

JBIC Signs an ODA Loan Agreement with the Kingdom of Morocco

--JBIC Extends ODA Loan to Reduce Regional Disparities by Road Development--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today (16:30 hours JST) an ODA loan agreement totaling 12,764 million yen for the Mediterranean Road Construction Project in the Kingdom of Morocco at its head office in Tokyo.
2. The proceeds of the loan will be used to finance civil works, consulting services and other services to upgrade and increase the width of a 100-km segment of the existing 133-km road as well as construct a 20-kilometer new road to improve curvatures and reduce curves in the current route that connects Tetouan and Jebha. This is one of the eight sections of "the Mediterranean Road Construction Plan" that aims to construct and improve a 550-km road along the Mediterranean coast in the northern part of the country.
3. Road transportation plays an important role in Morocco where some 70% of cargo shipments and the majority of passenger transportation rely on roads. Thus automobile ownership doubled in the 1990s. The proportion of paved roads on the national and state routes, the country's major arteries, was about 80% in 2000, which was attributable to the government's vigorous effort to upgrade the nation's roads since independence. In contrast, roads and farm lanes in rural areas remain in a sorry state. If road closures due to seasonal factors such as heavy rain and snowfall are taken into account, villages with no access to roads account for 50% of the total. In particular, the difficult terrain that characterizes the region along the Mediterranean coast in the northern part of Morocco, which is sandwiched between jagged shorelines and steep mountains, has hindered the development of the transportation network and is also responsible for considerable delays in social and economic development.
It was against this background that the Moroccan parliament approved "the Economic and Social Development Plan (2000-2004)" in August 2000 which placed priority on "reducing regional disparities by rural development." Providing better access to social services, in particular, for rural populations as well as rural development and reduction in regional disparities are urgent challenges for the government.
4. The project will not just improve the road conditions between Tetouan and Jebha. Combined with the work on other sections of the road that is simultaneously underway with financing from domestic and other overseas sources, it will help build a major artery that traverses the northern part of Morocco. This will serve to invigorate the local economy, reduce regional disparities between urban and rural areas and improve living conditions for people in the region by providing greater access to social services.

While JBIC conducted an appraisal in December 2000 for this project, it was not subject to the Ex-Ante Project Evaluation Report. (Ex-Ante Project Evaluation Reports on projects for which appraisals were conducted after April 1, 2001 are made available to the public.)

(See Appendix for details.)

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Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today (16:30 hours JST) an ODA loan agreement totaling 12,764 million yen for "the Mediterranean Road Construction Project" in the Kingdom of Morocco at JBIC's head office in Tokyo.

The signing will take place between H.E. Mr. Mohamed TANGI, Ambassador Extraordinary and Plenipotentiary of the Kingdom of Morocco to Japan, on behalf of the Government of Morocco, and Governor Shinozawa on behalf of JBIC.

1. Loan Amount and Terms

Project Name	Loan Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
Mediterranean Road Construction Project	12,764	2.2	0.75*	30/10	40/10	General Untied	Bilateral Tied

* Rate for Special Environmental Projects

2. Political and Economic Conditions in the Kingdom of Morocco

(1) Political Situation

Since King Mohamed VI acceded to the throne after the demise of King Hassan II in July 1999 that ended a 38-year long reign, he has promoted moderate domestic and foreign policies. The present left-of-center Youssoufi government, which was formed in February 1998, has been administering the country with a focus on a social improvement policy, and the country is enjoying political stability.

(2) Economic Conditions

Morocco experienced difficulties in debt repayment as a result of rapid expansion in fiscal expenditures and mounting external debt since the 1970s. From the second half of the 1980s, it undertook structural adjustment, which improved the macroeconomic balance.

However, since agriculture makes up a large proportion of GDP (more than 10%), the economy is easily affected by weather, with large fluctuations in growth rates (-2.2% in FY1997; 6.8% in FY1998; -0.7% in FY1999; and 0.8% in FY2000). The manufacturing industry accounts for a little less than 20% of GDP, of which textiles has a relatively large share. Proximity to Europe and abundant tourist attractions have made tourism one of the important industries, accounting for 9% of GDP. With improved infrastructure such as hotels and roads, revenues from tourism have been increasing.

The balance of payments has a basic structure where external debt service is offset by tourism revenues and remittances from overseas workers. Trade deficits have been on the rise due to growing imports which resulted from diversified industry and economic growth. The current account deficit increased by 1.7% of GDP in 2000, as exports of phosphate rock decreased.

The Moroccan government has been steadily repaying its external debt since the rescheduling in the Paris Club in 1992. In recent years, a conservative external borrowing policy and debt-equity swaps have led to reduction in external debt. The outstanding external debt relative to GDP declined from 68.0% at the end of fiscal 1995 to 48.3% at the end of fiscal 2000. The debt-service ratio thus fell from 33.4% to 20.8% during this period.

3. Mediterranean Road Construction Project

(1) Background and Necessity of the Project

Road transportation plays an important role in Morocco, where some 70% of cargo shipments and the majority of passenger transportation rely on roads. In recent years, domestic traffic volume has grown at an annual average of 7%. The proportion of paved roads on the national and state routes, the country's major arteries, was about 80% in 2000, which was attributable to the government's vigorous effort to upgrade roads since independence. In contrast, roads and farm lanes in the rural areas remain in a sorry state. In fact, more than 20% of villages have no access to roads, and if road closures due to seasonal factors such as heavy rain and snowfall are taken into account, more than 50% of the total villages lack road access. In particular, the difficult terrain along the Mediterranean coast in the northern part of Morocco, which is sandwiched between jagged shorelines and steep mountains, has hindered the development of the transportation network. Currently, the eastern shoreline of Jebha does not have road access and is isolated. In addition, Chefchaouen, where this project will be undertaken, is lagging way behind in social and economic development and is designated the target area of the poverty reduction program by the Moroccan government.

It was against this background that the Moroccan parliament approved in August 2000 "the Economic and Social Development Plan (2000-2004)" which prioritized "reducing regional disparities by rural development." Providing better access to social services, in particular, for rural populations as well as rural development and reduction in regional disparities are urgent challenges for the government.

(2) Objective and Brief Description of the Project

This project aims to develop a 120-km stretch of road between Tetouan and Jebha by upgrading and increasing the width of a 100-km segment of the existing road as well as by constructing a 20-kilometer new road to improve the curvature and reduce curves in the current 133-km route. This is one of the eight sections of "the Mediterranean Road Construction Plan" that aims to improve the existing 300-km road and construct a new 250-km road along the coast of the Mediterranean in the northern part of the country. The project will not just improve the road conditions between Tetouan and Jebha. Combined with the work on other sections of the road that is simultaneously underway with financing from domestic and other overseas sources, it will help build a major artery that traverses the northern part of Morocco. This will serve to invigorate the local economy, reduce regional disparities between urban and rural areas and improve living conditions for people in the region by providing greater access to social services.

This project is in conformity with the priority areas of JBIC's economic assistance to Morocco—"rural development to reduce disparities between urban and rural areas"—as described in the Medium-Term Strategy for Overseas Economic Cooperation Operations.

The executing agency is the Direction des Routes et de la Circulation Routitiere (DRCR).

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