Document of
The World Bank
FOR OFFICIAL USE ONLY

Report No. P 6871-MOR

MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED SINGLE CURRENCY LOAN WITH A US DOLLAR TRANCHE IN AN AMOUNT EQUAL TO US$11.5 MILLION AND A FRENCH FRANC TRANCHE IN AN AMOUNT EQUAL TO FRF 60.3 MILLION TO THE KINGDOM OF MOROCCO FOR A THIRD PRIVATE SECTOR DEVELOPMENT PROJECT (IN-SERVICE TRAINING)

August 21, 1996

CURRENCY EQUIVALENTS

(As of November 1995)
Currency Unit = Moroccan dirham (DH)
US$1.0 = DH 8.3
DH 1 = US$0.120

FISCAL YEAR

January 1 to December 31 (until 1995)
January 1 to June 30 1996
July 1 to June 30 (as of July 1996)

ABBREVIATIONS AND ACRONYMS

AGEF	*Association des Gestionnaires et Formateurs de Personnel* (Moroccan Association of Human Resources Managers)
AMGE	*Association Marocaine des Gestionnaires de l'Energie* (Moroccan Association of Energy Industries)
AMICA	*Association Marocaine des Industries des Composants Automobiles* (Moroccan Association of Automobile Components Industries)
AMIP	*Association Marocaine des Industries Pharmaceutiques* (Moroccan Association of Pharmaceutical Industries)
AMITH	*Association Marocaine des Industries Textiles et de l'Habillement* (Moroccan Association of Textile and Clothing Industry)
CE	*Centre d'Excellence* (Training Center of Excellence)
CES	*Comité d'Elaboration de la Stratégie* (Strategy Formulation Committee)
CNA	Competency Needs Assessment
CNJA	*Conseil National Jeunesse et Avenir* (National Council for Youth and Future)
COD	*Comité d'orientation de la demande* (Demand Orientation Committee for FIAC Proposals)
CSF	*Contrats Spéciaux de Formation* (Training Contracts Reimbursement Scheme)
EA	Environmental Assessment
EU	European Union
FEDIC	*Fédération des Industries du Cuir* (Federation of Leather Industry)
FIAC	*Fonds Interprofessionnel d'Aide au Conseil* (Interprofessional Fund for Assistance and Counseling)
FIMME	*Fédération des Industries Mécaniques Métallurgiques et Electriques* (Federation of Metallurgical Mechanics and Electrical Industries)
GDP	Gross Domestic Product
GIAC	*Groupements Interprofessionnels d'Aide au Conseil* (InterProfessional Assistance and Counseling Association)
ICB	International Competitive Bidding
IBRD	International Bank for Reconstruction and Development
MCI	Ministry of Commerce and Industry
MF	Ministry of Finance
MSI	Micro to Small-sized Industries
MVT	Ministry of Vocational Training
NCB	National Competitive Bidding
NS	National Shopping
OFPPT	*Office de la Formation Professionnelle et de la Promotion du Travail* (Vocational Training and Employment Promotion Office)
PA	Professional Associations
PSD	Private Sector Development
VTS	Vocational Training System
VTT	Vocational Training Tax

FOR OFFICIAL USE ONLY

KINGDOM OF MOROCCO

THIRD PRIVATE SECTOR DEVELOPMENT PROJECT (IN-SERVICE TRAINING)

Loan and Project Summary

Borrower:	Kingdom of Morocco
Implementing Agencies:	Ministry of Vocational Training, InterProfessional Assistance and Counseling Associations (GIACs) and Vocational Training and Employment Promotion Office (OFPPT)
Beneficiary:	Not applicable
Poverty:	Not applicable
Amount:	US$11.5 million FRF 60.3 million
Terms:	Variable rate two currencies loan for twenty years, including a five-year grace period, at the standard Libor and Pibor interest rates respectively for the dollar loan tranche and the French Franc loan tranche.
Commitment Fee:	0.75% on undisbursed loan balances beginning 60 days after signing, less any waiver.
Financing Plan :	See Schedule A
Net Present Value:	US$33.5 million
Environmental Rating:	C
Staff Appraisal Report:	15513-MOR
Project ID N˚:	38978

Vice-President:	Kemal Derviş, MNA
Director:	Daniel Ritchie, MN1
Division Chief:	Roslyn G. Hees, MN1HR
Task Manager:	Mourad Ezzine, MN1HR

MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT OF THE IBRD TO THE EXECUTIVE DIRECTORS ON A PROPOSED SINGLE CURRENCY LOAN WITH A US DOLLAR TRANCHE IN THE AMOUNT EQUAL TO US$11.5 MILLION AND A FRENCH FRANC TRANCHE IN AN AMOUNT TO FRF 60.3 MILLION TO THE KINGDOM OF MOROCCO FOR A THIRD PRIVATE SECTOR DEVELOPMENT PROJECT (IN-SERVICE TRAINING)

1. I submit for your approval the following memorandum and recommendation on a proposed single currency loan with a US dollar tranche in an amount equal to US$11.5 million and a French Franc tranche in an amount equal to FRF 60.3 million to the Kingdom of Morocco to help finance the Third Private Sector Development Project (In-service Training). The loan would be at the Libor-based rate for the dollar loan tranche and at the standard Pibor-based interest rate for the French Franc loan tranche with a maturity of twenty years including five years of grace.

Background

2. Since 1990, and after a decade of substantial economic growth, the Moroccan economy has begun to show signs of fragility. The strong expansion of low-wage-unskilled employment has been accompanied by an overall drop in labor productivity, which, in the long run, is likely to hamper the private sector's ability to compete on international markets. Indeed, Morocco's competitors in its traditional export markets, such as Turkey, Indonesia and Poland, have had similar achievements in poverty reduction, and yet have managed to substantially increase the skills of the workforce and consistently raise both real wages and output per worker.

3. In contrast, Moroccan enterprises have not been able to improve their efficiency or to move to higher-end products. If it is to reverse this trend, Morocco needs to raise the general education and skill levels of the workforce. Paradoxically, this would have to be done in a situation where there is soaring unemployment among the educated[1], which shows the presently limited absorptive capacity of enterprises as a result of their structure and characteristics:

- Medium to large-sized enterprises, which do hire formally trained skilled workers and technicians, represent only 14% of the modern sector and cannot absorb all graduates. Moreover, a great deal of the technological and training input of these larger enterprises comes from their foreign associates and suppliers.

- Micro to small-sized industries (MSI), which are predominant, have not been acquiring new technologies and have therefore not experienced any need to train their workers in new skills. They are often family-owned, have a low level of capitalization, and realize narrow profit margins. Since the liberalization of the economy they have been trying to maintain their market

---

1 The 1994 Labor Survey (Population Active Urbaine, Direction de la Statistique) showed that the hardest hit were vocational and secondary education graduates (33 and 31% respectively) followed by higher education graduates (30% unemployment rate), while the uneducated were relatively spared with an unemployment rate of only 11%.

shares through wage reduction rather than technological improvements. The incidence of training activities among MSIs is low in comparison with countries such as Colombia, Indonesia, Malaysia and Mexico. MSIs are not sufficiently aware of the productivity enhancing effect of training and lack information on where and how to train. They are also reluctant to pay to retrain their workers beyond the 1.6% Vocational Training Tax (VTT) which is levied on the total payroll of all enterprises and earmarked for the *Office de la Formation Professionnelle et de la Promotion du Travail* (OFPPT), the main public training agency.

4. Enterprises' failure to train results in a substantial loss of productivity and income for workers. Economic analyses show that enterprises which train their workers are larger in terms of output and value added, export more and are much more likely to survive. A comparison[2] between 1986 and 1993 demonstrates that 9 out of 10 firms which trained in 1986 were still operating 7 years later, compared with 3 out of 4 nontraining firms. Controlling for other observable factors, training firms outperform non training ones in many ways: their value added is 37% greater and their productivity is 33% higher. Workers in firms that train tend to earn 28% more than in enterprises which do not train. Based on the reported cost of training, and the earnings of untrained and trained workers, calculations suggest that training yields a rate of return of 42%.

5. Since enterprises have not tried to increase the skills of their workforce, public and private training providers have tailored their programs to the demand for pre-employment training from the large cohorts of out-of-school youth. Training programs have been mainly center-based and targeted toward urban formal sector jobs. Both private and public institutions have been successful in attracting their target clientele. OFPPT's capacity has progressed from 20,000 students in 1984 to 44,000 in 1995, thanks to a rapid increase in the VTT. The private training institutions (proprietary) have seen an even faster growth; their capacity has increased fourfold during the same period, reaching 40,000 students in 1995.

6. However, OFPPT has little connection with enterprises and its attempts to involve employers in its activities have remained constrained by its centralized and rigid management style. While OFPPT has a tripartite governing board, its policies are more driven by the Government's priorities than by enterprises requirements. In recent years attempts have been made to increase OFPPT's responsiveness to enterprises' training needs but little has been achieved in terms of creating a balance between pre-employment programs and activities geared to upgrading the existing labor force.

7. The national training policy has been to provide neither incentives nor barriers to the development of the private training sector (proprietary institutions) beyond basic safety regulations enforced by the municipalities. There is no formal accreditation system nor information on curricula. There are about 800 private training schools, all are profit-seeking, operate in service-oriented trades, and focus on pre-service training. The Government objective is to entice the private training sector to expand further and invest in technology-oriented vocational schools, which require heavier capital investments. But this is unlikely to occur without significant resource transfers from the State to these proprietary institutions.

Government Strategy

8. The Government of Morocco is committed to transform its training system into an effective instrument for the promotion of labor productivity, especially at the lower end of the size distribution of

---

2 Source: Bank estimates based on 1986 Industrial Survey carried out by the Ministry of Commerce and Industry.

firms. This would not only foster labor demand but also alleviate poverty and contribute to develop the private sector. This would be best achieved when most vocational training is planned, delivered and financed by employers. However, private enterprises have not yet demonstrated a very active involvement in training and public programs are, at the moment, the only providers of technical training, and they provide the basic skills on which further job-specific training can be structured. Shifting training responsibility and resources to the private sector therefore requires a realistic and gradual reform process. In addition, more radical reforms of the training system depend on broader reforms of the funding and governance of the education and training systems. In particular, although there is commitment at the highest level of the State to eliminate the principle of gratuity (which would provide a strong incentive to the private training sector) the Government will be proceeding with caution to build political consensus[3]. As a result, only limited cost recovery measures are likely to be taken in the medium-term.

9. Within this political framework, and since in-service training is less politically sensitive than other forms of training, the MVT has made the development of in-service training its priority in order to respond to the urgent need to upgrade the existing labor force, to expand the resources available for skill development and to experiment and demonstrate a number of innovative and demand-oriented policies. These policies are aimed at:

(a) raising enterprises'awareness of the importance of identifying their skill needs, retraining their workers, and pooling their training resources to realize economies of scale;
(b) increasing the resources allocated to in-service training, with a special emphasis on MSIs, and developing competition among training institutions to boost the private training sector and increase efficiency;
(c) clarifying operational and financial roles with regards to in-service training, and emphasizing tripartite management (enterprises, labor and Government); and
(d) reinforcing the public sector's responsiveness and promoting the emergence of a variety of training providers. In January 1996, the Ministries of Finance and Vocational Training issued a joint decree which substantially increases the autonomy of OFPPT's centers, and provides a regulatory framework for the centers and their staff to supplement their resources with the proceeds of training contracts negotiated with enterprises. In the medium term, those public centers which would achieve a strong commercial orientation, high level of managerial and financial autonomy, and links with enterprises, would be transferred to the private sector through a variety of formulas, such as the private concessions which are being explored by the Government.

10. Rationale for Bank Involvement. The four main axes around which Morocco's Private Sector Development agenda is articulated are the following: (i) establishing a market-based financial system and developing capital markets; (ii) promoting private sector participation in the development of basic infrastructure and services; (iii) improving skilled labor and removing restrictions on the labor market; and (iv) enhancing the competitiveness of the private sector in anticipation of the free trade agreement with the EU. The Bank's strategy for the country is to fully support the Government's PSD agenda through a program of lending and non-lending services, which includes in-service training. Bank support of such action is called for by the Country Assistance Strategy (CAS) which was last discussed by the Board on

[3] King Hassan II has made public these orientations in a number of speeches. In 1994 he initiated a parliamentary debate on education. More recently, in October 1995, an education note prepared by the Bank at his request was widely disseminated, giving rise to a national debate in the media.

November 23, 1993, and which also puts investing in people as a priority. In-service training would contribute to:

(a) create a synergy between several components of the program. The PSD program includes components which aim at inducing enterprises to acquire new technologies and modernizing their manufacturing processes[4]. In-service training is an integral part of this program because the low-skilled workforce would not be able to adopt these new technologies. Conversely, this training project would rely on other components of the program to identify the enterprises and sectors in which training should be developed on a priority basis for competitiveness considerations;

(b) provide the necessary catalysis between the Government, the private sector and bilateral donors, particularly the EU, to build support for further reforms of the vocational training sector; and

(c) provide the expertise needed for institutional development, particularly for the formulation of training policies and the analyses of the impact of training on enterprise competitiveness.

11. Past Bank experience and Lessons learned. The Bank draws its experience in the sector from its support to two Vocational Training Projects (loans 2479-MOR and 2779-MOR), now closed, which respectively contributed to increase the capacity of OFPPT and improved the quality and efficiency of training, and financed several studies on VT financing and management. These projects were well implemented and showed that OFPPT is capable of managing well-functioning, good quality training centers. While they have achieved their quantitative and qualitative objectives, they have had a limited impact on overall sector policies. Other lessons learned from this past experience include the need to: (i) not underestimate the institutional rigidity of the VTS, (ii) involve all operators to achieve consensus on policy reforms; (iii) take substantial actions on the enterprises' side in order to create more links between enterprises and the public training system; and (iv) be cautious with projections of the demand for skills, which are usually unrealistic. These lessons were reflected in this project through a realistic assessment of the reforms likely to be achieved during the project life, extensive consultation with the representatives of enterprises and employees throughout the preparation process, their involvement in project implementation through the emphasis on tripartite (Government, labor and enterprises) decision-making and management processes. Finally, the project relies exclusively on demand-driven approaches to the provision of training.

12. Project Objectives and Description. The project would improve the skills of the workforce so as to increase enterprise competitiveness. To maximize the impact of training, the project would: (i) strengthen the capacity of enterprises, particularly MSIs, to define the competencies they need to implement their business development strategies; (ii) introduce incentives for enterprises to develop in-service training; and (iii) improve the quality and relevance of selected training centers which cater to private sector needs. To that end, four components would be implemented over a five-year period:

(a) The first component (6% of base cost) would support the creation, by non-governmental professional associations, of three inter-professional organizations (*Groupement Interprofessionnel d'Aide au Conseil*, GIAC) with the mandate to inform enterprises of

---

[4] In particular, the Industrial Infrastructure Project, which is under preparation, would promote new technologies, and would develop a new system of standards and certification for the industry. On the other hand, the on-going Enterprises Competitiveness Study would identify "clusters" of competitive industries and make recommendations on strengthening their long-term viability in the context of the forthcoming free trade agreement with the EU. Finally, an on-going labor market study aims at identifying key policy options that may facilitate labor absorption. The field surveys for these studies are in progress and the first results are expected by the end of 1996.

the importance of integrating in-service training as one of the key factors of their competitiveness and to assist them in the definition of their competencies needs. These GIACs would have access to a grant scheme, the FIAC (*Fonds InterProfessionnel d'Aide au Conseil*), which would finance a portion (70%) of the consulting services contracted by enterprises to carry out their competency need assessments (CNA.) It is estimated that the FIAC would finance about 350 CNAs during the five years of the project.

(b) The second component (41% of base cost) would support the development of in-service training and the evolution of the training system towards a system where employers and employees take a major role. This would be realized by initiating a reform of the existing enterprise reimbursement scheme.

(c) The third component (51% of base cost) would diversify and improve the quality of the training offered by OFPPT, without creating additional capacity. It would put a special emphasis on in-service training by supporting the progression of 36 of the 180 OFPPT centers into Centers of Excellence selected for their potential to meet, within the project life, a set of 20 criteria combining student insertion performances, links with enterprises, capacity to generate income through the provision of contractual training and counseling services to enterprises, performance in attracting workers to evening courses, and management capacity.

(d) The fourth component (1% of base cost) would strengthen the policy formulation capacity of the MVT by supporting: (i) the elaboration by December 31, 1997 of a comprehensive strategy for vocational training, through a broad consultative process and an analysis of international experiences and implementation plan; (ii) the preparation process for the law on in-service training which would formalize the mechanisms and principles initiated under the second component of the project and clarify financial and operational competencies for in-service training; and (iii) the realization of a survey, to be repeated periodically, to measure the impact of training on enterprises competitivity.

13. Implementation. The proposed project would be implemented over a period of 5 years and is expected to be completed by June 30, 2001; the loan closing date would be December 31, 2001. A detailed implementation schedule is included in section 3 of the Implementation Volume. Overall coordination and monitoring of the project would be ensured by the Ministry of Vocational Training which would also directly implement the fourth component. Responsibility for execution of the other components would be as follows: (i) implementation of the first component, in line with the procedural manual, would be the responsibility of the GIACs and a tripartite (Government, Enterprises and Labor) Orientation Committee (COD); (ii) the Central Technical Committee will define the action plan and monitor the implementation of the second component by the regional committees. OFPPT will ensure the secretariat of these bodies as well as the processing of submissions; and (iii) the third component will be implemented by OFPPT and the centers themselves.

14. Agreed actions: (a) One GIAC has already registered its statutes and approved its procedural manual and the FIAC Procedural Manual, including monitoring and reporting mechanisms and auditing requirements has been confirmed by Ministerial Decree; (b) the OFPPT Board has approved the restructuring of the CSF, its new Procedural Manual and the amounts it will allocate to the scheme; and (c) the members of the COD who will oversee the FIAC have been appointed. The Government has also agreed: (a) that the Law clarifying the financial and operational competencies in in-service training and embedding the principles of independence, genuine tripartism and mutualization of funds will be approved by the Government's Cabinet no later than September 30, 1998 for presentation to Parliament; (b) the base

indicators to be used for project monitoring and updated periodically; (c) that its strategy on vocational training and implementation plan will be prepared by December 31, 1997.

15. Project sustainability. The project will not increase the resources allocated to the MVT. The operating expenditures of the GIACs will be partly covered by the enterprises through their membership fees. The total subsidy provided by the Government to that initiative represents less than 2% of the MVT annual budget, and is aimed at "jump-starting" in-service training. It is not intended as a permanent arrangement. The annual operating expenditures of the CSF are already included in OFPPT's operating budget. The project does not increase OFPPT's pre-service training capacity and thus does not require additional staffing and operating expenses. In addition there will be: (i) an increase in the VTT receipts estimated at US$12 million at full potential as a result of the January 1996 Government decision to extend it to Industrial and Commercial Public Enterprises (EPICs), which had traditionally been exempted; (ii) the centers' own resources generated from sales of training and counseling services to enterprises, and which are estimated at a minimum of US$1.3 million a year for the Centers of Excellence alone. Finally, the Law on in-service training to be elaborated will clarify the financing of the system and ensure its sustainability and efficiency, while permitting a disengagement of the Government.

16. Environmental Aspects. The proposed project, as currently formulated, was reviewed under the procedures specified in O.D. 4.01, Annex A: Environmental Assessment and determined to be in screening category C, which includes projects that do not normally result in significant environmental impact. No Environmental Assessment, therefore, has been conducted for this project.

17. Participatory Approach. The main stakeholders (enterprises and employees) have been involved in the preparation process, through extensive meetings of mission members and Government officials with both individual enterprises' managers, professional associations heads and union members. Their involvement has consisted in informal advice on technical aspects as well as more structured consultations on the project design. Moreover, professional associations and unions are represented at the OFPPT Board and as such have taken and will take an active part in the project. Finally, the very creation of the GIACs by professional associations exemplifies their commitment to this initiative.

18. Project Benefits. The proposed project would make a significant contribution to upgrading the skills of Morocco's labor force and the competitiveness of its enterprises. Major changes in policy and governance structure of the CSF already agreed with the Government, enterprises and labor would result in a shared responsibility and financing between the main beneficiaries and a rapid increase of the number of enterprises which retrain their workforce. The number of enterprises which would apply to the CSF scheme to retrain their workers is estimated to increase from 620 in 1994 to 2,100 by project completion, and the number of workers enrolled in the OFPPT's evening courses, from 7,700 in 1995. The institutional and legal framework would also improve through the adoption of a comprehensive law on in-service training, the elaboration of an overall long-term VT strategy and action plan, and the creation of strong linkages between the selected public training centers and the enterprises. The professional associations would also benefit from the project by broadening the range of services they provide to their members and exploiting economies of scale in training. It will also improve training outcomes by taking actions on both the demand and supply sides. Finally, the private proprietary training institutions would benefit from the project through greater access to the VTT, which will promote competition between both public and proprietary training institutions, and thus efficiency. Over time the project would generate significant benefits on a sustained basis, generating an internal rate of return of 25%, and its Net Present Value is estimated at US$33.5 million.

19. Project Risks. The risk that OFPPT's efforts to better adapt to enterprises' needs fail to induce a greater implication of the private sector in its centers of excellence represents the greatest economic risk of this project and has been addressed in a variety of ways. First, it has been recognized since the beginning that only a limited number of training centers have the potential to evolve into centers of excellence, based on the industrial and employment potentials of their catchment area, their demonstrated ability to establish training links with the private sector (through the setting-up of a private sector steering committee), and the preparation of self development plans. Adequate incentives were provided to the staff to increase their self-generated resources and a matrix of detailed performance indicators was developed by the borrower with World Bank assistance to monitor progress against the center's own assessment. As regards investments, technical assistance and training of trainers and managers would be financed primarily by the Bank loan and front-loaded to provide the centers with essential inputs to initiate the change. Training equipment would be financed by the Government and provided only to those among the 36 centers that would complete an in-depth assessment of their equipment needs and show a progress record in line with the objectives set in their development plans. Finally, the project approach to bring about improvements in the system by promoting change within the public sector is much less prone to be hampered by socio-political resistance than any alternative that would bypass the public sector.

20. Recommendation. I am satisfied that the proposed loan would comply with the Articles of agreement of the Bank, and I recommend that the Executive Directors approve it.

James D. Wolfensohn
President
by Gautam S. Kaji

Attachments

Washington D.C.
August 21, 1996

KINGDOM OF MOROCCO
THIRD PRIVATE SECTOR DEVELOPMENT PROJECT
(IN-SERVICE TRAINING)

ESTIMATED COSTS AND FINANCING PLAN

Table 1: Project cost summary by component

	(DH '000)			(US$ Million)		
	Local	Foreign	Total	Local	Foreign	Total
A. Promotion of demand for training (GIACs)	27,402	17,455	44,857	3.3	2.1	5.4
B. Development of in-service training	264,860	46,740	311,600	31.9	5.6	37.5
C. Development of Centers of Excellence	62,511	299,833	362,344	7.5	36.1	43.7
D. Institutional Strengthening	1,248	3,486	4,734	0.2	0.4	0.6
Total BASE COSTS [1/]	356,021	367,514	723,535	42.9	44.3	87.2
Physical Contingencies	2,941	13,329	16,270	0.4	1.6	2.0
Price Contingencies	32,747	18,166	50,913	3.9	2.2	6.1
Total PROJECT COSTS [1/ 2/]	391,709	399,008	790,717	47.2	48.1	95.3

* Totals may not add up due to rounding up of figures

1/ The amounts indicated do not include the estimated demand for in-service training services for the last two years of the project (US$41.1 million). As described in para. 2.05(b) above, the Government has committed to prepare a law which will define the principles guiding the financing of in-service training.

2/ Excluding an estimated US$14.3 million for taxes.

Table 2 :Financing Plan

Components by Financiers
(US$ Million)

	Enterprises		Vocational Training Tax		IBRD		Govt. and Other Donors		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Promotion of demand for training (GIACs)	1.4	23.0	-	0.0	3.1	51.9	1.5	25.1	6.0	100.0
B. Development of in-service training (CSF)	19.0	46.8	10.3	25.4	11.3	27.8	0.0	0.0	40.5	100.0
C. Development of Centers of Excellence (CE)	-	-	-	0.0	8.3	17.2	39.9	82.8	48.2	100.0
D. Institutional Strengthening	-	-	-	0.0	0.6	100.0	-	0.0	0.6	100.0
Total PROJECT COSTS OF WHICH:	20.4	21.4	10.3	10.8	23.3	24.4	41.4	43.4	95.3	100.0
I. Foreign	3.4		1.5		11.3		31.8		48.1	
II. Local (Excl. Taxes)	16.9		8.8		11.4		10.1		47.2	
Taxes are estimated at	7.0						7.3		14.3	
Total PROJECT COSTS including taxes	27.4		10.3		22.7		49.2		109.6	

KINGDOM OF MOROCCO
THIRD PRIVATE SECTOR DEVELOPMENT PROJECT
(IN-SERVICE TRAINING)

PROCUREMENT AND DISBURSEMENT ARRANGEMENTS

Table 1. Procurement arrangements
(total, including contingencies, in US$ million equivalent)

	Procurement Method				
Project Element	**International Competitive Bidding**	**National Competitive Bidding**	**Other**	**N.B.F.**	**Total**
SERVICES					
Consultant Services eligible for financing by the FIAC	-	-	4.4 1/ (3.0)	-	4.4 (3.0)
Consultant & Training Services eligible for reimbursement by the CSF	-	-	40.5 2/ (11.0)	-	40.5 (11.0)
Other Consultant and Training Services	-	-	13.0 2/ (4.4)	2.1 (0.0)	15.1 (4.4)
EQUIPMENT	4.7 (3.6)	1.0 (0.6)	0.5 3/ (0.4)	23.7 (0.0)	29.9 (4.6)
CIVIL WORKS	-	-	-	4.0 (0.0)	4.0 (0.0)
OPERATING COSTS	-	-	-	1.4 (0.0)	1.4 (0.0)
TOTAL FINANCED COSTS	**4.7** **(3.6)**	**1.0** **(0.6)**	**58.4** **(18.8)**	**31.2** **(0.0)**	**95.3** 4/ **(23.0)**

Note: Figures in parentheses are the respective amounts financed by the Bank Loan.
N.B.F. Not Bank Financed

1/ Awarded to eligible beneficiaries and/or enterprises.
2/ Procured in accordance with Bank consultant guidelines.
3/ National shopping.
4/ Excluding an estimated US$14.3 million for taxes.

Table 2. Loan Disbursement by category

Category	Amount of the Loan Allocated (Expressed in Dollars)	Amount of the Loan Allocated (Expressed in French Francs)	% of Expenditures to be financed
(1) Goods under Component 3 (Centers of Excellence)	1,950,000	10,200,000	100% of foreign expenditures, of 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(2) Consultants' services and training			
(a) Support to GIACS	50,000	300,000	100%
(b) Centers of Excellence	1,500,000	8,000,000	100%
(c) Institutional Strengthening	250,000	1,400,000	100%
(3) Sub-project Financings:			
(a) FIAC	1,500,000	8,000,000	70% of the total amount of each Sub-project
(b) CSF - carrying out of in-service training activities	2,500,000	13,000,000	35% of the total amount of each Sub-project paid in Fiscal Years 1996, 1997 and 1998
(c) CSF - Development of training plans	1,500,000	8,000,000	70% of the total amount of each Sub-project paid in Fiscal Years 1996, 1997 and 1998
(d) CSF - Development of training plans on the basis of competency needs assessments	750,000	4,000,000	80% of the total amount of each Sub-project paid in Fiscal Years 1996, 1997 and 1998
(4) Unallocated	1,500,000	7,400,000	
TOTAL	**11,500,000**	**60,300,000**	

Table 3. Proposed Loan disbursement schedule
(US$ million equivalent)

	IBRD Fiscal Year					
	97	98	99	00	01	02
Annual	3.5	5.0	6.0	5.0	2.5	1.0
Cumulative	3.5	8.5	14.5	19.5	22.0	23.0

**KINGDOM OF MOROCCO
THIRD PRIVATE SECTOR DEVELOPMENT PROJECT
(IN-SERVICE TRAINING)**

Timetable of Key Project Processing Events

(a)	Time taken to prepare the project:	26 months from July 1994 to September 1996 (Scheduled Board Date)
(b)	Prepared by:	Government of Morocco with support from a PHRD Grant, and Industry, Unions and Bank
(c)	First Bank mission:	July 8, 1994
(d)	Appraisal mission:	November 1995
(e)	Negotiations:	June 1996
(f)	Planned date of effectiveness:	December 1996

(g) List of relevant PCRs and PPARs:

Loan No.	Project	PCR Date	PPAR No.
2479-MOR	Vocational Training I	July 17, 1993	-
2779-MOR	Vocational Training II	June 26, 1995	-

Status of Bank Group Operations in Morocco
IBRD Loans and IDA Credits in the Operations Portfolio
(As of August 12, 1996)

Project Id	Loan or Credit Number	Fiscal Year	Borrower	Purpose	Original Amount in US$ million Bank	IDA	Cancellations	Undisbursed	Difference between actual and expected disbursements /a
Number of Closed Loans/Credits: 106									
Active Loans									
5449	2826	1987	Kingdom of Morocco	Greater Casablanca Sewerage	60.00			17.90	17.90
5425	2954	1988	Kingdom of Morocco	Small & Medium Irrigation II	23.00			7.99	7.99
5480	3026	1989	Kingdom of Morocco	Rural Primary Education	83.00		8.00	7.22	15.22
5437	3156	1990	Kingdom of Morocco	Forestry Development II	49.00			15.93	15.93
5440	3171	1990	Kingdom of Morocco	Health Sector Investment	104.00			29.21	29.21
5459	3262	1991	Kingdom of Morocco	Rural Electrification II	114.00			93.05	88.32
5433	3283/84	1991	Kingdom of Morocco, ONEP	Port Sector	132.00		5.00	28.66	-65.34
5460	3295	1991	Kingdom of Morocco	Rural Basic Education Development	145.00		45.00	57.06	74.39
5495	3366-73	1991	BNDE, BCP, SGMB, CDM BMCE, BC, BMCI	Financial Sector Development	235.00		11.40	26.01	49.89
5438	3557	1993	ONPT	Telecommunication Restructuring	100.00			62.17	44.84
5462	3587	1993	Kingdom of Morocco	Second Large Scale Irrigation Impr.	215.00		35.00	147.64	9.64
5514	3618/21	1993	Kingdom of Morocco, CIH, SGMB	Land Development	130.00		24.00	57.36	34.05
5517	3616/17	1993	Kingdom of Morocco, FEC	Municipal Finance I	104.00			63.11	-36.89
5504	3647	1994	Kingdom of Morocco	Environment M	6.00			5.40	1.31
5486	3662	1994	CNCA	National Rural Finance	100.00			78.99	56.32
5435	3664/5	1994	Kingdom of Morocco, ONEP	Water Supply V	160.00			147.21	27.31
5499	3688	1994	Kingdom of Morocco	Irrigated Areas Agric. Services	25.00		5.00	17.98	6.38
5493	3765	1994	Kingdom of Morocco	ASIL II	121.00		61.00	35.32	11.75
5489	3901	1995	Kingdom of Morocco	Secondary Roads	57.60			57.60	7.47
5522	3928	1996	Kingdom of Morocco	Financial Markets Development	125.00			93.75	141.58
41303	3935	1996	Kingdom of Morocco	Emergency Drought	50.00		____	22.29	-25.51
5503	4010	1996	Kingdom of Morocco	Sew. & Water Reus. II	40.00			40.00	0.70
5501	4024	1996	Kingdom of Morocco	SPI - Education	54.00			54.00	0.00
42415	4025	1996	Kingdom of Morocco	SPI - Health	68.00			68.00	0.00
42414	4026	1996	Kingdom of Morocco	Coor/Mon Social Prio	28.00			28.00	0.00
			TOTAL		2328.60		194.40	1261.85	512.46

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA)	664.05	5123.91	5787.96
Of which repaid	29.36	2349.39	2378.75
Total now hed by IBRD and IDA	1904.93	2807.03	4711.96
Amount Sold		20.11	20.11
Of which repaid		20.11	20.11
Total Undisbursed	1261.88	32.51	1294.39

/a Actual disbursements to-date less intended disbursements to-date as projected at appraisal.

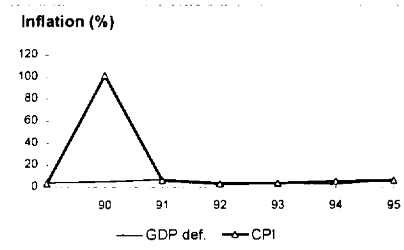
Statement of IFC Investments in Morocco
(As of June 30, 1996)

Fiscal Year	Obligator	Type of Business	Original Gross Commitment: IFC Loan	IFC Equity	Participants	Total	Held by IFC	Held by Participants	Undisburs. incl. Participants
1963 1978 1984 1986	Banque Nationale pour le Dev. Econ. (BNDE)	Development Finance	44.25	2.70	39.99	86.94	6.93		
1980	Societe Miniere du Bou-Gaffer (SOMIFER)	Mines	12.99	2.35		15.34	2.35		
1987/ 1990	Credit Immobilier et Hotelier (CIH)	Tourism	67.50	---	78.37	145.87	43.31	9.35	
1988/ 1993	Settat Filature (SETAFIL)	Textile Factory	3.47	1.67		5.14	4.63		
1989	Compagnie Maritime Maroco-Norvegienne (COMARIT)	Ferry Service	4.30	---	2.00	6.30	0.31		
1991	Societe ENNASR de Peche	Agro-industry	2.46	---		2.46	1.35		
1992/ 1994	Ciments du Maroc (formerly CIMASFI)	Cement	28.65	---	10.12	38.77	21.63	7.69	
1993	International de Financement et et de Participation (INTERFINA)	Financial Services	---	3.81		3.81	3.29		0.85
1994	Média Finance S.A.	Financial Services	---	1.16		1.16	1.16		
1995	Financière Euratlas	Financial Services	---	0.09		0.09	0.09		0.09
1995	Euratlas Capital-Development	Financial Services	---	4.00		4.00	4.00		4.00
1996	Banque Marocaine du Commerce Extérieur (B	Financial Services	---	13.83		13.83	7.11		7.11
1996	Attijari Factoring Maroc	Financial Services	---	0.51	___	0.51	0.51	___	0.38
	Total gross commitments		163.62	30.12	130.48	324.22			
	Less cancellations, terminations, repayments and sales		84.42	3.69	112.82	200.93			
	Pending Commitments								
	PALM BAY			1.83		1.83			
	Total pending commitments			1.83	0.00	1.83			
	Total commitments held and pending commitments		76.68	28.26	17.66	122.60			
	Total undisbursed commitments		0.00	12.43	0.00	12.43			

Morocco

PRICES and GOVERNMENT FINANCE

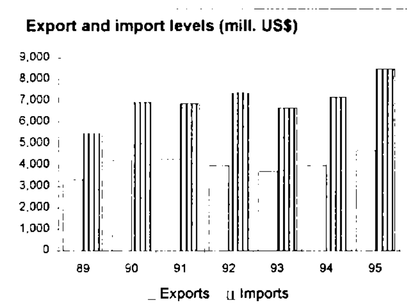
	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	7.9	7.7	5.1	6.1
Implicit GDP deflator	1.5	8.5	2.7	7.1
Government finance				
(% of GDP)				
Current revenue	..	20.7	23.6	23.1
Current budget balance	..	-2.4	2.7	1.4
Overall surplus/deficit	..	-9.6	-3.8	-5.5



Inflation (%)

TRADE

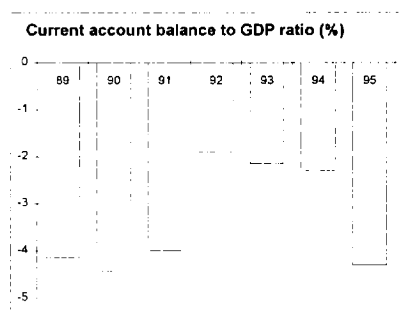
	1975	1985	1994	1995
(millions US$)				
Total exports (fob)	..	2,145	3,971	4,665
Agricultural products	..	599	1,280	1,476
Phosphate rock	..	475	273	278
Manufactures	..	474	1,474	1,591
Total imports (cif)	..	3,861	7,168	8,480
Food	..	510	799	1,360
Fuel and energy	..	1,079	1,113	1,207
Capital goods	..	652	1,845	1,907
Export price index *(1987=100)*	..	87	95	99
Import price index *(1987=100)*	..	87	89	92
Terms of trade *(1987=100)*	..	100	107	108



Export and import levels (mill. US$)

BALANCE of PAYMENTS

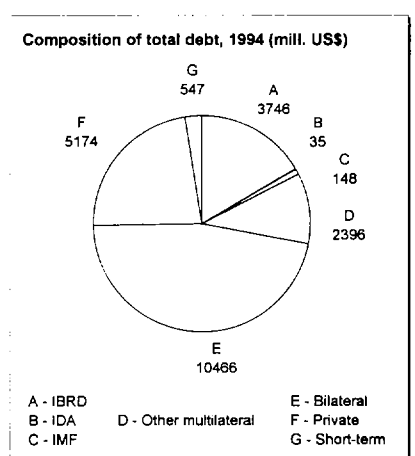
	1975	1985	1994	1995
(millions US$)				
Exports of goods and non-factor services	1,997	3,185	6,591	7,519
Imports of goods and non-factor services	2,939	4,341	8,271	9,810
Resource balance	-942	-1,156	-1,680	-2,291
Net factor income	-88	-766	-1,171	-1,249
Net current transfers	482	731	2,124	2,107
Current account balance, before official transfers	-548	-1,191	-726	-1,433
Financing items (net)	519	1,209	695	629
Changes in net reserves	28	-19	-513	706
Memo:				
Reserves including gold *(mill. US$)*	438	345	4,548	3,842
Conversion rate *(local/US$)*	4.1	10.1	9.2	8.5



Current account balance to GDP ratio (%)

EXTERNAL DEBT and RESOURCE FLOWS

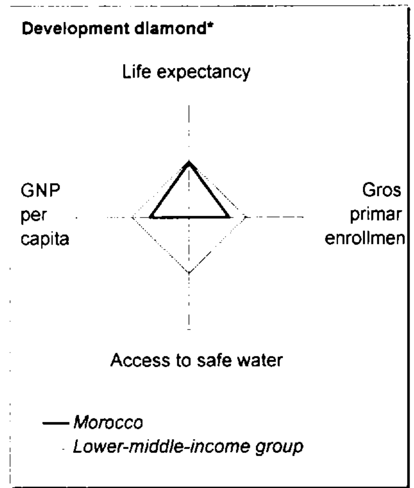
	1975	1985	1993	1994
(millions US$)				
Total debt outstanding and disbursed	1,889	16,526	21,261	22,512
IBRD	244	1,288	3,559	3,746
IDA	31	43	36	35
Total debt service	163	1,372	2,612	2,920
IBRD	33	167	552	572
IDA	0	1	2	2
Composition of net resource flows				
Official grants	26	416	97	168
Official creditors	232	428	-166	-496
Private creditors	283	153	502	230
Foreign direct investment	0	20	522	776
Portfolio equity	0	0	0	63
World Bank program				
Commitments	33	379	809	127
Disbursements	111	307	377	246
Principal repayments	18	87	294	302
Net flows	93	220	83	-56
Interest payments	15	81	260	271
Net transfers	78	139	-177	-327



Composition of total debt, 1994 (mill. US$)

Morocco at a glance

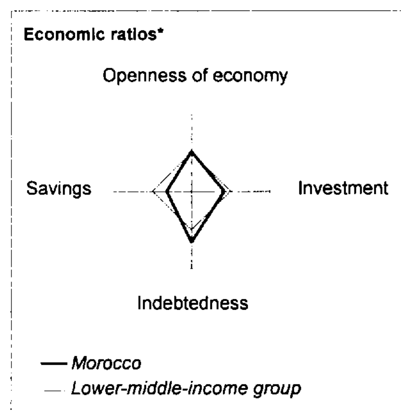
POVERTY and SOCIAL	Morocco	M. East & North Africa	Lower-middle-income
Population mid-1994 *(millions)*	26.4	267	1,097
GNP per capita 1994 *(US$)*	1,150	..	1,680
Average annual growth, 1990-94			
Population *(%)*	2.0	2.8	1.4
Labor force *(%)*	3.0	3.2	1.6
Most recent estimate *(latest year available since 1989)*			
Poverty: headcount index *(% of population)*	13	..	..
Urban population *(% of total population)*	48	54	54
Life expectancy at birth *(years)*	65	65	67
Infant mortality *(per 1,000 live births)*	56	49	35
Child malnutrition *(% of children under 5)*	9	..	..
Access to safe water *(% of population)*	..	..	78
Illiteracy *(% of population age 15+)*	51	45	..
Gross primary enrollment *(% of school-age population)*	73	97	104
Male	85	104	105
Female	60	90	101



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

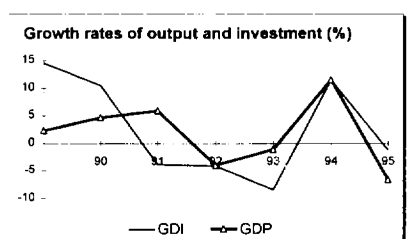
	1975	1985	1994	1995
Gross domestic investment/GDP	25.2	27.1	20.8	21.2
Exports of goods and non-factor services/GDP	22.5	24.7	21.2	22.3
Gross domestic savings/GDP	14.3	18.1	15.9	15.0
Gross national savings/GDP	18.7	17.9	18.5	18.1
Current account balance/GDP	-6.1	-9.3	-2.3	-4.3
Interest payments/GDP	0.6	3.8	3.5	..
Total debt/GDP	21.0	128.4	73.1	..
Total debt service/exports	6.3	35.3	37.8	35.0
Present value of debt/GDP	..	..	62.6	..
Present value of debt/exports	..	..	212.0	..

(average annual growth)	1975-84	1985-95	1994	1995	1996-04
GDP	4.4	2.9	11.5	-6.6	5.6
GNP per capita	1.7	0.8	9.4	-8.6	3.8
Exports of goods and nfs	4.2	4.7	2.0	-1.9	7.5



STRUCTURE of the ECONOMY

(% of GDP)	1975	1985	1994	1995
Agriculture	17.3	16.6	19.5	11.5
Industry	34.7	33.4	30.8	34.0
Manufacturing	16.6	18.6	17.2	19.0
Services	48.0	50.0	49.7	54.5
Private consumption	69.4	66.0	68.2	68.5
General government consumption	16.3	15.8	16.5	15.7
Imports of goods and non-factor services	33.4	33.7	26.8	30.9



(average annual growth)	1975-84	1985-95	1994	1995
Agriculture	1.4	0.4	63.0	-45.0
Industry	3.0	2.4	4.3	3.9
Manufacturing	..	3.1	4.2	3.8
Services	6.5	4.0	3.1	2.3
Private consumption	3.8	4.2	14.2	-3.5
General government consumption	5.7	3.1	1.7	-5.8
Gross domestic investment	-0.1	1.5	11.4	-1.2
Imports of goods and non-factor services	-0.6	6.4	6.7	2.4
Gross national product	4.1	2.9	12.5	-6.6

Note: 1995 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.

IMAGING

Report No: P- 6871 MOR
Type: MOP