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**Report No. P-7159-MOR**

MEMORANDUM AND RECOMMENDATION  
OF THE  
PRESIDENT OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED PARTIAL RISK GUARANTEE  
OF UP TO DM 313 MILLION  
OF A SYNDICATED COMMERCIAL BANK LOAN  
TO JORF LASFAR ENERGY COMPANY  
FOR THE JORF LASFAR POWER PROJECT  
IN THE KINGDOM OF MOROCCO

JULY 11, 1997

Infrastructure Development Group  
Middle East and North Africa Region

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## CURRENCY EQUIVALENTS

(As of June 1997)

US\$ 1.00	=	DH 9.10
DH 1.00	=	US\$ 0.11
US\$ 1.00	=	DM 1.70
DM 1.00	=	US\$ 0.59

## UNITS AND MEASURES

kV	kilo-volt	=	1,000 volts
KW	kilowatt	=	1,000 watts
MW	mega-watt	=	1,000 kilowatts
kWh	kilowatt-hour	=	1,000 watt-hour
GWh	gigawatt-hour	=	1 million kWh

## ABBREVIATIONS AND ACRONYMS

ABB	=	ABB Energy Ventures AG
ABN AMRO	=	ABN AMRO Bank NV
bp	=	basis points
BTO	=	Build, Transfer and Operate
CMS	=	CMS Generation Company
EA	=	Environmental Assessment
ERG	=	Geschäftsstelle für die Exportrisikogarantie
FIBOR	=	Frankfurt Interbank Offered Rate
GOM	=	Government of Morocco
IPP	=	Independent Power Producer
JLEC	=	Jorf Lasfar Energy Company
LIBOR	=	London Interbank Offered Rate
ODEP	=	Office d'Exploitation des Ports
ONE	=	Office National de l'Electricité
OPIC	=	Overseas Private Investment Corporation
PPA	=	Power Purchase Agreement
SACE	=	Sezione Speciale per L'Assicurazione del Credito all'Esportazione
TPA	=	Transfer of Possession Agreement
TPF	=	Transfer of Possession Fee
US EXIM	=	Export - Import Bank of the United States

## FISCAL YEAR

January 1 - December 31

**Vice President:** Kemal Derviş  
**Acting Director:** Amur Al-Khafaji (MNSID)  
**Staff:**  
Jorge A. Larneu, Task Manager (MNSID)  
Mauro Chiesa, Project Finance Specialist (CCFD2)  
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Pierre Vieillescazes, Senior Financial Officer (CAPPF)  
Claudia Pardinias, Counsel (LEGMN)  
Bernard Baratz, Principal Environmental Specialistist (ECSER)

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**Map**

IBRD Map No. 28748

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## MOROCCO

### JORF LASFAR POWER PROJECT

#### SUMMARY OF WORLD BANK-GUARANTEED FACILITY

<b><u>Borrower and Implementing Agency:</u></b>	Jorf Lasfar Energy Company - JLEC
<b><u>Guarantor:</u></b>	International Bank for Reconstruction and Development
<b><u>Facility Amount:</u></b>	DM 313 million (approximately US\$ 184 million), which is the maximum guaranteed amount
<b><u>Term:</u></b>	Approximately fifteen years final maturity (approximately 3 years construction plus 12 years amortization)
<b><u>Guarantee Fee:</u></b>	A standby fee of 25 basis points shall accrue from the date of signature of the Guarantee Agreement, calculated on the maximum guaranteed amount which has been committed but undisbursed. A guarantee fee of 100 basis points shall accrue from the date of first disbursement, calculated on disbursed and outstanding amounts under the World Bank-Guaranteed Facility. The Bank will rebate to GOM any amount of the guarantee fee in excess of 25 basis points so long as GOM and ONE are not in default under the agreements.
<b><u>Objectives:</u></b>	The project includes the expansion of the power generating capacity of Morocco which will be developed by an Independent Power Producer at competitive prices while substantially improving the reliability of power supply in the country. The Bank's proposed partial risk guarantee is part of a multi-agency guaranteed support program for limited-recourse project finance. The Bank's guarantee has been the catalyst for securing lenders' financing and other agency guarantees.

<b><u>Financing Plan:</u></b>	<b><u>US\$ Thousand Equivalent</u></b>
- Sponsors Equity	383,179
- Surplus Operating Cash Flow	230,408
- Debt	
SACE Guaranteed Loan (DM 381 million)	223,816
US EXIM Bank Guaranteed Loan	246,353
IBRD Guaranteed Loan ( DM 313 million)	184,000
ERG Guaranteed Loan (DM 68 million)	39,916
OPIC Loan	200,000
<b>Total</b>	<b>1,507,672</b>
<b><u>Economic Rate of Return:</u></b>	Not applicable for the project. About 14% for ONE investment program, valuing benefits at current electricity tariff levels.
<b><u>Environmental Rating:</u></b>	“A”
<b><u>Poverty Category:</u></b>	Not applicable
<b><u>Map No.:</u></b>	IBRD 28748
<b><u>Project Identification No.:</u></b>	45615

MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE EXECUTIVE DIRECTORS  
ON A PROPOSED PARTIAL RISK GUARANTEE OF UP TO DM 313 MILLION  
OF A SYNDICATED COMMERCIAL BANK LOAN TO THE  
JORF LASFAR ENERGY COMPANY FOR THE JORF LASFAR POWER PROJECT  
IN THE KINGDOM OF MOROCCO

1. I submit for your approval the following memorandum and recommendation on a proposed partial risk guarantee for a maximum guaranteed amount of DM 313 million (approximately US\$ 184 million) in support of the Jorf Lasfar power project. The proposed guarantee is part of a multi-agency guaranteed support program for limited recourse project financing of approximately US\$ 894 million, including the Export-Import Bank of the United States (US EXIM), Overseas Private Investment Corporation of the United States (OPIC), Sezione Speciale per l'Assicurazione del Credito all'Esportazione of Italy (SACE), and Geschäftsstelle für die Exportrisikogarantie of Switzerland (ERG )
2. The Bank and the participating agencies have collaborated very closely in the preparation and assessment of the proposed project. To avoid duplication in the use of resources, the Bank has used the conclusions of the due diligence carried out by specialized advisors retained by US EXIM, OPIC and the lead arranger bank, ABN AMRO. Both United States agencies and the lead arranger bank have extensive experience in project financing. As a result, the Bank has focused its project appraisal on the issues related to the proposed guarantee and on the mitigation of the associated risks.

**Sector Background**

3. The Government of Morocco (GOM) has embarked on a program to reform the energy sector and to promote private investments in its infrastructure. In the petroleum sub-sector, the distribution companies were privatized during 1994 and 1995. The majority of the shares of the two national refineries, Soci t  Marocaine de l'Industrie du Raffinage (SAMIR) and Soci t  Ch rifiennne des P troles (SCP), were sold to private investors during 1997.
4. In the power sub-sector, GOM has taken important steps to secure private investors to operate the sector's generating and distribution facilities. In 1994 the electricity law was amended to permit the operation of Independent Power Producers (IPP's) in order to alleviate major power curtailments experienced during 1993 and 1994 as a result of rapid growth in the demand for power, tardy construction of new capacity, and low availability of existing capacity. Competitive bidding was launched in March 1994 for the lease of the existing units at the Jorf Lasfar power plant (2x330 MW) and for the construction, transfer, and operation (BTO) of its expansion (2x330 MW). Sole bidder status was awarded to the consortium ABB/CMS in February 1995.
5. The above actions are being complemented by the reform of the sector's regulatory framework and practices. The Bank has provided financial assistance for the use of specialized

consultants to prepare documentation and advise the GOM on the contracting of IPP's, the enactment of the Electricity Code, the establishment of a Regulating Agency, and the reorganization of the Office National de l'Electricité (ONE). The implementation of the actions associated with the IPP's and the reorganization of ONE are well advanced, while the Code and Agency are still in preparation.

### **Project Description**

6. The project is located along the coast near the port of Jorf Lasfar, 100 km. south of Casablanca. The existing power plant consists of 2x330 MW coal-fired/steam-based turbo-generators (units 1 and 2), which were commissioned, respectively, in June 1994 and March 1995. The project provides for expansion of the power plant through the addition of two 330 MW turbo-generators (units 3 and 4) of similar characteristics as the existing generators, to be developed by Jorf Lasfar Energy Company (JLEC). The build-transfer-operate (BTO) arrangement will be executed as follows: (i) ONE will grant a lease to JLEC to operate units 1 and 2 for a period of 30 years through a Transfer of Possession Agreement (TPA), under which a Transfer of Possession Fee (TPF) will be paid; and (ii) JLEC will construct units 3 and 4 on the basis of a fixed price contract with firm commissioning dates and performance specifications and then transfer ownership of these units to ONE in exchange for the right to operate (lease) these units for a period conterminous with the lease for units 1 and 2. The power generated at Jorf Lasfar by JLEC will be sold in its entirety to ONE in accordance with a long-term Power Purchase Agreement (PPA). At the end of 30 years, the operating rights will revert to ONE. The servicing by JLEC of the debt, which finances units 3 and 4, will serve in lieu of a Transfer of Possession Fee (TPF) for units 3 and 4.

### **Project Sponsors**

7. The Sponsors are ABB Energy Ventures AG (Switzerland) and CMS Generation Co. (USA), acting through their wholly-owned subsidiaries. A special purpose company, JLEC, has been established by the Sponsors under the laws of Morocco. Each Sponsor will indirectly own 50% of the shares of JLEC (each of which will retain general and limited liability interests in their respective 50% share).

### **Project Contracts**

8. The project documents include a set of contractual agreements that define the rights and obligations of the different participants in the project. The package does not include any power plant assets, since ownership of these assets by Moroccan law must remain within ONE. The package includes the following main agreements:

- *Power Purchase Agreement (PPA)* between ONE and JLEC for the supply and purchase of electricity. It covers the obligations of the parties, payments for electricity, operational procedures, calculation of capacity and energy charges, force majeure, defaults, disputes,

the termination amount, and assignment. It was initialed by ONE and JLEC on April 25, 1996. Final execution will be at financial closure.

- *Transfer of Possession Agreement (TPA)* between ONE and JLEC for the transfer of units 1 and 2, and the granting of rights to occupy the site and operate the facilities for a period of 30 years. It stipulates the amount of remuneration to be paid by JLEC to ONE, as well as obligations of the parties and procedures to be followed in case of default, disputes, and termination. It was initialed by ONE and JLEC on April 25, 1996. Final execution will be at financial closure.

- *Construction and Procurement Agreement (CPA)* between JLEC and ONE for the engineering, supply, construction, and commissioning of units 3 and 4. It specifies the contractual obligations of JLEC to procure and commission these units within 33 and 39 months, respectively.

- *Equipment Supply and Installation & Construction Agreements (ESICA)* between JLEC and ABB subsidiaries for the supply, installation and construction of units 3 and 4. It specifies the contractual obligations of ABB subsidiaries to commission these units on a turnkey, fixed price, date certain basis.

- *Operation and Maintenance Agreement (O&M)* between a subsidiary of CMS (CMS Morocco Operating Co.) and JLEC for the operation, maintenance, and administration of the entire power plant.

- *Coal Handling and Storage Agreement (CHSA)* between ONE and JLEC for the handling by JLEC of the JLEC and ONE coal (coal for ONE's Mohammedia power plant is supplied through the same port), including the operation of the coal yard, port unloading facilities, and coal storage.

- *Port Agreement (PA)* between Office d'Exploitation des Ports (ODEP) and JLEC for the transfer and the grant of rights to occupy the port site and operate the coal terminal. The PA and related agreements for the expansion of the terminal, the port services, and the transfer of equipment, stipulate the amount and schedule of remuneration to be paid by JLEC to ODEP, as well as obligations of the parties and procedures to be followed in case of defaults, disputes, and termination.

- *Coal Supply Agreement (CSA)* between JLEC and Carbo-Jorf (the coal supplier), a special purpose company incorporated and owned by the shareholders of JLEC, which are subsidiaries of ABB and CMS, for the procurement and delivery of coal through long-term contracts (5-year) for 70% of the coal requirements and through the spot market for the remaining 30%.

- *GOM Documents* which includes a *Guarantee of Termination Amount and Letter of Support* as well as a *Foreign Exchange Convertibility Letter* from the Ministry of Finance

and a *Foreign Exchange Account Letter* from the Foreign Exchange Bureau regarding the convertibility of Dirhams, the establishment of foreign currency accounts and the transferability of foreign currency.

- In addition, financing, loan, equity, and security documentation which include: *Common and Credit Agreements* among JLEC, the lenders and their agents; *Intercreditor Agreement* among all the lenders, their agents and intercreditor agent; *Collateral Agency Agreements*; *Capital Contribution Agreements*; and *Capital Contribution Guarantees*.

### **Rationale for Bank Support**

9. The Bank's strategy in Morocco has been to support policies and investments that encourage economic growth and efficiency through social development, private capital investments, environmentally friendly projects and sound public sector management. The Bank's proposed partial risk guarantee is part of a series of projects being developed to improve Morocco's environment for Private Sector Development supported by the Bank, IFC and the European Union, all in line with the Country Assistance Strategy. Its compelling justifications include: (a) provision of modern infrastructure, particularly power, by efficient private suppliers; (b) reduction of the power sector's fiscal burden on the Budget through the elimination of government capital contributions and sector debt write-offs; and (c) consolidation of macroeconomic balances by allowing budgetary resources to be reallocated to areas of priority, such as the social sectors, where private financing is much more difficult to arrange.

10. Bank support for the proposed project has been instrumental in securing lenders' financing. Given the magnitude and complexity of the project and the associated country and collateral risk (Morocco is not rated by the international rating agencies and has no regulatory agency), the implementation of the IPP at Jorf Lasfar is only feasible with the proposed Bank guarantee. SACE (Italy) and ERG (Switzerland) and the three arranging banks have each conditioned their financing on the Bank's participation through its partial risk guarantee program. Bank support will contribute to expanding urgently needed system capacity at competitive prices (paragraph 12) while substantially improving the reliability of power supply (paragraph 14), both of which are key elements to economic development.

### **Project Cost and Financing Plan**

11. The total cost of the project is estimated at US\$ 1,508 million. The project financing is being provided by the lenders and project sponsors on the basis of a 25 : 60 : 15 equity : senior debt : surplus operating cash flow ratio. The investment is to be financed by: (i) a commercial bank loan (underwritten by ABN AMRO, Banque Nationale de Paris, and Credit Suisse) totaling US\$ 694 million, and consisting of four tranches, each tranche guaranteed respectively by SACE of Italy (DM 381 million or US\$ 224 million equivalent), by US EXIMBANK (US\$ 246 million), by ERG of Switzerland (DM 68 million or US\$ 40 million equivalent) and by the World Bank (DM 313 million or US\$ 184 million equivalent); (ii) a loan of US\$ 200 million by OPIC;

(iii) equity contribution of US\$ 383 million; and (iv) surplus operating cash flow from units 1 and 2 of about US\$ 231 million. Details are included in Schedule B.

### **Financial and Economic Rationale of the IPP**

12. The IPP at Jorf Lasfar was selected through competitive bidding. Its levelized electricity price amounts to 6.14 cents/kwh. This is lower than ONE's current generation costs of about 6.5 cents/kwh (which include largely or fully depreciated assets).

13. The project's levelized tariff of 6.14 cents/kwh was compared to other IPP's in developing and developed countries. Taking into consideration that: (i) this is the first IPP contracted; (ii) the project's complex structure (paragraph 6); and (iii) the absence of country's credit rating and of a regulatory framework, this tariff compares very favorably with two projects in Indonesia and one in the Philippines of similar magnitude, fuel, tariff structure and developmental order. The levelized tariffs for those projects are 7.8, 6.8 and 6.9 cents/kwh, respectively.

14. The proposed IPP's electricity price reflects important efficiency improvements, including higher power plant availability and lower fuel consumption, all of which would benefit ONE, its consumers, and Morocco. The PPA, which commits JLEC to supply about 40 % of the electricity consumed in the country, would guarantee a minimum annual average plant availability of 82 % during the 30-year contract (as compared to ONE's availability of 67 % of its existing plants). A differential in plant availability (67 % vs. 82 %) represents a net gain of about 200 MW (300 MW gross), or about US\$ 445 million of additional investment, if ONE were to undertake the project. The enhanced power plant availability would benefit Morocco's secondary industry by providing ample base-load power.

15. In economic terms, the project's guaranteed availability of 82% provides additional benefits by avoiding outage costs. The annual economic cost of the daily system power outages which occurred during 1993 and 1994 (up to 300 MW or 17 % of the then-current peak demand) is estimated at about US\$ 100 million annually for each percentage point lost in availability (unserved energy in Morocco is conservatively estimated at 50 cents/kwh or five times the tariff curtailed).

### **Proposed Bank Guarantee**

16. Since the lenders do not have the traditional comfort of a lien, mortgage or security interest on the project assets, the PPA contains provisions which cover the payment of outstanding debt amounts should the PPA be terminated because of the project's non-performance, force majeure, or ONE's non-performance. In the event that ONE does not perform (an ONE Event of Default), ONE would be responsible for paying the Termination Amount which covers amounts outstanding, including debt and certain equity commitments. This obligation is in turn indemnified by the GOM under the Guarantee of Termination Amount and Letter of Support.

17. The proposed guarantee will provide coverage for defaults on payments of both principal and interest up to the maximum guaranteed amount of DM 313 million resulting from GOM's failure to pay the Termination Amount under the Guarantee of Termination Amount and Letter of Support resulting from ONE Events of Default, political events within Morocco including expropriation, and natural force majeure events affecting the project as defined in the PPA. The proposed Bank guarantee will not cover commercial risks, including project completion and operations risks and coal supply and stockage risks. JLEC has mitigated these risks by the ESICA, O&M, and CSA contracts and several insurance arrangements respectively. The obligations of the GOM, and consequently of the Bank, under the project documents, are specified in Schedule A. The following main categories of risk coverage are summarized below:

- ◆ *Breach of contract by GOM and ONE*: Events which include: (i) non-payment under the PPA; (ii) breach of GOM Guarantee of Termination Amount and Letter of Support or Foreign Exchange Letters; (iii) expropriation; (iv) unavailability or inability to convert or transfer, foreign currency; (v) breach by ONE of its obligations under certain defined agreements in the PPA and by ODEP under the PA; and (vi) any material provision of the project agreements, the GOM's Guarantee of Termination Amount and Letter of Support or Foreign Exchange Letters becoming invalid, illegal or unenforceable under Moroccan law; and
- ◆ *Force majeure events*: As defined in the PPA, those political events within Morocco, including acts of war, civil disturbance, terrorist activity, general strike, and natural force majeure events affecting the project.

18. The proposed Bank guarantee will entitle the lenders to make a demand for that portion of any principal and/or interest payment (other than default interest), up to a maximum amount, which has not been paid by JLEC as a result of the failure of GOM to pay any amount due under the GOM Guarantee of Termination Amount and Letter of Support of the payment obligations of ONE under the PPA. Since this is a guarantee of a termination amount, the lenders would be able to make a demand on the guarantee only once JLEC had caused the termination of the PPA due to an ONE event of default or termination for force majeure, thereunder, and the GOM had failed to pay the amount due as a result of such termination.

19. Any disbursement by the Bank under the proposed guarantee will be reimbursable under the Indemnity Agreement with GOM. The Indemnity Agreement will provide for reimbursements by GOM on demand, or as the Bank may otherwise direct, of any payments by the Bank under the proposed guarantee, which in the event of termination will most likely be the full outstanding principal amount of the guaranteed loan plus accrued interest (up to a maximum amount). Any out-of-pocket expenses incurred by the Bank related to assessment, approval, loan syndication, amendment, or enforcement, will be reimbursed by JLEC without any tariff impact<sup>1</sup>.

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<sup>1</sup> A policy on reimbursable expenses is being considered by the Bank.

### **Guarantee Fee**

20. A standby fee of 25 basis points shall accrue from the date of signature of the Guarantee Agreement, calculated on the maximum guaranteed amount which has been committed but undisbursed. A guarantee fee of 100 basis points shall accrue from the date of first disbursement, calculated on disbursed and outstanding amounts under the World Bank-Guaranteed Facility. The Guarantee fee will be payable by JLEC directly or indirectly through the lenders, semi-annually in advance. The Bank will rebate to GOM (Ministry of Finance) any amount of the guarantee fee in excess of 25 basis points so long as GOM and ONE are not in default under the agreements.

### **Arranger Bank Mandate**

21. ABN AMRO, Banque Nationale de Paris, and Credit Suisse were jointly awarded the mandate by JLEC as Arranger Banks to raise the commercial financing for the project. The Arranger Banks have underwritten the US EXIM, SACE, ERG, and World Bank- guaranteed facilities. JLEC will be responsible for the payment of financing charges related to all the debt facilities, including the OPIC loan. In addition, the arranger banks have established an equity bridge loan to be used during construction of units 3 and 4.

### **Project Risks**

22. The basic potential risk faced by the Bank is that the proposed guarantee will be called due to the joint default of ONE and GOM resulting in the termination of the PPA and non-payment of the Termination Amount. The specific events of default are detailed in paragraph 17 above and in Schedule A. In this respect, the most significant potential risk is the non-payment by ONE as a result of lack of action by GOM on tariff adjustments and on reduction of the receivables in arrears due to ONE by its clients, which may deprive ONE of the liquidity needed to pay JLEC. GOM and ONE have undertaken substantial actions: (i) tariffs were duly increased which allowed ONE to achieve adequate financial performance during 1995 and 1996; and (ii) arrears due to ONE decreased from 8.5 months equivalent in 1993 to about 4.2 months in 1996 because of the implementation of a comprehensive recovery program . The Bank has made an assessment of ONE's expected financial performance and it has concluded that ONE would be able to comply with its obligations under the PPA provided that arrears are reduced to about 3 months by 1998, and tariffs are increased periodically (starting in 1998), reflecting ONE's operational cost variations. In addition, to further mitigate this risk, under the PPA, ONE must post as payment collateral in the forms of a letter of credit (equivalent to 2 monthly payments) and a cash escrow account (1 monthly payment), payable to JLEC.

23. Neither GOM nor ONE have any incentive to delay or not comply with the above tariff adjustments or reduction of arrears in a manner that adversely affects the project since any ONE failure to pay or perform under the PPA would place the project in hardship. Also, if the project is terminated, any payment made by the Bank under the proposed guarantee would have to be reimbursed by the GOM under the Indemnity Agreement.

24. The risks of default by JLEC under the PPA, including failure to timely commission units 3 and 4, to meet the corresponding performance specifications, and to maintain the contracted plant availability of 82%, and by Carbo-Jorf, for the purchase, supply and stockage of coal, are duly mitigated by the ESICA, O&M, and CSA contracts and several insurance arrangements.

### **Benefits of the Proposed Guarantee**

25. The proposed Bank guarantee would bridge the financing gap for the project of about US\$ 184 million, which is critical to the completion of the financing package. It is on the basis of Bank involvement in the project that the arranger banks will underwrite the financing package. The Bank will be maximizing its leverage with a minimal level of participation of only 17% of the total new project cost (US\$ 1,068 million) and 21% of the term debt financing requirements (US\$ 894 million). The proposed guarantee will indirectly attract US\$ 383 million in foreign direct investment and help retain US\$ 231 million of future cash flows for future investments, for a total of US\$ 614 million, or more than three times the amount of the proposed guarantee.

26. The proposed guarantee will also achieve substantial additional benefits by helping the power sector to borrow at more favorable market terms consistent with the economic life of the project. The 15-year maturity would be the longest maturity ever obtained by a privately owned entity in Morocco. Based on currently available medium-term maturities (without guarantee) the debt amortization would necessitate electricity tariffs substantially higher than those discussed in paragraph 12 above. In addition to a longer term, indications from the arranger banks show that a Bank guarantee will also contribute to reducing the spread over LIBOR - 175 basis points (bp), on long-term facilities versus 250 bp on non-guaranteed short-term facilities - and hence the total cost to ONE and consumers. Moreover, the project will help establish a bankable framework for private sector entry into the energy sector, without necessarily creating a need for further Bank guarantee support at the same level.

### **Procurement**

27. The Bank has established that the goods and works under the project are of satisfactory quality and efficiency and that they would be delivered in a timely fashion. Furthermore, since competitive bidding was followed to retain the private operator, the price of the power generated has been duly optimized and it reflects market prices (paras. 12 through 15). Therefore, the procurement guidelines for Bank guarantees have been duly met.

### **Environmental Aspects**

28. In accordance with O.D. 4.01 (Environmental Assessment) the proposed project has been rated category "A" in the Bank's environmental classification scheme. The project Sponsors retained qualified consultants, who have completed the Environmental Assessment (EA) in strict accordance with World Bank requirements and submitted the EA to the Bank for review. Based

upon air quality data collected, the proposed project complies with World Bank environmental guidelines (1988). However, the EA shows that: (i) existing ambient sulfur dioxide (SO<sub>2</sub>) levels are above OPIC standards; therefore the Sponsors must introduce emission offset measures so that with project implementation the power plant emissions will not exceed OPIC air quality requirements; and (ii) ash produced by units 1 and 2 is being discharged to the sea and no detailed proposal was included in the above EA addressing permanent on-land ash disposal facilities. Before effectiveness of the proposed guarantee, JLEC should undertake appropriate measures for compliance with OPIC's ambient levels of SO<sub>2</sub> requirements. In addition, JLEC will be required to submit to the Bank an acceptable proposal for the design, construction and operation of a permanent ash disposal site. The proposal must include detailed engineering design, completion schedules, financing plan, and contracting arrangements with a contractor for the construction of the permanent disposal site. Both, the Project Agreement between JLEC and the Bank, and the Common Agreement among lenders, their agents, and JLEC, will specify that the permanent ash disposal facilities will be fully operational by the commissioning dates of the new units (3 and 4) to be developed by JLEC.

### **Auditing and Reporting Requirements**

29. JLEC will be responsible for maintaining its accounts and financial statements in accordance with sound accounting practices. These accounts and statements will be audited in accordance with adequate auditing principles by independent auditors. Certified copies of the audited reports will be submitted to the Bank within six months from the end of the fiscal year. These reports will be prepared in sufficient detail to enable the Bank to ascertain that all disbursements of the IBRD-guaranteed loan were used to finance eligible expenditures. Furthermore, JLEC will provide the Bank with all relevant financial information provided to the commercial lenders and with copies of all correspondence and documentation with ONE or GOM concerning any occurrence of an event of default or an event which with the passage of time could become an event of default.

### **Agreed Actions**

30. In order that the proposed guarantee becomes effective: (i) the Indemnity and Project agreements as well as all other project-related documentation shall have been signed by authorized signatories and be in form and substance acceptable to the Bank; (ii) the Sponsors shall have submitted satisfactory evidence regarding compliance with SO<sub>2</sub> level emissions as well as availability of the permanent ash disposal yard. Furthermore, all other relevant conditions precedent to initial disbursement of the commercial loans shall have been fulfilled; and (iii) the initial installment of the Guarantee fee shall have been paid.

### **Consents of Relevant Countries**

31. In accordance with Article IV, section 1 (b) of the Articles of Agreement, the consents of all relevant governments have been obtained.

**Recommendation**

32. I am satisfied that the proposed partial risk guarantee would comply with the Articles of the Agreement of the Bank and recommend that the Executive Directors authorize the Bank to issue the guarantee substantially in accordance with the terms and conditions described in this Memorandum and schedules hereto. As of the date of this Memorandum, drafts of the Bank's Guarantee, Indemnity, and Project Agreements have been distributed to, and substantially negotiated with, the lenders, GOM, and JLEC respectively.

33. The final terms and conditions of the guarantee shall be as determined by either the Vice President, Middle East and North Africa or the Vice President, Resource Mobilization and Cofinancing, of the Bank, and the Executive Directors will be informed. If there is any substantial change in the terms and conditions of the Guarantee, Indemnity, or Project Agreements from those described in this Memorandum and schedules hereto, the approval of the Executive Directors will be sought.

James D. Wolfensohn  
President

by Caio Koch-Weser

Attachments

Washington, D.C.  
July 11, 1997

**SUMMARY OF TERMS AND CONDITIONS**

**WORLD BANK-GUARANTEED FACILITY** (approximately 21% of the Debt Facilities)

- Borrower:** Jorf Lasfar Energy Company (JLEC), a *société en commandite par actions* incorporated in Morocco.
- Arrangers and Underwriters:** ABN AMRO Bank NV (the Agent), Banque Nationale de Paris, and Credit Suisse.
- Amount:** up to DM 313,000,000, which is the Maximum Guaranteed Amount.
- Term:** Approximately 15 years (approximately 3 years of construction plus 12 years of amortization).
- Loan Drawdowns:** During the construction period, the Agent will approve loan drawdowns according to drawdown schedules in the construction contracts. Loan drawdowns will be based on milestones for completion of works and may vary according to actual progress. Drawdown certificates will require the endorsement of the lenders' independent engineer.
- Amortization:** Straight-line over a period of 12 years from commissioning of Unit 4.
- Margins:** Years 1 to 7: 175 basis points over LIBOR or FIBOR  
Years 8 to 15: 188 basis points over LIBOR or FIBOR
- Fees:** 2.75% at financial closing, plus various ongoing administrative fees.
- Use of Proceeds:** Proceeds will be used for design, engineering, procurement, construction, financing, and startup costs of Units 3 and 4.
- Conditions Precedent to Initial Drawdown:** The *World Bank-Guaranteed Facility* and the *World Bank Guarantee* will be effective upon receipt by the World Bank of:
- (a) an *Indemnity Agreement* from the Kingdom of Morocco;

- (b) a *Project Agreement* with the Borrower;
- (c) execution of all the finance, project and security documents for the project;
- (d) satisfactory legal opinions;
- (e) confirmation from the Agent of satisfaction or waiver (with the World Bank's consent, where required) of all conditions precedent to first drawdown under the *Common Agreement* and *World Bank-Guaranteed Facility*, including compliance with environmental requirements, effectiveness of all required insurance, contribution of initial equity, transfer to the Borrower of Units 1 and 2, the Project lands, the coal handling facilities and the coal pier and establishment of the escrow account; and
- (f) confirmation from the Agent that the initial Guarantee fee has been included in the first disbursement under the *World Bank-Guaranteed Facility* and has been paid directly to the World Bank.

**Security:**

The security package will differ from the standard for a financing of this type in that the Borrower will not own the generating assets, thereby making a lien on such assets unavailable. The lenders' security package includes the following:

- (a) **(insurance):** a comprehensive set of insurance policies, including builders all risk, property, general liability, automotive, and business interruption;
- (b) **(escrow):** an escrow account will collect the electricity payments of a specified list of ONE customers in an amount designed to be approximately 1 month of ONE payments to the Borrower;
- (c) **(letter of credit):** ONE will maintain a letter of credit in an amount of approximately 2 months of ONE payments to the Borrower;
- (d) **(Government letters):** the *Foreign Exchange Convertibility Letter* from the Minister of Finance and the *Foreign Exchange Account Letter* from the Foreign Exchange Bureau regarding the

convertibility of Dirhams, transferability of Deutsche Marks and Dollars and the establishment of foreign currency accounts;

- (e) **(Government guarantee):** the guarantee of the Government of Morocco under the *Guarantee of Termination Amount and Letter of Support* (described below); and
- (f) **(World Bank Guarantee):** the guarantee of the World Bank under the *World Bank Guarantee* (described below).

**Defaults:** Usual and customary events of default (and cure periods) for a financing of this type, including non-payment of amounts owing to lenders, default by ONE under the *Power Purchase Agreement (PPA)*, subject to a cure period of up to 90 days, bankruptcy of JLEC, invalidity, illegality or unenforceability of the agreements, expropriation, monetary restrictions or the occurrence of a political risk event under any of the political risk guarantees.

**Cure Periods:** Before any *Debt Facility* may accelerate, the *Intercreditor Agreement* will require coordination and sufficient cure periods of up to 90 days in general, and before foreclosure on the project, a 270-day standstill period, if ONE or the Government of Morocco has not paid all of the Termination Amount under the *PPA* but the Borrower has paid all of its obligations.

**Choice of Law:** State of New York.

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**GUARANTEE OF TERMINATION AMOUNT AND LETTER OF SUPPORT**

**Guarantor:** Government of Morocco, by the Prime Minister and Minister of Foreign Affairs and Cooperation.

**Beneficiary:** The Borrower.

**Guarantee:** The Government of Morocco will guarantee the following:

- (a) the punctual payment of the Termination Amount by ONE after termination of the *PPA* following an event of default or force majeure; and

- (b) the “quiet enjoyment” of the site and port facilities.

**ONE Events of  
Default and Force  
Majeure Events  
under the PPA:**

The *PPA* may be terminated for certain specified events, including ONE events of default and force majeure events extending beyond six months that prevent the performance of ONE or JLEC, for which ONE must pay the Termination Amount, which in all cases would include the loan amount due to the World Bank-Guaranteed lenders.

ONE events of default include:

- (a) nonpayment by ONE of any amount due under the *PPA* that continues for more than 5 days after receipt of notice;
- (b) failure to maintain the letter of credit or breach of the escrow agreement as provided in the *PPA*;
- (c) material breach by ONE of the *Direct Agreement* among ONE, JLEC and the Collateral Agent;
- (d) material breach by Morocco of the *Guarantee of Termination Amount and Letter of Support*, the *Foreign Exchange Convertibility Letter*, or the *Foreign Exchange Account Letter*;
- (e) compulsory acquisition of any asset or right of JLEC by Morocco or any other public sector entity or any impairment of such asset or right;
- (f) inability of JLEC or Carbo Jorf Company to convert Dirhams into Deutsche Marks or Dollars within 20 days or to transfer such currency to foreign currency accounts;
- (g) any material provision of certain project agreements (*PPA*, *TPA*, *CPA*, *CHSA*, *PA*), the *Guarantee of Termination and Letter of Support* or the *Foreign Exchange Letters* becoming invalid, illegal or unenforceable under Moroccan law; and
- (h) cross default of the *PPA* caused by defaults of ONE under certain project agreements (*TPA*, *CPA*, *CHSA*) or by ODEP under the *PA*.

Force majeure events include:

- (i) political events such as an act of war, civil unrest, military or guerrilla action, terrorist activity, radioactive contamination, general or sectoral strikes that are widespread or nationwide affecting several economic sectors, not specific to the terms of employment at the Project, and acts of third parties beyond the control of Morocco or JLEC; and
- (j) natural events such as lightning, earthquake, storm, fire, explosion, chemical contamination, epidemic or plague.

**Cure Periods  
under the PPA:**

In general, 30 days following receipt of notice, which period shall be extended if one party is diligently pursuing a cure; 60 days for ONE to cure a non-payment default; 90 days for ONE to cure an event of default related to the escrow account or letter of credit; 10 days to cure an event of default related to foreign currency convertibility and no cure period if any material provision of the agreements becomes invalid, illegal or unenforceable under Moroccan law.

**Waiver:** Morocco will waive sovereign immunity.

**Choice of Law:** Private laws of the Kingdom of Morocco.

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**WORLD BANK GUARANTEE**

**Guarantor:** The World Bank

**Beneficiary:** The Agent, on behalf of lenders in the *World Bank-Guaranteed Facility*.

**Maximum  
Guaranteed  
Amount:** DM 313,000,000, amortizing over 12 years from commissioning of Unit 4.

**Guarantee Fee:** A standby fee of 25 basis points shall accrue from the date of signature of the *World Bank Guarantee*, calculated on the maximum guaranteed amount which has been committed but undisbursed. A guarantee fee of

100 basis points shall accrue from the date of first disbursement, calculated on disbursed and outstanding amounts under the *World Bank-Guaranteed Facility*. Amounts over 25 basis points will be rebated to the Government of Morocco (Ministry of Finance), provided that ONE is not in default under the *PPA* and Morocco is not in default under the *Indemnity Agreement*.

**Guarantee:** The World Bank will guarantee to the Agent amounts it would have otherwise received under the *Common Agreement* and *World Bank-Guaranteed Credit Agreement* but for the payment default of the Government of Morocco under the *Guarantee of Termination Amount and Letter of Support*, except for events of default under the *PPA*:

- (a) caused by the Borrower; or
- (b) due to events of force majeure regarding the unavailability of equipment, supplies, or products, and failure of equipment.

**Claims:** If there is a dispute, the *World Bank Guarantee* would be callable only in respect of amounts that the Government of Morocco is obligated to pay, and fails to pay, in accordance with the dispute resolution procedures contained in the *PPA*, the *Guarantee of Termination Amount and Letter of Support* and other project agreements. Claims must be made within 90 days of non-payment and the World Bank must pay within 60 days thereafter.

**Conditions Precedent:** Satisfaction of the conditions precedent to the initial drawdown of the *World Bank-Guaranteed Facility*, including payment of the first installment of the Guarantee fee.

**Suspension of Additional Coverage:** In any of the following events, the World Bank may by written notice deny guarantee coverage to subsequent drawdowns:

- (a) default by ONE under the *PPA*;
- (b) default by the Borrower under the *Project Agreement*;

- (c) payment defaults by Morocco under any borrowing, guarantee, or indemnity agreements with the World Bank and suspension of lending by the World Bank to Morocco; or
- (d) suspension or lapse of Morocco from membership in the World Bank or the International Monetary Fund.

**Cessation of Coverage:**

Except in respect of demand notices already delivered to the World Bank, failure to pay the Guarantee fees within 10 days of the due date will automatically terminate the *World Bank Guarantee*.

**Subrogation:**

If the World Bank is not fully paid within 60 days by Morocco under the *Indemnity Agreement* and to the extent of any payment under the *World Bank Guarantee*, the World Bank will be subrogated to the rights of the *World Bank-Guaranteed Facility* lenders, except for voting and enforcement rights unless and until such lenders are paid in full.

**Offer to Purchase**

**Loan:**

Following a default by the Borrower, a demand by the lenders and payment under the *World Bank Guarantee* and a failure by Morocco to indemnify the World Bank, the World Bank shall have the right, at its sole discretion, to offer to purchase the loan from the lenders at par for an amount equal to outstanding principal and accrued but unpaid interest on the loan.

**Choice of Law:**

State of New York.

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**INDEMNITY AGREEMENT**

**Parties:**

The World Bank and the Kingdom of Morocco.

**Indemnity:**

Morocco will reimburse and indemnify the World Bank on demand, or as the World Bank may otherwise direct, for any payment made by the World Bank under the *World Bank Guarantee* and for all losses, damages, costs and expenses incurred by the World Bank with respect to the *World Bank Guarantee*.

- Remedies:** If Morocco fails to perform under the *Indemnity Agreement*, the World Bank may suspend or cancel, in whole or in part, the rights of Morocco to make withdrawals under any other loan agreement with the World Bank.
- Choice of Law:** *The Indemnity Agreement* will follow the legal regime, and include dispute settlement provisions, which are customary in agreements between member countries and the World Bank.
- 

**PROJECT AGREEMENT**

- Parties:** The World Bank and the Borrower.
- Representations and Warranties:** The Borrower will represent, among other things, that it is in compliance with applicable environmental laws and other applicable World Bank requirements.
- Covenants:** The Borrower will covenant, among other things, that it will use the proceeds of the disbursements under the *World Bank-Guaranteed Facility* in accordance with the terms and conditions of the *World Bank-Guaranteed Credit Agreement*, comply with applicable laws, including environmental laws and other applicable environmental requirements, provide annual audited financial statements and regular access and reports to the World Bank.
- Costs and Expenses:** The Borrower will reimburse the World Bank for out-of-pocket expenses in the event of amendment or enforcement of the agreements.<sup>2</sup>
- Choice of Law:** State of New York.

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<sup>2</sup> A policy on reimbursable expenses is being considered by the Bank.

**MOROCCO**

**JORF LASFAR POWER PROJECT**

**Project Cost Estimate**  
(US\$ thousand)

	<u>Units 1&amp;2</u>	<u>Units 3&amp;4</u>	<u>Total</u>
<b><u>Capital Costs</u></b>			
- EPC Contract		618,318	618,318
- Ash Disposal Facilities	5,000	5,000	10,000
- Port Extension	4,990	4,989	9,979
- Additional Capital Cost	7,750	1,715	9,465
- Generator Contingencies	885	31,500	32,385
- Spares/Tools		37,903	37,903
- Developers' Fee	13,000	13,000	26,000
- Advisors/Insurance	6,591	20,650	27,241
- Reimbursable Development Costs	27,284	27,284	54,568
- Withholding Tax		11,275	11,275
Sub - Total	65,500	771,634	837,134
<b><u>Initial O&amp;M Capital Costs</u></b>	13,465		13,465
<b><u>TPA Fee Downpayment</u></b>	263,158		263,158
<b><u>Financing Costs</u></b>			
- Up front loan fees		21,311	21,311
- ECA Premiums		42,508	42,508
- Capitalized IDC		82,246	82,246
- Expensed IDC and Fees		75,717	75,717
Sub - Total		221,782	221,782
<b><u>Debt Service Reserve Account</u></b>		74,824	74,824
<b><u>Initial Coal and Oil Inventory</u></b>	43,329		43,329
<b><u>Initial Working Capital and VAT</u></b>	53,980		53,980
<b>TOTAL COST</b>	<b>439,432</b>	<b>1,068,240</b>	<b>1,507,672</b>

**MOROCCO**

**JORF LASFAR POWER PROJECT**

**Financing Plan**

(US\$ thousand)

**Senior Credit Facilities**

- SACE Guaranteed Loan (DM 381 million)	223,816
- US EXIM Bank Guaranteed Loan	246,353
- World Bank Guaranteed Loan (DM 313 million)	184,000
- ERG Guaranteed Loan (DM 68 million)	39,916
- OPIC Loan	200,000

Total Debt 894,085

Equity 383,179

Surplus Operating Cash Flow (units #1 & #2) 230,408

TOTAL FINANCING 1,507,672

**MOROCCO**

**JORF LASFAR POWER PROJECT**

**Timetable of Key Processing Events**

Project prepared by:	Sponsors and Lenders with assistance of Bank staff
First Bank mission:	December 1995
Receipt of official GOM request for Bank Guarantee:	September 1996
Operations Committee review:	February 1997
Appraisal:	March 1997
Green Cover	July 1997
Board Approval:	August 1997
Expected Effectiveness Date:	October 1997



## Status of Bank Group Operations in Morocco

### IBRD Loans and IDA Credits in the Operations Portfolio

Project ID	Loan or Credit No	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between actual and expected Disbursements a/
					IBRD	IDA	Cancellations	Undisbursed	
Number of Closed Loans/credits: 120									
MA-PE-5449	L28260	1987	MINISTRY OF INTERIOR	GREATER CASABLANCA S	60.00	0.00	0.00	15.76	15.76
MA-PE-5440	L31710	1990	KINGDOM OF MOROCCO	HEALTH SECTOR INVEST	104.00	0.00	0.00	17.67	17.67
MA-PE-5437	L31560	1990	GOVERNMENT	FORESTRY II	49.00	0.00	0.00	11.74	11.74
MA-PE-5495	L33720	1991	MOROCCAN BANKS	FINANCIAL SECTOR DEV	11.50	0.00	0.00	3.85	-7.65
MA-PE-5495	L33710	1991	MOROCCAN BANKS	FINANCIAL SECTOR DEV	9.50	0.00	2.62	.05	-6.82
MA-PE-5495	L33670	1991	MOROCCAN BANKS	FINANCIAL SECTOR DEV	19.50	0.00	0.00	1.18	-18.32
MA-PE-5495	L33660	1991	MOROCCAN BANKS	FINANCIAL SECTOR DEV	29.50	0.00	0.00	16.49	84.52
MA-PE-5460	L32950	1991	GOVERNMENT OF MOROCCO	BASIC EDUCATION	145.00	0.00	45.00	55.18	95.52
MA-PE-5433	L32840	1991	GOVT. OF MOROCCO	PORT SECTOR	99.00	0.00	0.00	13.10	-85.90
MA-PE-5433	L32830	1991	GOVT. OF MOROCCO	PORT SECTOR	33.00	0.00	5.00	8.88	13.88
MA-PE-5459	L32620	1991	GOVT. OF MOROCCO	SECOND RURAL ELECTRI	114.00	0.00	60.10	25.82	84.39
MA-PE-5514	L36180	1993	GOV. OF MOROCCO	LAND DEVELOPMENT	66.00	0.00	0.00	53.17	80.71
MA-PE-5517	L36170	1993	GOV. OF MOROCCO/FEC	MUNICIPAL FINANCE I	100.00	0.00	0.00	32.38	24.71
MA-PE-5462	L35870	1993	GOVERNMENT	SECOND LSI IMPROVEME	215.00	0.00	35.00	132.76	19.76
MA-PE-5438	L35570	1993	KINGDOM OF MOROCCO	TELECOM. RESTRUCTURIN	100.00	0.00	0.00	47.55	38.87
MA-PE-5493	L37650	1994	GOV. OF MOROCCO	ASIL II	121.00	0.00	61.00	19.70	22.03
MA-PE-5499	L36880	1994	GOV. OF MOROCCO	IRR. AREAS AGR. SERV	25.00	0.00	5.00	17.17	10.07
MA-PE-5435	L36650	1994	KINGDOM OF MOROCCO/ONEP	WATER SUPPLY V	32.00	0.00	0.00	27.90	-4.10
MA-PE-5435	L36640	1994	KINGDOM OF MOROCCO/ONEP	WATER SUPPLY V	128.00	0.00	0.00	114.67	42.14
MA-PE-5486	L36620	1994	CNCA	NATIONAL RURAL FINAN	100.00	0.00	50.00	28.99	74.99
MA-PE-5504	L36470	1994	KINGDOM OF MOROCCO	ENVIRONMENT MANAGEME	6.00	0.00	0.00	4.86	2.32
MA-PE-5489	L39010	1995	KINGDOM OF MOROCCO	SECONDARY ROADS	57.60	0.00	0.00	57.60	17.08
MA-PE-42414	L40260	1996	GOVT OF MOROCCO	COOR/MON SOCIAL PRO	28.00	0.00	0.00	28.00	1.17
MA-PE-42415	L40250	1996	GOVT OF MOROCCO	SPI - HEALTH	68.00	0.00	0.00	68.00	1.50
MA-PE-5501	L40240	1996	GOV. OF MOROCCO	SPI - EDUCATION	54.00	0.00	0.00	54.00	1.25
MA-PE-5503	L40100	1996	KINGDOM OF MOROCCO	SEW. & WATER REUSE II	40.00	0.00	0.00	40.00	.92
MA-PE-41303	L39351	1996	GOVERNMENT OF MOROCCO	EMERG. DROUGHT RECOV	50.00	0.00	0.00	7.45	19.93
MA-PE-43725	L41281	1997	ONCF	RAILWAY RESTR & PRIV	42.50	0.00	0.00	37.30	0.00
MA-PE-43725	L41280	1997	ONCF	RAILWAY RESTR & PRIV	42.50	0.00	0.00	42.50	0.00
MA-PE-38978	L40911	1997	GOVERNMENT OF MOROCCO	PSD III-VOC TRG.	11.50	0.00	0.00	10.33	0.00
MA-PE-38978	L40910	1997	GOVERNMENT OF MOROCCO	PSD III-VOC TRG.	11.50	0.00	0.00	11.50	1.42
Total					1,972.60	0.00	263.72	1,005.53	
					<u>Active Loans</u>		<u>Closed Loans</u>		<u>Total</u>
Total Disbursed (IBRD and IDA):					692.83	5,338.46	6,031.29		
of which has been repaid:					37.90	2,573.03	2,610.93		
Total now held by IBRD and IDA:					1,670.98	2,783.22	4,454.20		
Amount sold :					0.00	20.11	20.11		
Of which repaid :					0.00	20.11	20.11		
Total Undisbursed :					1,005.53	10.48	1,016.01		

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

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

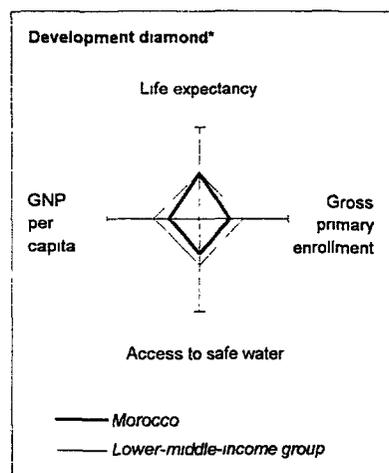
c. Following the FY94 ARPP, "Implementation Progress" will be reported here.

**Morocco**  
**STATEMENT OF IFC's**  
**Committed and Disbursed Portfolio**  
As of 31-Mar-97  
In Millions US Dollars

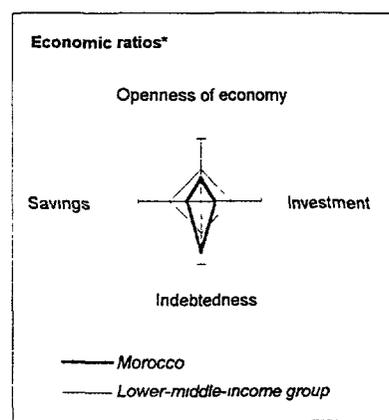
FY Approval	Company	Committed IFC				Disbursed IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1963	BNDE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1978	BNDE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1980	SOMIFER	0.00	2.35	0.00	0.00	0.00	2.35	0.00	0.00
1983	BNDE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1985	BNDE	2.06	0.00	0.00	0.00	2.06	0.00	0.00	0.00
1987	CIH	7.89	0.00	0.00	0.00	7.89	0.00	0.00	0.00
1987	SETAFIL	3.14	.92	0.00	0.00	3.14	.92	0.00	0.00
1990	CIH	24.18	0.00	0.00	2.83	24.18	0.00	0.00	2.83
1990	ENNASR	1.08	0.00	0.00	0.00	1.08	0.00	0.00	0.00
1992	Banque Exterieur	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1992	Ciments du Maroc	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1993	INTERFINA	0.00	3.24	0.00	0.00	0.00	2.44	0.00	0.00
1993	SETAFIL	0.00	.28	0.00	0.00	0.00	.28	0.00	0.00
1994	Ciments du Maroc	6.24	0.00	0.00	2.59	6.24	0.00	0.00	2.59
1994	Euratlas Capital	0.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00
1994	Mediafinance	0.00	.50	0.00	0.00	0.00	.50	0.00	0.00
1995	Attijari	0.00	.50	0.00	0.00	0.00	.26	0.00	0.00
1995	Fin. Euratlas	0.00	.09	0.00	0.00	0.00	0.00	0.00	0.00
1996	Banque Exterieur	0.00	7.11	0.00	0.00	0.00	0.00	0.00	0.00
1996	Mediafinance	0.00	.66	0.00	0.00	0.00	.66	0.00	0.00

# Morocco at a glance

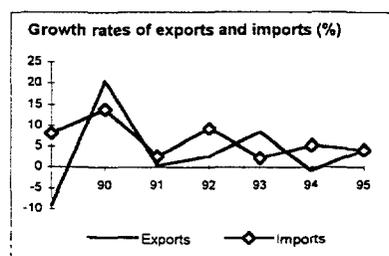
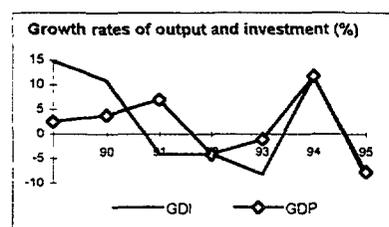
POVERTY and SOCIAL	Morocco	M. East & North Africa	Lower-middle-income
Population mid-1995 (millions)	26.9	27.3	1,154
GNP per capita 1995 (US\$)	1,130	1,780	1,700
GNP 1995 (billions US\$)	30.4	486	1,961
<b>Average annual growth, 1990-95</b>			
Population (%)	2.0	2.7	1.4
Labor force (%)	2.6	3.3	1.8
<b>Most recent estimate (latest year available since 1989)</b>			
Poverty: headcount index (% of population)	13	.	..
Urban population (% of total population)	48	56	56
Life expectancy at birth (years)	65	66	67
Infant mortality (per 1,000 live births)	55	49	36
Child malnutrition (% of children under 5)	9	.	.
Access to safe water (% of population)	59	82	78
Illiteracy (% of population age 15+)	56	39	.
Gross primary enrollment (% of school-age population)	73	97	104
Male	85	104	105
Female	60	90	101



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1975	1985	1994	1995	
GDP (billions US\$)	9.0	12.9	30.3	32.4	
Gross domestic investment/GDP	25.2	27.1	21.3	21.0	
Exports of goods and non-factor services/GDP	22.5	25.5	25.3	27.3	
Gross domestic savings/GDP	14.3	18.4	15.7	13.4	
Gross national savings/GDP	13.3	20.7	18.9	16.1	
Current account balance/GDP	-6.1	-6.4	-2.4	-4.9	
Interest payments/GDP	0.7	4.3	4.2	4.2	
Total debt/GDP	26.2	122.4	71.1	68.3	
Total debt service/exports	6.7	33.5	34.3	31.6	
Present value of debt/GDP	.	.	62.3	.	
Present value of debt/exports	..	..	194.2	.	
<b>(average annual growth)</b>					
GDP	4.4	2.9	11.6	-7.6	5.6
GNP per capita	1.7	0.9	10.2	-9.3	3.8
Exports of goods and nfs	4.2	5.9	-0.9	4.1	6.5



STRUCTURE of the ECONOMY	1975	1985	1994	1995
<b>(% of GDP)</b>				
Agriculture	17.3	16.6	18.4	14.3
Industry	34.7	33.4	31.5	33.2
Manufacturing	16.6	18.6	17.6	19.2
Services	48.0	50.0	50.1	52.5
Private consumption	69.4	65.8	67.4	71.2
General government consumption	16.3	15.8	16.9	15.5
Imports of goods and non-factor services	33.4	34.2	30.9	34.9
<b>(average annual growth)</b>				
Agriculture	1.4	-0.1	63.0	-45.9
Industry	3.0	2.8	4.3	3.1
Manufacturing		3.5	4.2	2.9
Services	6.4	3.8	3.2	1.2
Private consumption	3.6	4.4	16.6	-6.9
General government consumption	5.7	3.2	1.7	-3.7
Gross domestic investment	0.0	1.1	11.5	-8.5
Imports of goods and non-factor services	-0.6	7.3	5.2	4.0
Gross national product	4.0	3.0	12.4	-7.6



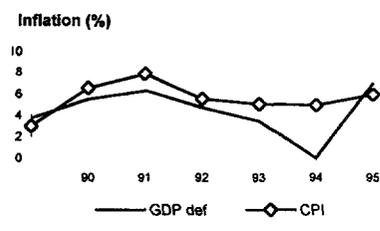
Note: 1995 data are preliminary estimates

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

Morocco

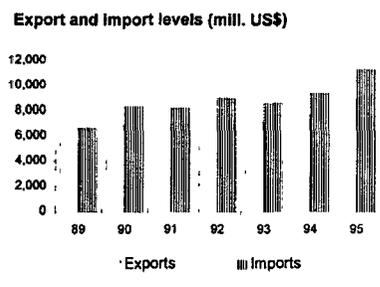
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
<b>Domestic prices</b>				
(% change)				
Consumer prices		7.7	5.1	6.1
Implicit GDP deflator	1.5	8.4	0.2	7.2
<b>Government finance</b>				
(% of GDP)				
Current revenue		20.7	24.2	23.9
Current budget balance		-2.4	2.8	1.4
Overall surplus/deficit		-9.6	-3.2	-5.3



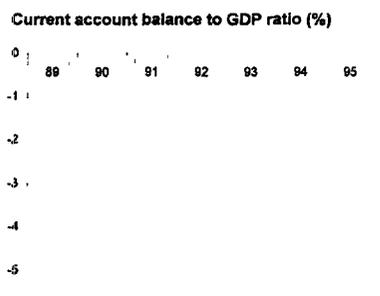
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)		2,283	5,538	6,676
Other agriculture		603	1,280	1,457
X Phosphorus		479	273	291
Manufactures		477	1,474	1,600
Total imports (cif)		3,921	8,265	9,936
Food		507	798	1,332
Fuel and energy		1,074	1,113	1,184
Capital goods		649	1,845	1,854
Export price index (1987=100)		89	122	137
Import price index (1987=100)		104	113	131
Terms of trade (1987=100)		86	108	104



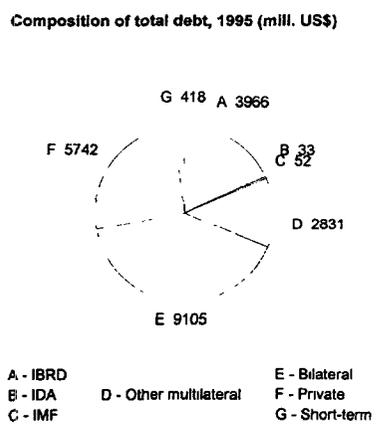
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	1,997	3,278	7,688	8,840
Imports of goods and non-factor services	2,939	4,402	9,368	11,314
Resource balance	-942	-1,124	-1,680	-2,474
Net factor income	-88	-766	-1,170	-1,209
Net current transfers	482	1,031	2,070	2,115
Current account balance, before official transfers	-548	-826	-726	-1,587
Financing items (net)	519	845	1,240	886
Changes in net reserves	28	-19	-513	702
<b>Memo:</b>				
Reserves including gold (mill US\$)		345	4,548	3,613
Conversion rate (local/US\$)	4.1	10.1	9.2	8.5



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	2,353	15,753	21,587	22,147
IBRD	244	1,288	3,746	3,966
IDA	31	43	35	33
Total debt service	172	1,429	3,338	3,541
IBRD	33	167	572	630
IDA	0	1	2	2
Composition of net resource flows				
Official grants	26	416	279	300
Official creditors	253	412	-313	-284
Private creditors	591	195	201	132
Foreign direct investment	0	20	601	818
Portfolio equity	0	0	63	29
World Bank program				
Commitments	33	379	127	433
Disbursements	111	307	246	426
Principal repayments	18	87	302	350
Net flows	93	220	-56	76
Interest payments	15	81	271	282
Net transfers	78	139	-327	-206



**MAP SECTION**



# JORF LASFAR POWER PROJECT WORLD BANK PARTIAL RISK GUARANTEE MAIN GENERATION AND TRANSMISSION SYSTEM



- PROPOSED 225 kV TRANSMISSION LINES
- PROPOSED 225 kV SUBSTATION WORKS
- EXISTING TRANSMISSION LINES
- 225 kV
- - - 150 kV
- - - 60 kV
- THERMAL POWER STATIONS
- ⊗ GAS TURBINES
- HYDRO POWER STATIONS
- 225 kV SUBSTATIONS
- 150 kV SUBSTATIONS
- MAIN LOCALITIES SUPPLIED WITH ELECTRICITY DIRECTLY OR INDIRECTLY BY ONE
- ⊗ NATIONAL CAPITAL
- - - INTERNATIONAL BOUNDARIES
- - - INTERNATIONAL BOUNDARIES (APPROXIMATE)

0 50 100 150  
KILOMETERS

*The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.*





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## IMAGING

Report No.: P  
Type: MOP

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