existing constraints to the process of rehabilitating the medina.

A first PHRD grant and FIAHS funds enabled a social assessment to be carried out, with the objective of establishing a forum for dialogue between residents and institutional stakeholders and identifying needs and concerns. Fès University, Harvard University (USA) and Association Fès Sais also participated in these actions. It is a pioneering example of the use of social assessment and participation techniques to measure community preferences in regard to the rehabilitation of the historic built environment, and has informed project conservation priorities. The high incidence of poverty revealed in the initial social assessment led, in turn, to a poverty assessment and the extension of the project boundaries to include Fès Jdid.

The project also demonstrates the importance of collecting data on the physical condition of the historic and social structures in targeting interventions to maximize benefit to the residents of the medina. This data made possible an alternative design for improving emergency access to the center of the medina, which greatly reduces resettlement of residents.

Through a variety of institutional audits and assessment of training needs, the project has considered ways to strengthen local government's ability to improve selection of development priorities, deliver services, and manage resources. Administrative and operational efficiency will be addressed by introducing a computerized GIS database on the medina into local government administration, and by strengthening organizational structures for ADER and other related institutions.

11. Indications of Borrower commitment and ownership:

Fès is one of Morocco's three World Heritage sites, and the King has shown particular interest in the city's preservation. The GoM sent a letter of interest to the Bank on the subject of a rehabilitation project for Fès. The Borrower and the Bank have engaged in continuous discussions on the design of the project during project preparation; discussions have been held with the national, regional, and local levels of government. In 1996 the Bank's president, Mr. Wolfensohn, visited Fès when the basic concept of the project was presented. Moroccan institutions, including ADER and Fès University, have carried out a good deal of the background preparation work. After open discussion with its Council, the municipality of Fès sent to the Bank its agreement on a proposed program to help mobilize local revenues and strengthen municipal management. Before negotiations, the municipality's council has voted for its institutional and financial participation in the proposed project. The commitment of the GoM to the project was reaffirmed by the signature of an Agreement, dated September 1, 1998, between the Ministry of Interior, the Ministry of Finance, the Ministry of Culture, the two municipalities, and ADER-Fès, specifying the respective role of each entity during project implementation. Delays between negotiations and Board presentation have occurred, however, due mainly to the setting up of a new government after general elections.

12. Value added of Bank support:

The Bank has assisted the GoM for the last 25 years and has been active in the infrastructure and urban sectors, and more recently in environmental matters. The GoM asked the Bank to finance the proposed project so that the Bank would: (a) break the long standing deadlock which has deterred any comprehensive rehabilitation project in Fès; (b) encourage interagency coordination; (c) promote mobilization of other sources of support; (d) ensure that effort is invested in identifying the key issues requiring action and that measures to create an environment conducive to private participation would be implemented; and (e) provide professional advice. In so doing the Bank is initiating a dialogue to develop cultural heritage conservation policy and to reevaluate current assistance to other medinas in Morocco.

Block 3: Summary Project Assessments (Detailed assessments are in the project file. See Annex 8)

13. Economic Assessment: Cost-Benefit Analysis: Cost Effectiveness Analysis Other [Specify]
(see Annex 4) NPV=MAD 155.0 million;
ERR= 13.6%

Several economic analyses were done to help design the project. First, an initial cost-benefit analysis was done on the medina access issue, using standard criteria of transport or circulation analysis to calculate the benefits. With an ERR of 17 percent, the key economic justification for improving the medina access (including the *Boucle douch* as a main access south of the medina and the emergency network) stemmed from introducing small motorized vehicles for solid waste collection in lieu of donkeys. This first assessment was helpful in justifying the emergency network, but not, however, in finding an optimum or balanced approach between improving accessibility and conserving cultural heritage (the medina is unique as a pedestrian historic city).

Second, since the medina is facing serious congestion costs due to inadequate or insufficient parking spaces, another related economic analysis was done to help design the access component. Among the main results were: a careful screening of parking locations; a proposed strategy of mixing the construction of garages with commercial spaces to increase the return on investment; and a scheme to manage these parking lots through concessions or BOT schemes.

Third, a specific cost-benefit analysis was conducted, in two stages, for the proposed tourism development program, under the constraint that all benefits should be captured locally (to avoid externalities). First, an internal rate of return was calculated under the assumption that the proposed program would increase the average number of nights per tourist visiting the medina, from the current low ratio of 1.9 to 3.5 by year 2000. The second stage consisted of interviewing tourism operators, either international or local, to validate the above key assumption. The result was an ERR of 17.3 percent, with an investment level reaching MAD 40.5 million, which includes rehabilitation of selected historic buildings to be financed by potential donors.

Fourth, an overall economic assessment of the project was done by developing two overall approaches: (a) assessing the mobilization of private resources as a result of the project by calculating the leverage ratio of any amount invested by the public sector during project implementation. The two building blocks for such a calculation were: (i) a conservative assumption on the spatial impact of the project (mainly abutting properties along the improved access route, leaving aside habous properties); and (ii) an extensive survey of housing rehabilitation works, either legal or not, by owners and renters in the medina. Works investigated ranged from minor repairs to significant improvements (structural repairs). The result was a leverage ratio of 1:3 about fifteen years after the start of the project, increasing to 1:5 over fifteen years; and (b) a cost-benefit analysis based, as a proxy for the benefits, on the increase in property values attributable to the project. Data on land prices and transactions were provided by an exhaustive processing of all real estate transactions (notarial records) in the medina over the 1990-1996 period, supplemented by interviews with real estate brokers. Data on commercial activities (workshops, retail, and services) were derived from an exhaustive 1988 survey. Assuming, the flow of benefits is captured only at the end of a 15-year

period, under a discounted rate of 10 per cent, but under the constraint that legal caps on rent and tenant protection would not change, the IRR would be on the order of 13.6 percent. Should these benefits be captured annually, the IRR would be greater and would indicate that a 10 year period is sufficient to fully recover costs with a 10 percent discount rate, even with a cost increase of 20 percent. In both cases, benefits expected from tourism activities have been captured only by the increased land value due to new tourist itineraries.

Finally, and using the project as a case study, new approaches were explored to better determine the benefits related to the intrinsic value of conserving the cultural heritage of mankind. A first exercise, the Contingent Valuation (CV) study, was undertaken to estimate, first, the direct benefits to foreign tourists visiting Fès of the proposed project and, second, the passive use (existence/preservation) values of foreign tourists visiting Morocco, but not visiting Fès. Another study (the Delphi study) was undertaken in Europe to estimate the non use value of European households to rehabilitate the Fès-Médina. All these three estimates are expressed in terms of consumer surplus/willingness to pay and these benefits are not captured by a study looking at the impact of the proposed project on Fès residents, or from a traditional benefits-costs analysis. The contingent valuation method has been often used to value environmental goods, but it has almost never been used to value cultural heritage sites. This exercise sets the stage for a wider utilization of this powerful method given the similar economic nature of environmental goods and cultural heritage sites.

Once the use and non use values of this cultural heritage are considered the economic benefits deriving from the project are very high. Extremely conservative estimates show that:

- ⇒ for foreign visitors to Fès the total annual value of the Fès-Médina is equal to US\$11,233,000.
- ⇒ for non Fès foreign visitors to Morocco the total annual value of the Fès-Médina is equal to US\$46,880,000.
- ⇒ for European (plus Norway and Switzerland) households the total annual value of the Fès-Médina is at least equal to US\$310,335,000.

For more details, see Attachment to Annex 4, and references on CV studies in Annex 8.

14. Financial Assessment:

(a) Financial situation of ADER-Fès:

Background: ADER's funds to operate within the medina come mainly from the development of public land outside the medina and the sale of plots at market prices. This scheme, based on a cross-subsidy principle (*péréquation*), has been developed for years by Moroccan public developers. Sales in advance to future owners enable developers to operate under minimal self-financing. ADER started such an operation in 1992 to finance the resettlement of polluting industries out of the medina. This first operation turned out to be a serious threat to ADER's financial viability when the land title supporting it was repealed, despite important works in progress at both sites. By the end of 1995, ADER's cumulative losses had reached a peak of MAD 18.2 million, or 3.6 times its capital base. In early 1996, ADER started its financial restructuring under another *péréquation* scheme, after the allocation of two development sites by the Ministry of Housing.

Current situation and prospects: ADER's financial and institutional situation was reviewed in early 1997 and again in early 1998 by independent auditors. On the liability side, its past three years' balance sheets (Annex 5) show important purchasers' advances (MAD 35.1 million at end 1996). ADER has, therefore, to quickly complete its works in progress, and conclude the corresponding sales. According to last estimates, ADER's cashflow will turn positive under favorable conditions of sale after 1998. ADER will then have to settle all arrears on its salaries (MAD 16.0 million), and part of its debt on the first land development operation. Once this debt is fully repaid, ADER will enjoy a cash surplus of some MAD 20 million. Beyond such operations, ADER's financial sustainability will come mainly from contractual fees for technical services (design, engineering, procurement, and supervision) or from implementation of specific operations (emergency building repairs, community development, architectural supervision of historical monuments), most of which are part of the proposed project.

Financial management, accounting and audit: A detailed assessment of ADER's management, staff, and organization is available in the project files. During project preparation, ADER management capacity has been strengthened through: (i) more efficient use of its GIS database; (ii) developing a project management system; (iii) internalizing the Costab system; and (iv) technical assistance from Harvard University. During the course of the project, each subproject will be monitored through standardized monitoring indicators (*fiches de suivi*) with direct links to ADER's accounting system, while ADER management capacity will be strengthened by establishing a management committee, with delegation of power from the ADER board. Finally, for all operations directly issuing from the Bank-financed project, ADER's manager will have to report to the Governor of Fès-Médina, who will act as president of the managing committee. The financial management will be reassessed at the end of 1998, taking into account the recommendation of the auditor.

(b) The municipality of Fès-Médina:

General: Fès-Médina shares three generic constraints with the two other local entities involved (Fès Jdid and the *Communauté urbaine de Fès* or CUF): (i) a high dependency on central government collection of local business tax and transfer of the value added tax, averaging 73 percent of their fiscal resources; (ii) low yield on the local fiscal base (10 percent); (iii) a low level of non-fiscal resources, due mainly to a lack of administrative or real estate properties; and (iv) a low nominal increase of resources since 1992. Specific constraints are the following: (i) for the CUF, a high level of indebtedness equivalent to 58 percent of its annual resources. The CUF will partly restore its borrowing capacity in FY2001; (ii) for the Fès-Médina municipality, a progressive erosion of its fiscal resources since 1994, which will be counterbalanced by the VAT transfer, fully allocated in FY98. Its current level of debt and arrears is rather low (26 percent of total receipts), and the municipality enjoyed cumulative savings up to FY97, which was the year of new municipal elections; and (iii) for the Fès Jdid municipality, a low level of indebtedness but a very low level of collected taxes (5 percent), and a VAT transfer which will be cut in half starting in 1998. The impact of the VAT cut (due to strict application of allocation rules at the national level) is such that the borrowing capacity of Fès Jdid is extremely low. The consolidated budget of the three entities reached MAD 88.3 million in FY95 (US\$10 million), with the following distribution: 41.6 percent for CUF, 39.1 for Fès-Médina, and 19.3 percent for Fès Jdid.

Prospects: Applying the *Fonds d'équipement communal* (FEC) criteria for assessing the borrowing capacity of a municipality (the annual payment of the outstanding debt to current revenue ratio should not exceed 40 percent), the municipality of Fès-Médina will not only be in a position to fully face its debt burden linked to the project, but will be able to self-invest or to borrow for additional operations (Annex 5). Two main factors are contributing to this situation: savings in expenditures starting in FY98, and the VAT transfer. These prospects do not take into account the municipality's potential for mobilizing additional resources. According to a proposed and agreed-upon Resource Mobilization Plan, Fès-Médina's municipal revenue could be increased by 40 percent in nominal terms over the medium term (four years). This plan encompasses management and institutional strengthening, such as training of key municipal staff, computerization of municipal services, and management assistance for concessions.

15. Technical assessment:

The technical viability of subcomponents is assessed by ADER-Fès staff with inputs from various municipal agencies and Bank review. Part of project implementation will depend on scientific and cost-effective techniques. A conservation laboratory will be established, and a citizen's advisory service will be set up for owners and renters of historic properties who wish to improve their housing, shops, or workshops. Training will be provided for architects and craftspeople to improve their conservation awareness and skills.

16. Institutional assessment:

Executing agency status: ADER-Fès was created in June 1989 as a joint stock company with a capital of MAD 5.0 million, and as the main executive agency for the rehabilitation of Fès-Médina. The State is the predominant stockholder (99.9 percent), along with the *Communauté urbaine de Fès*, the *Caisse de dépôt et gestion* (CDG), the *Crédit immobilier et hôtelier* (CIH), *Association FES-SAIS*, and the two municipalities (Fès-Médina and Fès Jdid). In addition to each shareholder, eight ministers or their representative are members of the board. Since its creation, the Minister of Interior has been the president of the board. ADER's general manager has been appointed by the Minister of Interior, with a large degree of autonomy for managing the company. ADER is, however, under the strict accounting and financial control of the Minister of Finance (ministerial instruction dated November 10, 1992, and ministerial order dated December 22, 1992, with the appointment of a financial inspector and an accounting officer). As of December 1997, there were 42 permanent staff working for ADER, of which 14 are high-level staff and 14 are short-term staff.

Activities: (i) architectural, scientific and technical studies related to conservation heritage within the medina; setting up and monitoring the medina's GIS database; (ii) monitoring the rehabilitation of historic monuments with grant funds from various sponsors; (iii) emergency actions on decayed housing, whenever occupants are threatened and at the request of the municipality; (iv) delocalization of polluting activities; and (v) land development outside the medina, as a source of cross-subsidized activities for the financing of points i, ii, and iv.

17. Social assessment:

The social assessment consisted of a social analysis of current behavior of the inhabitants of the medina and a participatory evaluation of the expected effects of the project. The aim of the assessment was to understand the dynamic behavior of medina residents with a view to maintaining and amplifying the positive effects to be induced by the proposed project, while minimizing negative impacts. Methodological choices made by the investigators gave priority to discovering the dynamic of the behavior of the medina residents,

positive and negative, and seeking out those dynamics on which improvement programs can be based. The assessment was carried out by a multidisciplinary team of researchers from Fès, divided into three subteams on housing, cultural heritage, and business. The assessment was based on an analysis of existing data in order to refine hypotheses and improve sample selection for surveys. The team used participatory surveying methods and workshops as the techniques of research and communication. Finally, a panel was convened to react to the findings and advise the research team. The social assessment was helpful in engaging the population and Government representatives in dialogue and beginning the process of consensus building.

The main findings related to the priority placed by residents were as follows: creation of employment, provision of water and drainage, the elimination of ruined buildings, the need for improved street access, and better public security. The assessment revealed that the deteriorated state of housing is a central problem experienced by many families. Residents view the difficult access for vehicles in parts of the medina as a serious problem and an obstacle to improving living conditions. The social assessment demonstrates the strong ties that artisans have to the medina. These findings have been used to adjust and modify the composition of the project so as to respond more effectively to critical deficiencies in urban living conditions.

18. Environmental assessment: Environmental Category [] A [X] B [] C

The environmental category of the project is rated B. The new project design avoids disruption of the historic fabric of the Medina, and minimizes negative impact on residents and economic activities. Under the project, basic services such as first aid, fire protection and security will be provided through the development of an emergency network within the old city. Currently, the pedestrian network of alleyways encompasses some of the narrowest pathways in urban settlements and are depriving residents of access to emergency services, devaloring the historical, cultural and architectural heritage of the Médina. Minor adjustments to corners and facades on the ground of 33 buildings and 26 economic activities along the network will allow the creation of a comprehensive emergency network. Among these 33 buildings, which currently house 60 families, only three are of "significant" cultural value, and nine of "medium" value. Special care will be taken to ensure that they are restored to their original condition, or better, following the modification work. All structures affected by the project have been surveyed and a preliminary estimation of the modification works to be undertaken has been included in the project's cost. Interviews of households have been undertaken in coordination with the local authorities, the Wali of Fès, and the Governor of Fès-Médina. Data available on each household include: the number of members and relationship to the head of the household; employment information, including place of work; household income; and location of educational establishment attended by school-age children.

Temporary Affected Buildings and Dwellings

	<u>Buildings</u>	<u>Dwelling Units</u>
Fès Bali	29	42
Fès Jdid	4	18
Total	33	60

Given the possibility of structural instability in structures to be modified, some households could be subject to short term loss of occupancy. Most of the works involving modification of commercial buildings will be done at night, and therefore do not require temporary move. There is no loss of income anticipated with potential temporary move of households. Should a temporary move occur, accommodations will be provided by local authorities who have already anticipated such accommodations for 29 households. This number covers contingencies by a very safe margin, since average temporary move, if any, should not last more than three weeks. A full environmental assessment, which includes detailed information on the affected households, is available in the project files.

19. Participatory approach:	Identification/Preparation	Implementation	Operation
Beneficiaries/community groups	IS	COL	COL
Intermediary NGOs	IS/CON	COL	COL
Academic institutions:			
Harvard and Fès universities	COL	COL	COL
Local government	IS/CON/COL	COL	
Ministry of Cultural Affairs	IS/CON/COL	COL	
Ministry of Habous	CON	CON	
Ministry of Tourism, Hotels &			
Tour Operators	CON	CON/COL	
UNESCO	IS/CON	IS/CON	IS/CON
Other Donors	IS/CON	COL	COL

20. Sustainability:

The sustainability of project benefits will be dependent on two main factors: (a) the reaction of the medina's residents to overall improvements brought about by the project. According to this criteria, a sustainable project would imply an increasing level of private investment in the medina, particularly in the housing stock and in commercial and tourism activity. Over the long term, reaching a leverage ratio of three for each dollar of project funds would ensure this sustainability. The participatory approach adopted during project preparation should contribute to this goal. The current law on housing rent, however, may impede it; and (b) the strengthening and effective participation of local entities, in particular the municipalities of Fès-Médina and Fès Jdid. Should the relationship between ADER-Fès and the municipalities be strengthened, as planned under the project, these key local entities would be in a better position to facilitate the empowerment of the medina's inhabitants in the self-rehabilitation process of the historic city.

21. Critical Risks (see fourth column of Annex 1):

Project outputs to development objectives

<u>Risk</u>	<u>Risk Rating</u>	<u>Risk Minimization Measure</u>
<u>Development Objectives</u>		
National rent policy inhibiting private investment in housing	High to moderate	Caps on rent increase, limitations on rent termination and other terms of Dahir 1-80-315 (25/12/80) aimed at protecting renters are disincentives for owners to maintain and rehabilitate their properties. A draft reform law has been under consideration by the National Assembly for years. Mitigation under the project will come from supporting specific partnerships between owners and renters to rehabilitate historic properties. The impact of current laws and mitigation measures on project objectives will be assessed at mid-term review, with a full report to GoM.
Cooperation with the habous	Moderate to high	The Ministry of Habous is the largest property owner in the medina. Public or private habous are involved in some 4,500 co-ownerships and own all religious buildings. Given the habous' internal rules and organization, conflicts with civil society may occur and impede their participation in the project. Since their commitment to cooperate has been partly reached, mitigation would only come by developing partnerships for selected operations, on a case by case basis.

Project Components to Output

Implementation of national law on heritage conservation	Low to moderate	Implementation of the law (Dahir 1-80-341 dated 12/25/19980) is impeded by lack of management capacity and funds from the Ministry of Cultural Affairs (MCA). Mitigation would come from international pressure to apply World Heritage Convention (in coordination with UNESCO), by establishing specific incentives under the project, and by reinforcing the partnership between the MCA and ADER-Fès.
Delays or time lag in upgrading key infrastructures	Low to moderate	Most anticipated delays may come from lack of competent enterprises willing to work in the medina's difficult urban environment. Part of this risk has been anticipated by dividing civil works operations into small packages. Another risk may come from the implementation of the BOT scheme for building and operating most of the medina's planned parking facilities, since the number of potential operators or concessionaires is unknown. Carefully reviewed bidding documents and concession agreements, imposing reasonable risk burdens upon the concessionaire, along with sound financial return, should encourage potential operators.
Environmental policies either not yet defined at national level or not enforced at local level, particularly in medina environment	Low to moderate	Basic environmental legislation and a corresponding regulatory framework are lacking. The issue is, however, currently under consideration by the Government, with Bank assistance. A specific study on the medinas' environmental standards, to be conducted during the project, will help define an appropriate policy.
Availability of grant and counterpart funds	Low to moderate	While the risks of the non-availability of counterpart funds is low, availability of grant funds from donors, particularly for the poverty alleviation component, is still unknown. The proposed donors' conference, with leading roles by UNESCO and the Bank, may moderate this risk.

Financial sustainability of ADER-Fès	Moderate	ADER's funds will come mainly from fees paid by the State or the municipalities to implement project activities on their behalf. Assurance of effective payments would come from the contractual agreements linking the parties.
<u>Overall project risk rating</u>	Moderate	To lower project risk, especially with regard to the central development objective, the Bank will use the mid-term review to reassess the participatory approach and strengthen the institutional aspects of the project. The setting up of a Fès-Médina Foundation for Cultural Heritage, which would help to secure funding and partnership, will be discussed.

22. Possible controversial aspects: The project preparation period has allowed much discussion and consensus to take place. Controversial aspects may come from the dominant role of ADER-Fès. It is also possible that other Moroccan cities will see the project as favoring Fès over other cities.

Block 4: Main Loan Conditions

23. Planned actions:

- By December 31, 1998 (and each subsequent year thereafter): all land acquisition related to the work program of the coming fiscal year should be either completed or at a satisfactory stage.
- By mid-term review (October 2000): ADER will issue a comprehensive mid-term review of the project, in consultation with the two steering committees and the two municipalities, with particular focus on parallel financing activities, relationships between owners and tenants, habous participation, the setting up of a Fès-Médina foundation, and a progressive shift in equity from the State to the municipalities to better ensure the sustainability of ADER-Fès.

24. Other:

- As primary obligor, the Government will guarantee the due and punctual payment of the loan made to the municipality of Fès-Médina;
- Establishment within ADER-Fès of a unit of community development satisfactory to the Bank, in charge of the poverty alleviation component (effective).
- Local authorities should provide temporary shelters to households affected by a short term loss of occupancy during rehabilitation works (commitment letter has been received).
- Project records, accounts and Special Accounts should be audited each year;
- ADER's financial statements should be audited each year by an independent audit;
- Audit reports should be made available to the Bank no later than six months after each Fiscal Year;
- Retroactive financing is authorized under each loan, up to an aggregate amount not exceeding US\$700,00 equivalent for expenditures made after November 15, 1997.
- Special Accounts under the Government and municipality loans are limited to US\$700,000 and US\$1.0 million equivalent, respectively. The Special Account for the municipality will be open in the Regional Treasury of Fès.
- Withdrawals on the basis of statements of expenditures are authorized for goods, civil works, consultants' firms, and individual consultants, with contracts not exceeding US\$100,000, US\$150,000, US\$50,000 and US\$25,000, respectively.
- ADER's unit in charge of the poverty alleviation component (CDU) should have a separate accounting system;
- A mid-term review will be held by October 30, 2000 on the basis of a report prepared by ADER-Fès on or about April 30, 2000.
- A plan for the future operation of the project will be presented to the Bank not later than six months after the closing date, set for December 31, 2003.

Block 5: Compliance with Bank Policies

This project complies with all applicable Bank policies.

Team Leader: François Amiot

Sector Director: Jean-Claude Villiard

Country Director, Christian Delvoie

Annex 1

Project Design Summary

Narrative Summary	Key Performance Indicators ¹	Monitoring and Supervision	Critical Assumptions and Risks
<p>CAS Objective</p> <p>Fès-Médina, as a pilot operation in cultural heritage and conservation, with development of local and international partnerships</p>	<p>Coordination within the medina of related donors and Bank projects (water, sewerage, Sebou Basin), with impact assessment on social, environmental, and cultural conditions</p>	<p>Fès wilaya steering committee, Bank missions, UNESCO reports</p>	<p>(CAS objective to Bank mission) International aid is mobilized (success of donors' conference) and partnerships are consolidated</p>
<p>Project Development Objectives</p> <p>Conserve and rehabilitate the historic Medina of Fès through empowerment of inhabitants and local institutions.</p>	<p>Overall improvement of medina housing stock (referential rating from end 1996) and effective conservation of key cultural assets along tourism itineraries. To stop the cycle of decline, rehabilitation permits should increase by 3% a year and repair permits by 5% a year starting CY2. Key indicator over the long run (10 to 15 years) is the public-to-private leverage ratio, including the financing of historic buildings by private sponsors and Habous, which should reach 1 : 3.</p>	<p>GIS database: review of demand for rehabilitation permits (V2), and review of other construction permits through the municipalities' files. Ministry of Cultural Affairs' and ADER's data on effective funds mobilized for conservation of key cultural assets.</p>	<p>(Development Objectives to CAS Objective) National rent policy inhibiting private investment in housing rehabilitation and cooperation with habous</p>
<p>Project Outputs</p> <p>1. Development of an incentive framework for cultural heritage rehabilitation</p> <p>2. Improvement of critical access to the medina</p>	<p>Demand for rehabilitation of historic properties and effective works on: 47 units CY2; 56 units CY3; 65 units CY4 and 75 units CY5. Six tourism itineraries implemented as follows: CY1: first itinerary (IT); CY2: 2 ITs & Heritage Center in operation; CY3: one IT; CY4: 2 last Its. Number of historic buildings or monuments re-used for economic or social activities.</p> <p>Emergency access: 20% CY2; 40% CY3; 20% CY4; 20% CY5. Access links: 20% CY3; 40% CY4; 40% CY5. Main access roads: 35% CY3; 45% CY4; 20% CY5 Parking: 15% CY3; 25% CY4; 60% CY5; First BOT bids for private sector: CY3</p>	<p>GIS database, quarterly reports, tourism office statistics; Tours Operators; number of entries in the Cultural Heritage Center.</p> <p>Quarterly reports, Bank supervision reports, medina technical committee</p>	<p>(Outputs to Development Objectives) Implementation of the national law on cultural heritage conservation</p> <p>Delays or time lag in upgrading key infrastructures (water & sewerage). Efficient procurement procedures under the tri-partite agreement (<i>Convention</i>).</p>

¹ Baseline and targeted values should be shown, with the latter divided into values expected at midterm, end of project, and full impact.

Narrative Summary	Key Performance Indicators ¹	Monitoring and Supervision	Critical Assumptions and Risks
<p>3. Improvement of medina environment</p>	<p>Reduction of solid waste stock by 40% end of CY2; 40% end of CY3; 20% end of CY4. Efficiency of garbage collection by 40% CY3 (add. 5 tons per day), and 40% by CY4.</p> <p>Eight five artisan units operating under new environmental standards end of CY4. Satisfactory implementation of the "short term loss of occupancy" plan.</p>	<p>Management contract with municipalities and operators, ADER's quarterly reports.</p> <p>Monitoring indicators of pollution abatement.</p>	<p>Environmental policies either not yet defined at national level or not enforced at local level, particularly in the medina environment</p>
<p>4. Use of rehabilitation process to alleviate poverty</p>	<p>Number of direct labor-intensive jobs created through UDC cumulating as follows: 100 (CY1); 300 (CY2); 600 (CY3); 800 (CY4); and 900 (CY5). Specific indicators of cost per job created (should be less than US\$300). By CY3, emergency works on collapsed buildings should leave place to preventive works (50% CY3; 75% CY4 & 100% CY5)</p>	<p>Directorate for community development (ADER-Fès). Monitoring indicators should include: social impact (no. of beneficiaries from the medina); average no. of bids per call for bids; average time of processing contracts (days following bids); percentage of payments to contractors within 15 days of invoice receipt.</p>	<p>Counterpart and grant funds available in sustainable way</p>
<p>5. Local institution strengthening</p>	<p>Monitoring of ADER financial indicators according to Annex 5; Monitoring of Fès-Médina municipality indicators according to revenue ratios in Annex 5; Training program as follows: high level staff: 60 (2/3 by mid-term); micro-enterprises' managers: 20 (1/2 mid-term); staff micro-enterprises: 40 (1/2 mid-term).</p>	<p>Annual analysis of municipal budgets and ADER balance sheet, expert reports, OFPTT</p>	<p>Financial restructuring plan of ADER completed by effectiveness.</p>

Project Activities (See Annex 2 for a detailed description).	Loan Amount (US\$'000)		
<i>1. Rehabilitation of built heritage</i>	Satisfactory disbursement, according to estimated schedule:		
1.1 Rehab. facility	GoM ¹	487.0	ADER & Direction régionale du Ministère de la culture
1.2 Tourism and Heritage	GoM	2,181.0	ADER & Direction régionale du Ministère de la culture
<i>2. Rehab. of infrastructure</i>	Satisfactory disbursement, according to estimated schedule:		
2.1 Emergency access network	GoM	1,812.0	ADER & Direction régionale des Travaux publics
2.3 Improvement of access	LGF	1,880.0	id
2.4 Transfer facilities	LGF	539.0	Municipality
2.5 Traffic management	LGF	343.0	id
2.6 Parking facilities	LGF	891.0	id
<i>3. Environment</i>	Satisfactory disbursement, according to estimated schedule:		
3.1 Pollution abatement for traditional industries	LGF	1,077.0	ADER & Association of Artisans
3.2 Solid waste collection	LGF	1,152.0	Municipality (concession)
3.3 Community education	LGF	155.0	Municipality and ADER
<i>4. Community development (labor-intensive works)</i>	Satisfactory disbursement, according to estimated schedule:		
4.1 Clearance of derelict sites	LGF	452.0	Directorate for Community Development (ADER)
4.2 Urban landscape	LGF	310.0	id
4.3 Emergency works	LGF	1,005.0	
<i>5. Institutional</i>	Satisfactory disbursement, according to estimated schedule:		
5.1 Support to Fès municipalities	LGF	460.0	Municipality (President)
5.2 Support to ADER-Fès	GoM	457.0	ADER
5.3 Laboratories	GoM	300.0	ADER
5.4 Training	GoM	219.0	OPPRT, ADER
5.5 Further studies	GoM	280.0	ADER
TOTAL		14,000.0	

1/ NOTE: The name of the financier appears in front of each activity: GoM (central government); LGF (local governments of Fès-Médina and Fès Jdid); P (private sector).

Annex 2

Detailed Project Description

Project Component 1 - Rehabilitation of Built Heritage

This component includes the following complementary activities, which are described below: (a) establishment of a rehabilitation or grant facility to support private initiatives in historic building conservation, including innovative rehabilitation of historic housing; and (b) the development of new tourism itineraries, coupled with the conservation or rehabilitation of historic buildings.

(a) *Rehabilitation facility (State financing)*: This facility would amount to MAD 6.0 million (with potential extension under parallel financing) and is expected to induce private investment for the rehabilitation of about 250 historic domestic or commercial premises (souks, fondouks, workshops), according to the following pilot scheme: (a) a grant of 20 percent of total rehabilitation cost estimate (with an upward limit of MAD 40,000) will be allocated to any owner willing to: (i) rehabilitate a building listed as historically significant; or (ii) enter in a partnership agreement with co-owners or renters, including the habous, to facilitate such operation; (b) a grant of 10 percent of the estimated cost (with an upward limit of MAD 20,000 to improve or introduce amenities in dwellings (e.g., bathrooms, kitchen, independent entrance). Selection of units to be rehabilitated would start in the areas benefiting from infrastructure improvement, and would proceed over the longer term from quarter to quarter, with the assistance of local associations (*associations de quartier*).

The selection process will be the following: any potential beneficiary will send three documents simultaneously to the municipality: a building permit issued after design and techniques are certified by a private expert; a demand for registration under the heritage list; and a demand for grant. These documents are then reviewed by an enlarged municipal building committee, with representatives of the Ministry of Culture, and the Governor of Fès-Médina and ADER-Fès as technical advisers. The list of selected beneficiaries is then sent to the Governor for approval. The grant may be used up front to pay for this expertise, and is then distributed according to the progress of the works. If demand exceeds available funds, priority will be given to social considerations, particularly when local associations have been able to raise funds for the beneficiary. If, on the contrary, the demand is low, the project would provide partial funding for innovative operations aimed at improving renovation designs and techniques, and reducing costs by introducing new building materials. Priority would be given to key historic buildings in strategic locations, with potential reuse by community activities (training centers, crafts centers, children or women centers). Complementary funds may also be provided from proceeds of commercial lots sold along the new access network.

(b) *Tourism and preservation of cultural heritage (State financing)*: This critical activity, amounting to MAD 26.0 million, includes: (i) the creation of six new tourism and thematic itineraries within the medina; and (ii) the creation of a Heritage and Cultural Animation Center (*Centre de patrimoine et d'animation culturelle*). The former would lead to targeted investments in historic buildings (palaces, medersa, mosques, fountains), improvement of signs in the medina, and development of historic gardens. The center would be located in a rehabilitated palace (MAD 2.5 million) and would serve multiple functions such as information center, research center, international training on cultural heritage conservation, etc. It would be launched by ADER, then managed as an associative organization, with bylaws similar to those of the National Trust of Great Britain. The *Centre de patrimoine* would be self-financing. Along with this activity, several supporting actions would be implemented: establishing a monitoring and coordination unit to liaise with public and private partners; training professional guides and launching of information campaigns for the medina's residents; the marketing of the Medina of Fès among tour operators; etc. (see project document). Specific economic analysis of the tourism component is available in the project files.

Project Component 2 - Improving Critical Access to the Medina

This key component, which represents 50 percent of total project cost, will: (a) provide access for emergency public services extending to the center of the medina; (b) improve critical links with medina entrances (there are eighteen gates along the medina wall, which delineates a pedestrian area of 270 ha, with the exception of some roads built at the beginning of the century); (c) facilitate ease of movement for residents, businesses, tourists, and goods; (d) increase parking spaces to the level of demand; and (e) increase traffic safety and improve traffic management.

(a) *Emergency Network and connecting links (State financing).* Almost one quarter of Fès El Bali is inaccessible by motorized vehicles, i.e., located more than 200m from a street. Emergency vehicles (police, fire, ambulances) and public works vehicles (sanitary, waste collection) cannot access those areas. Street porters and animals are used for transporting goods within the medina, including the collection of solid waste, the transport of construction materials, and the disposal of scrapped materials. The presence of animals is a source of sanitary problems, not counting their abysmal living conditions. The project would finance the establishment of an emergency network that would be accessible to narrow vehicles, less than 1.7 m wide. Such vehicles could also be adapted as transport vans, and would replace animals in most instances. In addition, 15 kilometers of pedestrian streets would be improved, in coordination with RADEF in charge of improving the water and sewerage system of the Medina's network with Bank support.

(b) *Access network (Municipality financing).* The project would also finance the construction of four streets accessible to motorized vehicles, with widths of 6.0 m or more and proper sidewalks, to improve the traffic pattern within the medina, segregate pedestrian and vehicular flows, and reduce the area inaccessible to motorized vehicles. The following access streets were identified as showing the most acute problems of congestion and/or accessibility, and are included in the project: Ain Azliten, Oued Zhoun, Bin Lamdoun, and Andalus Axis. All of these streets have no outlets, to discourage through traffic within the medina (see maps).

(c) *Transfer (logistic) facilities (Municipality financing).* There is a lack of proper passenger and goods transfer facilities at the gates of the medina, hence the congestion and the delays incurred by all traffic at those locations: taxis, buses, trucks, and pedestrians. The project would finance the establishment of facilities such as goods transfer areas, pedestrian waiting facilities, and bus and taxi stations for the main Medina gate (place Boujloud), while private investors would be sought to finance the construction of commercial spaces and warehouses in the vicinity of the transfer facilities to increase their productivity. Such facilities would have to be built not only at Place Boujloud, but also at Bin Lamdoun, Talaa Kbira, and Place Fès Jdid.

(d) *Parking facilities (Municipality and private sector financing).* There were approximately 3,100 parking spaces in the medina and vicinity, excluding the 250 illegally parked vehicles on sidewalks and other public property, at the time of the surveys. Analysis showed that there is a need for 400 additional spaces to satisfy the current demand, and that this figure will increase to 600 by the year 2000. Currently there is no incentive, for instance through an adequate fare structure, to utilize the available parking spaces in a more efficient manner. This results in parking facilities, especially within the medina, being saturated and crumbling from lack of maintenance. The project would finance the construction and/or the rehabilitation of three strategic parking lots or garages (Talaa Kebira, Derb Aneur and Place R'Cif), while six other parking areas (Oued Zhoun, Ben Lamdoun, My R'Chid, Makhfia, Bab J'Did, and Fès-Jdid) would be financed by private operators under Build, Operate and Transfer (BOT) or concession schemes. These parking lots and garages have been selected to provide the highest level of service possible to their users, the inhabitants of the medina, its visitors, and the people who work there.

Under the BOT schemes, property acquisition and design of facilities would be the responsibility of the municipality, and construction, maintenance and operation would be the responsibility of the concessionaire.

Concession packages should be small enough to be of interest to local entrepreneurs. Although foreign operators should not be prevented from bidding for a concession, the size of the operation is not large enough to generate much interest from foreign bidders. In some cases, the Municipality could develop a concession package in which one clearly financially viable parking concession would help subsidize a marginal operation that has some other benefits from the point of view of the municipality.

(e) ***Traffic management (Municipality financing).*** The lack of local expertise in traffic planning and operations often prevents the solution of even the simplest problems. There is also the problem of traffic safety within the medina itself, especially with regard to pedestrians. On the highway loop that circles the medina, numerous conflicts among passenger cars, buses, and trucks, especially at intersections, are a major cause of accidents involving pedestrians, and a source of delays. The project would recommend simple interventions to improve traffic safety: horizontal and vertical traffic signing, pedestrian markings, traffic signals, and channeling of traffic flows. The establishment of a Traffic Bureau within the Public Works Department of the Fès-Médina municipality would support small projects that would take into account local particularities: street, alley and intersection design, traffic signing and traffic signals; parking entrances and exits; bus stops; truck loading and unloading facilities; pedestrian waiting areas. The Traffic Bureau could also propose improvements to the RATF bus network, with a view to optimizing bus service to and from the medina.

Project Component 3 - Improvement of the Urban Environment

In addition to ongoing water and sewerage rehabilitation (Loans 3664-, 4010-MOR, and FADES), the project aims to: (a) improve solid waste collection through provision of equipment; and (b) minimize polluting industry within the medina by providing improved workshop facilities (fondouk) for the most polluting traditional activities (copperware manufacturers and retailers) within the medina. The construction of two planned fondouks would provide space for customary activities, such as metal working, an exhibition space for arts and crafts, and a training center to ensure the continuity of the city's handicrafts. This last activity has been investigated by the Swedish Cooperation and would be financed by the State.

Solid Waste Disposal (Municipality financing) The production of household waste in the medina is 75.2 tons a day, and that of the craft industry is 63.7 tons a day. It is expected that this last figure will drop to 20.55 tons a day once the polluting activities are transferred to Ain Nokbi (works in progress). This would result in 95 tons of solid waste being generated in the medina each day. The collection would be done by a private contractor, under concession arrangements, with the municipality (currently under discussion).

The topography of the city and the narrowness of the streets impose considerable constraints on the collection of household wastes. Collection must be adapted to the existing and projected circulation network, depending on its category: access, emergency roadway, pedestrian link. Households will be expected to set out their waste in plastic bags at a fixed hour every evening, immediately prior to collection. This will take place either with carts, in the areas where descending slopes are gentle, or with donkeys, where slopes are steep (step 1). The collected bags will then be deposited along the emergency roadway network and the access roads in rolling plastic bins (step 2). Small dump trucks that are no wider than 1.4m will unload the bins and deposit them in waste compactors or open containers (step 3). Trucks will then pick up their loads and transport them to the public waste dump. Changes or extensions planned for the existing dump will be carried out by the Urban Community of Fès (step 4). Total investment in equipment will be approximately MAD 27.0 million, of which 14.5 million of basic equipment will be financed by the project. Most of the equipment will be leased to the contractor. In addition to these actions, a public awareness campaign around the environmental problems will be launched among the inhabitants of the medina, as well as among the artisans.

Project Component 4 - Poverty Alleviation (Municipality financing)

The goal of this component is to use the rehabilitation process to promote labor-intensive job opportunities, particularly among the unemployed and poor population of the medina and surrounding areas. It will also promote small-scale private sector contractors. Partly built on current experience in ADER rehabilitating the medina wall and launching emergency action for occupied housing falling in ruins, the component would be managed by a specific directorate of ADER-Fès (CDU, or Community Development Unit), under terms and conditions satisfactory to the Bank. The proposed program to be implemented by the CDU would cover the following activities: clearance of derelict sites; emergency works on housing; clearance of solid waste stock, particularly in the historic sewerage system and in the medina rivers (oueds); urban landscape; and rehabilitation of community facilities. Subprojects were selected on the basis of the following eligibility criteria: to reflect priority needs (as reviewed by the social assessment); labor intensive (equivalent to 70 percent of project costs); to be easily divided into work packages averaging MAD200,000 each; a potential for the creation of micro-enterprises; to involve mainly basic rehabilitation works and routine maintenance. Taking into account other labor-intensive works financed under the

project or through agreed-upon parallel financing, it is estimated that the proposed program would culminate in providing 900 persons/year with job opportunities. This figure represents almost 30 percent of the employment needs of the poor and unemployed active population in the medina of Fès. The expected average monthly cost per job created is estimated at US\$290, which is largely below the current cost of standard employment-generation programs run by the Government. Training for staff of micro-enterprises will be provided under the Institutional component. If the results match expectations, this component could be used as a pilot project for poverty alleviation in other urban centers and medinas of Morocco.

Component 5 - Institutional Strengthening (mostly State financing)

This component encompasses the following four activities: (a) resource mobilization program for the two involved municipalities (Fès-Médina will finance its own program), with focus on municipal management and organization (computerization of key municipal services, monitoring system for concessions, addressing tariff issues, etc.), municipal finances (fiscal policies and para-fiscal resources), and training of municipal agents; (b) strengthening of ADER-Fès through management assistance, and technical assistance; (c) setting up of a conservation laboratory to improve conservation techniques in the medina, and also at the national level; and (d) training programs managed by OFPPT and ADER, and adapted to various professional skills involved into the rehabilitation process in three priority areas: (i) construction and rehabilitation, with three workshops (architects, engineers, archeologists; technical staff; and unskilled workers); (ii) traditional craft industries, with particular focus on women; and (iii) labor-intensive methods, with training of managers of micro or small enterprises. Each training program will be implemented under a tripartite agreement among the ADER-Fès, the OFPPT regional office, and the trainers.

KINGDOM OF MOROCCO
FES MEDINA REHABILITATION PROJECT (07/13/97)
Components Project Cost Summary

	(DH '000)					(US\$ '000)				
	Local	Foreign	Total	%	% Total	Local	Foreign	Total	%	% Total
				Foreign Exchange	Base Costs				Foreign Exchange	Base Costs
A. Rehabilitation of built heritage	17,626	11,298	28,924	39	13	1,895	1,215	3,110	39	13
B. Road Infrastructure Rehabilitation										
1. Historic and Emergency Networks	13,337	7,512	20,849	36	10	1,434	808	2,242	36	10
2. Improvement of Access to Medina	17,964	7,760	25,724	30	12	1,932	834	2,766	30	12
3. Equipment of access ways	3,688	2,222	5,910	38	3	397	239	635	38	3
4. Parkings	35,518	19,608	55,125	36	26	3,819	2,108	5,927	36	26
5. Traffic Improvements	3,064	1,788	4,852	37	2	329	192	522	37	2
Subtotal Road Infrastructure Rehabilitation	73,571	38,889	112,461	35	52	7,911	4,182	12,093	35	52
C. Medina Environment Improvement	14,042	13,788	27,829	50	13	1,510	1,483	2,992	50	13
D. Community Development	16,510	10,511	27,021	39	13	1,775	1,130	2,905	39	13
E. Institutional Strengthening	7,659	10,359	18,018	57	8	824	1,114	1,937	57	8
Total BASELINE COSTS	129,407	84,845	214,253	40	100	13,915	9,123	23,038	40	100
Physical Contingencies	12,941	8,485	21,425	40	10	1,391	912	2,304	40	10
Price Contingencies	22,550	12,176	34,726	35	16	1,520	730	2,251	32	10
Total PROJECT COSTS	164,898	105,506	270,404	39	126	16,826	10,766	27,592	39	120

KINGDOM OF MOROCCO
FES MEDINA REHABILITATION PROJECT (07/13/97)
Expenditure Accounts Project Cost Summary

	(DH '000)					(US\$ '000)				
	Local	Foreign	Total	%	% Total	Local	Foreign	Total	%	% Total
				Foreign Exchange	Base Costs				Foreign Exchange	Base Costs
I. Investment Costs										
A. Land acquisition										
1. Government of Morocco	3,592	-	3,592	-	2	386	-	386	-	2
2. Municipality of Fes Medina	5,812	-	5,812	-	3	625	-	625	-	3
3. Private Beneficiaries	2,250	-	2,250	-	1	242	-	242	-	1
Subtotal Land acquisition	11,655	-	11,655	-	5	1,253	-	1,253	-	5
B. Civil Works										
1. Civil Works										
Government of Morocco	30,142	16,230	46,373	35	22	3,241	1,745	4,986	35	22
Municipality of Fes Medina	31,031	16,709	47,740	35	22	3,337	1,797	5,133	35	22
Private Beneficiaries	23,012	12,391	35,404	35	17	2,474	1,332	3,807	35	17
Municipality of Fes Jdid	4,499	2,422	6,921	35	3	484	260	744	35	3
Subtotal Civil Works	88,685	47,753	136,438	35	64	9,536	5,135	14,671	35	64
C. Goods										
1. Government of Morocco	2,913	5,929	8,842	67	4	313	638	951	67	4
2. Municipality of Fes Medina	2,931	7,805	10,736	73	5	315	839	1,154	73	5
4. Municipality of Fes Jdid	81	215	296	73	-	9	23	32	73	-
Subtotal Goods	5,925	13,949	19,874	70	9	637	1,500	2,137	70	9
D. Consultant Services										
1. Government of Morocco	7,167	7,167	14,333	50	7	771	771	1,541	50	7
2. Municipality of Fes Medina	5,164	5,164	10,329	50	5	555	555	1,111	50	5
3. Private Beneficiaries	2,079	2,079	4,157	50	2	224	224	447	50	2
4. Municipality of Fes Jdid	912	912	1,825	50	1	98	98	196	50	1
Subtotal Consultant Services	15,322	15,322	30,644	50	14	1,648	1,648	3,295	50	14
E. Management Fees										
Government of Morocco	2,671	2,671	5,342	50	2	287	287	574	50	2
Municipality of Fes Medina	2,950	2,950	5,901	50	3	317	317	634	50	3
Private Beneficiaries	1,450	1,450	2,900	50	1	156	156	312	50	1
Municipality of Fes Jdid	750	750	1,500	50	1	81	81	161	50	1
Subtotal Management Fees	7,821	7,821	15,642	50	7	841	841	1,682	50	7
Total BASELINE COSTS	129,407	84,845	214,253	40	100	13,915	9,123	23,038	40	100
Physical Contingencies	12,941	8,485	21,425	40	10	1,391	912	2,304	40	10
Price Contingencies	22,550	12,176	34,726	35	16	1,520	730	2,251	32	10
Total PROJECT COSTS	164,898	105,506	270,404	39	126	16,826	10,766	27,592	39	120

KINGDOM OF MOROCCO
FES MEDINA REHABILITATION PROJECT (07/13/97)
Expenditure Accounts by Components - Base Costs
(US\$ '000)

	Road Infrastructure Rehabilitation					Traffic Improvements	Medina		Community Development	Institutional Strengthening	Physical Contingencies		
	Rehabilitation of built heritage	Historic and Emergency Networks	Improvement of Access to Medina	Equipment of access ways	Parkings		Environment Improvement				Total	%	Amount
I. Investment Costs													
A. Land acquisition													
1. Government of Morocco	-	94	-	-	-	-	292	-	-	-	386	10.0	39
2. Municipality of Fes Medina	-	-	553	-	72	-	-	-	-	-	625	10.0	62
3. Private Beneficiaries	-	-	-	-	242	-	-	-	-	-	242	10.0	24
Subtotal Land acquisition	-	94	553	-	314	-	292	-	-	-	1,253	10.0	125
B. Civil Works													
1. Civil Works													
Government of Morocco	2,344	1,774	-	-	-	-	869	-	-	-	4,986	10.0	499
Municipality of Fes Medina	-	-	1,815	526	849	356	-	1,522	66	5,133	10.0	513	
Private Beneficiaries	-	-	-	-	3,807	-	-	-	-	3,807	10.0	381	
Municipality of Fes Jdid	-	-	-	-	-	101	-	628	15	744	10.0	74	
Subtotal Civil Works	2,344	1,774	1,815	526	4,656	457	869	2,150	81	14,671	10.0	1,467	
C. Goods													
1. Government of Morocco	115	-	-	-	-	-	308	-	528	951	10.0	95	
2. Municipality of Fes Medina	-	-	-	-	-	-	1,021	-	133	1,154	10.0	115	
4. Municipality of Fes Jdid	-	-	-	-	-	-	-	-	32	32	10.0	3	
Subtotal Goods	115	-	-	-	-	-	1,329	-	693	2,137	10.0	214	
D. Consultant Services													
1. Government of Morocco	368	233	-	-	-	-	97	-	843	1,541	10.0	154	
2. Municipality of Fes Medina	-	-	261	70	134	23	152	275	195	1,111	10.0	111	
3. Private Beneficiaries	-	-	-	-	447	-	-	-	-	447	10.0	45	
4. Municipality of Fes Jdid	-	-	-	-	-	-	51	105	40	196	10.0	20	
Subtotal Consultant Services	368	233	261	70	581	23	300	380	1,078	3,295	10.0	330	
E. Management Fees													
Government of Morocco	284	141	-	-	-	-	97	-	53	574	10.0	57	
Municipality of Fes Medina	-	-	137	39	65	28	80	259	25	634	10.0	63	
Private Beneficiaries	-	-	-	-	312	-	-	-	-	312	10.0	31	
Municipality of Fes Jdid	-	-	-	-	-	14	25	116	6	161	10.0	16	
Subtotal Management Fees	284	141	137	39	377	42	202	375	85	1,682	10.0	168	
Total BASELINE COSTS	3,110	2,242	2,766	635	5,927	522	2,992	2,905	1,937	23,038	10.0	2,304	
Physical Contingencies	311	224	277	64	593	52	299	291	194	2,304	-	-	
Price Contingencies													
Inflation													
Local	318	235	333	67	669	57	217	292	116	2,305	-	-	
Foreign	97	60	67	19	175	16	119	89	88	730	-	-	
Subtotal Inflation	416	296	400	86	844	73	335	381	205	3,036	-	-	
Devaluation	-108	-84	-116	-23	-225	-19	-74	-101	-33	-785	-	-	
Subtotal Price Contingencies	307	212	284	63	619	54	261	279	171	2,251	9.1	205	
Total PROJECT COSTS	3,728	2,678	3,326	762	7,139	628	3,553	3,475	2,302	27,592	9.1	2,508	
Taxes	577	388	417	115	1,025	93	589	540	485	4,227	9.1	384	
Foreign Exchange	1,434	949	985	282	2,494	227	1,749	1,332	1,314	10,766	9.1	979	

KINGDOM OF MOROCCO
FES MEDINA REHABILITATION PROJECT (07/13/97)
Disbursement Accounts by Financiers

	(DH '000)						(US\$ '000)							
	World Bank	Government of Morocco	Municipality of Fes-Medina	Private Beneficiaries	Municipality of Fes-Jdid (grant)	Municipality of Fes-Jdid (taxes)	Total	World Bank	Government of Morocco	Municipality of Fes-Medina	Private Beneficiaries	Municipality of Fes-Jdid (grant)	Municipality of Fes-Jdid (taxes)	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
A. Land Acquisition														
1. Government of Morocco	-	4,418	-	-	-	-	4,418	-	451	-	-	-	-	451
2. Municipality of Fes Medina	-	0	7,442	-	-	-	7,442	-	0	759	-	-	-	759
3. Private Beneficiaries	-	0	-	2,826	-	-	2,826	-	0	-	288	-	-	288
Subtotal Land Acquisition	-	4,418	7,442	2,826	-	-	14,686	-	451	759	288	-	-	1,499
B. Civil Works														
1. Government of Morocco	40,373	18,309	-	-	-	-	58,681	4,120	1,868	-	-	-	-	5,988
2. Municipality of Fes Medina	41,563	0	18,848	-	-	-	60,412	4,241	0	1,923	-	-	-	6,164
3. Private Beneficiaries	-	0	-	45,092	-	-	45,092	-	0	-	4,601	-	-	4,601
4. Municipality of Fes Jdid	-	0	-	-	7,506	1,222	8,727	-	0	-	-	766	125	891
Subtotal Civil Works	81,936	18,309	18,848	45,092	7,506	1,222	172,913	8,361	1,868	1,923	4,601	766	125	17,644
C. Goods														
1. Government of Morocco	8,535	2,501	-	-	-	-	11,035	871	255	-	-	-	-	1,126
2. Municipality of Fes Medina	10,710	0	2,675	-	-	-	13,385	1,093	0	273	-	-	-	1,366
4. Municipality of Fes Jdid	-	0	-	-	288	72	361	-	0	-	-	29	7	37
Subtotal Goods	19,245	2,501	2,675	-	288	72	24,781	1,964	255	273	-	29	7	2,529
D. Consultant Services														
1. Government of Morocco	14,320	3,580	-	-	-	-	17,900	1,461	365	-	-	-	-	1,826
2. Municipality of Fes Medina	10,390	0	2,598	-	-	-	12,988	1,060	0	265	-	-	-	1,325
3. Private Beneficiaries	-	0	-	5,226	-	-	5,226	-	0	-	533	-	-	533
4. Municipality of Fes Jdid	-	0	-	-	1,805	451	2,257	-	0	-	-	184	46	230
Subtotal Consultant Services	24,710	3,580	2,598	5,226	1,805	451	38,369	2,521	365	265	533	184	46	3,915
E. Management Fees														
1. Government of Morocco	5,373	1,343	-	-	-	-	6,717	548	137	-	-	-	-	685
2. Municipality of Fes Medina	5,936	0	1,484	-	-	-	7,420	606	0	151	-	-	-	757
3. Private Beneficiaries	-	0	-	3,643	-	-	3,643	-	0	-	372	-	-	372
4. Municipality of Fes Jdid	-	0	-	-	1,500	375	1,875	-	0	-	-	153	38	191
Subtotal Management Fees	11,309	1,343	1,484	3,643	1,500	375	19,655	1,154	137	151	372	153	38	2,006
Total	137,200	30,151	33,047	56,787	11,099	2,120	270,404	14,000	3,077	3,372	5,795	1,133	216	27,592

Annex 4

Cost Benefit Analysis Summary

MAD million, mid-1997

	Present Value of Flows		Fiscal Impact	
	Economic Analysis	Financial Analysis	Taxes	Subsidies
Benefits	564.9			
Costs	409.8			
Net Benefits	155.1			
IRR	13.62			

Main assumption:

1. The underlying assumption of the cost benefit analysis is that property values, either residential or commercial, would rise as a result of improved accessibility, the creation of an emergency network with fire hydrants and first aid stations, the repaving of streets, installation of additional street lights, collection of solid wastes, landscaping of new spaces, the availability of parking facilities matching demand, and new nonpolluting activities. Under the base case scenario, the flow of benefits is treated as a stock appreciating over a fifteen year period.
2. The impact area of the project is delineated only by abutting properties or parcels along the improved network (including the tourism network), as well as by pedestrian alleys opening onto the improved streets. However, a combination of physical factors, including steep grades, sudden narrowing of the alley, etc., would tend to restrict the positive benefits of the improved access (see attached map).
3. The incremental value attributed to the project is computed as the difference between the projected value of land in the impact area and the value of land outside the area, plus the value of the improvements to the property (rehabilitation works). Data on the evolution of land prices in Fès and the information on the sale and rental market in the Medina obtained through interviews with real estate brokers provided were supplemented by the exhaustive processing of all real estate transactions in the Medina over the 1990-1996 period for which notarial records were deposited at the registry. The data show appreciating values rather than disinflation even in the presence of deterioration and inadequate maintenance. It also clearly shows the impact of rent control on residential values, artificially deflating them. Because there is no vacant land other than ruins, transactions concern apartments (approximately 180 to 240 per year), commercial properties and shops (25 to 30 per year), and buildings (40 to 60 per year). This detailed data provided a solid statistical base for the computation of property values (Table is presented below).
4. The analysis was carried out on the premise that relative prices would remain constant through the 15 year timeframe of expected benefits.
5. The official exchange rate is assumed to reflect the opportunity cost of foreign exchange in Morocco.
6. The market price for each input adjusted for taxes and subsidies is assumed to represent a reasonable estimate of the economic cost. This assumption applies to property values recorded in official transaction documents, presumably underreported to avoid taxes.
7. The discount rate is the expected real interest rate of 10 percent.

8. Maintenance costs are based on a schedule of 1 percent for the first three years, 2 percent for the second three years, and 5 percent thereafter. They applied to the value of completed public works and building improvements.

10. The base case scenario (cumulative flow of benefits) leads to an average growth of land prices of 5.25 percent in real terms for properties impacted by the project (versus 3 percent for those not impacted, as shown by the analysis of 2,288 transactions), and an average one-time jump in land value of 2 times the current value. Under these assumptions the project would reach a satisfactory IRR of 13.6 percent, despite additional costs in implementing civil works in the medina (mainly due to transport costs and archeological constraints).

Switching values of critical items

11. The following critical assumptions were scrutinized through a sensitivity analysis: (a) an increase in costs by 10 percent and 20 percent; (b) a real growth in land prices for impacted properties decreasing to 5 percent, or increasing to 6 percent; (c) variation in the rising factor of properties impacted by the project versus those not impacted, established between 1.7 and 3; and (d) switching from a cumulative flow of benefits to an annual flow.

12. The sensitivity analysis of the base case scenario shows remarkable robustness to change in costs, meaning that inadequate access is a critical constraint on economic potential. The project is more sensitive to changes in the appreciation of property values: the low case (combination of two negative factors) would decrease the IRR down to 10.5, while the high case would raise the IRR up to 19.6 percent. The low case would occur if delays in the implementation of public works are significant. In any case, the average IRR would be much higher if a change in national housing policy were applied to the current tenant protection system. Results are presented in the following pages.

13. If the flow of benefits is annualized, the IRR would be higher and would reach 23.8 percent by year ten, when the development impact of the project has only reached 68 percent of its potential. As shown below, the annualized method is also very robust to change in costs.

Year	Base Cost		Cost Increase of 10%		Cost Increase of 20%	
	NPV (MAD 000)	IRR (%)	NPV (MAD 000)	IRR (%)	NPV (MAD 000)	IRR (%)
Year 6	(12,550)	4.9				
Year 8	31,182	18.4	9,402	12.3	(12,379)	7.2
Year 10	68,105	23.8	45,166	18.3	22,227	13.8
Year 15	155,052	28.81	132,683	24.3	110,314	20.7

* Value of land made accessible rises to 2,000 MAD/m² and grows at an annual rate of 5.25%.

14. The above results indicate that tradeoffs between conservation heritage and economic development in such historic cities as the Medina can be solved by developing appropriate incentives to induce private investment both in housing and economic activities. Improvement of legal procedures to facilitate such investment, but also progressive actions to simplify complex tenure and occupancy should support the objective of improving accessibility while alleviating poverty and preserving the cultural heritage of the Fès-Médina.

Real Estate Values 1990-1996

	1990	1991	1992	1993	1994	1995	1996	Total
Buildings								
Mean Value Dh/m ²	1,730	1,526	1,669	1,410	3,332	1,908	2,233	1,884
Average area m ²	125	119	170	128	91	86	71	121
Transactions	44	63	62	53	43	49	12	326
Dwelling Units/Apartments								
Mean Value Dh/m ²	1,186	1,250	1,804	1,630	1,595	1,716	1,621	1,532
Average area m ²	60	60	80	50	56	52	38	57
Transactions	169	246	123	231	244	270	82	1,365
Shares in Undivided State								
Mean Value Dh/m ²	1,531	1,540	2,262	2,005	1,892	2,176	1,448	1,857
Average area m ²	37	41	63	52	33	39	36	42
Transactions	34	42	21	45	58	46	18	264
Part in Joint Ownership								
Mean Value Dh/m ²	1,185	3,244	3,500	2,290	1,727	1,846	3,582	2,310
Average area m ²	20	26	20	18	44	21	10	23
Transactions	6	8	1	13	6	7	4	45
Stable								
Mean Value Dh/m ²	1,657	1,052		1,497	2,254			1,520
Average area m ²	30	29		25	36			28
Transactions	2	2		3	1			8
Commercial Premises								
Mean Value Dh/m ²	5,676	5,646	6,253	8,043	7,611	8,687	5,828	6,981
Average area m ²	34	23	45	21	26	26	10	27
Transactions	26	24	25	33	27	29	15	179
Commercial Property in Individual Estate								
Mean Value Dh/m ²	2,250	5,777	2,996	6,373	10,428	5,343	8,681	5,698
Average area m ²	40	47	44	32	17	14	12	33
Transactions	2	8	2	6	2	3	2	25
Commercial Property "zina" Status								
Mean Value Dh/m ²	12,918	5,727	9,543	9,813	11,802	10,502	28,751	13,732
Average area m ²	15	9	13	5	5	4	4	8
Transactions	7	3	5	6	6	6	7	40
Commercial Ground Floor + Residential Floor								
Mean Value Dh/m ²			1,278	916	867			978
Average area m ²			90	187	44			139
Transactions			1	3	1			5
Shop								
Mean Value Dh/m ²	17,292	5,444		6,099		2,500		7,968
Average area m ²	11	11		29		8		17
Transactions	2	3		3		1		9
Other Activity Space								
Mean Value Dh/m ²		8,508	3,333	3,250	3,700	6,528	9,298	7,171
Average area m ²		6	6	20	10	12	10	10
Transactions		3	1	1	1	2	4	12
Storage/Warehouse								
Mean Value Dh/m ²	1,071	5,000	1,096		775			1,986
Average area m ²	140	6	178		129			113
Transactions	1	1	1		1			4
Ruins								
Mean Value Dh/m ²		1,247	700	983		571		955
Average area m ²		211	200	105		140		162
Transactions		2	1	2		1		6
TOTAL								
Mean Value Dh/m ²	4,650	3,980	3,130	3,692	4,038	4,178	7,680	4,219
Average area m ²	51	37	83	56	46	40	24	60
Transactions	294	408	245	401	391	415	144	2,298

Unit for Housing & Urbanization
Graduate School of Design
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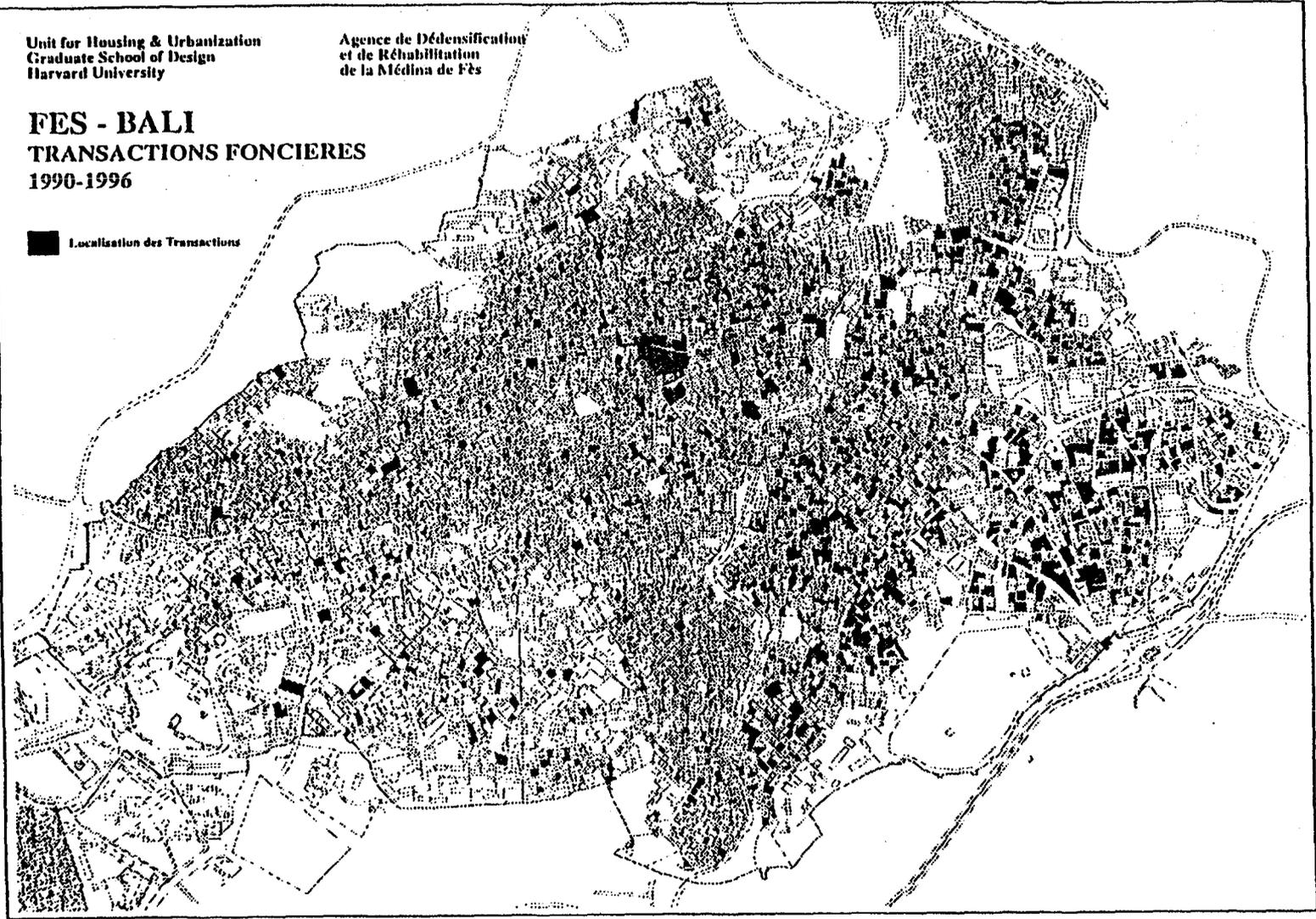
Agence de Dédensification
et de Réhabilitation
de la Médina de Fès

FES - BALI

TRANSACTIONS FONCIERES

1990-1996

■ Localisation des Transactions



**Economic Assessment
Cumulative Flow of Benefits**

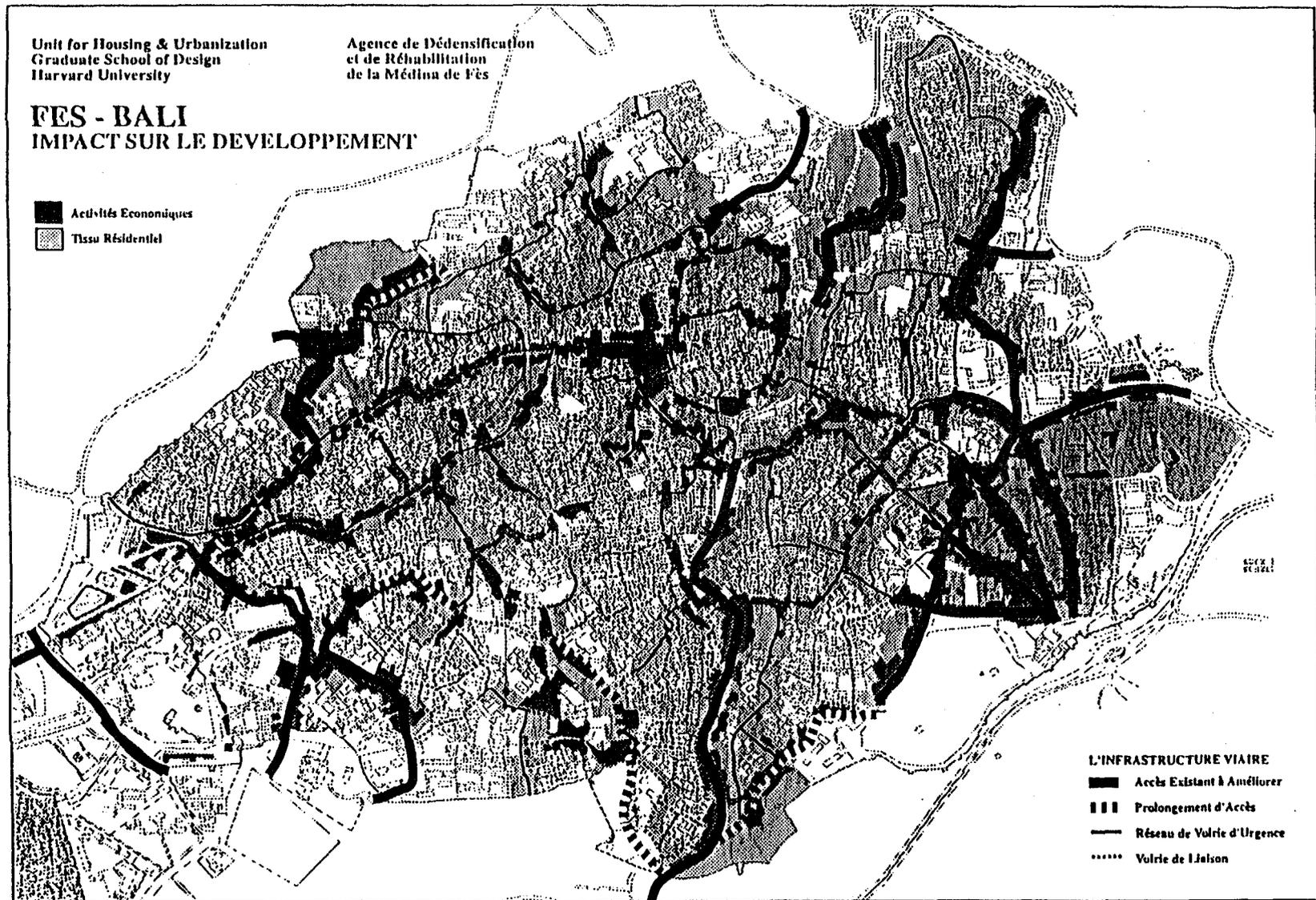
Realistic Development Scenario*																
	BASE YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
BENEFITS (Dh 000)																
Land and Building Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,262,942
Liquidation Value of Other Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,941
Value of New Jobs	-	724	724	2,088	2,088	2,088	3,143	3,143	3,143	3,198	3,198	3,198	2,943	2,943	2,943	2,543
TOTAL BENEFITS	-	724	724	2,088	2,088	2,088	3,143	3,143	3,143	3,198	3,198	3,198	2,943	2,943	2,943	2,289,977
TOTAL BENEFITS DISCOUNTED		658	598	1,569	1,426	1,297	1,774	1,613	1,466	1,356	1,233	1,121	938	852	775	548,202
COSTS (Dh 000)																
Project Costs																
Studies	3,964	9,019	5,950	5,119	1,604	-	-	-	-	-	-	-	-	-	-	-
Civil Work	825	27,695	48,670	45,054	30,573	-	-	-	-	-	-	-	-	-	-	-
Work Supervision	3,108	4,376	4,281	3,553	2,560	-	-	-	-	-	-	-	-	-	-	-
Equipment	3,931	12,684	404	98	-	-	-	-	-	-	-	-	-	-	-	-
Technical Assistance	554	832	1,109	277	-	-	-	-	-	-	-	-	-	-	-	-
Organization	184	276	369	92	-	-	-	-	-	-	-	-	-	-	-	-
Training	546	818	818	273	273	-	-	-	-	-	-	-	-	-	-	-
Private Investment in Buildings	-	16,655	16,655	16,655	23,980	23,980	23,980	22,178	22,178	22,178	21,862	21,862	21,862	19,559	19,559	19,559
Private Investment in Commercial Enterprises	-	1,333	1,333	3,116	3,116	3,116	4,938	4,938	4,938	5,479	5,479	5,479	5,479	5,479	5,479	5,479
Maintenance Costs (Public and Private)	-	157	601	1,254	2,028	3,018	3,911	5,239	7,337	9,759	12,071	14,148	15,308	16,468	17,548	18,627
TOTAL COSTS	13,112	73,845	80,189	75,491	64,134	30,113	32,829	32,355	34,453	37,415	39,412	41,489	42,648	41,506	42,585	43,665
TOTAL COSTS DISCOUNTED	13,112	67,132	66,272	56,718	43,601	18,698	18,531	16,603	16,073	15,868	15,195	14,542	13,589	12,023	11,214	10,453
NET BENEFITS	(13,112)	(73,121)	(79,465)	(73,403)	(62,046)	(28,025)	(29,686)	(29,213)	(31,310)	(34,218)	(36,214)	(38,291)	(39,705)	(38,563)	(39,642)	2,246,312
NET BENEFITS DISCOUNTED	(13,112)	(66,474)	(65,674)	(55,149)	(42,378)	(17,401)	(16,757)	(14,991)	(14,607)	(14,512)	(13,962)	(13,421)	(12,651)	(11,170)	(10,439)	537,749
NPV of Total Benefits	564,878															
NPV of Total Costs	409,826															
NPV of Net Benefits	155,052															
EIRR	13.62%															

* Value of land made accessible rises to 2,000 Dh/m² and grows at an annual rate of 5.25%.

Economic Assessment Annual Flow of Benefits

Realistic Development Scenario*											
	BASE YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
BENEFITS (Dh 000)											
Land and Building Value	-	48,397	48,559	49,017	75,336	76,727	78,553	73,579	76,252	79,543	82,124
Liquidation Value of Other Investments	-	-	-	-	-	-	-	-	-	-	-
Value of New Jobs	-	724	724	2,088	2,088	2,088	3,143	3,143	3,143	3,196	3,196
TOTAL BENEFITS	-	49,121	49,282	51,106	77,425	78,816	81,695	76,722	79,395	82,741	86,321
COSTS (Dh 000)											
Project Costs											
Studies	3,964	9,019	5,950	5,119	1,604	-	-	-	-	-	-
Civil Work	825	27,695	48,670	45,054	30,573	-	-	-	-	-	-
Work Supervision	3,108	4,376	4,281	3,553	2,560	-	-	-	-	-	-
Equipment	3,931	12,684	404	98	-	-	-	-	-	-	-
Technical Assistance	554	832	1,109	277	-	-	-	-	-	-	-
Organization	184	276	369	92	-	-	-	-	-	-	-
Training	546	818	818	273	273	-	-	-	-	-	-
Private Investment in Buildings	-	16,655	16,655	16,655	23,980	23,980	23,980	22,178	22,178	22,178	21,862
Private Investment in Commercial Enterprises	-	1,333	1,333	3,116	3,116	3,116	4,938	4,938	4,938	5,479	5,479
Maintenance Costs (Public and Private)	-	157	601	1,254	2,028	3,018	3,911	5,239	7,337	9,759	12,071
TOTAL COSTS	13,112	73,845	80,189	75,491	64,134	30,113	32,829	32,355	34,453	37,415	39,412
NET BENEFITS	(13,112)	(24,724)	(30,907)	(24,385)	13,291	-48,702	48,867	44,367	44,941	45,326	45,910
NPV	68,105										
EIRR	23.82%										

* Value of land made accessible rises to 2,000 Dh/m² and grows at an annual rate of 5.25%.



Economic Assessment - Cumulative Flow of Benefits

NARROW RANGE OF VARIATION							
SCENARIO 1: COST INCREASES 0%							
NPV (Dh 000)				EIRR (%)			
Difference in Land Prices	Growth in Land Prices			Difference in Land Prices	Growth in Land Prices		
	3-5%	3-5.25%	3-5.50%		3-5%	3-5.25%	3-5.50%
1000-1750	67,086	85,735	105,015	1000-1750	11.7	12.2	12.6
1000-2000	133,739	155,052	177,086	1000-2000	13.2	13.6	14.0
1000-2250	200,392	224,370	249,157	1000-2250	14.5	14.9	15.3
SCENARIO 2: COST INCREASES 10%							
NPV (Dh 000)				EIRR (%)			
COST INCREASES 10%				COST INCREASES 10%			
Difference in Land Prices	Growth in Land Prices			Difference in Land Prices	Growth in Land Prices		
	3-5%	3-5.25%	3-5.50%		3-5%	3-5.25%	3-5.50%
1000-1750	44,717	63,366	82,646	1000-1750	11.1	11.5	11.9
1000-2000	111,370	132,683	154,717	1000-2000	12.5	12.9	13.3
1000-2250	178,023	202,000	226,788	1000-2250	13.7	14.2	14.6
SCENARIO 3: COST INCREASES 20%							
NPV (Dh 000)				EIRR (%)			
Difference in Land Prices	Growth in Land Prices			Difference in Land Prices	Growth in Land Prices		
	3-5%	3-5.25%	3-5.50%		3-5%	3-5.25%	3-5.50%
1000-1750	22,348	40,997	60,277	1000-1750	10.5	10.9	11.3
1000-2000	89,001	110,314	132,348	1000-2000	11.9	12.3	12.7
1000-2250	155,654	179,631	204,419	1000-2250	13.1	13.5	13.9
WIDE RANGE OF VARIATION							
SCENARIO 1: COST INCREASES 0%							
NPV (Dh 000)				EIRR (%)			
Difference in Land Prices	Growth in Land Prices			Difference in Land Prices	Growth in Land Prices		
	3-5%	3-5.5%	3-6%		3-5%	3-5.5%	3-6%
1000-2000	149,748	195,135	243,635	1000-2000	13.5	14.4	15.2
1000-2500	289,328	346,061	406,687	1000-2500	16.0	16.8	17.7
1000-3000	428,908	496,988	569,739	1000-3000	18.0	18.8	19.6
SCENARIO 2: COST INCREASES 10%							
NPV (Dh 000)				EIRR (%)			
COST INCREASES 10%				COST INCREASES 10%			
Difference in Land Prices	Growth in Land Prices			Difference in Land Prices	Growth in Land Prices		
	3-5%	3-5.5%	3-6%		3-5%	3-5.5%	3-6%
1000-2000	127,379	172,766	221,266	1000-2000	12.8	13.6	14.5
1000-2500	266,959	323,692	384,318	1000-2500	15.2	16.0	16.9
1000-2250	406,539	474,619	547,369	1000-3000	17.1	18.0	18.8
SCENARIO 3: COST INCREASES 20%							
NPV (Dh 000)				EIRR (%)			
Difference in Land Prices	Growth in Land Prices			Difference in Land Prices	Growth in Land Prices		
	3-5%	3-5.5%	3-6%		3-5%	3-5.5%	3-6%
1000-2000	105,010	150,397	198,897	1000-2000	12.2	13.0	13.8
1000-2500	244,590	301,323	361,949	1000-2500	14.5	15.3	16.1
1000-3000	384,169	452,250	525,000	1000-3000	16.4	17.2	18.0

Notes:

(1) Discount rate = expected real interest rate of 10.0%

Attachment to Annex 4

Non-Moroccan Values for Rehabilitating the Fès-Médina

Using Contingent Valuation to Value the Medina’s Cultural Heritage

A contingent valuation (CV) method and a Delphi exercise were used to measure some of the economic benefits that would be created by the project in order to capture use and nonuse benefits deriving from the project. The contingent valuation method has often been used to determine the value of environmental goods, but it has almost never been used to value cultural heritage sites. This exercise sets the stage for a wider utilization of this method given the similar economic nature of environmental goods and cultural heritage sites. The method is aimed at eliciting the willingness to pay (WTP) of the medina’s users, in dollars, if the proposed rehabilitation program is implemented.

One interesting feature of CV is that it captures both the use and nonuse class of benefits that an agent expects to enjoy from the public good. The use class of benefits consists of all the current direct and indirect ways in which an agent expects to make physical use of a public good. These benefits can be measured by observing changes in market prices. Nonuse benefits are also referred to as “existence” values. Here people often obtain utility from an amenity for various reason other than their expected personal use. In contrast to use values, existence values involve the notion that a person does not have to visit a recreational site or a cultural site to gain utility from its maintenance or improvement. The capability of generalization is a powerful feature of the sample survey method. In this way the responses given by, say, 500 people can be used to represent the responses that everybody in a region or a country would give if they were all interviewed.

Overview of Economic Benefits

Economic benefits accruing from the project involving the Fès-Médina can be divided into five beneficiary categories (see Table 1.1). In category 1 are those benefits which accrue directly to residents of Fès. In category 2 are those benefits which accrue to Moroccans who are not residents of Fès. In category 3, benefits accrue to foreign visitors to Fès. In category 4 are the benefits accruing to the foreign visitors to Morocco who do not visit Fès during their current trip. In category 5 are benefits accruing to non-Moroccans who do not visit Morocco. This exercise does not consider any of the potential benefits to Moroccans (categories 1 and 2) but rather attempts to quantify to various degrees the benefits likely to accrue to non-Moroccans if the project is undertaken.

Category	Beneficiary Source
1	Fès Residents
2	Other Moroccans
3	Foreign Visitors to Fès
4	Other Foreign Visitors to Morocco
5	Foreigners Not Visiting Morocco

In fact, the project involves a rapidly deteriorating UNESCO World Heritage site which is an important tourist destination. In such instances it has long been known (Dixon and Sherman, 1990) that a substantial portion of the benefits of an improvement project may accrue not to local residents but rather to foreign visitors to the site.

Less frequently measured are the potential benefits accruing to other foreign visitors to the country (category 4) and to those not living in or visiting the country where the project is being considered (category 5). Benefits may accrue to agents in these two categories due to passive use considerations (Krutilla, 1967; Carson, Flores, and Mitchell, 1997). These considerations include an appreciation for the existence of the cultural resources in Fès or a possible desire to visit Fès in the future.

Attachment to Annex 4

Methodology of CV Survey

A multi-stage sample of 600 adult visitors was designed to represent visitors (including both tourists and those visiting for business or other purposes) to Morocco who visited the country during June-July, 1997. Of the total of 600 interviews, 400 interviews were allotted to be completed in Fès. One hundred and twenty of the remaining 200 interviews were allotted to Casablanca and 80 to Tangier on the basis of their respective visitor flows. Equivalent subsamples received a different payment amount in the willingness-to-pay question. This design makes it possible to use the pattern of answers to the WTP question to trace the demand curve.

The first section of the survey consists of 16 questions about the person's visit to Morocco and to Fès. The material in the second section contains the Fès scenario, which consists of a short narrative supplemented by showcards featuring colored photographs of the Medina. The purpose is to provide each respondent with a standardized set of information about the character and condition of the Fès-Médina today. It concludes by saying that without a major rehabilitation effort, the Medina will continue to decline. The third section of the instrument describes the conditions of the willingness-to-pay choice the respondents were asked to make. It presents a plan to rehabilitate the Fès-Médina, which is described as having been developed by "the Moroccan Government in collaboration with experts from international agencies" to accomplish three goals:

First, improve the Medina's condition. Buildings, streets, sewers, public spaces, and monuments will be repaired and cleaned up.

Second, preserve the Medina's traditional character and cultural heritage for future generations.

Third, ensure that the Medina will continue to be a productive and vibrant living city.

These prospective accomplishments represent the public goods that the proposed rehabilitation plan will provide.

The respondent is then told that "one way to help pay for it" would be for visitors such as him or her to pay a special fee. Fès visitors were then asked what decision they, as consumers, would have taken about including Fès in their itinerary, if they had to pay a Fès preservation fee of a specified amount when they register at their Fès hotel. Each respondent was randomly assigned to one of six price-point subsamples, which varied between 25 and 2000 dirhams (between \$25 and \$200). The six amounts were chosen to bracket the anticipated range of median willingness to pay and to give information about the tails of the WTP distribution. It was assumed that those who were visiting Fès would be willing to pay more than those who are not visiting Fès. The upper ranges for these two groups were fixed at the equivalents of \$200 and \$100, \$200 for the hotel fee for the Fès visitors and \$100 for the departure fee for the non-Fès visitors. These were likely to be the highest plausible amounts the Government might contemplate charging for hotel and departure fees.

Interviewing began in Fès on June 16, 1997 and continued until July 3. The Casablanca and Tangier interviews were conducted between July 15-25.

Attachment to Annex 4

Methodology of the Delphi Exercise

In its simplest formulation, the Delphi method is a solicitation of the opinions of experts. Most Delphi exercises administer one or more questionnaires interspersed with information to a group of experts. Typically, the experts are polled one or more times; and between pollings, information about the opinions of the group of experts as a whole is disseminated among the group. Given budget constraints to carry out a CV survey in Europe, the very practical approach was to carry out a Delphi analysis asking European CV experts what are, in their opinion, the mean and median WTP for the rehabilitation of the Fès-Médina in Europe.

This Delphi exercise was conducted using a stratified random sample of 30 attendees at the June, 1997 meeting of the European Association of Environmental and Resource Economists (EAERE) in Tilburg, Netherlands. This meeting was chosen because it was likely to contain the largest concentration of European economists familiar with contingent valuation. After the first round, when data had been collected and examined, the participants were contacted by e-mail and fax and asked to reassess their earlier answers in light of the results of the first round.

Results

Aggregate Estimates for Foreign Visitors to Fès. An aggregate estimate of the annual benefits to foreign visitors to Fès can be obtained by multiplying the desired statistic (mean and median WTP) by the number of foreign visitors to Fès. An estimate of 161,419 adult visitors to Fès who stayed overnight in hotels was provided by the Ministry of Tourism. Multiplying the estimated number of adult visitors, 161,419, by the estimated lower bound on mean WTP (\$69.5) yields an annual aggregate estimate of \$11,233,148.

Aggregate Estimate for Non-Fès Foreign Visitors to Morocco. The World Tourism Organization estimates that in 1996 there were 1,516,169 adult foreign tourists arriving in Morocco who stayed in hotels and similar establishments. This number multiplied by the estimated lower bound on mean WTP (\$30.9) yields a benefit estimate of \$46,879,945. Probably the most important factor in determining the aggregate estimate for the non-Fès foreign visitors is the number of years over which individual WTP should be aggregated. The key issue is whether there is effectively *additional* competition for the amount of value for the Fès project held by foreign visitors to Morocco. Over one year the answer is likely to be *no*. Over a longer time period there are likely to be other similar rehabilitation projects put forth by the Moroccan Government and/or international organizations. Thus aggregation of the point estimate over many years would likely overestimate total benefits by a substantial amount. One very conservative way to avoid this issue is to only use the first year.

Quantitative Results of the Delphi Exercise. The results of the second round of the Delphi exercise, aimed at estimating the mean and median WTP for a Fès contingent valuation in Europe, provided a range of values from \$12.1 (the mean WTP) to \$2.1 (the median WTP). To be as conservative as possible, the estimate of the median (\$2.15), which is the lower estimated value, was used. These estimates were applied to 144,342,000 households (Eurostat, 1991). This implies an estimate for the total value of Fès-Médina to European households of at least US\$310,335,300 (it could be 6 times higher if the estimate of the mean WTP were used). This figure indicates that Europe has a fairly high magnitude of WTP for restoration of the Fès-Médina. Furthermore, even though the Delphi estimates of mean WTP are reasonably large, the responses of the Delphi participants indicate that the distribution of public WTP would be very highly skewed. About 30 percent of the participants expect the median to be zero. While a highly skewed distribution of public values for a nonlocal cultural resource that few will ever visit seems reasonable, it poses certain difficulties in fashioning an appropriate payment mechanism. This amount of skew indicates that the values for the rehabilitation of the Fès-Médina are not likely to be broadbased. This lack of broad-based value will make it difficult to design any compulsory payment mechanism that would have widespread public support.

The only alternative to some sort of compulsory mechanism would be voluntary contribution. While such a mechanism may enjoy widespread public support, it is not a practical way to collect Europe's WTP for restoring the Fès-Médina, since it invites massive free-riding.

Annex 5

Financial Summary for Revenue Earning Project Entities

ADER-Fès Balance Sheet and Income Statement (000 MAD)

ASSETS	1994	1995	1996
Cash in bank	1,133.6	7,734.2	1,782.3
Accounts receivable	10,302.5	10,814.9	15,153.9
Total current assets	<u>11,436.1</u>	<u>18,549.1</u>	<u>16,936.2</u>
Work in progress	7,781.0	7,391.3	14,323.1
Other assets (net of dep.)	2,565.2	2,421.8	2,685.4
Total Assets	<u>21,782.3</u>	<u>28,362.2</u>	<u>33,944.7</u>
LIABILITIES			
Accounts payable	7,430.1	7,160.1	8,404.2
Purchasers advances	16,042.6	26,407.3	35,105.7
Total current liabilities	<u>23,472.7</u>	<u>33,567.4</u>	<u>43,509.9</u>
Long-term liabilities	201.5	12.8	5.1
Provisions for losses	10,377.6	12,978.5	15,548.6
Quasi equity	168.6	84.3	-
Paid in capital	5,000.0	5,000.0	5,000.0
Retained earnings	(11,932.7)	(17,438.1)	(23,280.8)
Net earnings of the year	<u>(5,505.4)</u>	<u>(5,842.7)</u>	<u>(6,838.1)</u>
Total Liabilities and Equity	<u>21,782.3</u>	<u>28,362.2</u>	<u>33,944.7</u>
FINANCIAL INDICATORS			
Debt ratio	1.08	1.18	1.28
Equity ratio	0.22	0.16	0.14
Liquidity ratio (acid test)	0.44	0.32	0.35

Note - Definitions

Debt ratio =	Total liabilities / total assets
Equity ratio =	Total stockholders equity / total assets
Liquidity ratio (acid test) =	Cash + marketable securities + accounts receivable + other liquid assets (excluding inventories) / current liabilities.

Budget of the Fès-Médina municipality

OPERATING EXPENSES

RECETTES	FY93	FY94	FY95	FY96 & first Semes. 97
IMPOTS ET TAXES RETROCEDES	5,185,537	5,443,227	4,783,292	5,587,345
TAXES LOCALES PROPRES	1,133,671	1,305,178	1,169,483	2,807,046
PRODUITS DES SERVICES	3,104,115	3,431,411	4,458,236	6,200,153
PRODUITS DOMANIAUX	376,132	312,440	376,655	360,192
OCCUPATION DE LA VOIE PUBLIQUE	1,798,286	1,770,903	2,308,803	3,189,346
PRODUITS DES CONCESSIONS	0	0	0	0
RECETTES DIVERSES ET ACCIDENTELLES	653,005	1,007,060	1,141,926	1,251,183
ATTRIBUTION DES PATENTES	17,537,803	19,640,039	20,314,819	20,715,913
PARTS DE TVA	0	0	0	6,560,930
COTE PART DES HABBOUS	0	0	0	0
TOTAL DES RECETTES COURANTES	29,788,549	32,910,258	34,553,214	46,672,108
PRELEVEMENT SUR EXCEDENTS PRECEDENTS				1,626,284
TOTAL RECETTES COURANTES DISPONIBLES			36,793,430	48,298,392

DEPENSES	RESULTATS 93	RESULTAT S 94	RESULTATS 95	RESULTATS 96 ET 1ER SEM 97
CONSEIL MUNICIPAL	154,891	86,400	178,335	215,000
DEPENSES DE PERSONNEL	10,803,993	10,925,203	14,711,499	23,148,166
FRAIS DIVERS DE GESTION	739,486	428,855	858,664	1,326,727
AUTRES DEPENSES	242,120	99,994	245,286	546,728
FONCTIONNEMENT DES VEHICULES	601,202	549,445	1,272,370	1,167,592
EAU ET ELECTRICITE PUBLIQUES	2,500,000	5,725,000	5,942,940	4,851,170
VOIES ET TRAVAUX ENTRETIEN	7,442,025	7,161,404	7,519,243	9,113,157
EXPLOITATIONS EN REGIE DIRECTE	54,328	14,850	61,790	41,984
CHARGES ET ENT.DES PROPRIETES COMMUNALES			1,306,535	101,618
ASSISTANCE SOCIALE	50,000	89,892	98,410	74,833
SUBVENTIONS ACCORDEES	30,000	85,500	92,500	137,500
DEPENSES DIVERSES ET IMPREVUES	219,097	85,500	35,814	49,325
DETTE RADEEF	2,969,367	2,969,400	4,470,044	4,470,044
AMORTISSEMENT DES AUTRES CREDITS	0	0	0	3,054,548
TOTAL DES DEPENSES COURANTES	26,809,826	29,043,481	36,793,430	48,298,392
VERSEMENTS A LA DEUXIEME PARTIE DU BUDGET			0	0
TOTAL DEPENSES COURANTES BUDGETISEES			36,793,430	48,298,392

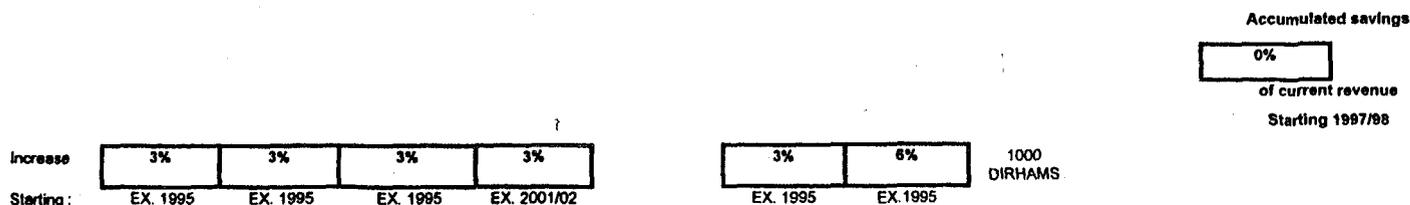
PROJECTIONS

COMMUNE URBAINE DE FES-MEDINA
Assessment of Project Costs on the Municipality's Budget
(assuming no variation on interest rate)

	Dirhams	Annual Payment	Counterpart Funds	Security
Loan amount :	65,100,000	6,271,883	27%	5%
Interest rate:	6.0%		of disbursed loan	of loan amount
Commitment fees	0.25%			
Maturity (years)	15	after 5 years grace period		

FISCAL YEAR	DISBURS. PERCENT	ANUAL DISBURS.	CUMULATIVE DISBURS.	COMMITMENT FEE	INTERET PAID	LOAN AMORT.	TOTAL LOAN REPAYMENT	COUNTER-PART COMMUN.	GUARANTEE DEPOSIT	LAND ACQUISITION	TOTAL PROJECT CHARGES
1997/98	3%	1,905,000	1,905,000	158,750	0	0	158,750	514,350	3,175,000	2,673,822	6,521,922
1998/99	39%	24,765,000	26,670,000	153,988	127,635	0	281,623	6,686,550		2,673,822	9,641,995
1999/00	27%	17,145,000	43,815,000	92,075	1,786,890	0	1,878,965	4,629,150			6,508,115
2000/01	20%	12,700,000	56,515,000	49,213	2,935,605	0	2,984,818	3,429,000			6,413,818
2001/02	11%	6,985,000	63,500,000	17,463	3,786,505	0	3,803,968	1,885,950			5,689,918
2002/17						6,271,883	6,271,883				6,271,883

**Assessment of the Municipality's financial capacity to payback the Bank Loan
(without project benefits)**



FISCAL YEAR	CG TRANSF TAXES	LOCAL TAXES & MISC	BUSINESS TAXES	VALUE ADDED TAXE (VAT)	TOTAL REVENUES	STAFF EXPENDIT.	OTHER EXPENDIT.	OUTSTAND. LOANS Repayment	TOTAL CURRENT EXPENDIT.	PROJECT CHARGES	CAPACITY FOR NEW PROJECTS	ANNUAL SAVING	CUMUL. SAVING	SELF FINANCE RATIO
1,993	5,185	7,067	17,537	0	29,789	10,804	13,037	2,969	26,810	0	0	2,979	2,979	9.97%
1,994	5,443	7,827	19,640	0	32,910	10,925	14,468	3,650	29,043	0	0	3,867	6,846	11.09%
1,995	4,783	9,455	20,315	0	34,553	14,711	17,612	4,470	36,793	0	0	-2,240	4,606	12.94%
96/1S.97	5,587	13,809	20,715	6,561	46,672	23,361	17,412	7,525	48,298	0	0	-1,626	2,980	16.12%
1997/98	3,836	9,482	21,336	13,500	48,155	16,041	12,304	8,245	36,591	7,198	7,346	-2,980	0	47.32%
1998/99	3,951	9,767	21,977	13,905	49,600	16,522	13,043	9,201	38,766	6,134	4,700	0	0	40.39%
1999/00	4,070	10,060	22,836	14,322	51,088	17,018	13,825	7,700	38,543	4,295	8,249	0	0	39.63%
2000/01	4,192	10,361	23,315	14,752	52,620	17,529	14,655	6,414	38,598	4,577	9,446	0	0	38.84%
2001/02	4,318	10,672	24,014	15,194	54,199	18,055	15,534	3,466	37,055	4,371	12,773	0	0	38.03%
2002/03	4,447	10,992	24,735	15,650	55,825	18,596	16,466	3,350	38,412	6,272	11,141	0	0	37.19%
2003/04	4,581	11,322	25,477	16,120	57,500	19,154	17,454	3,350	39,958	6,272	11,270	0	0	36.33%
2004/05	4,718	11,662	26,241	16,603	59,225	19,729	18,501	3,350	41,580	6,272	11,373	0	0	35.45%
2005/06	4,860	12,012	27,028	17,101	61,001	20,321	19,611	3,350	43,282	6,272	11,447	0	0	34.54%
2006/07	5,006	12,372	27,839	17,614	62,831	20,930	20,788	2,867	44,585	6,272	11,974	0	0	33.60%
2007/08	5,156	12,743	28,674	18,143	64,716	21,558	22,035	1,377	44,971	6,272	13,474	0	0	32.64%
2008/09	5,310	13,126	29,535	18,687	66,658	22,205	23,358		45,562	6,272	14,824	0	0	31.65%
2009/10	5,470	13,519	30,421	19,248	68,658	22,871	24,759		47,630	6,272	14,756	0	0	30.63%
2010/11	5,634	13,925	31,333	19,825	70,717	23,557	26,245		49,802	6,272	14,644	0	0	29.58%
2011/12	5,803	14,343	32,273	20,420	72,839	24,264	27,819		52,083	6,272	14,484	0	0	28.50%
2012/13	5,977	14,773	33,241	21,033	75,024	24,992	29,488		54,480	6,272	14,272	0	0	27.38%
2013/14	6,156	15,216	34,239	21,664	77,275	25,741	31,258		56,999	6,272	14,004	0	0	26.24%
2014/15	6,341	15,673	35,266	22,313	79,593	26,514	33,133		59,647	6,272	13,674	0	0	25.06%
2015/16	6,531	16,143	36,324	22,983	81,981	27,309	35,121		62,430	6,272	13,279	0	0	23.85%
2016/17	6,727	16,627	37,414	23,672	84,440	28,128	37,228		65,357	6,272	12,811	0	0	22.60%

Annex 6

Procurement and Disbursement Arrangements

Procurement

The Loans will finance the procurement of goods (including laboratory equipment, waste collection vehicles, etc.), civil works for infrastructure or housing rehabilitation subprojects, and consultants' services, according to arrangements agreed during appraisal. Procurement under the Loan will be carried out in accordance with the Bank's Procurement Guidelines. The Bank's standard bidding documents will be used for all procurement under International Competitive Bidding (ICB).

Civil Works

ICB will apply to all contracts exceeding US\$1 million. Works contracts below US\$1 million will be awarded following National Competitive Bidding (NCB) procedures acceptable to the Bank. Given the specificity of the medina, and based on recent experience under the Fifth Water Project implementation in Fès, it is likely that most contracts will fall under NCB procedures. Grouping the contracts into large packages to attract international bidders would not be feasible. For contracts below US\$150,000, quotations shall be obtained from at least three contractors.

Goods

All contracts for goods costing US\$300,000 or more will be awarded following ICB procedures. Contracts below US\$300,000 will be awarded following NCB procedures acceptable to the Bank. Contracts costing less than US\$150,000 may be awarded through local shopping after receiving quotations from at least three suppliers.

Consultants' Services

Consultant activities will consist mainly of technical assistance to the municipalities and ADER-Fès, and training. Consultant services will be contracted on terms and conditions in accordance with the *Guidelines for the Use of Consultants by World Bank Borrowers and the World Bank as Executing Agency - January 1997*. About half the contracts would be procured under quality and cost-based selection, while the following three other procedures would apply for the remaining contracts: selection based on qualifications (mostly for the laboratory and for the training program); single source (Harvard University, and fees paid to the executive agency); and individual consultants (mostly for management assistance to the municipalities, and part of the training program).

Review of Contracts

All contracts for civil works costing US\$1 million and above, goods valued at US\$300,000 and above, consultant contracts awarded to firms valued at US\$100,000 and above (US\$50,000 for individuals consultants), and sole source contracts, as well as the first two contracts under each of the works, goods, and consultant categories, irrespective of the values, will be subject to prior Bank review. All other contracts will be subject to random post-review during supervision missions by Bank staff.

Procurement Monitoring and Supervision

General responsibility for procurement activities will lie with the Governor of Fès-Médina, acting as chairman of the Technical Committee. He will be, inter alia, in charge of supervising the procurement methods. For each operation, a designated and *ad hoc* local procurement committee will be in charge of reviewing and evaluating the bids, on the basis of ADER's analyses. Labor intensive works, implemented by the ADER-Fès directorate of Community Development, will be procured according to agreed conditions spelled out in a specific document *cahier des charges*.

Disbursement

The proceeds of the two Bank loans will be disbursed against similar conditions for goods and consultants' expenditures, and separate conditions for civil works:

- (a) civil works: 80 percent of contract amounts for eligible subprojects;
- (b) goods: 100 percent of foreign expenditures, and 100 percent of local ex-factory costs and/or 80 percent of local expenditures, for items procured locally; and
- (c) consultants' services: 100 percent of expenditures

Disbursements against civil works contracts exceeding US\$150,000 equivalent, goods contracts exceeding US\$100,000, and consultants' contracts exceeding US\$50,000 for firms and US\$25,000 for individuals, will be fully documented. For all other expenditures, disbursement can be made against Statement of Expenditures (SOEs). Supporting documents for SOEs will not be submitted to the Bank, but will be retained by ADER-Fès and made available to Bank staff during supervision. ADER will record all contracts so that the Bank can monitor them for prior or ex-post review as needed.

To facilitate project implementation and disbursement, the following has been agreed upon during negotiations, and is part of the tripartite agreement to be signed among the State, the municipalities, and ADER-Fès (the *Convention*). First, and under the loan to the Government, the Ministry of Finance will open a revolving account to the regional Treasury of Fès in the name of ADER-Fès (*compte particulier*), and will make periodic transfers from the public expenditures budget to this account, in amounts equivalent to the total cost of the Government's project. Disbursements, fully documented, will be made directly out of this account by ADER's general manager. Second, a Special Account will be established at the General Treasury with an authorized allocation of US\$ 0.7 million, to be withdrawn as eligible expenditures are incurred and prefinanced by the Government. ADER will be charged to prepare all relevant documentation for the central Treasury, which will in turn submit relevant applications to the Bank under procedures specified in the Convention and the loan agreement, which include SOEs for labor intensive works.

Second, and under the loan for the municipality of Fès-Médina, related counterpart funds will be funded by the budget and made available in a separate revolving account or *compte d'affectation spéciale*, while a Special Account will be established at the regional Treasury, under the responsibility of the President of the Municipal Council. The Special Account will cover eligible expenses under the municipality loan, up to US\$1.0 million, and will be used as a revolving account to disburse the loan to the municipality. Applications for withdrawal will be sent to the Bank by the municipality, with a possible delegation to ADER, and will include SOEs, particularly for the poverty alleviation component (numerous small contracts).

Table B: Thresholds for Procurement Methods and Prior Review

Expenditure Category	Contract Value (Threshold) US\$ Equivalent	Procurement Method	Contracts Subject to Prior Review
Expenditure Category			
1. <u>Civil Works</u>	150,000 & less 150,000 to 1 million above 1 million	Local Shopping NCB ICB	First two contracts First two contracts Yes
2. <u>Goods</u>	150,000 & less 150,000 to 300,000 above 300,000	Local Shopping NCB ICB	First two contracts First two contracts Yes
3. <u>Services</u>	100,000 & above for firms 50,000 & above for individuals		Yes Yes
4. <u>Miscellaneous</u>	n.a.	n.a.	n.a.

Table C: Allocation of Loan Proceeds

Expenditure Category	Amount in French Francs (000)	Financing Percentage
A. Loan to the Government		
Civil Works	24,500	80%
Goods	2,340	100% of foreign expenditures, 100% of local (ex-factory costs); and 80% of local expenditures
Consultants' services	7,000	100%
Management fees	2,920	100%
Unallocated	4,140	
Total	40,900	
B. Loan to Fès-Médina municipality		
Civil Works	24,500	80% civil works
Goods	5,250	100% of foreign expenditures, 100% of local (ex-factory costs); and 80% of local expenditures
Consultants' services	4,090	100%
Management fees	2,920	100%
Unallocated	4,140	
Total	40,900	

Annex 7

Project Processing Budget and Schedule

A. Project Budget (US\$000)	<u>Planned</u> (At final PCD stage)	<u>Actual</u>
Bank Budget	544	586
B. Project Schedule	<u>Planned</u> (At final PCD stage)	<u>Actual</u>
Time taken to prepare the project (months)		
First Bank mission (identification)	04/01/1994	<u>04/01/1994</u>
Appraisal mission departure	03/15/1997	<u>06/04/1997</u>
Negotiations	05/15/1997	<u>11/28/1997</u>
Planned date of effectiveness	10/31/1999	

Prepared by: ADER-Fès, Governorate of Fès-Médina, Harvard University, Fès University and the World Bank.

Preparation assistance: [PPF, trust funds, cofinanciers, etc.]

Bank staff who worked on the project included: François Amiot (Team Leader), Claude Archambault (MNSID), Kathleen So Ting Fong (MNSPF), Yoko Eguchi (MNSRE)¹, Dan Aronson (ENVSP)¹, June Taboroff (ENVSP).

^{1/} Note: Up to pre-appraisal stage.

Annex 8

Documents in the Project File*

- A. Project Implementation Plan
 - A1 ADER-Fès Rapport de Stratégie et Plan de mise en oeuvre, Dec. 1996
 - A2 ADER-Fès: Microsoft Project: Planning of civil works and studies.
 - A3 ADER-Fès: Rapport de Synthèse (Mars 1997);
- B. Bank Staff Assessments
 - B1. Mission Supervision reports: April and Sept.1994; March 1995; February and June 1996; April and June 1997.
 - B2. Assessment on the circulation and parking feasibility study (April 1996); Notes on concessioning parking facilities in the Medina (June 1997).
 - B3. Social Assessment (FIAHS Fund): Feb-May 1995 (4 reports, in French, in partnership with Fès University: Synthèse; Habitat; Patrimoine: Activités);
 - B4. Costab and Microsoft Project, in partnership with ADER-Fès.
- C. Other
 - C1. Résumé de l'Evaluation Sociale. Françoise Navez Bouchanine (June 1995).
 - C2. Harvard University and ADER-Fès: Stratégie d'allègement de la Pauvreté dans la Médina de Fès (August 1995); Profil des Revenus et de la Pauvreté en Médina (Nov. 1995); Dynamique de la réhabilitation: Enquête sur la Stratégie des Ménages (Janv.1995); Examen du Contexte Institutionnel (March 1996); Examen du Contexte Juridique et Réglementaire (March 1996); Enquête Rénovation (March 1996); Dynamique Foncière et Réhabilitation de l'Habitat (Mars 1997); Environmental Assessment (June 1997).
 - C3. Bernard Tagournet: Mobilisation des Ressources Locales (Nov.1994-Dec.1996); simulation du budget de la commune de Fès-Médina (June 1997).
 - C4. Sati Arnaout: Community Development Component (July 1996).
 - C5. ECOGES: Audit Institutionnel d'ADER-Fès (July 1994); Montage et Renforcement Institutionnel (March 1995).
 - C6. Dominique Achour: Rapport d'Expertise (Oct.1994 and March 1995).
 - C7. Groupe Huit: Etude des Accès, Circulations, Stationnement et Collecte des Ordures Ménagères. Rapport Final. December 1996.
 - C8. Michel Couillaud: Valorisation du Patrimoine de Fès par le Tourisme. Rapport Provisoire (Jan. 1997) et Rapport Final (June 1997).
 - C9. Cooper & Lybrand: Evaluation du redressement financier et administratif d'ADER-Fès (Jan. 1997).
 - C10. Catherine Ecolivet: "Fès, un Projet d'Espoir" (a ten-minute video film on the project), with collaboration of UNESCO.

*Including electronic files.

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**Status of Bank Group Operations in Morocco
IBRD Loans and IDA Credits in the Operations Portfolio**

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd
Number of Closed Loans/credits: 198										
Active Loans										
MA-PE-42414	IBRD4026A		GOVT OF MOROCCO	COOR/MON SOCIAL PRO	26.58	0.00	0.00	25.90	2.42	0.00
MA-PE-42415	IBRD4025A		GOVT OF MOROCCO	SPI - HEALTH	62.26	0.00	0.00	55.98	- .31	0.00
MA-PE-5435	IBRD3664A		KINGDOM OF MOROCCO/ONEP	WATER SUPPLY V	57.30	0.00	0.00	53.30	64.38	2.15
MA-PE-5435	IBRD36650		KINGDOM OF MOROCCO/ONEP	WATER SUPPLY V	32.00	0.00	0.00	26.20	64.38	2.15
MA-PE-5440	IBRD3171A		KINGDOM OF MOROCCO	HEALTH SECTOR INVEST	13.36	0.00	5.00	8.36	13.35	0.00
MA-PE-5462	IBRD3587A		GOVERNMENT	SECOND LSI IMPROVEME	96.74	0.00	19.12	61.81	33.48	3.69
MA-PE-5489	IBRD3901A		KINGDOM OF MOROCCO	SECONDARY ROADS	55.28	0.00	0.00	53.67	38.13	0.00
MA-PE-5495	IBRD33660		MOROCCAN BANKS	FINANCIAL SECTOR DEV	29.50	0.00	0.00	16.49	33.30	16.47
MA-PE-5499	IBRD3688A		GOV. OF MOROCCO	IRR. AREAS AGR. SERV	16.51	0.00	0.00	15.50	16.28	6.59
MA-PE-5501	IBRD4024A		GOV. OF MOROCCO	SPI - EDUCATION	41.95	0.00	0.00	36.85	2.99	0.00
MA-PE-5504	IBRD3647A		KINGDOM OF MOROCCO	ENVIRONMENT MANAGEME	4.09	0.00	0.00	3.99	3.32	0.00
MA-PE-5514	IBRD3618A		GOV. OF MOROCCO	LAND DEVELOPMENT	48.91	0.00	0.00	46.86	62.93	39.82
MA-PE-40566	IBRD42540	1998	GOVT OF MOROCCO	RURAL W.S.& SANITATN	5.00	0.00	0.00	5.00	1.67	0.00
MA-PE-40566	IBRD42541	1998	GOVT OF MOROCCO	RURAL W.S.& SANITATN	5.00	0.00	0.00	4.86	1.67	0.00
MA-PE-5521	IBRD42890	1998	GOVT OF MOROCCO	WATER RESOURCE MGMT.	10.00	0.00	0.00	10.00	1.17	0.00
MA-PE-5521	IBRD42891	1998	GOVT OF MOROCCO	WATER RESOURCE MGMT.	10.00	0.00	0.00	9.73	1.17	0.00
MA-PE-5523	IBRD42310	1998	FEC	MUNICIPAL FINANCE II	35.00	0.00	0.00	25.49	14.66	0.00
MA-PE-5523	IBRD42311	1998	FEC	MUNICIPAL FINANCE II	35.00	0.00	0.00	33.81	14.66	0.00
MA-PE-38978	IBRD40910	1997	GOVERNMENT OF MOROCCO	PSD III-VOC TRG.	11.50	0.00	0.00	10.62	7.79	.54
MA-PE-38978	IBRD40911	1997	GOVERNMENT OF MOROCCO	PSD III-VOC TRG.	11.50	0.00	0.00	9.45	7.79	.54
MA-PE-43725	IBRD41280	1997	ONCF	RAILWAY RESTR & PRIV	42.50	0.00	0.00	31.21	- .92	0.00
MA-PE-43725	IBRD41281	1997	ONCF	RAILWAY RESTR & PRIV	42.50	0.00	0.00	35.45	- .92	0.00
MA-PE-5503	IBRD40100	1996	KINGDOM OF MOROCCO	SEW. & WATER REUSE II	40.00	0.00	0.00	39.21	4.27	0.00
MA-PE-5517	IBRD36170	1993	GOV. OF MOROCCO/FEC	MUNICIPAL FINANCE I	100.00	0.00	0.00	3.96	7.64	-2.49
Total					832.48	0.00	24.12	623.70	395.30	69.46

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	167.00	6,171.75	6,338.75
of which has been repaid:	2.28	2,951.76	2,954.04
Total now held by IBRD and IDA:	806.08	3,284.54	4,090.62
Amount sold :	0.00	20.11	20.11
Of which repaid :	0.00	20.11	20.11
Total Undisbursed :	623.70	51.34	675.04

- a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
b. Rating of 1-4: see OD 13.05. Annex D2. Preparation of Implementation Summary (Form 590). Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system will be used (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:

Generated by the Operations Information System (OIS)

Morocco
STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of 31-Aug-98
(In US Dollar Millions)

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1987/90	CIH	21.56	0.00	0.00	1.58	21.56	0.00	0.00	1.58
1987/93	SETAFIL	2.93	1.20	0.00	0.00	2.93	1.20	0.00	0.00
1990	ENNASR	.94	0.00	0.00	0.00	.94	0.00	0.00	0.00
1994/96	Mediafinance	0.00	1.16	0.00	0.00	0.00	1.16	0.00	0.00
1995	Attijari	0.00	.49	0.00	0.00	0.00	.26	0.00	0.00
Total Portfolio:		25.43	2.85	0.00	1.58	25.43	2.62	0.00	1.58
		<u>Approvals Pending Commitment</u>							
		<u>Loan</u>	<u>Equity</u>	<u>Quasi</u>	<u>Partic</u>				
Total Pending Commitment:		0.00	0.00	0.00	0.00				

Morocco at a glance

10/1/98

POVERTY and SOCIAL

1997

	Morocco	M. East & North Africa	Lower-middle-income
Population, mid-year (millions)	27.5	283	2,285
GNP per capita (Atlas method, US\$)	1,250	2,060	1,230
GNP (Atlas method, US\$ billions)	34.4	583	2,818

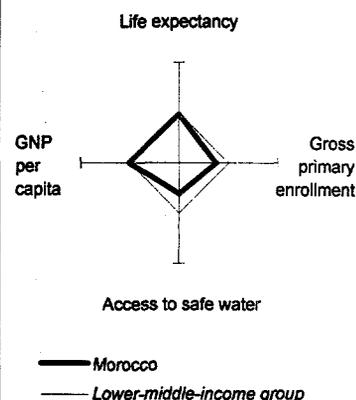
Average annual growth, 1991-97

	Morocco	M. East & North Africa	Lower-middle-income
Population (%)	1.9	2.3	1.2
Labor force (%)	2.5	3.2	1.3

Most recent estimate (latest year available, 1991-97)

	Morocco	M. East & North Africa	Lower-middle-income
Poverty (% of population below national poverty line)	13	..	..
Urban population (% of total population)	53	57	42
Life expectancy at birth (years)	67	67	69
Infant mortality (per 1,000 live births)	51	48	36
Child malnutrition (% of children under 5)	10	..	..
Access to safe water (% of population)	52	71	84
Illiteracy (% of population age 15+)	56	39	19
Gross primary enrollment (% of school-age population)	83	97	111
Male	94	102	116
Female	71	91	113

Development diamond*



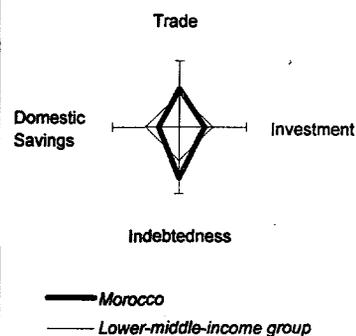
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1976	1986	1996	1997
GDP (US\$ billions)	9.3	17.0	36.7	33.5
Gross domestic investment/GDP	28.1	22.8	19.8	20.6
Exports of goods and services/GDP	18.5	22.1	25.7	30.4
Gross domestic savings/GDP	8.7	16.7	15.9	16.8
Gross national savings/GDP	14.6	17.4	19.0	20.0
Current account balance/GDP	-14.9	-1.0	-1.1	-0.4
Interest payments/GDP	1.2	3.8	3.6	3.8
Total debt/GDP	33.2	103.6	59.2	57.0
Total debt service/exports	..	..	27.7	24.4
Present value of debt/GDP	..	..	53.8	..
Present value of debt/exports	..	..	189.7	..

(average annual growth)

	1976-86	1987-97	1996	1997	1998-02
GDP	4.3	2.6	12.6	-2.0	4.8
GNP per capita	1.6	0.7	10.9	-4.4	2.9
Exports of goods and services	4.3	6.9	8.4	6.3	7.3

Economic ratios*



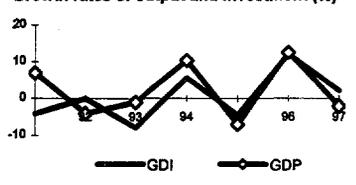
STRUCTURE of the ECONOMY

	1976	1986	1996	1997
(% of GDP)				
Agriculture	19.2	19.1	19.3	15.3
Industry	32.5	32.3	30.3	33.2
Manufacturing	18.5	17.2	17.0	17.6
Services	48.3	48.6	50.4	51.5
Private consumption	68.9	68.0	68.0	65.3
General government consumption	22.5	15.4	16.7	17.9
Imports of goods and services	37.9	28.2	30.0	33.9

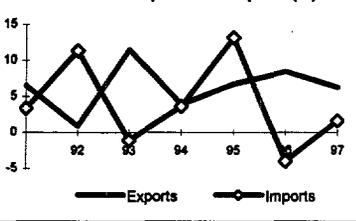
(average annual growth)

	1976-86	1987-97	1996	1997
Agriculture	3.6	-0.2	78.0	-25.6
Industry	2.5	3.0	3.4	8.4
Manufacturing	4.3	3.3	3.0	3.1
Services	5.6	3.2	4.9	0.0
Private consumption	3.1	3.3	19.3	-10.1
General government consumption	5.0	1.1	-15.2	5.2
Gross domestic investment	0.6	2.1	12.1	2.2
Imports of goods and services	-1.1	5.9	-4.0	1.6
Gross national product	3.9	2.7	13.2	-2.0

Growth rates of output and investment (%)



Growth rates of exports and imports (%)



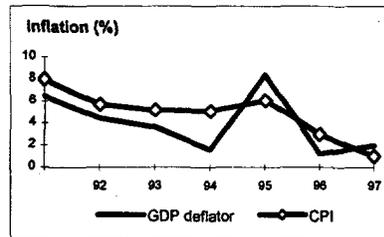
Note: 1997 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Morocco

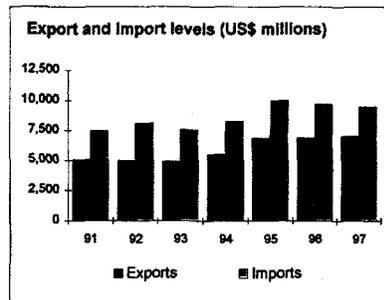
PRICES and GOVERNMENT FINANCE

	1976	1986	1996	1997
Domestic prices				
(% change)				
Consumer prices	..	..	3.0	1.0
Implicit GDP deflator	1.5	10.3	0.8	2.0
Government finance				
(% of GDP, includes current grants)				
Current revenue	20.3	18.8	24.3	26.2
Current budget balance	0.8	-1.7	0.9	1.6
Overall surplus/deficit	-18.1	-8.6	-3.4	-3.7



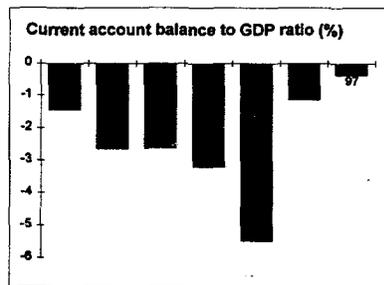
TRADE

	1976	1986	1996	1997
(US\$ millions)				
Total exports (fob)	..	2,608	6,893	7,039
Other agriculture	..	792	1,646	1,374
Phosphorus	..	412	348	435
Manufactures	..	654	1,531	1,469
Total imports (cif)	..	3,925	9,728	9,521
Food	..	476	1,287	1,065
Fuel and energy	..	596	1,294	1,296
Capital goods	..	906	1,781	1,660
Export price index (1995=100)	..	67	80	84
Import price index (1995=100)	..	76	95	89
Terms of trade (1995=100)	..	89	85	95



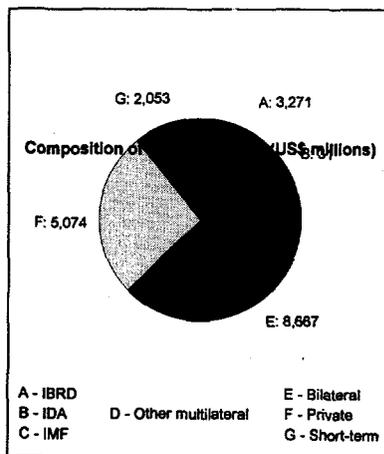
BALANCE of PAYMENTS

	1976	1986	1996	1997
(US\$ millions)				
Exports of goods and services	1,696	3,757	9,433	9,483
Imports of goods and services	3,450	4,796	10,991	10,632
Resource balance	-1,754	-1,039	-1,559	-1,148
Net income	-127	-688	-1,211	-1,179
Net current transfers	499	1,549	2,352	2,205
Current account balance	-1,382	-178	-418	-123
Financing items (net)	1,385	545	465	679
Changes in net reserves	18	-367	-47	-556
Memo:				
Reserves including gold (US\$ millions)	..	..	3,968	4,154
Conversion rate (DEC, local/US\$)	4.4	9.1	8.7	9.5



EXTERNAL DEBT and RESOURCE FLOWS

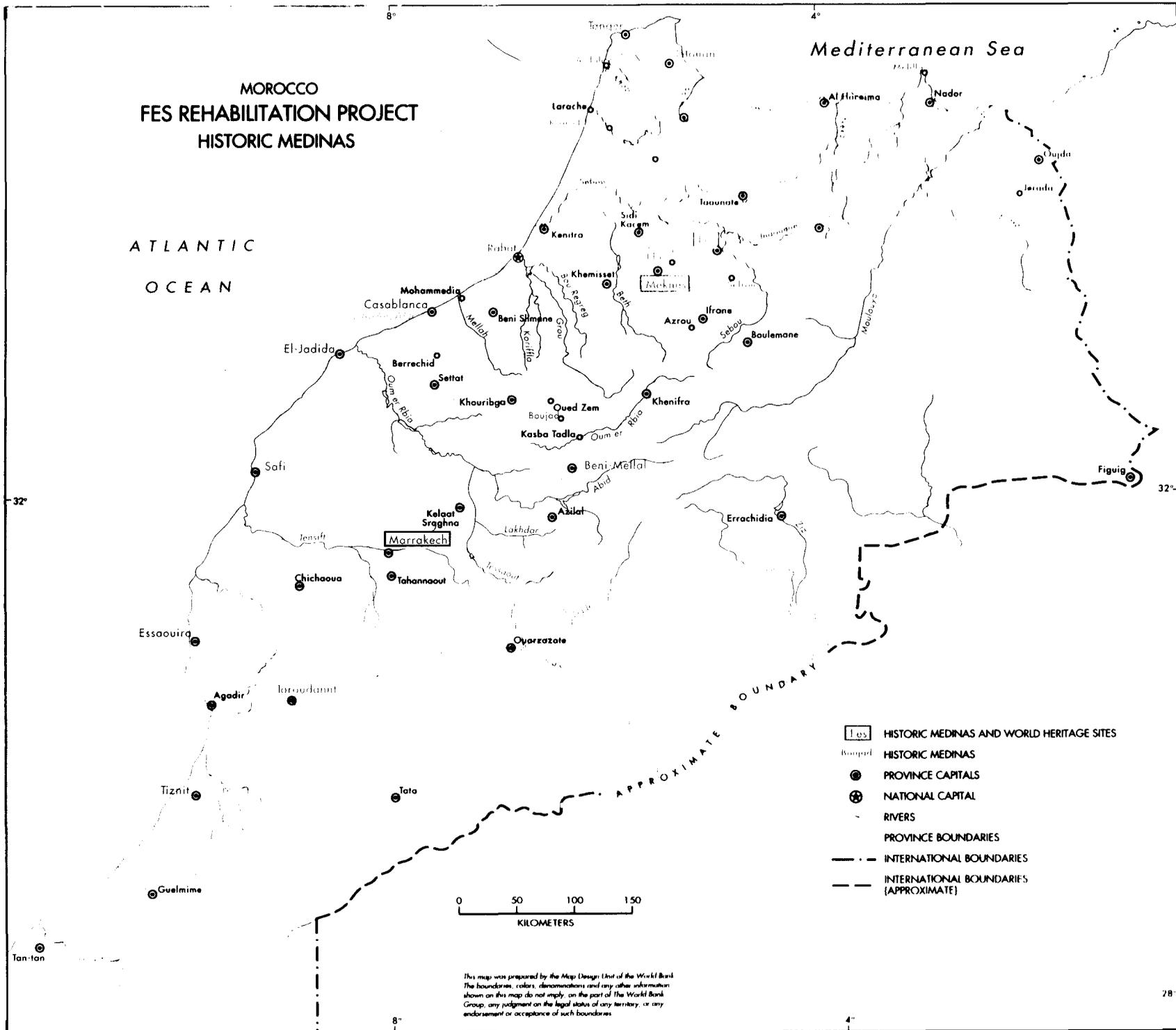
	1976	1986	1996	1997
(US\$ millions)				
Total debt outstanding and disbursed	3,084	17,601	21,710	19,096
IBRD	289	1,859	3,732	3,271
IDA	35	42	32	31
Total debt service	..	..	3,219	2,817
IBRD	34	233	599	532
IDA	0	1	2	2
Composition of net resource flows				
Official grants	47	57	356	100
Official creditors	..	..	124	-490
Private creditors	..	..	-190	-140
Foreign direct investment	38	89	397	1,210
Portfolio equity	..	0	134	0
World Bank program				
Commitments	150	366	213	155
Disbursements	64	363	380	141
Principal repayments	15	109	342	295
Net flows	49	254	38	-154
Interest payments	20	125	258	238
Net transfers	29	128	-221	-392



MOROCCO
FES REHABILITATION PROJECT
HISTORIC MEDINAS

ATLANTIC
OCEAN

Mediterranean Sea



- Fes HISTORIC MEDINAS AND WORLD HERITAGE SITES
- Meknes HISTORIC MEDINAS
- PROVINCE CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- PROVINCE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES
- - - INTERNATIONAL BOUNDARIES [APPROXIMATE]

0 50 100 150
KILOMETERS

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