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INFORMATION

December 13, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Report on Meeting to Coordinate Balance of Payments Assistance to Morocco

Attached for the information of the Executive Directors is a report by the Fund representatives on a meeting held in Paris on November 3, 1983 to coordinate balance of payments assistance to Morocco.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Report on Meeting to Coordinate Balance of Payments
Assistance to Morocco

Prepared by the African Department

Approved by Oumar B. Makalou

December 13, 1983

At the request of the Kingdom of Morocco, and in consultation with major donor countries, the Fund organized a meeting to coordinate balance of payments assistance to Morocco for the years 1983 and 1984. The meeting, which was preceded by an informal meeting of Morocco and donor countries in Washington on September 26, 1983, was held on November 3, 1983 at the Fund's office in Paris 1/. Representatives of 13 countries and institutions attended the meeting 2/. The Moroccan delegation was headed by the Minister of Finance, Mr. Abdellatif Jouahri.

Under the terms of the current stand-by arrangement which was approved by the Executive Board on September 16, 1983 (EBS/83/178), the Fund must be assured that the external financing gap for 1983 and 1984 is covered before the first review can be completed and further drawings made by Morocco. The Moroccan authorities are attempting to cover the gap by rescheduling of debt maturities due to official creditors and to commercial banks, and by direct balance of payments assistance within the framework of a coordinated international effort.

At the donors meeting, Morocco requested participants to provide assistance equivalent to SDR 714 million for the years 1983 and 1984. The Fund staff presented balance of payments estimates which provided background statistics for the Moroccan request. Participants considered the size of the gap as exceptionally large though realistic. Pledges and indications were made by participants to provide an amount of US\$530 million (SDR 500 million), with an understanding that they would seek with their respective governments commitments toward obtaining an additional amount of US\$120 million (about SDR 110 million) before the first review of the program at end-November 1983. A press communiqué summarizing the results of the meeting, was also issued (see Attachment).

1/ The meeting was chaired by Mr. Guetta (Office in Europe). The Fund staff representatives were Messrs Bhatia (head) Tahari and Franco (all from AFR), and Mr. Abdel-Rahman (FAD).

2/ Belgium, Canada, France, Germany, Italy, Japan, Kuwait, Saudi Arabia, Spain, Switzerland, the United Kingdom, the United States, and the IBRD.

The discussions at the meeting dealt with the implementation of the present adjustment program under the stand-by arrangement as well as the medium-term outlook and policies. The Moroccan representatives described the progress made so far in implementing the program and reiterated their Government's strong commitment to implement fully the program and to continue with the required adjustment efforts over the medium term in order to reduce the economic and financial imbalances and reach external viability. The representative of the Fund and the World Bank underlined the conviction of the staff of both institutions that Morocco's problems are structural and need to be approached in a medium-term perspective, and that remedial actions must be devoted in particular to the fostering of public and private savings, export promotion, industrial and agricultural restructuring, and the rationalization of the public's investment program. The representatives of the Governments of the participating countries stressed that the Moroccan authorities should implement rigorously and steadfastly the required adjustment measures and the structural reforms so as to ensure attainment of the viability of the external payments position, and they underscored the need for closely monitoring the implementation of the adjustment program agreed with the Fund.

In recognition of the medium-term structural nature of the problem, it was also agreed that the World Bank would organize a consultative group for Morocco to meet sometime in the last quarter of 1984.

In conclusion, participants welcomed the initiative taken by the Fund in convening the meeting and expressed their satisfaction with its outcome.

Meeting to Coordinate Balance of Payment
Assistance to Morocco

Paris, November 3, 1983

Press Communiqué

At the request of the Kingdom of Morocco, the International Monetary Fund organized a meeting to coordinate balance of payments assistance to Morocco for the years 1983 and 1984. The meeting, which followed an earlier informal meeting held in Washington on September 28, 1983 was held on November 3, 1983 at the Fund's Office in Paris. The delegation from Morocco was headed by the Minister of Finance, His Excellency Mr. Abdellatif Jouahri.

Representatives of 13 countries and institutions attended the meeting: Belgium, Canada, France, Germany, Italy, Japan, Kuwait, Saudi Arabia, Spain, Switzerland, the United Kingdom, the United States, and the International Bank for Reconstruction and Development.

The meeting reviewed the adjustment efforts undertaken by Morocco in the context of its stabilization program under the present stand-by arrangement with the Fund. The meeting also discussed medium-term prospects and policies of Morocco. The representatives of participating countries and institutions were supportive of these measures and noted that adjustment efforts would need to be further strengthened when policies for 1984 are finalized by the Government. They also noted that, with appropriate adjustment policies, Morocco's external payments situation could reach a sustainable position before the end of the 1980s. They emphasized that Morocco must develop and implement a relevant medium-term strategy to achieve this end.

The representatives of the International Monetary Fund provided estimates of the balance of payments for 1983 and 1984 and the remaining financing gap for those two years, after taking into account possible debt relief from official creditors and commercial banks. It may be recalled that the Paris Club met last week and agreed to reschedule Morocco's debt vis-à-vis official creditor countries for the years 1983-84. The Moroccan representatives requested that the participating countries and institutions make contributions toward its fulfillment. Participants responded favorably to this request. Firm pledges and positive indications were given for a total contribution of about SDR 500 million. Participants agreed to continue their consultations in order to support fully the implementation of Morocco's adjustment program. It was also agreed that the World Bank will organize a consultative group for Morocco, to meet late in 1984, to review progress in the preparation and implementation of additional structural adjustment measures by Morocco.

