

**FOR  
AGENDA**

SM/08/213  
Supplement 1

July 2, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Morocco—Staff Report for the 2008 Article IV Consultation—  
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV consultation with Morocco (SM/08/213, 7/2/08), which is tentatively scheduled for discussion on **Wednesday, July 23, 2008**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Morocco indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Lewis (ext. 38027), Ms. Allain (ext. 36349), and Ms. Sab (ext. 37125) in MCD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Friday, July 11, 2008; and to the African Development Bank, the Arab Monetary Fund, the European Commission, the Islamic Development Bank, and the Organisation for Economic Cooperation and Development, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

MOROCCO

**2008 Article IV Consultation**

**Informational Annex**

Prepared by the Middle East and Central Asia Department

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## ANNEX I. FUND RELATIONS

As of May 31, 2008

**I. Membership Status:** Joined: April 25, 1958Article VIII

<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>% Quota</b>
<u>Quota</u>	588.20	100.00
<u>Fund holdings of currency</u>	517.76	88.02
<u>Reserve Position</u>	70.45	11.98
<u>Holdings Exchange Rate</u>		

<b>III. SDR Department:</b>	<b>SDR Million</b>	<b>% Allocation</b>
<u>Net cumulative allocation</u>	85.69	100.00
<u>Holdings</u>	16.31	19.04

**IV. Outstanding Purchases and Loans:** None**V. Latest Financial Arrangements:**

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
Stand-By	Jan 31, 1992	Mar 31, 1993	91.98	18.40
Stand-By	Jul 20, 1990	Mar 31, 1991	100.00	48.00
Stand-By	Aug 30, 1988	Dec 31, 1989	210.00	210.00

**VI. Projected Payments to Fund****(SDR Million; based on existing use of resources and present holdings of SDRs):**

	<u>Forthcoming</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Principal					
Charges/Interest	<u>1.03</u>	<u>2.07</u>	<u>2.07</u>	<u>2.07</u>	<u>2.07</u>
<b>Total</b>	1.03	2.07	2.07	2.07	2.07

### **Exchange Rate Arrangement and Exchange System**

Morocco maintains an exchange system that is free of restrictions on the making of payments and transfers on current international transactions. However, Morocco maintains certain restrictions relating to Iraq and the Federal Republic of Yugoslavia (Serbia and Montenegro), pursuant to UN Security Council Resolutions. These are subject to notification to the Fund in accordance with Decision 144 (52/51). The exchange rate is freely determined in the interbank foreign exchange market, which was created in 1996. Bank Al-Maghrib (BAM) intervenes in the market to maintain the exchange rate within its target range, defined around a fixed central rate. Morocco has a conventional peg arrangement. The current exchange rate of the Moroccan dirham is pegged to a basket of currencies comprising the euro and the U.S. dollar, with respective weights of 80 and 20 percent. BAM fixes daily rates for the rated currencies on the basis of variations on the value of the basket. Rates for most currencies quoted in Morocco are established on the basis of the daily dirham-euro rate and the cross rates for those currencies in relation to the euro in the international exchange markets. As of June 13, 2008, the SDR/dirham exchange rate was SDR 1=MAD 11.97.

### **Article IV Consultation**

Morocco is on the 12-month cycle. The last discussions of the Article IV consultation were held in Rabat during May 31–June 11, 2007, and were concluded by the Executive Board on August 3, 2007.

### **Technical Assistance**

March 20-30, 2007: INS—Workshop on Modeling Issues at the Central Bank

November 11-20, 2007: STA—Needs Assessment

December 10-20, 2007: STA—GFSM Pilot Study

June 26-July 7, 2008: STA—Improving Monetary and Finance Statistics, and Implementing the Standardized Reporting Forms.

2007-08: MCM—Peripatetic visits—Accounting, internal rating and bank supervision.

**Resident representative:** None

## ANNEX II. RELATIONS WITH THE WORLD BANK GROUP

### JMAP Implementation, FY09

As of May 31, 2008

Title	Products	Provisional timing of missions	Expected delivery date
<b>A. Mutual information on relevant work programs</b>			
Bank work program in next 12 months	a. Country Partnership Strategy initial preparation b. Investment Climate Assessment c. Public Expenditure Review (PER), with the support of a Public Expenditure and Financial Accountability (PEFA) and a Country Governance and Anticorruption Strategy (CGAC) d. Procurement Review e. <u>Sector work</u> on: <ul style="list-style-type: none"> <li>• Poverty and Social Impact Analysis of subsidy removal</li> <li>• Reviewing Social Protection</li> <li>• Transport, Energy and Electricity Transmission</li> <li>• Gender and social inclusion</li> <li>• Environment and Tourism</li> <li>• Skills Development/Labor Market</li> <li>• Climate change &amp; mitigation Strategy</li> <li>• Poverty mapping</li> </ul> f. <u>Development Policy Lending</u> on: Water II, Housing II, Energy II, Public Admin. Reform IV, and Justice (possible) g. <u>Technical assistance</u> on <ul style="list-style-type: none"> <li>• Port Trade Facilitation–Customs</li> <li>• Trade policy tools</li> <li>• Supply of Industrial Land</li> <li>• Pension Reform Follow-Up</li> </ul>	Ongoing activities with multiple missions throughout the year	All except (b) are FY09 activities
IMF work program in next 12 months	Board meeting on 2008 Article IV Consultation  Finalization of analytical work on Medium-term fiscal outlook and the real exchange rate  Determinants of the recent revenue surge  Staff visit  2009 Article IV consultation	May 2008  May 2008  May 2008  January 2009  May 2009	July 2008  July 2008  October 2008  January 2009  May 2009

	Technical assistance missions on: -improving monetary and financial statistics; - tax policy follow-up; - tax administration follow-up	June-July 2008 July 2008 September 2008	July 2008 August 2008 September 2008
<b>B. Requests for work program inputs</b>			
Fund request to Bank	Prospects for the subsidy system	As needed	FY09
Bank request to Fund	Assessment of macroeconomic stance & prospects  Request for assessment letters to DPLs  Collaboration with a chapter for Public Expenditure Review  Data sharing	Semiannual (and on ad hoc basis if requested)  At least 2 operations predicted  Fall 2008  Ongoing	Following Article IV and staff visits
<b>C. Agreement on joint products and missions</b>			
Joint products in next 12 months	FSAP Dissemination and follow-up of its recommendations	Ongoing	

### ANNEX III. STATISTICAL ISSUES

(As of June 18, 2008)

Data provision is adequate for surveillance. Economic and financial data have been provided to the staff on a regular basis and most of these data are also published or made available on publicly accessible web sites. The results of a data ROSC mission that took place in January 2002 were published in April 2003 (Country Report No. 03/92). Morocco is a SDDS subscriber since December 2005.

#### **Real sector**

The Statistical Office rebased national accounts from 1980 to 1998 and brought it in conformity with the *System of National Accounts 1993*. The series of accounts for 1998-2005 were released on October 2006, and the preliminary accounts for 2006, on June 2007. They are also in the process of revising the consumer price index, with updated expenditure weights based on the results of the 2001 household budget survey. A consistent monthly time series for the producer price index (with weights derived from the 1997 annual survey) are available.

#### **Government finance**

A February 1999 mission and a follow-up February 2000 mission advised on improvements in the compilation of both central and local government statistics and assisted the government in establishing appropriate consolidation procedures for a presentation of general government data. Substantial progress has been made by the Accounting Office for the compilation of local government data and their consolidation with central government budgetary data. The actual use of those source data for general government compilation require critical clarification of responsibilities between various directorates. Regarding the monthly *Treasury's Expenditure and Revenue Table*, the 2002 data ROSC mission recommended some reclassifications (e.g., transfers and privatization), to maintain the *Fonds Hassan II* within the coverage of the table, and, for dissemination purposes, to complement the table with more details and data on financing and to improve the format of dissemination. A 2005 SDDS assessment mission prepared an action plan for the production of data on the consolidated general government operations. A 2007 mission invited by the authorities to conduct a government finance pilot study was unable to obtain data beyond those for budgetary central government due to burdensome administrative procedures.

Central government finance data are generally available with a few months lag. *GFS* data coverage reported for publication in the *GFS Yearbook* is limited to the budgetary central government from 2005 onwards. The reporting of data on a monthly or quarterly basis for publication in the *International Financial Statistics (IFS)* is irregular.



## Monetary and financial statistics

The degree of detail in the breakdown of financial assets and liabilities by resident institutional sector could be more extensive; at present, this problem is reflected in the lack of precision in some of the monetary aggregates, including credit indicators. A monetary and financial statistics mission will visit Rabat during June 24–July 7, 2008. The main objectives of the mission are (1) to improve monetary statistics to be in line with the methodology in the *Monetary and Financial Statistics Manual* and (2) to assist Bank Al-Maghrib (BAM) staff in implementing the reporting of monetary data to the Fund using the Standardized Report Forms (SRFs).

BAM disseminates monetary and financial and other macroeconomic statistics to the general public primarily through its website ([www.bkam.ma](http://www.bkam.ma)). The statistical part of the site includes web-based versions of the Bank's weekly, monthly, quarterly, and annual publications.

## Balance of payments

The 2002 data ROSC mission found that in general the balance of payments data are in line with the concepts and definitions set out in the fifth edition of the *Balance of Payments Manual (BPM5)*. However, further work is needed to implement certain recommendations on scope, classification, and basis for recording. Thus, recent measures to exclude the effects of changes in exchange rates from the valuation of transactions in reserve assets should be continued, and transactions in foreign currency assets and liabilities of intermediary banks at their correspondent banks should be excluded from transactions in reserve assets. Also, the *Office des Changes* (OC) started to treat operators in free trade zones as residents since 2005. Offshore banks located in Morocco should also be considered residents. The OC lacks a firm legal basis for compiling and disseminating balance of payments statistics, relying for the time being exclusively on customs and exchange control data. These data are gradually to become less available as exchange liberalization proceeds and as participation of foreign investors in the economy increases further. The OC has initiated legislative measures that would give it access to statistical data collected directly from economic operators, to record among other things, private foreign debt, and more generally the international investment position. Furthermore, the data ROSC mission recommended the introduction of quarterly surveys of enterprises and other agencies to improve the scope, classification, and valuation of balance of payments transactions, in particular for goods for processing, transportation services, and financial transactions. Since May 1998, the OC has been publishing, on its internet site, monthly statistics on trade, tourism, private transfers, and incoming foreign direct investment in accordance with the *BPM5*. The quality of balance of payments statistics has significantly improved with the inclusion of free zones located in Morocco.

The latest BOP and IIP information received from Morocco, and published in the IFS, relates to BOP data for first quarter of 2007 and annual IIP data for 2006. Furthermore, Morocco reports on a regular basis international liquidity data to STA for publication in the *IFS*.

# TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE

AS OF JUNE 18, 2008

	Date of latest observation	Date received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of publication <sup>7</sup>	Memo items	
						Data Quality – Methodological soundness <sup>8</sup>	Data Quality – Accuracy and reliability <sup>9</sup>
Exchange Rates	05/15/08	06/05/08	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	05/30/08	06/06/08	M	M	M		
Reserve/Base Money	04/30/08	06/01/08	M	M	M	LO, O, LNO, LO	LO, LO, O, O, LO
Broad Money	04/30/08	06/01/08	M	M	M		
Central Bank Balance Sheet	04/30/08	06/01/08	M	M	M		
Consolidated Balance Sheet of the Banking System	04/30/08	06/01/08	M	M	M		
Interest Rates <sup>2</sup>	04/30/08	06/01/08	D	D	D		
Consumer Price Index	04/30/08	06/02/08	M	M	M	O, LO, O, O	LO, LO, O, O, O
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>			...	...	...	LO, LNO, LO, O	O, O, O, O, LO
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	03/31/08	06/09/08	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	Q1, 2008	06/09/08	A	A	A		
External Current Account Balance	04/30/08	05/22/08	M	M	M	LO, LO, LO, LO	LO, LO, O, LO, LNO
Exports and Imports of Goods and Services	04/30/08	05/22/08	M	M	M		
GDP/GNP	Q1, 2008	06/09/08	Q	Q	Q	LO, LNO, LO, LO	LNO, LO, O, O, LNO
Gross External Debt	Q1, 2008	06/09/08	Q	Q	Q		
International Investment Position <sup>6</sup>	2006	9/25/07	A	A	A		

<sup>1</sup>Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup>Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup>Foreign, domestic bank, and domestic non-bank financing.

<sup>4</sup>The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup>Including currency and maturity composition.

<sup>6</sup>Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>7</sup>Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).

<sup>8</sup>Reflects the assessment provided in the data ROSC published on April 4, 2003, and based on the findings of the mission that took place during January 16–30, 2002, for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

<sup>9</sup>Same as Footnote 8, except referring to international standards concerning source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.