



1. Project Data :
OEDID: L3557
Project ID: P005438
Project Name: Telecommunications Sector
Country: Morocco
Sector: Telecommunications & Informatics
L/C Number: Loan 3557-MOR
Partners involved : AfDB, EIB
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2. Project Objectives, Financing, Costs and Components :

The Telecommunications Sector Restructuring Project, supported by a loan of US\$ 100 million equivalent, was approved in FY1993 and closed on schedule in FY 1998. A total of US\$38.8 million was cancelled. The appraisal estimate of costs of program costs was US\$2,097 million compared with actual costs of US\$1,300 million. Most of the cost savings resulted from a sharp drop in world prices for telecommunications equipment and shrewd exploitation of the competitive market by the telecommunication entity (ONPT). The objectives of the project were: (i) to improve Government's institutional capabilities and prepare the groundwork for sector liberalization, and (ii) expand the domestic telecommunication network. Project components included: (i) technical assistance, computer and other equipment for sector restructuring and institutional strengthening, and (ii) equipment and civil works for network expansion.

3. Achievement of Relevant Objectives :

Most project objectives were achieved in a timely fashion. After an initial delay with restructuring of the sector, sector objectives were more than met by the end of the project. The economic and financial rates of return, while very healthy for a public utility, were lower than estimated at appraisal. However, the lower rates were mostly due to a restructuring of tariffs resulting in a significant reduction of average tariffs, in line with Bank recommendations, and did not endanger sector finances. The high level of taxation on telecommunications was also reduced during project implementation.

4. Significant Achievements :

Sector restructuring : the Law on Posts and Telecommunications, approved in mid-1997, not only incorporated all the restructuring objectives of the project but also went even further by opening up ownership of the telecommunications operator to the private sector. Two operators - one for telecommunications and the other for postal and financial services - have been established in addition to a national regulatory telecommunications agency. The Law was passed after about 15 years of Bank dialogue with Government about sectoral reforms and Bank involvement at all stages of the reform process.

Network objectives : most project objectives were met and even exceeded during project implementation. Telephone exchange capacity and number of main working lines nearly doubled and the number of subscribers more than doubled from 1992-97, quality of service and staff productivity improved, and automated telephone services were provided to nearly 90% of rural communities (100% will be served by the end of 1998).

5. Significant Shortcomings :

While Government arrears to the telecommunication authority were cleared in 1993, as agreed with the Bank, Government arrears have increased once more to seventeen months of annual billings since 1995. This issue should be settled when the assets and liabilities of the telecommunications entity of ONPT are transferred to the new corporate telecommunications operator.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments

Outcome :	Highly Satisfactory	Highly Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

The success of the Bank dialogue with Government on reform of the sector over the last 15 years has been supported by the recent improvements in the macroeconomic situation in Morocco and general moves towards more privatization and the rapidly evolving world-wide move toward more privatization of telecommunications, especially in the EU countries. The nearly 40% lower than estimated costs demonstrates the inherent difficulties of estimating costs in a fast-growing technical sector.

8. Audit Recommended? ☒ Yes ☐ No

Why? To review the role of the Bank in the reform of the sector and link to overall macroeconomic structural adjustment and privatization program.

9. Comments on Quality of ICR :

The ICR was very good with the exception of not including comments from the cofinanciers and including more discussion of the risks of the reform process over the next few years.