**1. Name of the Project**

Country: The Kingdom of Morocco  
Project: Urban Areas Living Environment Improvement Project  
(Loan Agreement: March 30, 2007; Loan Amount: 5,537 million yen; Borrower: Al Omrane [Holding d’Aménagement Al Omrane])

**2. Necessity and Relevance of JBIC’s Assistance**

Of Morocco’s population of 29 million persons (2004), approximately 55% live in urban areas, and there are as many as 3 million urban households (2004). The percentage of urban households is increasing annually, climbing from 41% in 1982 to 57% in 1994 and 61% in 2004. This concentration of population in urban areas is bringing on a deterioration of the residential environment, and it is one factor in the formation of unsanitary urban residential areas. (Approximately 110,000 residences are constructed annually in urban areas, but of those, around 30% do not have adequate basic infrastructure such as electricity, water, and sewer.) As a result, the total number of unsanitary residences nationwide has reached one million units (2004), and the majority of those are lacking in basic infrastructure, making installation of comprehensive basic infrastructure an urgent issue in those areas. Particularly in regional cities in the area surrounding the capital of Rabat, basic infrastructure such as electricity, water, and sewer is lacking, and chronic flooding of roads as well as discharge of untreated residential wastewater has become an environmental and sanitation problem. Moreover, because the area of illegal residences (Commune Sidi Taibi) near Rabat is situated above the groundwater zone that supplies drinking water to the metropolitan area, there is concern over pollution of the metropolitan area’s water source.  

The Government of Morocco has heretofore regarded poverty reduction and redress of regional disparities as important points of its development policy. The poor population in Morocco is approximately 4.25 million persons, which is 14.2% of the total population (2004), and of this figure, 1.3 million (7.9% of the total population) are in urban areas, and 2.95 million (22.0% of the total) are in rural areas. The percentage of poor in rural areas remains high, but due to the issues stated above, the influx of the poor into urban areas has become an urgent issue. Moreover, in May 2005, His Majesty King Mohammed VI announced the National Initiative for Human Development (INDH) which is to improve access to basic social services (healthcare and education, etc.), through support for income creation activities and development of facilities such as civic halls, for the socially vulnerable (the poor, those in unsanitary residences, etc.) in regional and urban areas, and which also states as a national policy goal that this improved access is to be linked to poverty reduction. The Ministry of Housing and Urban Planning, which has jurisdiction over unsanitary residences, prepared “Cities Without Slums Program (VSB program) 2004-2010” to promote improvement of unsanitary residences located in areas around the major cities (total plan budget approximately 67 billion yen). The plan is currently in the implementation stage, and assistance from donor countries is being sought.  

This project is consistent with the high-priority policy goal of the Government of Morocco as stated in the above-mentioned INDH and VSB program. Moreover, in JBIC’s current Medium-Term Strategy for Overseas Economic Cooperation Operations (FY2005-2007), “a foundation for
sustained growth” and “poverty reduction” are mentioned as priority areas, and so JBIC’s assistance for this project is highly necessary and relevant.

### 3. Project Objectives

The objective of this project is to improve access to basic social services by residents in the regional cities around Rabat, by installing basic infrastructure for unsanitary residences in the project area, thereby contributing to improvement of the living environment of residents in the project area and stimulation of the local economy.

### 4. Project Description

(1) Target Area
Commune Sidi Taibi and Ouled M’barek in Kenitra City

(2) Project Outline
The following are to be implemented on 194 ha in Commune Sidi Taibi and on 43 ha in Ouled M’barek.

(a) Installation of water and sewage systems (installation of water pipes and drainpipes for rainwater and sewage)
(b) Installation of electricity distribution networks
(c) Construction, widening and asphaltling of roads
(d) Assistance for local residents (provision of relocation information, etc., and strengthening the capabilities of residents’ organizations, etc.)
(e) Consulting services (review of detailed design, construction supervision, and assistance with resident relocation)

(3) Total Project Cost/Loan Amount
7,383 million yen (Yen Loan Amount: 5,537 million yen)

(4) Schedule
April 2007 – June 2014 (87 months)

(5) Implementation Structure
(a) Borrower: Al Omrane (Holding d’Aménagement Al Omrane)
(b) Executing Agency: Same as (a)
(c) Operation and Maintenance System: Al Omrane
   - Régie Autonome de Kénitra (RAK)
   - Office National de l’ Eau Potable (ONEP)
   - Local government (Commune Sidi Taibi, Kenitra City)

(6) Environmental and Social Consideration
(a) Environmental Effects/Land Acquisition and Resident Relocation
   (i) Category: A
   (ii) Reason for Categorization
   This project falls into a project which is likely to have significant adverse impact on the
environment under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Consideration” (established in April 2002). Thus this project is classified as Category A.

(iii) Environmental Permit

(iv) Anti-Pollution Measures
During construction, appropriate measures will be taken to alleviate dust, such as sprinkling water, etc.

(v) Natural Environment
The project site is not located in or around sensitive areas, such as national parks, and so adverse impacts on the natural environment are assumed to be minimal.

(vi) Social Environment
This project requires land acquisition of 240 ha and relocation of approximately 1,650 households. This is scheduled to be implemented in accordance with the domestic laws of Morocco and the resident relocation plan prepared by the executing agencies. Among those to be relocated, the legal residents will receive compensation commensurate with their loss. Illegal residents will be granted the right to purchase, at a low price, land newly prepared by this project.

(vii) Other/Monitoring
The executing agencies will monitor the land acquisition, resident relocation, water quality, and waste, etc.

(b) Promotion of Poverty Reduction
The poverty rate of Sidi Taibi Commune (at 15.04%) exceeds the national average (of 14.2%). The poverty rate of the city of Kenitra which is located in Ouled M’barek (at 9.90%) is below the national average, but it exceeds the national urban average. Moreover, because these areas are targeted by the VSB program, it may be assumed that there are many poor among those who will benefit from this project, and so it may be acknowledged as a poverty countermeasure project.

(c) Promotion of Social Development (e.g. Gender Perspective)
The beneficiaries of this project require funds for land purchase and house construction. For this purpose, the executing agencies plan to place a responsible officer in the social support section of the Kenitra regional branch, and in the local resident support component, to offer relocation information to residents using local NGOs and to monitor living conditions. Moreover, the executing agencies plan to implement a policy to assist vulnerable persons (acceptance of applications for installment payment of residents’ expenses, etc.), in cooperation with related agencies.

Furthermore, to promote the participation of women in residents’ meetings, the executing agencies plan to hire a women’s education activist in the local resident support component of the project. In the project site, there is also a “Women’s House,” construction of which was completed under the INDH framework, and courses on embroidery and sewing, etc., are being held there. It is expected that these activities will lead to an improvement in the livelihoods of the local residents in the future.
(7) Other Important Issues
None

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (2006)</th>
<th>Target (2016, 2 years after completion)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Sidi Taibi</td>
<td>Ouled M’ barek</td>
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<tr>
<td>Electrification ratio(%)</td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td>Percentage of water supplied population (%)</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Percentage of the sewage treated population (%)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Percentage of legal possession of land (%)</td>
<td>31.8</td>
<td>0</td>
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</tbody>
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(2) Internal Rate of Return

Economic Internal Rate of Return (EIRR): 10.9%
   (a) Cost: Project costs (excluding tax), operation and maintenance expenses, house construction costs
   (b) Benefit: Fee income, increase in residents’ asset value in the project site area
   (c) Project Life: 30 years

Financial Internal Rate of Return (FIRR): 6.1%
   (a) Cost: Project costs, operation and maintenance expenses
   (b) Benefit: Fee income, connection charge income, proceeds from sales of residential land
   (c) Project Life: 30 years

6. External Risk Factors

Increase in cost of civil engineering works, etc., due to sharp jump in oil prices

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

From past ex-post evaluations, it has been learned that a schedule to which the residents will agree should be drawn up for land acquisition and resident relocation. In this project, Al Omran has already prepared a basic plan for the project’s resident relocation and has begun explaining it to the residents. Moreover, during the project implementation, because a local NGO or consultant will be hired to provide information to residents and to collect residents’ opinions, it may be anticipated that agreement will be reached smoothly concerning land acquisition and resident relocation.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation
   (a) Electrification ratio (%)
   (b) Percentage of water supplied population (%)
   (c) Percentage of the sewage treated population (%)
   (d) Percentage of legal possession of land (%)
   (e) Economic internal rate of return (EIRR) (%)
   (f) Financial internal rate of return (FIRR) (%)
(2) Timing of Next Evaluation
After project completion