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**FOR  
AGENDA**

EBS/84/129  
Correction 1

CONFIDENTIAL

June 19, 1984

To: Members of the Executive Board  
From: The Secretary  
Subject: Morocco - Staff Report for Review Under Stand-By Arrangement

The following correction has been made in EBS/84/129 (6/6/84):

Page 16, para. 3(ii), line 2: for "May 8, 1984" read "May 18, 1984"

A corrected page is attached.

Att: (1)

1971-1972

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Regarding the fiscal reform, the "Loi cadre" instituting the VAT, the corporate income tax, and the general income tax has been promulgated by decree and there are clear indications that the reform will be introduced in time for the 1985 budget law; draft laws regarding these three taxes are expected to be submitted for enactment to the next Parliament in September.

The satisfactory developments during the second half of 1983 and in the first four months of 1984, the implementation of all the measures envisaged under the program, and the determination of the authorities to implement the program rigorously for the remainder of 1984 indicate that the program is on track and that its objectives should be achieved. However, the staff believes that the improvement is as yet fragile and needs to be consolidated. Partly because of this, but also because the underlying imbalances are still large and could be corrected only over a few years, the staff, in its discussions with the authorities, has stressed the importance of a sustained application of adjustment measures over an extended period.

## VI. Proposed Decision

In view of the above the following draft decision is proposed for adoption by the Executive Board:

1. Morocco has consulted with the Fund in accordance with paragraph 4(b) of the stand-by arrangement for Morocco (EBS/83/78, August 19, 1983), and paragraph 2 of the letter of the Minister of Finance dated July 30, 1983 attached to the stand-by arrangement, in order to reach understandings subject to which purchases may be made by Morocco under the stand-by arrangement.
2. The letter of the Minister of Finance, dated May 18, 1984, shall be attached to the stand-by arrangement for Morocco, and the letters of July 30, 1983 and March 18, 1984 shall be read as supplemented by the letter of May 18, 1984.
3. Morocco will not make purchases under the stand-by arrangement that would increase the Fund's holdings of Morocco's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota during any period in which the data for the first nine months of 1984 or for the entire year, respectively, indicate that:
  - (i) the ceilings on total net borrowing by the Treasury specified in paragraph 3 of the letter of May 18, 1984; or
  - (ii) the ceilings on total credit specified in paragraph 3 of the letter of May 18, 1984; or
  - (iii) the ceilings on net bank credit to the Treasury specified in paragraph 3 of the letter of May 18, 1984; or