

**AFRICAN DEVELOPMENT BANK GROUP**



**MOROCCO**

**EVALUATION OF BANK ASSISTANCE  
TO THE TELECOMMUNICATIONS SECTOR**

**OPERATIONS EVALUATION DEPARTMENT  
(OPEV)**

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## ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ANRT	:	National Telecommunications Regulatory Agency
BAM	:	Barid Al-Maghrib (Public Postal Operator)
ESRP	:	Economic and Social Reform Programme
FSAP	:	Financial Sector Adjustment Programme
GDP	:	Gross Domestic Product
GMPCS	:	Global Mobile Personal Communication System
GSM	:	Global System for Mobile Communications
IAM	:	<i>Itissalat Al-Maghrib</i> (Public Telecommunications Operator)
ICT	:	Information and Communication Technology
IGF	:	General Inspectorate of Finance
IISD	:	Information Infrastructure Sector Development
IMF	:	International Monetary Fund
INPT	:	National Institute of Post and Telecommunications
IT	:	Information Technologies
Mbs	:	Megabytes Per Second (transmission speed)
ML	:	Main Line
PT&ISAP	:	Post, Telecommunications and Information Technologies Adjustment Programme
SAP	:	Structural Adjustment Programme
SEPTI	:	Secretariat of State in Charge of Post, Telecommunications and ITs
U.S.	:	United States (of America)
US	:	United States
VSAT	:	Very Small Aperture Terminal
WB	:	World Bank
WTO	:	World Trade Organization

## EXCHANGE RATE

(May 2005)

Currency Unit	=	Moroccan Dirham (MAD)
UA 1	=	US\$ 1.486622
UA 1	=	EURO 1.20627
UA 1	=	MAD 13.2032

## EXECUTIVE SUMMARY

1. The principal aim of this evaluation is to systematically review the Bank's assistance in the telecommunications sector of Morocco, both in terms of the strategies of the Bank and the country and aid in the form of lending and non-lending operations. The present evaluation focuses on the outcomes of the 1996-2004 assistance programme, highlighting the experience from completed projects. Loans granted to Morocco in the telecommunications sector relate to three (3) operations namely: a telecommunications development project and two structural adjustment programmes. Non-lending activities chiefly involve dialogue on policies and two adjustment programmes (CSP, portfolio reviews and seminars) and coordination of donor interventions.

2. For the period under review, the Bank's strategy began with an upgrading of infrastructure through the telecommunications development project followed by major sectoral reforms geared toward the liberalization of the sector and optimization of telecommunications costs through the 2 structural adjustment programmes.

3. The strategy addresses the country's challenges of:

- (i) providing economic actors modern and reliable means of telecommunications for the development of businesses, enhancing their competitiveness, promoting the economic and social integration of the country, and opening up the rural areas through the financing of the telecommunications development project;
- (ii) liberalizing the provision of telecommunications services in transparent and competitive conditions, and improving the contribution of the sector to the country's economic growth and external accounts balance by instituting a liberal type of legislative, regulatory and institutional framework, capable of intensifying competition between operators. This was to be achieved through the financing of the post, telecommunications and information technologies sector. (PT&ISAP); and
- (iii) providing greater access to services of the sector through reduced communication costs for users and greater availability of services, by financing the information infrastructure sector support programme (IISD).

4. The Bank's operations in the sector are deemed to be satisfactory. The Bank's assistance is consistent and relevant since the choice of projects meets the challenges of the country and its sector goals. Lending operations were based on sectoral studies financed by the World Bank and the Government. The quality at entry is deemed to be satisfactory in general even if it varies according to projects, as indicated in the following paragraphs. The technical performance of executing agencies is highly satisfactory. As explained in the counterfactual analysis, the Bank's contribution to the sector is significant and its impacts are substantial.

5. Changes in the national and international context of the telecommunications sector during the implementation of the telecommunications development project resulted in quantitatively greater outputs than initially planned for the project. These changes related to technological development, tax reforms in Morocco, total transformation of the legal and institutional framework of the sector with the creation of three new legal entities: the *Société Anonyme de Télécommunications* (IAM), the *Agence Nationale de Réglementation* (ANRT) and the *Office National de Poste*, thus separating the activities of the Post from those of Telecommunications (BAM).

6. The institutional framework of the telecommunications sector has been characterized by the emergence of new private operators in the various sectors of the telecommunications and information technologies market: 2 mobile phone operators, 3 VSAT data transmission network operators, two GMPCS licences, a growing number of Internet service providers (1,361 in 2001 at the end of the project).

7. *Maroc Télécom* has been privatized. To date 51% of its capital has been bought by *Vivendi* for a total of 35.7 billion Dirhams. A further 14.9%, of a total value of 8.9 billion Dirhams was posted on the stock exchange (of which 70% was placed on the Casablanca stock exchange and 30% on that of Paris). Thus, the Government currently holds only 34% of the capital of *Maroc Télécom*. In the area of postal service, a strategic development plan was adopted and a postal bill is undergoing examination. The restructuring and implementation of a new strategy have helped the operator, *Barid Al Maghrib* (BAM), to improve the management performance of the enterprise. One of the measures of the ongoing reform programme has not yet been satisfied, namely the adoption by the Council of Government of the bill on data messages and certification of electronic signature. Assistance to the sector is satisfactory with an overall rating of 3.

8. At the end of this review, it has become evident that the Bank should continue to assist the Government in implementing its reforms in the telecommunications sector. As a result of the Bank's assistance, the Government's commitment and resourcefulness, legal measures have been put in place that have enabled the liberalization of the sector, enrichment of the institutional framework through the new or rehabilitated structures, capable of ensuring the sustainability of an administratively transparent, economically viable and financially profitable sector. The ongoing IISD will ensure the sustainability of these achievements. The Bank should ensure that the Government continues to abide by its commitments, and this, within the time limits defined for the disbursement of the second tranche.

9. The success of PT&ISAP, as attested by the exceptional growth of the cellular phone market, increased contribution of telecommunications to GDP growth and employment creation, as well as the high institutional credibility and the newly-acquired reputation of the ANRT, is a source of valuable lessons for other countries undertaking a reform of the telecommunications sector, as well as for the future operations of the Bank in the sector. These lessons are outlined below.

- (i) **Borrower Commitment:** The commitment of the Borrower is essential for the success of the opening up of telecommunications markets to competition. It was the indispensable measures taken by the Moroccan Government to meet the requirements of a successful competition such as the adoption of adequate legal framework and the establishment of an independent regulatory body that created investor confidence. Consequently, it is necessary for the Bank to secure the effective commitment of the borrower in the form of permanent dialogue and creation of an appropriate environment for attracting investments (Paragraph 5.1.2)
- (ii) **Importance of Competition:** The example of Morocco has demonstrated that the advent of a powerful competitor on the cellular phone market can be highly useful to initiate competition in the entire telecommunications sector. Even the threat of competition can generate dynamism and productivity for the dominant operator and prompt it to reduce its prices. This demonstrates the importance of competition in encouraging the reorganization of traditional operators, accelerating the reform of the sector, lowering tariffs, improving the quality of service and contributing to the expansion of universal service. Similarly, Morocco owes the high level of income from the granting of the GSM licence to transparent and fair competition (Paragraph 5.1.2).

- (iii) **Strong Regulatory Capacities:** The institutional capacity and independence of the regulatory organ are essential for the success of competitive bidding. The importance attached to open and transparent procedures in the granting of the second GSM licence was key to building the confidence of investors and the high cost of the licence fee (Paragraph 5.1.4).
- (iv) **Regional Synergies:** For the Bank, the programme also demonstrated that a successful liberalization in a given country can have a positive snowball effect on an entire region. The success chalked by Morocco in the award of the second GSM licence contributed to accelerating the privatization of *Maroc Télécom* as well as privatization and reform processes in other sectors. Furthermore, other countries such as Algeria and Mauritania have reformed their mobile telephony sector drawing on the example of ANRT (Paragraph 3.7.1).
- (v) **Integrated Information Development:** By treating the various reforms of the post, information technologies and telecommunication as elements of the same reform and the same development process, the programme adopted an integrated approach to the development of the communications sector. However, reform of the post and information technologies has been slow and less effective than that of the telecommunications thus highlighting the fact that the implementation of a convergent information infrastructure requires two conditions for success: i) greater political will, more resources and increased commitment in the areas of post and information technologies; and ii) pursuit of convergent policies for the three sectors (Paragraph 5.1.3))

## **10. Procedural Recommendations**

- (i) The Bank's evaluation operations should lead to the preparation of a CSP completion report to review the achievements in relation to the initial proposals (Paragraph 4.2.2); and
- (ii) Portfolio reviews should be carried out in a more regular manner, through harmonized country teamwork, including all the sectors (Paragraph 4.2.3).

## **11. Sectoral Development Recommendations**

- (i) The Bank should continue to provide its support to economic reforms in Morocco (paragraph 3.3.4), and as much as possible, through joint financing with the World Bank since the two institutions have a valuable capacity for dialogue to ensure the success of programmes to which they provide assistance (Paragraph 4.2.1);
- ii) With the IISD that has taken over from PT&ISAP in terms of the intensification of reforms of the sector in the country, the Bank should endeavour to share with other member countries, and this in coordination with the World Bank, the experience acquired in the area of reforms of the post, telecommunications and information technologies sector (Paragraph 3.7.1);
- (iii) The Government should pursue reforms of the sector in order to enhance its contribution to the economy and increase the competitiveness of Moroccan enterprises. To this end and for the ongoing IISD, it should maintain the same level of commitment as it did for the PT&ISAP, particularly regarding the reform of the post and ITs (Paragraph 5.1.3).

## **1. CONTEXT**

### **1.1. Aim of Study and Methodology**

1.1.1 The aim of the study is to evaluate the Bank Group's assistance in Morocco in the telecommunications sector as well as its impact on the country's development. This evaluation was conducted on the basis of the Bank's guidelines and at two levels namely: (i) the Bank's strategies within the framework of the CSP and; (ii) the outcomes and impacts of interventions and activities carried out. The evaluation covered the 1996-2004 period but also took into account the experience of previously completed projects. According to the OPEV guidelines, ex-post-evaluation criteria are as follows: (i) relevance and assessment of quality at the entry, (ii) achieving objectives and "efficacy" goals, (iii) efficiency, (iv) impact on institutional development, (v) sustainability, (vi) borrower performance, and (vii) Bank's performance.

1.1.2 This report was prepared following a Bank mission to Morocco in April 2005 aimed at: (i) collecting economic, financial, social and sectoral data as well as any relevant information on the outcomes of the Bank's strategies and assistance programmes; (ii) discussing with the authorities of the country concerned and project managers, the relevance, performance, efficacy, efficiency of the impact on the socioeconomic and institutional development as well as the sustainability of the Bank Group's assistance programmes; (iii) validating and complementing some preliminary observations on the outcomes of the Bank's assistance; and (iv) drawing conclusions, lessons and making appropriate recommendations to improve the Bank's future assistance strategies.

1.1.3 This report is organized as follows. The first chapter explains the macroeconomic and sectoral context. The second chapter assesses the relevance of the Bank's assistance in relation to both the Government's policy and the sectoral challenges facing it. Chapters three and four present a detailed evaluation of the Bank's operations (lending and non-lending). The performance of partners is assessed in chapter five. Lastly, chapter six provides an overall assessment of the Bank's assistance in the sector, followed by the last chapter that deals with lessons learnt from the experience in the implementation of projects during the 1996-2004 period and puts forward recommendations for the Bank's future assistance in the sector.

### **1.2. Socioeconomic Context of Country**

1.2.1 Following the beneficial effects of the economic and structural reform programmes pursued by the Government since the middle of the 1980s, Morocco has witnessed a decade of successful stabilization. These programmes that received the financial support of the Bank (SAP, FISAP I, FISAP II and PDEI) have helped restore internal and external financial balances, liberalize external trade, relax the foreign exchange regime, bring inflation under control and revitalize the financial sector. However, the economic climate of previous years had been marked by adverse results, notably due to the drought of 1993, 1995 and 1997. This had resulted in an average economic growth of 2.5% over the 1993-1997 period, barely higher than that of the population, estimated at 2.1% for the same period. The weak economic growth could not contribute to reducing unemployment and the sustained improvement of the living conditions of the people.

1.2.2 In order to address the dual economic and social challenge, the Government had set a number of priority objectives including: (i) achieving high, sustainable and income-generating economic growth, notably by improving the competitiveness of the economy and increased public and private investments; (ii) improving access by the population to basic social services and reducing poverty, with special emphasis on the rural areas and women's promotion; and (iii) maintaining macroeconomic and financial balances.

### 1.3. Main Sectoral Development Constraints of the Country

1.3.1 The legal and institutional framework of the post and telecommunications sector of Morocco stems mainly from Law 24-96 of 7 August 1997. This law is geared towards:

- Competition in all segments of the telecommunications market;
- Mandatory use of competitive bidding for the granting of licences to operators;
- Transformation of the public telecommunications operator into a limited liability company and legal measures for the total privatization of the operator;
- Separation of operation function from that of regulation;
- Creation of a regulatory body with financial and organizational autonomy;
- Use of market mechanisms to satisfy public service obligations;
- Legal entity and financial autonomy for the public postal establishment;
- Opening up of accelerated international courier service for competition.

1.3.2 The telecommunications sector has been governed since 1997 by Law 24-96 on post and telecommunications presented as follows:

- (i) The National Telecommunications Regulatory Agency (ANRT), attached to the Prime Minister's office, is a public establishment with the status of a financially autonomous legal entity responsible for regulatory issues governing telecommunications activity in Morocco.
- (ii) Itissalat Al Maghrib (IAM) or *Maroc Télécom*, a limited liability company whose capital will be opened for private investment is derived from the telecommunications branch of the National Post and Telecommunications Agency (ONPT). The law confers on IAM, the mission of providing universal service, establishing and/or operating one or several public telecommunications networks.
- (iii) Barid Al Maghrib (BAM) attached to the Secretariat of State in charge of Post and Information Technologies, is a public establishment with the status of a financially autonomous legal entity whose mission is to provide postal and financial services on behalf of the Government.
- (iv) The Secretariat of State in charge of Post and Information Technologies, (SEPTI) attached to the Prime Minister's Office, is responsible for defining and monitoring the implementation of the sector policy.

1.3.3 This law was amended and complemented in November 2004 by Law 55-01. The new law embodies several significant improvements aimed at encouraging investments, streamlining the use of existing infrastructure and building the regulatory capacity of the sector. This law has introduced the following innovations: (i) extension of the definition of universal service to include the provision of value added services such as the Internet service; (ii) possibility for legal entities governed by public law and private law to lease its facilities to operators; (iii) mandatory sharing of existing infrastructure; (iv) management of the dial-up plan; (v) allocation of 1% of the turnover of operators, net of interconnection charges, to training, research and standardization, and (vi) strengthening of ANRT as a regulator by extending its powers relating to fair competition in the sector.

1.3.4 The challenges of the sector are: (i) providing economic actors modern and reliable means of telecommunications for the development of businesses, enhancing their competitiveness, promoting the economic and social integration of the country, and opening up the rural areas, (ii) the liberalization of the provision of telecommunications services in transparent and competitive conditions, and by improving the contribution of the sector to the country's economic growth and the



balance of external accounts through the setting up of a liberal type of legislative, regulatory and institutional framework, capable of intensifying competition between operators, and (iii) providing greater access to services of the sector through reduced communication costs for users and greater availability of services.

#### **1.4. Country's Sectoral Development Strategy**

##### ***Government's Policy in the Telecommunications Sector***

1.4.1 Aware of the key role of telecommunications in the country's economic and social development and faced with the high demand by the private sector for telephone lines, the Government embarked on the restructuring of the sector and a vast modernization and development programme for the telecommunications network. In 1984, it created the ONPT and undertook the implementation of a vast investment programme for the 1993–1997 period. This programme was a follow-up to the first 1988–1992 programme. In order to translate its economic and social development programme into concrete actions, the Government had requested the Bank's assistance and that of the World Bank to support a multisectoral reform programme for economic recovery and improvement of the social deficit. This programme was in line with the Government's general policy statement, presented before the National Assembly in April 1998. The identification mission for this programme, jointly undertaken with the World Bank in May 1998, gave rise to an operation named "Economic and Social Reform Programme" (ESRP) covering the following domains: macroeconomic policy; public sector management reform; modernization of the justice sector; private and financial sector development; and social development.

##### ***Government's Strategy in the Telecommunications Sector***

1.4.2 Aware that the telecommunications sector constitutes a key sector and a driving force of the country's growth, the Government set as its objectives the improvement of competitiveness and promotion of the development of a competitive and dynamic sector. The Government strategy therefore aims at: (i) fostering the development of telecommunications infrastructures required for new multi-media applications; (ii) generalizing access to telecommunications services by all sections of the population throughout the entire country; (iii) increasing the telecommunications market; (iv) promoting competition in all sections of the telecommunications market; (v) revising the regulatory framework of telecommunications to enable the use of alternative infrastructure and strengthening the conditions of competition; and (vi) bolstering Morocco as the regional platform of telecommunications.

1.4.3 As part of the public sector reform and private sector development, in view of the progress made in reforming the telecommunications sector, it became necessary to separate this sector from the others in order to support and step up the reform and adapt the sector to the global environment. Thus, the Moroccan Authorities and the two banks opted for the formulation of a specific programme for the post, telecommunications and technologies information sector (PT&ISAP), with telecommunications remaining the main component of the programme. It was expected that the implementation of the PT&ISAP would contribute to strengthening the fundamentals of the Moroccan economy (competitiveness and growth). The PT&ISAP was also considered to be a valued area of application of the ESRP reforms, notably the public sector management and private sector development components. The programme was also expected to facilitate the upgrading of the country's economy, a necessary step for its future association with the European Union.

## **2. EVALUATION OF BANK ASSISTANCE STRATEGY**

### **2.1. Bank's Sector Policy and its Strategies in the Kingdom of Morocco between 1996 and 2004**

2.1.1 Pursuant to its strategy, since 1990, aimed at providing direct support to private enterprises to facilitate the privatization of public enterprises in the telecommunications sector, the Bank supported the opening up of the post and telecommunications sector to competition as well as the setting up of a clearer and more transparent legal framework for an improved regulation of the sector. This strategy is consistent with that of the Government geared towards the development of a competitive and dynamic telecommunications sector that would enable the country to meet the global challenges of competitiveness and upgrading of the 21<sup>st</sup> century. To this end, 3 operations were approved amounting to UA 173.6 million, net of cancellations, representing 7% of the Bank's total net commitments in Morocco. Out of these three operations, two have been completed (the telecommunications development project and the PT&ISAP) whereas the programme of support for the development of the information infrastructure sector (IISD) whose loan was approved in 2001 has not yet been completed.

### **2.2. Relevance and Consistency of Bank Assistance Strategies**

2.2.1 The ADB assistance strategy designed to meet the country's challenges in: (i) providing economic actors, modern and reliable means of telecommunications in order to facilitate the development of businesses, enhance their competitiveness, foster the country's economic and social integration, and open up rural areas through the financing of the first project in the sector, namely the telecommunications development project, (ii) ensuring the liberalization of telecommunications services in a transparent and competitive manner by improving the contribution of the sector to the country's economic growth and the balance of external accounts with the setting up of a liberal type of legislative, regulatory and institutional framework, capable of ensuring the intensification of competition between operators, through the financing of the postal sector adjustment programme, and (iii) ensuring greater access to services of the sector through a reduction of communications costs for users and greater availability of services with the financing of the programme of support to the information infrastructure sector. The contribution of the ADB to the sector therefore began with the upgrading of infrastructure (through the telecommunications development project), followed by major sectoral reforms, to liberalize the sector and optimize telecommunications costs (through the 2 programmes (PT&ISAP and IISD)).

## **3. EVALUATION OF OUTCOMES: LENDING OPERATIONS**

### **3.1. Lending Operations: Composition and Status of Portfolio**

3.1.1 Since 1990, the Bank has been participating in the development of the sector through the financing of three projects, namely: the Telecommunications Development Project, approved in 1993 in the amount of UA 13.6 million net of cancellations and closed in 1998, the Postal Sector Adjustment Programme (PT&ISAP) amounting to UA 80 million, approved in 1998 and closed in 1999, and the Information Infrastructure Sector Support Programme (IISD) amounting to UA 80 million, approved in 2001 and closed in June 2005. The first project was co-financed by several donors: the European Investment Bank, the World Bank, and the Islamic Investment Bank. The 2 other projects ((PT&ISAP and IISD) were jointly financed with the World Bank only. The table in Annex 3 provides a summary of the current status of the portfolio.

### **3.2. Relevance and Quality at Entry**

3.2.1 The relevance of the projects is deemed to be satisfactory as already mentioned in view of the fact that the projects address the country's challenges and its sector goals objectives. The instruments adopted, namely (i) project loans for investment projects and (ii) budgetary support for the support of institutional and sectoral reform programmes are appropriate. The quality at entry is deemed to be satisfactory. The first project, namely the telecommunications development project has suffered a 15-month slippage, not due to poor preparation but to a problem relating to the evaluation of bids and

technical difficulties in access to rural areas. The adjustment programme was so well prepared that it was completed 2 years earlier than the estimated closing date. The quality at entry of the ongoing project, namely Support to Information Infrastructure Sector, is less satisfactory than that of the completed projects. The project was prepared and launched hastily, even before the previous project was completed and due lessons drawn from it. Preparation of the support programme required better estimation of the time needed to fulfil the effectiveness conditions, the current cause of the delay in completion, and to ensure that the human capacities covering all the subsectors exist in the country. This programme was large in scale, covering the telecommunications, post and information technologies subsectors. The latter subsector does not have the institutional capacity required for the implementation of the project within the timeframe set. The Government was unprepared to implement the reforms within the timeframe. Although the bill on electronic signature was prepared a few years ago, it has still not been signed, which is predictable in view of all the guarantees, precaution and coordination efforts required. The Government's efforts were concentrated more on the privatization of *Maroc Télécom*, one of the components of the project, which was adequately implemented but the execution of the other components has been slow in relation to the projections made at the project preparation.

### **3.3. Efficacy of Operations**

3.3.1 The completed projects of the telecommunications sector have achieved or even exceeded their targets, as in the case of the PT&ISAP which was completed in a record time of two years ahead of the estimated closure date. The following paragraphs describe the outcomes of the operations.

3.3.2 Changes in the national and international context of the telecommunications sector during the implementation of the telecommunications development project resulted in quantitatively greater outputs than initially planned for the project. The project target indicators were largely exceeded. These changes related to technological development, tax reforms in Morocco, total transformation of the legal and institutional framework of the sector with the creation of three new legal entities: the *Société Anonyme de Télécommunications* (IAM), the *Agence Nationale de Réglementation* (ANRT) and the *Office National de Poste*, thus separating the activities of the Post from those of Telecommunications (BAM). The increase in the number of lines in 1997 was 730,000 far outstripped the estimated 332,000. About 1,590 rural localities were opened up compared to the projected 706. The project targeted 3,700 supplementary telephone booths; but in fact this rose from 2,225 to 26,500, 21,900 of which were installed and operated by private operators thus creating over 12,000 jobs. The project also helped increase the number of mobile subscribers from 3,200 to 78,000 by the end of the project in 1997. In 2004, land line subscribers totalled 1.3 million and mobile telephony 10 million, corresponding to a 35% rate of penetration in 2004 compared to 6% in 1997. The average waiting period for satisfying subscription applications has decreased significantly from 18.2 months at the appraisal to 1.8 months at the end of the project, although the target of 5 months had been set at the appraisal. The number of outstanding applications has also improved considerably, reducing from 135,000 at the appraisal to 35,000 in 1997, representing an 80% decrease, thereby resulting in an improvement in demand satisfaction which rose from 74.1% in 1993 to 97.5% at the end of 1997. The quality of service indicators has also improved through the enhancement and modernization of the facilities. The rate of fault reporting, which was 108% in 1992 fell to 42% in 1997 and that of fault tracing was 86.3% within 48 hours and 96.2% within 3 days compared to 60% and 92% respectively at the appraisal.

Traffic flow has improved the overall commercial efficacy is 55% and technical efficacy 97%, compared to 46% and 86% respectively in 1992. The difference between the two types of efficacy largely stems from users, with wrong dialling, busy status and non responses from subscribers dialled. The productivity index, which is the ratio between the number of workers per 1000 lines has improved. It decreased from 17.5 in 1992 to 10.03 in 1997, as a result of the considerable efforts made in the area of equipment, limitation of recruitments and continuing training of the staff. Indeed, apart

from the highly significant increase in the capacity of switching centres and local networks, the number of staff grew only slightly from 11,484 in 1992 to 14,200 in 1997.

3.3.3 The first structural adjustment programme (PT&ISAP) has achieved and even exceeded its targets in record time, two years ahead of the estimated closing date of the project. The institutional framework of the telecommunications sector has been characterized by the emergence of new private operators in the various sectors of the telecommunications and information technologies market: 2 mobile phone operators, 3 VSAT data transmission network operators, two GMPCS licences, a growing number of Internet service providers (1,361 in 2001 at the end of the project).

The results of the PT&ISAP in terms of the implementation of the sector reforms are at several levels. From the perspective of measures aimed at creating a competitive environment, Law 24-96 on competition in all the sectors of the telecommunications market was promulgated with several implementing decrees governing the interconnection of the networks of the various operators and specifying the modalities of services supplied. As already mentioned, this law was amended and complemented in 2004 by Law 55-01 strengthening the regulation of the sector. With regard to the legal and regulatory framework, a National Regulatory Agency of the Telecommunications sector (ANRT) was created and several rules of procedure for settling disputes or litigations relating to interconnection were adopted and published. Furthermore, Morocco has adhered to the Regulatory Appendix of the WTO Agreement on basic telecommunications services. With regard to the universal service coverage, the PT&ISAP has enabled the promulgation of a decree on the contribution of all public network telecommunications operators to the costs of public service obligations. With regard to the strengthening of the competitiveness of postal services, the promulgation of Law 24-96 has enabled the transformation of the public postal service into a public establishment with the status of a financially autonomous legal entity. To this may be added, the opening of the accelerated international courier service to competition. In the area of new information technologies, the PSAPT&I has served as a framework for formulating an action plan to manage computer problems relating to the turn of the millennium (Y2K) and a national strategy as well as an action plan were formulated to lay the bases for electronic commerce (*e-commerce*), modernizing the administration and promoting the use of information technologies within businesses.

3.3.4 In terms of operational spin-offs, the PT&ISAP has helped achieve significant results: **(a)** the second GSM licence was granted at the price of US\$ 1.1 billion, thus increasing the country fiscal revenue in 1999 by 13%; with US\$ 40 per capita, the price of the licence exceeds by over 50% those obtained in similar countries (Egypt, Turkey and Hungary) or even in some more advanced countries (Italy, Spain, Belgium and Netherlands); **(b)** the liberalization of value added services helped increase Internet service providers from 20 to 400 and reduced the prices of this service (in comparison in Côte d'Ivoire, only 3 Internet service providers are on the market). *MediTélécom*, a new mobile GSM phone operator, has been operational since April 2000. The company has already made physical investments to the tune of US\$ 120 million (and US\$ 235 million at end 2000) and created 320 direct jobs and 2,000 indirect jobs. This network has been in service since end March 2000 and the number of its subscribers reached 120,000 at end April 2000. Three VSAT licences for data transmission (US\$ 10 million) and two GMPCS licences were granted. With the opening up to competition, the operator, IAM, has embarked on a campaign aimed at reducing its prices; thus from 1998 to 1999, the per-minute communication fell from 2.6 to MAD 1.6 (-38.46%) for trunk calls, MAD 7.3 to MAD 6.3 (-13.7%) for international calls and MAD 3.2 to MAD 2.0 (-37.5%) for mobile telephony.

3.3.5 The achievements of the IISD have to date been partial. *Maroc Télécom* has been privatized. Thirty-five percent (35%) of its capital was bought by *Vivendi* in 2004 for 23.3 billion Dirhams (which was a loan effectiveness condition). A further 14.9%, valued at 8.9 billion Dirhams was introduced on the stock exchange (of which 70% on the Casablanca stock exchange and 30% on the Paris stock exchange). The transfer price of the 14% of *Maroc Télécom* enabled the Government to finalize discussions at the beginning of 2005 with the *Vivendi* Group to which it transferred 16% of

*Maroc Télécom* capital valued at 12.4 billion Dirhams in addition to the 35% already held by the Group. Thus, the Government currently holds only 34% of the capital of *Maroc Télécom*.

In the area of postal service, a strategic development plan was adopted and a postal bill is undergoing examination. The restructuring and implementation of a new strategy have helped the operator, *Barid Al Maghrib* (BAM), to improve the management performance of the enterprise. The study on the financial services of the Post, which was financed by the AFESD has entered its final phase. The option chosen was the creation of a financing subsidiary of *Barid El Maghrib* that would be in charge of the management of the amounts collected by BAM now standing at MAD 16 billion. The study on the service has just been completed. BAM will put in place cost accounting that will help provide accurate data on the cost of the universal service. The sale of new licences occurred early 2005 and the opening of the bids is scheduled for end May 2005. Virtually all the measures of the programme are satisfactory. The last measure which is not yet satisfactory involves the adoption by the Government Council of the bill on data messages and certification of electronic signature; the non-inclusion in the purpose of this law of protection of privacy accounts for the delay in the finalization of the bill.

### **3.4. Efficiency of Operations**

3.4.1 The economic performance of the project is deemed to be satisfactory as explained in the following, for each project.

3.4.2 The total cost of the telecommunications development project was UA 743.56 million, although it had been estimated in 1993 at UA 504.56 million. However, it is worth noting that this cost overrun was not due to an increase in the initial cost of the project but rather to the fact that more sizeable investments were made with a lesser average per-line unit cost than at the appraisal. The rate of return of the ONPT was significantly higher than the initial estimate as a result of the gains on the equipment contracts resulting from international competitive bids, reduction in customs taxes in 1996 and increase in the capacities of the switching centres. Thus, despite the decrease in tariffs during the period, the operating accounts show a steady increase in the turnover of the Company over the 1993-1997 period. The internal rate of return of the project rose from 19.6% at the appraisal to 23.6% on completion of the project.

3.4.3 Regarding the structural adjustment projects namely PT&ISAP and the IISD, the notion of efficiency will be developed in terms of duration and costs. The PT&ISAP was implemented in an exceptionally short duration, and was completed two years ahead of the projected closing date. As explained in paragraph 6.1.2, revenues from the sector rose from 2.04% of the GDP to 3.7% from 1998 to 2000, which is an indicator of the efficiency of these projects.

### **3.5. Impact on Institutional Development**

3.5.1 Since the first infrastructure development project was an infrastructure project, it was the post and telecommunications and information technologies sector adjustment programme that had a substantial impact on the institutional development of the sector, backed by the programme of support to the development of information infrastructure currently nearing completion. Indeed, following the legal measures that led to the liberalization process, the institutional framework of the sector was enriched by new or reformed structures capable of ensuring the sustainability of an administratively transparent, economically viable and financially profitable sector.

3.5.2 The telecommunications regulatory body is the most important of these structures insofar as the success of the award of the second GSM licence and the liberalization of the market depended on the capacity of the regulator to fulfil its mission. The capacity of the ANRT to regulate a complex sector and its autonomy in ensuring fair competition were strengthened, resulting in the emergence of

a competition-friendly institutional environment. Sufficient power was also conferred on the ANRT for the sector. Thus, it was responsible for awarding the second GSM licence. Its autonomy was strengthened following a revision of its financing mechanism that now enables it to cover its operating costs through contributions from holders of operating licences, thus reducing the risk of interference by Government in its operation and decisions. The impact of these measures was to enable the ANRT to formulate rules on frequency allocation and management as well as the rapid settlement of interconnection disputes. The award of GSM, VSAT and GMPCS licences has given rise to fair and transparent competition. The management of these awards was a useful exercise for ANRT in terms of the pending liberalization that the Government will undertake in the various segments of the sector. The ANRT posts its decisions on its website.

3.5.3 Other performing structures have strengthened the institutional framework of the sector. This is the case of: i) *Maroc Télécom*, the privatized traditional operator that underwent modernization under pressure from competition and played a major role in the reduction of tariffs, improvements in access by disadvantaged communities and remote areas, and increase in the contribution of the sector to the national economy; ii) *MédiTélécom*, the new GSM operator that significantly contributed to a reduction in tariffs and increased telephone coverage of the national territory; iii) BAM, the new postal operator stemming from the reform. Although the BAM is still under public control, it adopted a liberalization strategy and modernization measures that it had already initiated, enhanced its image in the eyes of the users; and iv) 1369 Internet service providers identified on 31-12-2001 who are factors of institutional development and play a key role in the capacity of the sector to optimize the input by Information Technologies to the country's economy.

These institutional impacts were strengthened during the ongoing implementation of the programme of support to the development of information infrastructure, which is in fact the logical follow up to the PT&ISAP.

### **3.6. Sustainability of Operations**

3.6.1 The sustainability of operations in the telecommunications sector is likely as explained in the following.

3.6.2 Following the telecommunications development project, the public telecommunications operator, namely, *Ittissalat El Maghrib* (IAM) now has all the human, material and financial resources for its viability. Indeed, the new organization stemming from the restructuring exercise has even strengthened and consolidated the decentralized operating and maintenance system by attaching the Regional Directorates to the CEO, in order to enhance their effectiveness. The Maintenance Centre identified at the appraisal to bolster the maintenance structures was implemented. The entire staff intended to ensure the operation and maintenance tasks has been trained and hence there is a sufficient number of workers to carry out the adequate maintenance of the installations. The Directorate of Equipment, in charge of studies and implementation of projects and the Directorate of Operations and Maintenance were also restructured with a view to rendering them more efficient in line with the new needs of the network. Currently, there is no risk of shortage of spare parts, since the suppliers have been satisfactorily fulfilling their contractual obligations embodied in the various supply contracts. Furthermore, the resources generated since the end of the project have increased regularly as a result of the notable increase in the number of main lines. The average turnover per main telephone line is MAD 5530, for a per-line operating cost of MAD 3742. The opening up of the capital of IAM to the private sector during the structural adjustment programme has strengthened its efficacy and sustainability.

3.6.3 The sustainability of the post, telecommunications and information technologies sector adjustment programme is highly probable in view of the fact that the programme has had a significant institutional impact. It has generated a high capacity for the regulatory body, resulting in the opening of the GSM, VSAT and GMPCS markets to competition. The regulatory body has managed to be

autonomous vis-à-vis the political authority through autonomous financing, it has competent staff, transparent procedures and a solid interconnection regime. The privatization of the IAM has also been completed. These achievements, which seem irreversible, will guarantee the sustainability of the liberalized environment of the sector.

3.6.4 With regard to universal service, it is highly likely that the requirements imposed by the ANRT as conditions stipulated in the licences as well as the commitments made by *Maroc Télécom* and *MédiTélécom* will lead to a significant development of telecommunications in the rural areas. The sustainability of the reforms initiated by the programme will also find support in the fact that, following the PT&ISAP, the Bank and the World Bank have co-financed a second operation called the “Information Infrastructure Sector Development Support Programme” (IISD). The latter has two major objectives directly linked to the sustainability and widening of the outcomes of the PT&ISAP. The first objective aims to support the Government’s strategy to intensify the liberalization of the market, increase private sector participation, extend telecommunications services to all segments of the population and strengthen the legal framework of the sector. The second objective consists in assisting the Government in the implementation of its action plan for the Information Technologies (IT) sector and the formulation and execution of new reforms in the postal sector. In the IT sector, new reforms will target a greater use of ITs in the economy and promotion of the development of IT-related economic activities. The reforms of the postal sector will focus on the adoption of a national strategy and a legal framework covering both the postal services and the financial services provided through the postal network. These reforms also aim at providing financial, communication and information services to poor and isolated communities through the postal network.

### **3.7. Crosscutting Issues**

#### **Regional Integration and Private Sector Participation**

3.7.1 In the current portfolio, one project has had a significant impact on regional integration and private sector participation. This was the “programme of support to the development of information infrastructure sector” that has created liberalization conditions and a wider opening up for competition of international information links. Moreover, the better quality of services at lower tariffs has enabled an increase in regional and international telephone traffic. This programme has also demonstrated that a successful liberalization in a given region can have a positive impact in the entire region. The success chalked up by Morocco for the award of the second GSM licence has contributed to accelerating the privatization of *Maroc Télécom* as well as privatization and reform processes in other sectors. Furthermore, other countries such as Algeria and Mauritania have reformed their mobile sector drawing inspiration from the example of ANRT.

#### **Governance**

3.7.2 The granting of a second GSM License as well as the privatization of *Maroc Télécom* occurred in an exemplary atmosphere of transparency and competitiveness and is a testimony to the good governance prevailing in the Kingdom of Morocco and which will serve as examples to countries in the region. The case of Morocco was cited as an example of “Best Practice” in World Bank’s publications (cf. “Introducing Telecommunications Competition Through a Wireless Licence: Lessons From Morocco”, Note #199 of November 1999 - World Bank Group Viewpoint Note).

#### **Gender, Environment and Poverty**

3.7.3 These aspects have not had the desired impacts in view of the peculiar nature of the telecommunications projects, consisting in the upgrading of telephone line supply and liberalization of reforms.

## **4. EVALUATION OF NON-LENDING ASSISTANCE**

### **4.1. Economic and Sectoral Studies**

4.1.1 No sectoral study has been financed by the Bank since the latter uses those produced by the World Bank and the Government. For both the post and the information and communication technologies, studies were carried out to lay the bases for future intensification and consolidation activities. For the post sector, the reform prepared BAM for greater effectiveness in its management. The Secretariat of State in charge of Post, Telecommunications and Information Technologies (SEPTI) implemented the expected information infrastructure strategy of the programme, notably aimed at developing electronic commerce, modernizing the administration (on-line Administration), developing the IT sector, and promoting the use of information technologies in its enterprises. The preparatory work carried out in the post and ITs, is currently being implemented in the Information Infrastructure Sector Development Support Programme (IISD) that followed the PASP&I.

The World Bank financed 2 sectoral studies: one on the fiscal impact of a second GSM operator and rural communication and the other on the technical and regulatory aspects of the use of alternative networks (railway or energy).

### **4.2. Policy Dialogue**

4.2.1 As indicated in paragraph 1.3.5, the Government associated the Bank and the World Bank with all the phases leading to the telecommunications sector reforms. The latter were designed and implemented through a continuous policy dialogue between the Bank, the World Bank and the Government. The two associated financial institutions have a valuable dialogue capacity to ensure the success of programmes in which they were involved.

4.2.2 The CSPs were formulated on the basis of a collaborative process involving donors, the Government, local elected officials and/or communities, private sector actors, the civil society and researchers, and this, during seminars giving rise to the opening of a dialogue on the country's priorities. Hitherto, there has never been a completion report on the CSPs. It would be desirable to carry this out since it will help assess the achievement in relation to the projections made in the CSPs.

4.2.3 The portfolio reviews have helped stabilize the portfolio and also identify the shortcomings of the executing agencies in procurement procedures. Training seminars were organized on these issues. However, there is the need to harmonize the country team work, covering all the sectors, in order that the portfolio review exercise be conducted as team work and supported by a country team mission. These reviews should be carried out regularly. The last review dates from 2002.

### **4.3 Aid Coordination, Co-financing and Mobilization of Resources**

4.3.1 The active project portfolio has three projects co-financed with the World Bank. With regard to policy-based operations jointly financed with the World Bank, the cooperation has enabled the strengthening of the Bank's role in the monitoring of the reforms, since the Bank had systematically opted for conditionalities spread over two tranches (instead of a single tranche for the World Bank). The conditions used for the second tranche of the loan financed by the Bank were designed to complement those identified by the World Bank for a single tranche.

4.3.2 Coordination of assistance with the World Bank improved significantly since the signing in March 2000 of the MOU between the Bank and the World Bank aimed at establishing a strategic partnership between the two institutions. In this regard, Morocco is classified among category I countries for which the highest level of cooperation is expected. This collaboration took place during the design of the projects as well as their supervision. Thus, for the three telecommunications projects,



collaboration took the form of joint missions throughout the design cycle of the projects and programmes including loan negotiations that were conducted in a parallel manner. This collaboration helped strengthen the complementarity of the loan conditions of the two institutions. The table below provides a summary of the co-financed projects:

Source/Project	Infrastructure Development Project (UA million)	PT&ISAP	IISD
<b>ADB</b>	13.6	80 (UA million)	80 (UA million)
<b>IBRD</b>	64.59	100 (US\$ million)	100 (US\$ million)
<b>EIB</b>	60.17		
<b>IBD</b>	8.9		
<b>BILA and EXT</b>	136.87		
<b>Local Banks</b>	53.74		
<b>ONPT</b>	405.56		
<b>Total</b>	<b>743.56 (UA million)</b>	<b>147.56 (UA million)</b>	<b>147.56 (UA million)</b>

## 5. PERFORMANCE OF PARTNERS

### 5.1. Borrower and Executing Agencies

#### *Borrower*

5.1.1 The Borrower fully implemented the first project, namely infrastructure development, in a satisfactory manner. Particularly at the technical level, its experience and the quality of its staff contributed significantly. The objectives assigned were achieved to a large extent. However, the general conditions of the loan agreements were not adequately fulfilled, namely the regular submission of quarterly reports on the status of the project and the audit reports on the ADB separate accounts. This partially affected the performance of the Borrower.

5.1.2 The performance of the Borrower improved significantly for the subsequent project (PT&ISAP). The performance of the Borrower during the preparation of the structural adjustment programme was highly satisfactory. Indeed, in view of the importance of the sector goals of the programme, the Borrower showed resourcefulness and commitment. Prior to the implementation of the programme, the Government had already undertaken various legal and institutional reforms, (particularly the adoption of Law 24-96), and had achieved a certain level of development of institutional capacity in the sector. The Government fulfilled the effectiveness and disbursement conditions satisfactorily for the two loan tranches of the programme. The implementation of the programme began on schedule. The invitation for bids for the GSM licence was concluded in June 1999 and the licence was awarded in August 1999. The conditions for the granting of the second GSM licence even exceeded the expectations. All the other measures of the programme were fully executed. Awarding of VSAT licences was slightly delayed due to the fact that the acceleration of the privatization of IAM focused the attention of policy makers and monopolized the technical resources of the ANRT. The ANRT conducted the competitive bidding with a 3-month delay in relation to the initial schedule. A delay of 6 months occurred between the approval of the ANRT decision and the promulgation of the ratification decree. However, during that time, the selected operators were authorized to start the setting up of their networks and provide their services. During the entire implementation of the programme, there was no risk of the privatization of IAM or the capacity of ANRT to fulfil its functions being challenged.

5.1.3 The performance of the Government was lower for the IISD since, as indicated, the text of the law concerning electronic signature has still not been approved and the project is scheduled to be closed by 30 June 2005 even if this condition is not fulfilled. However, the Government focused its efforts on one of the components, namely the privatization of *Maroc Télécom* which was fully

implemented. The Government continues to demonstrate its commitment in all the other components of the programme, but the results achieved suffered considerable delay and continue to do so.

### ***Executing Agencies***

5.1.4 The ANRT was the main executing agency of the award of the GSM licence. Thus, as mentioned, the ANRT turned out to be a powerful, capable and independent regulatory body and its performance was key to ensuring the success of the competitive bid and in supporting the reforms. The performance of the ANRT was outstanding.

5.1.5 BAM, which is the structure responsible for the running of postal activities, was the main executing agency for the postal reform. BAM has undergone internal reforms and improved its performance.

5.1.6 The Secretariat of State in charge of Post, Telecommunications and Information Technologies (SEPTI) was the main executing agency for the information technologies. Although the SEPTI formulated a strategy for information technologies, progress has been slow. The lack of the budgetary resources at the Ministry as well as the fact that the Government has not given the necessary priority to issues related to information technologies may account for this delay.

## **5.2. The Bank**

5.2.1 The Bank's performance varied according to project. From the appraisal of the Telecommunications Development Project, August 1993, to the end of its implementation in April 1998, the Bank's assistance was marked by diligence in its correspondence, it encouraged the visit by national experts in charge of project management to the Bank headquarters in order to familiarize themselves with rules and procedures governing loans. However, only a single supervision mission was conducted in March 1998, at the end of the project, which is inadequate. Furthermore, regarding quarterly monitoring and audit reports, the Bank should have been more forceful in requesting their regular submission. The performance of the Bank is consequently only partially satisfactory in this domain. This inadequate presence of the Bank on the ground did not enable it to monitor the development of the sector in the country and its consequences on the formulation of the project.

5.2.2 This performance significantly improved for subsequent projects and structural adjustment and support programmes for the sector. From the identification through preparation and appraisal up to approval of the programme by the Board of Directors, the Bank maintained dialogue with the Moroccan Government. The Bank undertook a supervision mission and coordinated its activities with the World Bank. Requests for disbursement were rapidly processed. Thus, the overall performance of the Bank was satisfactory in view of the timeliness and efficacy of its action and dialogue with the Borrower, dialogue which served as a source of motivation for the latter's commitment.

## **5.3. Other Donors and Co-financiers**

5.3.1 The performance of the World Bank is deemed to be satisfactory as supported in the completion reports of all the projects co-financed. This assessment was confirmed during the evaluation mission subsequent to discussions with the donors concerned. The Bank draws on sectoral studies carried out by the World Bank. During each project cycle, the Bank collaborated with the World Bank through its joint missions (identification, preparation, appraisal and supervision) and exchange of documentation and information. As a result of its permanent dialogue with the Bank and the Borrower, the performance of the co-financier was highly satisfactory.

Coordination with donors other than the World Bank only concerned the telecommunications development project and was insignificant.

## **6. OVERALL ASSESSMENT**

### **6.1. Counterfactual Analysis**

6.1.1 The Bank's contribution in the sector is substantial and can be measured by the effects of the projects on the sector which would not have taken place had the Bank not financed the projects. The merits of the outcomes of the performance of the sector are owed to the Bank and the World Bank, which are the only institutions to have financed the sector, and this, on a joint basis. Through these projects, the Bank contributed to institutional development as described above and to the following improvements outlined below.

6.1.2 The granting of the GSM licence and VSAT and GMPCS licences had a favourable impact on the sector. The significant reduction in the tariffs of telecommunications services translated, in one year, into access to telephony by over one million supplementary subscribers, representing a 66% increase. The number of GSM subscribers rose from 149,000 in June 1999 to 1.4 million in June 2000, representing a 840% growth in a single year. This growth was sustained during the second half of 2000 and the first half of 2001, with an increase to a total of 3 million subscribers and 10 million subscribers in 2004. This result is remarkable if one considers that the land line network operated for over 20 years by the traditional operator, in a situation of monopoly, has 1.55 million subscribers. Telecommunications revenues rose from 2.04% of the GDP to 3.7% of the GDP in two years (1999-2000). In 2002, following the high penetration of mobile telephony in rural areas, the rate of coverage of the national territory by mobile phones exceeded 95%. This level of coverage was expected for only 2004. This increase in access in rural areas, due to the opening up of the market to competition, significantly reduced the urgency for universal service access policy.

### **6.2. Overall Assessment of Bank's Assistance in the Sector**

6.2.1 The Bank's operations in the sector are deemed to be satisfactory, particularly with regard to the 2 completed projects. The Bank's assistance is consistent and relevant since the choice of projects meets the challenges of the country and its sector goals. Lending operations were based on sectoral studies financed by the World Bank and the Government. The quality at entry is deemed to be satisfactory in general even if it varies according to projects, as indicated in the following paragraphs. The technical performance of executing agencies is highly satisfactory. As explained in the counterfactual analysis, the Bank's contribution to the sector is significant and its impacts are substantial.

6.2.2 The assistance enabled the full transformation of the legal and institutional framework of the sector with the creation of three new legal entities: *Société Anonyme de Télécommunications* (IAM), *Agence Nationale de Réglementation* (ANRT) and *Office National de Poste*, thus separating the activities of the Post from those of Telecommunications (BAM). This institutional framework of the telecommunications sector has been characterized by the emergence of new private operators in the various sections of the telecommunications and information technologies market: 2 cellular network operators, 3 VSAT data transmission network operators, two GMPCS licences, an increasing number of Internet service providers (1,361 in 2001 at the end of the project).

6.2.3 At the end of this review, it has become evident that the Bank should continue to assist the Government in implementing its reforms in the telecommunications sector. As a result of the Bank's assistance, the Government's commitment and resourcefulness, legal measures have been put in place that have enabled the liberalization of the sector, enrichment of the institutional framework through the new or rehabilitated structures, capable of ensuring the sustainability of an administratively transparent, economically viable and financially profitable sector. The ongoing IISD will ensure the sustainability of these achievements. The Bank should ensure that the Government continues to abide by its commitments, and this, within the time limits defined for the disbursement of the second tranche. The IISD is being implemented slowly. The disbursement date of the Bank has been extended

twice to enable the Government to fulfil the final conditions for the disbursement of the second tranche of the loan. Consequently, the Bank should continue with its support to the Government in order that it can maintain the same level of commitment for the three subsectors concerned (communications, post and information technologies) and develop the institutional capacity of the information technologies subsector.

6.2.4 The indicators of the sector reflecting the fruits of the ADB assistance are as follows. The turnover of the sector was 1.95 billion Euros in 2004 (□773 million in 1999), representing DH 19 billion, or 4.5% of the national GDP. The land telephony service claimed 1.3 million subscribers in 2004 and a turnover of DH 11.2 billion in 2004, representing 52.4% of the total turnover, *Maroc Télécom*. Currently, mobile telephony has 10 million subscribers. Internet subscribers were estimated in 2004 at 100,000 of which 61,000 were ADSL subscribers. With a current penetration of 35.6 (5.22 in 1997) lines per 100 inhabitants, Morocco is among the leading countries in Africa, and above the average of North African countries (5). In terms of competition with European Union countries, much effort is still required if this density is compared with that of some European Mediterranean countries, such as Spain (41.81%), Portugal (42.39%) and Italy (46.21%). The post has 1,498 contact points in the country, including remote and rural areas. It also provides postal cheque financial services (CCP) and operates a National Savings Bank (CEN), with 530,000 CCP accounts and over 1 million savings accounts, thus reaching small investors with no access to any other banking service.

## **7. LESSONS AND RECOMMENDATIONS**

### **7.1 Lessons**

7.1.1 The success of PT&ISAP, as attested by the exceptional growth of the cellular phone market, increased contribution of telecommunications to GDP growth and employment creation, as well as the high institutional credibility and the newly-acquired reputation of the ANRT, is a source of valuable lessons for other countries undertaking a reform of the telecommunications sector, as well as for the future operations of the Bank in the sector. These lessons are outlined below.

7.1.2 **Borrower Commitment:** The commitment of the Borrower is essential for the success of the opening up of telecommunications markets to competition. It was the indispensable measures taken by the Moroccan Government to meet the requirements of a successful competition such as the adoption of adequate legal framework and the establishment of an independent regulatory body that fashioned investor confidence. Consequently, it is necessary for the Bank to secure the effective commitment of the borrower in the form of permanent dialogue and creation of an appropriate environment for attracting investments (Paragraph 5.1.2).

7.1.3 **Importance of Competition:** The example of Morocco has demonstrated that the advent of a powerful competitor on the cellular phone market can be highly useful to initiate competition in the entire telecommunications sector. Even the threat of competition can generate dynamism and productivity for the dominant operator and prompt it to reduce its prices. This demonstrates the importance of competition in encouraging the reorganization of traditional operators, accelerating the reform of the sector, lowering tariffs, improving the quality of service and contributing to the expansion of universal service. Similarly, Morocco owes the high level of income from the granting of the GSM licence to transparent and fair competition (Paragraph 5.1.2).

7.1.4 **Strong Regulatory Capacities:** The institutional capacity and independence of the regulatory organ are essential for the success of competitive bidding. The importance attached to open and transparent procedures in the granting of the second GSM licence was key to building the confidence of investors and the high cost of the licence fee (Paragraph 5.1.4).

7.1.5 **Regional Synergies:** For the Bank, the programme also demonstrated that a successful liberalization in a given country could have a positive snowball effect on an entire region. The success chalked by Morocco in the award of the second GSM licence contributed to accelerating the

privatization of *Maroc Télécom* as well as privatization and reform processes in other sectors. Furthermore, other countries such as Algeria and Mauritania have reformed their mobile telephony sector drawing on the example of ANRT (Paragraph 3.7.1).

7.1.6 **Integrated Information Development:** By treating the various reforms of the post, information technologies and telecommunication as elements of the same reform and the same development process, the programme adopted an integrated approach to the development of the communications sector. However, reform of the post and information technologies has been slow and less effective than that of the telecommunications thus highlighting the fact that the implementation of a convergent information infrastructure requires two conditions for success: i) greater political will, more resources and increased commitment in the areas of post and information technologies; ii) pursuit of convergent policies for the three sectors (Paragraph 5.1.3).

## **7.2 Procedural Recommendations**

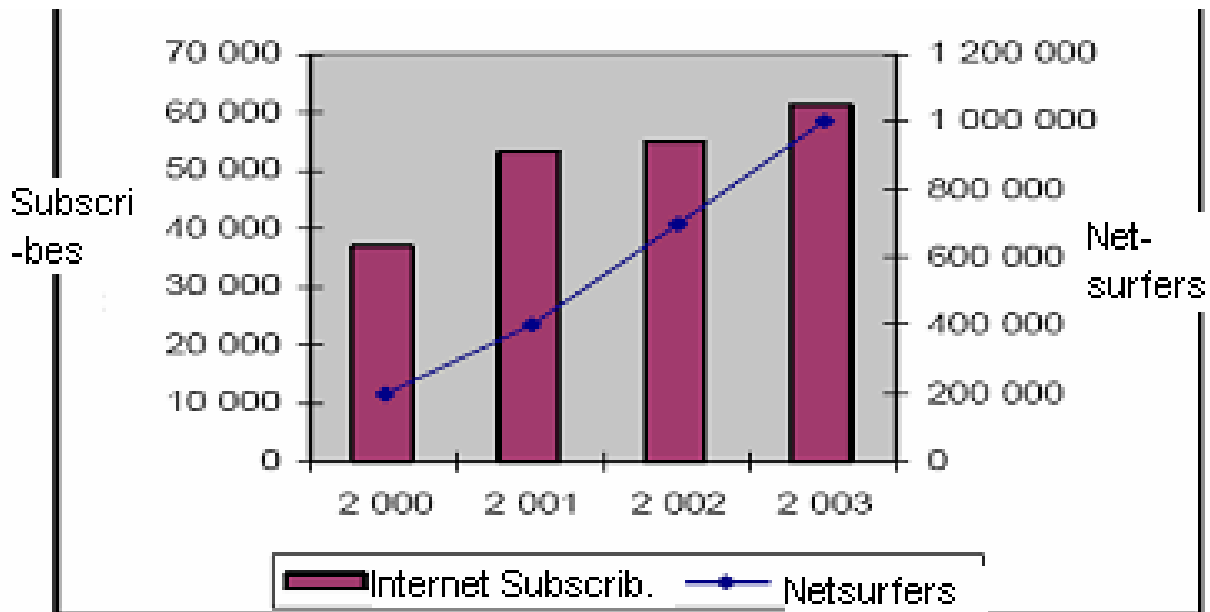
- (i) The Bank's evaluation operations should lead to the preparation of a CSP completion report to review the achievements in relation to the initial proposals (Paragraph 4.2.2); and
- (ii) Portfolio reviews should be carried out in a more regular manner, through harmonized country teamwork, including all the sectors (Paragraph 4.2.3).

## **7.3 Sectoral Development Recommendations**

- (i) The Bank should continue to provide its support to economic reforms in Morocco (paragraph 3.3.4), and as much as possible, through joint financing with the World Bank since the two institutions have a valuable capacity for dialogue to ensure the success of programmes to which they provide assistance (Paragraph 4.2.1);
- (ii) With the DSII that has taken over from PASPT&I in terms of the intensification of reforms of the sector in the country, the Bank should endeavour to share with other member countries, and this in coordination with the World Bank, the experience acquired in the area of reforms of the post, telecommunications and information technologies sector (Paragraph 3.7.1);
- (iii) The Government should pursue reforms of the sector in order to enhance its contribution to the economy and increase the competitiveness of Moroccan enterprises. To this end and for the ongoing DSII, it should maintain the same level of commitment as it did for the PASPT&I, particularly regarding the reform of the post and ITs (Paragraph 5.1.3).

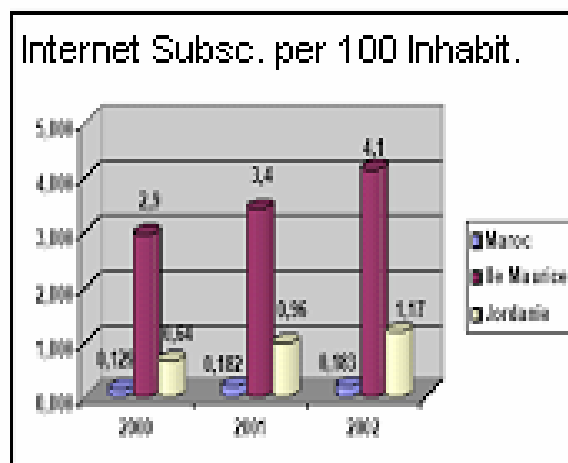
## BASIC SECTORAL INDICATORS 1996-2004

**Table 1.1**  
**Trend of Main Internet Indicators**

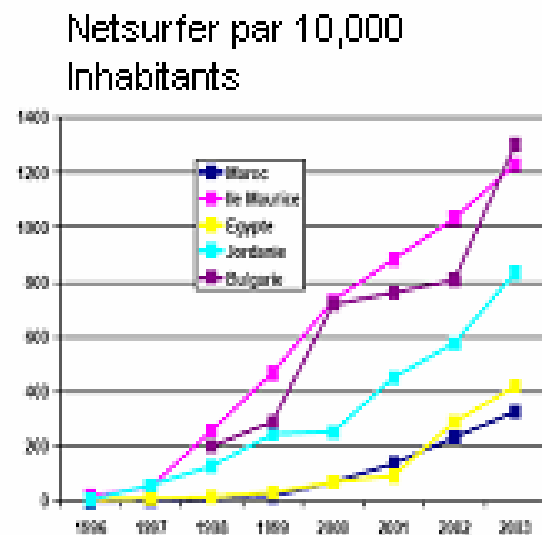


Source : ANRT

Source of Charts: ANRT, Study of Internet Market of Morocco, December 2004



Source SITICOM



Source SITICOM

## RATING BY PROJECT AND SUMMARY BY SECTOR ACCORDING TO EVALUATION CRITERIA

### EVALUATION RATING

Key:

- |                           |       |
|---------------------------|-------|
| 4 : Highly Satisfactory   | (HS)  |
| 3 : Satisfactory          | (S)   |
| 2 : Unsatisfactory        | (US)  |
| 1 : Highly Unsatisfactory | (HUS) |

**Table 2.1**  
**Evaluation of Bank Assistance Strategy**

Evaluation Criteria	Rating	Remarks
Bank Assistance Strategy	3	Satisfactory performance
Relevance of country strategy	3.5	Since 1997, the Bank has actively participated in institutional reform support. The Bank's priorities for the liberalization of the sector are in line with those of the country.
Efficacy of strategy	2.5	As a result of the lack of sectoral studies, the Bank has drawn on those of co-financiers. The close collaboration with the World Bank has mitigated this inadequacy. However, the Bank does not develop autonomous analysis capacity.

**Table 2.2**  
**Telecommunications Development Project**

Evaluation Criteria	Rating	Remarks
Relevance and Quality at Entry	3	Project is in accordance with the challenges of upgrading of the sector through an increase in telephone line supply. Technical difficulties of access to rural areas unforeseen at preparation
Efficacy/ Achievement of objectives	3	Satisfactory performance and greater outputs than planned: institutional framework, number of land line and mobile subscribers countrywide including the rural areas (Para 3.3.2)
Efficiency	3	Average unit cost at implementation lower than that of appraisal. IRR of 23.6% instead of 19.6% at appraisal.
Impact on Institutional Development	3	Enriched institutional framework of 3 new or reformed structures: ANRT, BAM and IAM
Sustainability	3	The staff has been trained following the restructuring. No shortages as suppliers comply with contractual obligations
Cross-cutting Issues	3	Extension of network to rural regions
Borrower Performance	3	Status and audit reports not submitted regularly. Satisfactory technical execution
Bank Performance	3	Resourcefulness and commitment. Only a single supervision mission was noted
Overall Assessment	3	Satisfactory overall performance

**Table 2.3**  
**Telecommunications Sector Structural Adjustment Programme (PT&ISAP)**

Relevance and quality at entry into force	3	Project in line with the challenges of the upgrading and liberalization of the sector under transparent conditions. Good preparation
Efficacy/ Achievement of objectives	4	Highly satisfactory performance and outputs greater than planned: strengthening of institutional framework, granting of a 2 <sup>nd</sup> licence, new internet service providers
Efficiency	3	Shorter than planned implementation time
Impact on Institutional Development	3	Emergence of a competition-friendly institutional environment due to ANRT
Sustainability	3	High institutional impact guaranteeing sustainability: strong regulatory capacity, financial autonomy of ANRT and therefore from the political power and transparent procedures.
Cross-cutting Issues	3	
Borrower Performance	4	Entry into force and implementation of project 2 years ahead
Bank Performance	4	Resourcefulness and commitment.
Overall Assessment	3.5	Highly satisfactory overall performance

**Table 2.4**  
**Information Infrastructure Sector Development Support Programme (IISD)**

Relevance and quality at entry into force	2	Poor estimation of time required by conditions of entry into force. Project covering 3 sub-sectors not fully prepared for such an ambitious project
Efficacy/ Achievement of objectives	3	<i>Marco Telecom</i> privatized. Postal bill undergoing review. Study on universal postal service nearing completion.
Efficiency	3	Continuation of PT&ISAP
Impact on Institutional Development	3.5	Consolidation of achievements of PT&ISAP
Sustainability	3	Continuation of PT&ISAP
Cross-cutting Issues	3	
Borrower Performance	2.5	Partial and slow performance. 2 <sup>nd</sup> tranche not disbursed. Delay in approval of bill on e-signature
Bank Performance	3	Regular and joint missions with World Bank
Overall Assessment	3	Satisfactory performance based on likelihood of adequate completion of project

**Table 2.5**  
**Summary of Assessment of Lending Operations**

Evaluation Criteria	Rating
Relevance and quality at entry into force	3
Achievement of objectives and outcomes Efficacy	3
Efficiency	3
Impact on institutional development	4
Sustainability	3
Cross-cutting issues	3
Borrower performance	3
Bank performance	3
Overall Assessment	3

Overall Rating by sector= 3 (average of overall rating by project)



**TABLE OF BANK GROUP OPERATIONS IN THE SECTOR**

**Table 3.1  
Table of Operations**

Name of Project	Type	Date of Approval	Date of Signature	Date of Effectiveness	Date of Completion	Currency	Initial Amount	Final Amount	% Disbursed	Status
TELECOMMUNICATIONS DEVELOPMENT PROJECT	PL	12/14/93	06/06/94	11/27/95	04/30/98	UA	42,750,000	13,591,758	100	Completed
PT&ISAP	SA	12/09/98	05/10/99	05/31/99	12/31/02	UA	80,000,000	80,000,000	100	Completed
IISD	SL	04/04/01	10/04/01	06/06/02	06/30/05	UA	80,000,000	80,000,000	50	Ongoing

IISD : Information Infrastructure Sector Development

PT&ISAP : Post, Telecommunications and Information Technologies Adjustment Programme

## SUMMARY OF PERFORMANCES AND OUTCOMES OF OPERATIONS IN THE SECTOR

Key:

4 : Highly Satisfactory	(HS)
3 : Satisfactory	(S)
2 : Unsatisfactory	(US)
1 : Highly Unsatisfactory	(HUS)

Evaluation of aid in the form of lending operations

**Table 4.1**  
**Summary of Lending Operations (by project)**

Projects	Rating	Remarks
Telecommunications Development	3	Satisfactory Performance
PT&ISAP	3	Satisfactory in terms of time and implementation
IISD	3	Uncompleted
Overall Rating	3	

**Table 4.2**  
**Evaluation of aid in the form of non-lending operations**

Evaluation Criteria	Rating	Remarks
Contribution to formulation of sectoral policies	3	Formulation of reforms based on ESRP from which the PT&ISAP and the IISD ensued was carried out with the collaboration of the Bank
Country strategy papers	3	The CSPs clearly identified the challenges of upgrading and liberalizing the sector in a context of transparency and competitiveness
Portfolio reviews	2.5	Irregular. No portfolio review since 2002
Coordination of aid with donors	4	Coordination with the World Bank was exemplary: consultations and joint missions
Overall Rating	3	

Overall Assessment: (average of 2 ratings) = 3

**Table 4.3**  
**Degree of Achievement of sector goals**

Sector development goal	Expected Outcome	Actual Outcome
Infrastructure Development and opening up of rural area	332000 telephone lines 706 rural localities opened up	730000 telephone lines 1590 rural localities opened up
Liberalization of the sector in a context of transparent competition	- new regulatory and institutional framework	ANRT created <i>Maroc Télécom</i> privatized Introduction of 2 mobile operators, 3 VSAT operators, 2 GMPCS licenses and 1361 internet service providers
Minimization of communication costs and participation of sector in national economy	Reduction of costs of calls (not quantified at appraisal) Sector revenues representing 2.04% of GDP	Reduction of cost of trunk calls by 38%, international calls by 13.7%, mobile telephony by 37.5% Sector revenues currently represent 4.5% of GDP

## MATRIX OF RECOMMENDATIONS AND FOLLOW UP ACTIONS

**Table 5.1**  
**Matrix of Recommendations**

PRINCIPAL OBSERVATIONS	RECOMMENDATIONS	PROPOSED FOLLOW UP MEASURES	RESPONSIBLE BODY
1. Country assistance strategy. The main recommendations to the Bank are as follows: (i) better design of its assistance strategy based on in-depth sectoral studies to guide its dialogue on policies and programmes, portfolio of projects and value added in aid coordination; (ii) revision of project cycle, based on lessons from experience.	A sectoral study is necessary to assess the status of progress in each sub-sector. Estimation of project duration must be based on previous experiences.	Plan studies and their validation process and identify resources needed.	OPEV/Operational Departments.
2. Aid coordination. Collaboration with World Bank has been fruitful	As much as possible, the Bank must continue to support economic reforms in Morocco, through joint financing with the World Bank because together, the two institutions have a capacity for valuable success of programmes to which they provide assistance (Para 4.2.1);	Continue the dialogue with the World Bank	Operational Departments/ World Bank
3. Successful liberalization in a given country can have a positive impact on the entire region	With the IISD, which was a follow up to the PT&ISAP in terms of widening the reform of the sector, the Bank has acquired sound experience in the reform of the post, telecommunications and information technologies sector that it needs to share with other member countries, in coordination with the World Bank	Extend this type of experience to the region	Operational Departments/ World Bank
4. Delayed disbursement of the 2 <sup>nd</sup> tranche of the IISD	The Government should pursue the reforms of the sector in order to enhance the contribution to the economy and the competitiveness of Moroccan businesses. To this end, it needs to maintain the same level of commitment for the ongoing IISD as it did for the PT&ISAP, particularly for the reform of the post and ITs	Approve the bill on electronic signature	Government/ SEPTI