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COUNTRY PARTNERSHIP STRATEGY (CPS)

FOR

THE KINGDOM OF MOROCCO

FOR THE PERIOD FY2014-2017

April 1, 2014

Maghreb Country Department, World Bank  
Middle East and North Africa Region

International Finance Corporation  
Middle East and North Africa Region

Multilateral Investment Guarantee Agency  
Middle East and North Africa Region

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## CURRENCY EQUIVALENTS

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### MOROCCO FISCAL YEAR

January 1 – December 31

### WORLD BANK GROUP FISCAL YEAR

July 1 – June 30

### List of Abbreviations and Acronyms

AAA	Analytical and advisory activities
AFD	<i>Agence Française de Développement</i> (French Development Agency)
AfDB	African Development Bank
AMC	Asset Management Company
AMDL	Moroccan Agency for the Development of Logistics
ANAPEC	<i>Agence Nationale de Promotion de l'Emploi et des Compétences</i> (National employment and skills promotion agency)
ASIMA	Social and Integrated Agriculture
BAM	Bank Al Maghrib - Central Bank
BCP	<i>Banque Centrale Populaire</i>
BPO	Business Process Outsourcing
CEM	Country Economic Memorandum
CNEA	National Business Environment Committee
CSP	Concentrated Solar Power
CPSCR	CPS Completion Report
CTF	Clean Technology Fund
DTF	Deauville MENA Transition Fund
DPL	Development Policy Lending
ESCP	Economic Competitiveness Support Program
ESW	Economic and Sector Work
EU	European Union
FDI	Foreign direct investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GEF	Global Environment Fund
GIZC	Integrated Management of Coastal Zones
GoM	Government of Morocco
GPSA	Global Partnership for Social Accountability
HCP	<i>Haut Commissariat Au Plan</i>
HMIS	Health Management Information System
ICT	Information and Communication Technology
IDF	Institutional Development Fund
IGF	<i>Inspection Générale des Finances</i>
IGG	Inclusive Green Growth
IMA	Moroccan Institute of Directors
INDH	<i>Initiative Nationale de Développement Humain</i> (National Initiative for Human Development)
MDG	Millennium Development Goals
MDTF	Multidonor Trust Fund

MENA	Middle East and North Africa
MSME	Micro, Small, and Medium Enterprises
MTEF	Medium-term expenditure framework
NCD	Non-communicable Diseases
NHSFO	Non-honoring of sovereign financial obligations
NHFO-SOE	Non-honoring of financial obligations of state-owned enterprises
ONEE	<i>Office National de l'Eau et de l'Electricité</i> (National Office for Water and Electricity)
ORDAR	<i>Offices régionaux de développement agricole et rural</i>
PACT	Local Government Support Program
PAGER	National program promoting potable water supply to rural populations
P-ESW	Programmatic economic and sector work
PERG	National program for universal rural electrification
PforR	Program for Results
PICCPMV	Integrating Climate Change in the Implementation of the PMV
PJD	<i>Parti pour le Développement et la Justice</i> (Development and Justice Party)
PMV	<i>Plan Maroc Vert</i>
PNEI	National Pact for Industrial Emergence
PNEEI	National Program of Energy Efficiency in the Industry
PNRR	<i>Programme National de Routes Rurales</i> (National Rural Roads Program)
PPP	Public-Private Partnerships
RAMED	Non-contributory Health Insurance Program
SEDP	Skills and Employment DPL
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
SWM	Solid Waste Management
TA	Technical Assistance
TFP	Total Factor Productivity
UNICOP	<i>Union Nationale des Industries de la Conserve de Poisson</i>
WSS	Water supply and sanitation

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**COUNTRY PARTNERSHIP STRATEGY (CPS) FY14-17  
FOR THE KINGDOM OF MOROCCO**

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## EXECUTIVE SUMMARY

- i. **Amidst the historic and tumultuous changes that have marked the Region in recent years, Morocco has embarked on a promising and peaceful political and social transition toward a more open society.** The transition has come in response to the demands of Moroccans who took to the streets in early 2011 to call for change as the economy failed to deliver on jobs and opportunities, particularly for youth, despite years of strong growth and prudent economic management.
- ii. **In response, the King of Morocco launched a broad program of reforms and a new Constitution was adopted in 2011.** It presents a revised governance framework, strengthening the powers of the Head of Government and of Parliament and the independence of the judiciary. It grants greater human and social rights, providing for a more open and decentralized system of governance. A new coalition Government formed in 2012 has sought to implement the reforms promised under the new Constitution. As weak global growth has dampened Morocco's economic performance and hindered job creation, the Government has increasingly focused on managing social pressures, and this has delayed reforms. In 2014, the coalition Government renewed its commitment to the reform program.
- iii. **Morocco's economic prospects are closely tied to Europe's, and any slow-down there will undermine the macro-economic outlook through continued weak exports, tourism, remittances or FDI.** High fuel prices, deterioration in the regional context, or renewed global financial turmoil would compound these challenges. While the Government has launched a series of sector strategies to boost economic performance, absent a reorientation of the economy toward the tradable sector and increased competitiveness, growth and job creation will remain weak. Morocco will therefore need to increase its efforts to enhance competitiveness and gain market share on global markets. These efforts will require a higher quality of domestic investments and continuing to attract large flows of foreign direct investments. It will call for increased opportunities and economic freedom for all Moroccans, to compete, produce and participate in the economy, and a greater role for the private sector.
- iv. **Macroeconomic stability will depend on strengthened governance and robust fiscal consolidation—particularly subsidy, pension, and fiscal reforms, a prudent monetary policy, and greater flexibility in exchange rate management.** While subsidy and pension reforms are most urgent, including establishing more effective and inclusive social protection programs, structural reforms are needed in the medium term to boost enterprise productivity by better channeling resources to competitive industries. The 2014 Budget Law confirmed the Government's strategy to continue reforming the subsidy system and launch the reforms of the pension and fiscal systems this year. In addition, government intends to adopt the Organic Budget Law to strengthen the articulation and implementation of local government budgets. The government plans to proceed with justice reform, improve access to financing, especially for SMEs, address constraints to land access, develop logistics services, and reinforce technical training. Assuming these reforms take place, growth in the non-agriculture economy could reach around 5.5 percent over the medium term, with inflation below 2 percent and the budget deficit below 3 percent of GDP.
- v. **Against this backdrop, the World Bank Group (WBG) seeks to renew its commitment to support Morocco in accelerating sustainable and inclusive growth to create much-needed employment and to achieve the twin goals of eliminating poverty and boosting shared prosperity.** Under this four-year Country Partnership Strategy (CPS), the WBG proposes to scale up its support for Morocco's open governance and green growth agendas, supporting innovative multi-sector approaches to sustainable and environmentally-

sound development, for the benefit of future generations and to improve private sector-led competitiveness and global integration. The CPS deepens the WBG's focus on improving governance and strengthening the accountability and capacity of institutions that manage public resources and deliver basic services, particularly at the local level. Promoting citizens' voice and participation is integral to these efforts, as is the focus on gender and youth. The CPS is designed to support these objectives with a broad array of financial and technical instruments and services drawing on the comparative strengths of IBRD, IFC and MIGA.

vi. **Morocco's estimated demand for IBRD financing during the CPS period of FY14-17 may reach US\$4 billion.** Lending volumes in FY15-17 will depend on country performance, IBRD's lending capacity, demand by other Bank borrowers and global economic developments. This level of financing represents a notable scale up for the World Bank in Morocco and would allow for a high case lending scenario that would support the critical reforms and investments in the area of public administration reform, increased accountability and decentralization, employment support, inclusive green growth, agriculture modernization and basic services. This stepped-up engagement will respond to Morocco's need for external financing and enable the authorities to pursue economic transformation against a backdrop of economic difficulties in Europe that have dampened external demand; high international food and fuel prices; and escalating social pressures to create jobs and to deliver on the promises of the new Constitution. Development Policy Loans (DPL) are expected to continue to play an important role in IBRD lending to support reforms. At the same time, as the Bank shifts toward a more results-centered program, providing increased levels of technical assistance for reforms and building institutional capacity, the proportion of non-DPL financing, namely investment lending and program for results lending, is expected to increase.

vii. **IFC will focus its efforts on attracting more private capital to Morocco,** and in FY14 IFC expects to invest about US\$150 million from its own account. Assuming continued improvements in the business environment, IFC expects to invest a total of around US\$350-400 million over the FY15-17 period from its own account, as well as mobilize additional resources from other investors. IFC will continue to boost investor confidence in Morocco by playing a counter cyclical role and will adjust its approach to allow for flexibility in implementing its program to reflect changes in market conditions. In line with the principles of additionality, IFC will remain selective in its engagement in the country and continue focus on innovative areas, inclusion and south-south/regional integration. Promoting South-South investments, particularly to support the expansion of Morocco's regional players, will be a critical aspect of IFC's strategy. IFC's stepped up engagement in Morocco will continue to focus on increasing private sector led growth, creating jobs and expanding access to finance for small and medium business, especially of youth and women. IFC will continue to implement a sizeable advisory program to address constraints to private sector development which is critical to foster a competitive private sector.

vii. **The Bank Group's performance will be measured against its contributions to the priorities of the Government as proposed in the CPS.** Annex 2 presents a Results Framework that tracks progress towards expected CPS outcomes in each of the three Results Areas. The Bank will hold Performance Learning Reviews to evaluate program performance jointly with Moroccan counterparts.

viii. **The CPS identifies several risks to the program and mitigating measures:** *Economic, social and external risks:* Uncertain economic prospects in Europe and emerging markets create downside risk to Morocco's trade position, economic growth, fiscal performance and pace of financing for investments. Morocco will remain under tremendous domestic pressure to continue generous social programs. The CPS program is designed



precisely to provide financial and technical assistance on these complex issues, including reforms to improve the fiscal situation, to help the economy become more competitive and to bolster broad-based support for reforms. *Political risks:* The implementation of the CPS and achievement of proposed outcomes are predicated on the Government's adherence to the ambitious reforms set out in its program. The WBG will maintain a close dialogue with the authorities and other stakeholders and help raise awareness of reform options. *Program coordination risks:* To mitigate delays in preparation and implementation of multi-sector operations due to weak coordination, the Bank will work closely with its partners to establish consensus and define clear roles and responsibilities, in line with the respective technical expertise and mandate of agencies. *Implementation risks* are relate principally to resolving safeguards issues around land acquisition and compensation that have delayed implementation of some investment operations. The Bank has launched a review of these and other safeguards issues and is discussing a program for resolving them with the authorities. The Bank will also work closely with counterparts to ensure the availability of data that is essential for key analytical activities to proceed.

## I. INTRODUCTION

1. **This document presents the World Bank Group (WBG) Country Partnership Strategy (CPS) for Morocco for FY14 to FY17.** The WBG's approach under the new CPS has evolved in a number of important ways since the 2010 CPS (Board presentation in January 2010) and CPS Progress Report (Board presentation in June 2012). Following the historic political and social events in the Middle East and North Africa (MENA) region since early 2011, Morocco has engaged in a promising transition and reform process built on the principles of a new Constitution providing for greater accountability, openness, and opportunity. At the same time, weak global growth, strains on natural resources, and stubborn unemployment levels have dampened Morocco's economic performance and highlighted the need for important shifts in its development model.

2. **Against this backdrop, the WBG seeks to renew its commitment to support Morocco in accelerating sustainable and inclusive growth to create much-needed employment and to eliminate poverty and boost shared prosperity.** Under this CPS, the WBG proposes to scale up its support for Morocco's open governance and green growth agendas, supporting innovative multi-sector approaches to sustainable and environmentally sound development for the benefit of future generations, and to improve private sector-led competitiveness and global integration to reduce the country's vulnerability to shocks. Indeed, a broader global integration agenda will be the paramount driver of private sector development, job creation, and structural changes in Morocco in the coming years. The CPS deepens the WBG's focus on improving governance and strengthening the accountability and capacity of institutions that manage public resources and deliver basic services, particularly at the local level. Promoting citizens' voice and participation is integral to these efforts, as is the focus on gender and youth. The CPS is designed to support these objectives using a broad array of financial and technical instruments and services from IBRD, IFC, and MIGA.

## II. COUNTRY CONTEXT

### *Political Context*

3. **Morocco's political landscape has been relatively stable over the past decades.** The country is governed by a parliamentary constitutional monarchy, whereby executive power is exercised by a multi-party government led by a Head of Government and by the King who is the Head of State. Legislative power is vested in both the Chamber of Representatives and the Chamber of Councilors, while the judiciary is independent from the Government.

4. **The Arab Spring in early 2011 spurred a peaceful political transformation in Morocco.** Reflective of this call for sweeping change, Moroccans—young people in particular—called for a revamped democratic system, improved governance, and greater freedoms, voice, and opportunities. Although Morocco has experienced noteworthy economic and social advances since the 1990s, high unemployment and lack of opportunity led protestors to denounce exclusion and corruption.

5. **The King responded by launching a comprehensive program of reforms, including the drafting of a new Constitution adopted through a referendum in July 2011.** The Constitution presented a revised governance framework and strengthened the powers of the Head of Government and of Parliament, and the independence of the judiciary. It granted greater human and social rights, providing for a more open (and decentralized) system of governance and laying out the rules for fairer and more inclusive development.

6. **Breaking with the past and as required by the new Constitution, the King designated a Head of Government from the party that won the most seats in legislative elections held in November 2011.** After years in opposition, the Justice and Development Party (*Parti de la justice et du développement*, PJD) achieved a groundbreaking victory by winning the most seats in legislative elections. In January 2012, the King named Abdelilah Benkirane, the head of the PJD, as Head of Government to form a new coalition government (“Benkirane I”) that would be tasked with delivering on the main reforms under the new Constitution and to harmonize legislative texts with the new constitutional provisions.

7. **Benkirane I was slow to deliver on the ambitious legislative agenda amid significant social pressures and a weakened economic environment.** As growth slowed, in the context of the Eurozone crisis and instability in the region, the Government focused on managing social pressures. Progress on reforms was also hampered by the differing views of coalition members on how best to approach them. Moreover, new requirements for public consultations have lengthened the process for finalizing and adopting new policies.

8. **In 2014, the coalition Government renewed its commitment to pursue reforms and implement the Constitution.** Following changes in the coalition government in 2013,<sup>1</sup> the Benkirane II Government confirmed its commitment to push forward with reforms and accelerate the legislative agenda set out by the new Constitution.

### *Social Context and Poverty Profile<sup>2</sup>*

9. **With an average economic growth rate of nearly 5 percent from 2001-2011, Morocco reduced poverty and boosted shared prosperity.** Extreme poverty has practically been eradicated, dropping from 2 percent to 0.28 percent over the same period.<sup>3</sup> Relative poverty also declined, from 15.3 percent to 6.2 percent, and population vulnerability (those living just above the poverty line) decreased from 22.8 percent to 13.3 percent.<sup>4</sup> Still, nearly 20 percent of the country, or 6.3 million Moroccans, live in poverty or under constant threat of falling back into poverty. During the same period, the wellbeing of the bottom 40 percent of the population grew both in absolute terms (the wellbeing of the poor improved) and relative terms (the wellbeing of the poor improved relative to that of the non-poor), suggesting an increase in shared prosperity.<sup>5</sup>

10. **Inequality, poverty and vulnerability remain important challenges.** Morocco’s Gini coefficient of 0.41 reflects stubbornly high levels of inequality. Disparities in poverty rates across regions provide one measure of this inequality: in 2011, the poverty rate in seven of Morocco’s sixteen regions was higher than the national average, as much as 40 percent higher in three of those regions (Figure 1). Moroccan cities, generating 75 percent of GDP, have pockets of entrenched poverty and high rates of unemployment. Inequality hinders the potential for economic growth to reduce poverty rates further and delays the emergence of a larger middle class.

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<sup>1</sup> Notably, the withdrawal of the Istiqlal party, the second largest in the coalition, and the subsequent entry of the center-right National Rally of Independents (NRI) party in the government coalition.

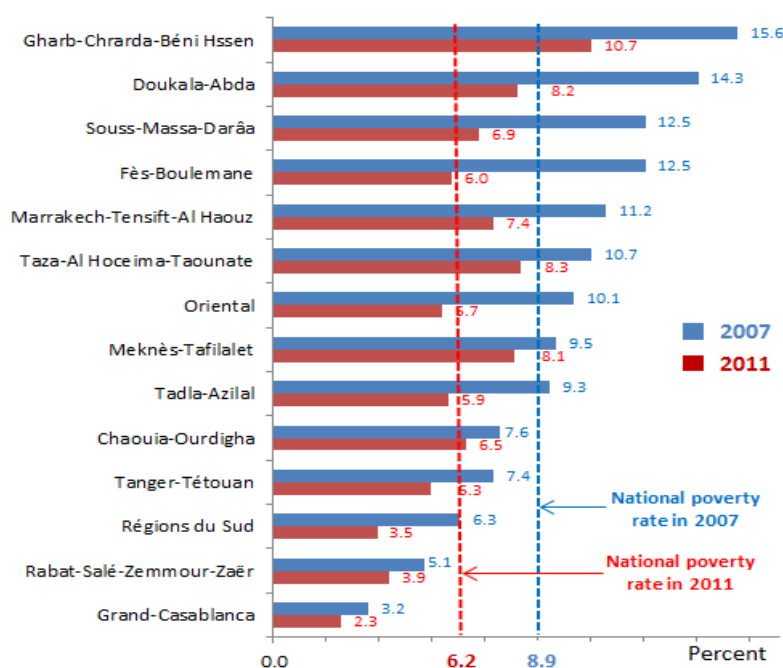
<sup>2</sup> All poverty indicators for 2011 are HCP estimates mapping 2007 HHCS data with LFSs. Results are published by HCP in the 2013 MDGs report.

<sup>3</sup> Extreme poverty refers to the population living on less than US\$1 PPP/day. The drop is based on the national poverty threshold, corresponding to the equivalent of US\$2.15 PPP in 2007.

<sup>4</sup> Alternative poverty measurements confirm this decline. The Alkire-Foster multidimensional poverty rates declined from 28.5% in 2004 to 8.9% in 2011.

<sup>5</sup> The wellbeing of the bottom 40% of the population grew by 3.3 percent over 2001-2007, against the growth rate of per-capita household consumption (3.2%) over that period.

**Figure 1. Morocco's Poverty Rates - Regional Evolutions**



Source: HCP, 2007 HHCIS and 2013 MDGs Reports

11. **Poverty rates are highest in rural areas.** Ten percent of Morocco's 13.4 million rural residents lived below the poverty line in 2011. They account for two-thirds of the poor in Morocco and are largely employed in informal agriculture (including fisheries and forestry). Poverty is linked to difficult geographic conditions, particularly mountainous areas, as well as to deteriorating infrastructure, poor access to basic services and very limited formal employment opportunities. The emerging effects of climate change are expected to have the greatest impact on the poorest and most vulnerable. Participants in CPS consultations in the Taounate province confirmed the long distances, lack of adequate transportation, and costs encountered in reaching schools and health facilities, noting that their children leave for school before daybreak and return after sunset, often by foot. Close to a quarter of rural households have no direct access to a road and live at least 10 kilometers away from basic health services. The share of births attended by skilled health personnel averages 63 percent, compared to 92 percent in urban areas.<sup>6</sup> In certain regions (such as the Atlantic coast and Mediterranean mountainous region), households still do not have access to safe drinking water. Telecommunications service coverage also poses a challenge in rural areas. These factors all combine to lower the quality of life, productivity, and prospects of rural households.

12. **Despite some notable progress on key human development indicators, Morocco still lags in health and education achievements.** Immunization of one-year-olds is nearly universal and indicators of life expectancy and average infant and maternal mortality rates have all improved over the past ten years.<sup>7</sup> Nonetheless, they compare poorly to similar economies and progress has been uneven, with rural areas being left behind. Morocco is in the midst of a rapid demographic and epidemiological transition, seeing fewer communicable illnesses but growing incidence of chronic disease which has important cost implications for the health sector. Non-communicable diseases (NCD) account for 75 percent of all deaths, followed by diabetes. The leading cause of death for young Moroccans (between the ages of 20 and 29) is

<sup>6</sup> WDI Data

<sup>7</sup> Life expectancy improved from 71.7 years in 2004 to 74.9 years in 2011 (Source: HCP); Mortality rates increased by over 15 percent from 2000 to 2012 (Source: UNDP).

road traffic accidents, which have increased by an alarming 35 percent during 2000-2010. Morocco spends less on health care than do countries of similar socioeconomic development.<sup>8</sup>

13. **There has been remarkable improvement in access to education, though the MDG of universal primary school completion is unlikely to be achieved by 2015.** Net primary school enrollment rates increased from 75 to 96 percent between 2000 and 2011, and similar improvements were noted at the secondary level.<sup>9</sup> Nonetheless, educational quality and learning outcomes continue to lag well behind those of other countries with similar or even lower income levels and overall illiteracy rates and gender disparity in secondary and higher education also remain high. International studies have shown that 74 percent of Moroccan students do not reach even the lowest benchmark level of Grade 4 mathematics, compared with the international median of 10 percent.

14. **With less than half of the Moroccan population economically active, Morocco has one of the lowest labor participation rates among emerging economies.** Despite declining by 4 percent between 2000 and 2011, unemployment has remained at around 9 percent, or one million people. Unemployment rates are higher in urban areas (13.7 percent compared to 4 percent in rural areas), among women (at 10 percent compared to 9 for men, though with a very low participation rate of 25 percent), youth (18 percent, although only 32 percent participate), and highly educated individuals, according to the *Haut Commissariat Au Plan* (HCP).

15. **Access to basic infrastructure services has increased dramatically over the past 15 years, although quality and sustainability remain of concern.** Nearly 98 percent of urban households have access to a power network, and 98 percent of rural households have electricity. Thousands of villages have standpipes providing potable water for 93 percent of the population as of 2013 (compared to 61 percent in 2004). The rate of connection to sewerage is estimated at around 76 percent in large cities. The mobile telephone penetration rate has grown dramatically from 73 percent in 2008 to 122 percent in 2013. Despite these advances, overall progress has been uneven and some rural and peri-urban areas, as well as small and medium-sized cities, still lack access to basic infrastructure services. Moreover, the reliability, maintenance, and financial sustainability of these services remain a persistent challenge, particularly at the local level.

### ***Economic Developments and Prospects***<sup>10</sup>

16. **Structurally, the Moroccan economy remains oriented toward nontradable activities (such as construction, public works, and low value-added services) and volatile, poorly productive agriculture.** Given this orientation, Morocco has made little productivity gains over the past two decades despite high levels of investment.<sup>11</sup> Investment efforts—dominated by publicly funded large infrastructure projects—have boosted the productivity of labor, but have not triggered a growth take-off through higher total factor productivity (TFP). Some positive effects may still occur in coming years as the TFP gains from government expenditures on infrastructure (energy, highways, ports, airports, industrial zones) materialize. But Morocco has yet to guarantee the productivity gains needed to support the emergence of a

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<sup>8</sup> Budget allocation to the health sector represented 5.1% (2009), 5.0% (2010), and 4.8% (2011) of total government budget.

<sup>9</sup> UNESCO Institute of Statistics.

<sup>10</sup> See Annex 3 for a more detailed macroeconomic analysis of recent developments and prospects.

<sup>11</sup> Morocco has consistently invested 5 to 10 percentage points of GDP more than peer countries and its total investment as a share of GDP has increased from 25 percent of GDP in the 1990s to 35 percent currently.

larger middle class. The challenge of increasing and further sharing prosperity remains paramount.

17. **One important explanatory factor behind Morocco's weak economic performance can be traced to its difficulty in benefitting from the current wave of globalization.** Morocco's share of global exports has hovered around 0.15 percent since the mid-1970s, while most competitors have seen substantial increases in their shares. The price of the national export basket has generally been higher, than that of key competitors and this gap has widened since the global financial crisis. High and rising export prices are symptomatic of persistent weaknesses in the competitiveness of Moroccan enterprises on the global market. Moroccan firms strive to improve the sophistication and quality of their export products. While existing firms have increased their market share for existing products in existing destinations, the renewal of the exporter base with entry and exit of firms is limited, and existing firms exhibit little product and market innovation.

18. **The enormous competitiveness challenge faced by Moroccan firms was highlighted by the country's response to recent adverse external shocks.** While the 2008 financial crisis has had limited direct effects on Morocco's economy, the subsequent food and fuel price crises and Eurozone crisis have had more serious repercussions. Morocco suffered a major deterioration of its terms of trade, compounded by a significant increase in its food import bill since 2008 (18 percent per year on average). Moreover, with a strong trade exposure to the European Union (EU), Morocco has been adversely affected by the sovereign debt crises in Spain, Italy, and Portugal, and the subsequent slowdown of economic growth in Europe more generally. As a result, economic growth beyond the agricultural sector has decelerated to an average of 3.5 percent since 2009, compared to 4.7 percent during 2000-2008. Growth has been driven mostly by debt-creating domestic demand, most notably by growing public expenditures. On the upside, the emergence of new growth drivers in higher value-added industries (such as car manufacturing and aeronautics) and the expansion of Moroccan companies in Western Africa are potentially creating the conditions for Morocco to become a regional hub for investments between Europe and Sub-Saharan Africa.

19. **In response to deteriorating fiscal trends, the Government initiated the reform of the subsidy system and began to rein in other recurrent and capital expenditures.** Morocco's fiscal balance swung from a surplus of 0.4 percent of GDP in 2008 to the highest deficit in two decades, at 7.3 percent of GDP, in 2012. The activation of a price indexation mechanism helped cut subsidies by almost 2 percentage points of GDP in 2013. The consolidation measures also included limiting the rise of the wage bill to 2 percent and cutting capital outlays by 6.2 percent. As a result, the fiscal deficit narrowed to 6 percent of GDP<sup>12</sup> in 2013, and the recourse to international markets was limited to US\$750 million in 2013, as compared to US\$1.5 billion in 2012. Following an agreement signed with the Gulf Cooperation Council (GCC) countries in 2012, Morocco has also received US\$615 million in capital grants in 2013. Outstanding government debt continued to increase in 2013 (albeit at a slower pace than in recent years) to reach 62.3 percent of GDP.

20. **The pursuit of expansionary fiscal policies has fuelled current account deficits in recent years.** After widening to 9.7 percent of GDP in 2012, the current account deficit is estimated to have improved to 8.7 percent of GDP in 2013. Europe has remained Morocco's main trading partner by far. On the financing side, in a context of a fixed exchange rate, net

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<sup>12</sup> The budget deficit does not take account of capital grants, which are registered as source of financing. The budget deficit including capital grants was 5.4 percent of GDP in 2013.

foreign direct investment (FDI) inflows grew by an impressive 23 percent in 2013. After two years of falling foreign exchange reserves, overall financial flows more than covered the current account deficit in 2013, leading to a consolidation of foreign reserves by US\$1.3 billion to US\$18.5 billion (4.3 months of imports).

21. **The financing of fiscal deficits tightened banking system liquidity.** In 2012, Bank Al-Maghrib partly compensated for this by relaxing its stance in a context of low inflation: cutting its policy rate from 3.25 to 3 percent, lowering the commercial banks' reserve requirement from 6 to 4 percent, and increasing liquidity injections. In 2013, the monetary stance was less accommodating and money supply grew by only 2.8 percent, compared to 4.5 percent in 2012. Non-performing loans continued to increase in 2013, reaching 5.9 percent of bank credit to the private sector. With the loan-to-deposit ratio exceeding 100 percent in domestic banks, the scope for extending credits to the private sector is increasingly constrained. The implementation of the Basel III accords, which comes into force in 2014, is expected to put further pressure on credit extension, especially longer terms and to larger borrowers.

**Table 1. Selected Macroeconomic Indicators (2010-17)**

	Actual			Est	Projections			
	2010	2011	2012	2013	2014	2015	2016	2017
GDP Growth (%)	3.6	5.0	2.7	4.4	3.0	4.6	4.8	4.9
Investment (as % of GDP)	35.0	36.0	35.3	33.2	33.2	32.9	32.7	32.7
Domestic Savings (as % of GDP)	25.2	22.8	21.1	19.3	20.5	21.4	22.1	23.0
Unemployment Rate (%)	9.1	8.9	9.0	9.2	...	...	...	...
CPI Inflation (%) (period average)	0.9	0.9	1.3	1.9	1.7	1.8	2.3	2.3
Budget Balance of the CG /GDP, %	-4.7	-6.9	-7.3	-6.1	-4.8	-4.1	-3.4	-3.1
Subsidy outlays / GDP, %	3.6	6.1	6.6	4.7	4.3	3.9	3.4	3.2
Debt Stock of the CG / GDP, %	50.3	53.7	60.1	62.3	62.9	61.8	60.1	58.2
External Debt Stock /GDP, %	29.0	29.3	34.4	38.4	40.5	40.8	40.6	39.4
Current Account Balance / GDP, %	-4.5	-8.0	-9.7	-8.7	-7.7	-6.6	-5.8	-5.0
Net Official Reserves (billion US\$) (including gold)	23.3	20.3	17.2	18.4	19.7	20.0	20.8	21.6

Source: Government of Morocco and World Bank estimates and projections

22. **Progress toward fiscal consolidation and improvement in external indicators underscore that the Government's medium-term macroeconomic framework remains broadly appropriate.** Nevertheless, difficult conditions in the global and regional environment entail significant downside risks. In particular, three debt sustainability analysis tests put the medium-term public debt-to-GDP ratio in the 62-64 percent range, highlighting the risks posed by a limited reform scenario. However, successful implementation of the Government's revamped development strategy should ensure that this outcome is avoided (see Table 1 for key macroeconomic projections under a strong reform scenario). In the 2014 Budget Law, the Government confirmed its intention to continue reforming the subsidy system and to launch a reform of the pension system. In addition, it has asserted its commitment to deepen regionalization and deconcentration and adopt the organic budget law necessary to enhance the central and local governments' ability to deliver better and more efficient services. To improve the investment climate further, the Government plans to proceed with justice reform; improve access to financing, especially for small and medium enterprises (SMEs); address constraints in access to land; develop logistics services; and reinforce technical training. Last year, Bank Al-Maghrib announced its aim to move toward a more flexible exchange rate mechanism over the next three years.

## ***Key Development Challenges***

### **A. Accelerating and Sustaining Economic Growth**

#### *Accelerating shared growth*

23. **One of the key challenges for Morocco is to grow its economy faster than at historical rates in order to generate more jobs and greater wealth.** Prudent economic management produced average growth rates of around 5 percent during 2001-2011 and reduced poverty (see above section on the poverty profile). Yet this growth rate has been insufficient to reduce unemployment, which has held at 9-10 percent since 2006. A simultaneously declining participation rate points to a disturbing trend of increased exclusion. It is estimated that Morocco needs to reach annual growth rates of 6-7 percent to absorb new entrants into the labor market and generate greater wealth for all.

24. **To achieve stronger growth rates, Morocco will need a structural transformation of its economy, with a focus on broadening economic opportunities.** These include a more stable macroeconomic environment, trade and exchange rate policies that support the competitiveness of Moroccan products, an improved business environment with a financial sector that better serves smaller and newer firms, more opportunities for private investment across all sectors, a labor force that is better trained and more productive, and a reduction in Morocco's reliance upon and inefficient use of natural resources (e.g. groundwater, imported fossil fuels).

25. **A more stable macroeconomic environment can only come with a more diversified and resilient economy.** Morocco's reliance on a few sectors (for example, agriculture, tourism, and phosphates) and on fragile and deteriorating natural resources, which are often exported without much local transformation and to a few markets (such as the Euro zone), makes it particularly vulnerable to internal and external shocks. The further development of agro-industry, along with a comprehensive program to modernize irrigation and adapt agriculture practices and crops to a changing climate, would further protect Morocco against such shocks. In addition, Morocco's dependence on fossil fuels and energy imports makes its economy vulnerable to global price fluctuations, while its significant potential in renewable energy (wind and solar) and in energy efficiency, including in transport, remain largely untapped.

26. **Trade and exchange rate policies must support competitiveness and integration in global value chains.** While export development plans are in place and Morocco has adopted an ambitious agenda with regard to free trade agreements, especially vis-à-vis the EU, the implementation of comprehensive investment climate reforms, increased productivity and reduced trade and investment barriers will be required to ensure deeper integration with global markets. In recent years Morocco has invested in robust trade reforms, notably in customs, and in major and successful transshipment activities. Yet trade costs remain relatively high, mostly due to supply chain inefficiencies, in particular among Maghreb countries. Modernizing logistics services can better connect Morocco to global value chains. Morocco also needs to shift progressively to a flexible exchange rate regime that would better support its export strategies and help increase resilience to external and internal shocks.

27. **Implementing a comprehensive global integration agenda would require greater government efforts to coordinate and execute economic integration initiatives.** Strategic reform areas will include foreign investment policy and investment protection, services trade



liberalization, competition policy, and consumer protection—all areas in which Morocco has room for improvement. This may require lifting government coordination to a higher position in the political hierarchy and establishing administrative units within the civil service to support the transition. Drawing best practices from successful experiences in Poland, Serbia, Slovenia, and Turkey could help Morocco build the institutions and implementation mechanisms needed to promote effective integration.

**28. Morocco's financial sector could be more diversified and better serve SMEs and new firms.** Morocco has a fairly diversified financial system that grew rapidly over the past decade. Financial system assets as a percentage of GDP have reached levels comparable to some high-income countries.<sup>13</sup> Morocco's financial system has therefore performed well in mobilizing savings for the formation of capital. However, finance functions pertaining to allocating and monitoring capital inhibit growth. At this stage of Morocco's development, a better mix between banking and capital markets might help increase diversity among investors, improve transparency in capital decisions, and foster good corporate governance. Raising the proportion of equity capital in the financial structure of particular SMEs, by facilitating access to external finance, could also enhance creditworthiness. Finally, implementing G-20 financial system reforms will naturally give capital markets a greater role in providing long-term financing to the economy.

**29. An environment more conducive to starting and growing businesses would boost economic activity and provide needed opportunities for disadvantaged youth and women entrepreneurs.** Despite some business environment reforms, the legal and regulatory environment in many respects still does not facilitate the creation or formalization of small enterprises. The unpredictable application of rules by the bureaucracy and the courts, together with numerous administrative instructions and circulars, create an opaque and overly complex environment that discourages informal businesses from formalizing. As a result, informality rates are high in Morocco, with most informal workers being in small firms that engage in low-productivity activities.<sup>14</sup> SMEs also commonly face barriers in access to land, finance, information, and support. These challenges were brought up emphatically throughout CPS consultations by young entrepreneurs and women who are most affected by these constraints.

**30. Upgrading the skills of the labor force would improve productivity and employment rates in Morocco.** This issue has worsened in recent years, with 35 percent of firms pointing to difficulties in identifying skilled workers as an important constraint, compared to 20 percent in 2004.<sup>15</sup> This lack of skills is due to inadequate education (for the new labor force) and a lack of continued education (for the existing labor stock). During CPS consultations, participants expressed frustration with the mismatch between academic programs and employment opportunities, particularly the limited relevance of educational curricula in today's job market.

**31. Labor regulations and comparatively high payroll taxes discourage the emergence of a dynamic labor force and formal employment, disproportionately affecting youth and women.** Morocco's highly restrictive fixed-term contract laws and heavy employment regulations and costs constitute important obstacles to firms that seek to adjust their staffing to cope with new demand, technologies, and economic shocks. With one of the highest minimum

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<sup>13</sup> Over 200 percent of GDP.

<sup>14</sup> Gatti, R.; Angel-Urdinola, D.; Silva J. and Bodor, A. 2011. Striving for Better Jobs: The Challenge of Informality in the Middle East and North Africa. Washington D.C.: World Bank

<sup>15</sup> Doing Business for Morocco, World Bank, 2008

wages<sup>16</sup> in the world and relatively high payroll taxes, the cost of formal labor is inflated in Morocco. As a result, businesses prefer to remain informal to minimize labor costs and rigidities, which negatively affects the quality of jobs available to young people and women.

### *Sustainable growth for future generations*

**32. Stronger health and education outcomes would boost Morocco's economic growth.**

11 percent of economic growth and 25 percent of total income growth in developing countries during 2000-2011 could be traced to health improvements alone.<sup>17</sup> Early interventions in health and education are key to ensuring a healthy and productive workforce for Morocco's future. Malnutrition, in particular, impairs cognitive development in early childhood and limits learning, performance, productivity, and earnings later in adult life. In addition, the rise of NCDs has significant consequences for future health spending and labor productivity.

**33. A more sustainable use of natural resources will help to ensure they continue to be available to future generations.**

At issue is the overexploitation of Morocco's natural capital base on which the economy relies heavily and which is vulnerable to climate change. Agriculture and fisheries (accounting for nearly 20 percent of GDP) face land and water resource constraints; aquifers are being overexploited to provide water for irrigation and, to a lesser extent, industry; and the sustained growth of the tourism sector relies on coastal and marine assets that are also under pressure. Morocco is also particularly vulnerable to climate change: global warming and a decline in rainfall will negatively affect already scarce water resources, and have serious implications for the many industries that rely upon them.<sup>18</sup>

**34. Actions taken by Morocco to mitigate the potential impact of natural hazards will decrease threats to sustainable growth.**

Morocco is susceptible to destructive earthquakes, as well as flooding, droughts, and rising sea levels, all of which are expected to worsen due to climate change with potential impacts likely to be exacerbated by urbanization. Greater Casablanca, for example, is becoming increasingly prone to flooding, coastal erosion, and marine inundation. Rural areas are also vulnerable. A majority of Morocco's farms are small, semi-subsistence, and largely rain-fed, hence at risk of losses in the face of recurrent droughts.

## **B. Addressing Social and Economic Exclusion**

**35. Reducing inequality and exclusion is a prerequisite for a stronger economy in the long term.**

Great disparities still exist in access to social and economic opportunities and services between coastal and interior regions, urban, peri-urban and rural areas, within rural areas, and among different segments of the population. During CPS consultations, civil society representatives from marginalized or remote regions complained about the lack of political will to implement social and infrastructure programs that would sustainably improve living conditions at the local level. These concerns were at the heart of the protest movement that led to the 2011 constitutional reforms.

**36. Improving the prospects of the rural poor requires sustainable farming practices, higher incomes, and more diverse income opportunities.**

Farming is the main source of income in rural areas, and for the vast majority it consists of semi-subsistence farming of low productivity and quality on small lands. Women's work on such farms is often unrecognized or

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<sup>16</sup> Equivalent to 70% of average wages in 2011.

<sup>17</sup> Global Health 2035: A World Converging within a Generation, The Lancet on December 3, 2013.

<sup>18</sup> These include hydropower generation capacity, rainfed agriculture yields, and water for irrigation, fisheries, and tourism.

unpaid. Small farmers face significant constraints, including land titling issues and land fragmentation, limited farmer organization, unpredictable rainfall, marginal land, and limited access to markets. Highlighting the dualist nature and inequality of the agriculture sector, fewer than one percent of farmers have very profitable, commercial, and export-oriented farms, representing 14 percent of cultivated land. Increased value added from irrigation water and crops produced, improved agriculture value chain management and commercialization practices, reform of extension services, and promotion of local transformation through agro-industry would ensure that better sector performance translates into higher incomes for all. Promoting aquaculture and ecotourism activities would provide alternative income sources in marginal and mountainous rural areas while reducing pressure on natural resources.

**37. Integrated, participatory development approaches are needed to improve rural access to social and infrastructure services.** Experience demonstrates that truly integrated and participatory rural development approaches are critical to improving living conditions and creating economic opportunities in rural areas. Achieving better service levels in a given area calls for concerted and coordinated multi-sector approaches centered on harmonized planning. The challenge for Government is to bridge sector divides and support the local level (e.g. communes) to find innovative ways of providing services in rural areas.

**38. With half of Morocco's population living in cities, improving urban service delivery is a key priority for the Government.** Urban and peri-urban centers face uneven access to city services such as solid waste management, public transportation, water, sanitation, and sewerage infrastructure, highlighting the need for structured and integrated programs to upgrade or expand services in response to the needs of growing urban populations. To that effect, the technical and financial capacity of municipalities needs to be enhanced, and public funds need to be allocated for key services that are not currently being delivered, including through performance-based partnerships with public or private service providers. In addition, ICT and e-government services can help play a key role in promoting more effective, transparent and equitable delivery of services.

**39. Local governments, the primary citizen interface for a majority of basic services, will require significant strengthening.** Limited access to information and space for voice limits opportunities to enhance public and private service provision. Local government capacity and community organization need to be strengthened and combined with local participatory governance and community-driven development approaches to decide on and deliver solutions that ensure quality service to all citizens. In parallel, central and local government resources need to be allocated according to local priorities.

**40. Creating opportunities for young people who are disproportionately excluded from the economy and have limited voice is an important challenge.** More than half of young people are inactive, neither in school nor employed. While unemployment rates are higher for more educated youth, a vast majority of unemployed young people have not completed middle school or are illiterate.<sup>19</sup> A staggering 82 percent of girls drop out of school and are not in the labor force due to family reasons or discouragement. Most employed young people work in the informal sector with few, if any, benefits and under precarious conditions. Government employment policies have focused primarily on supporting university graduates – an approach that has had only limited impact on youth employment. A diagnostic on 11 countries<sup>20</sup> highlighted the issue of employability (the mismatch between the available

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<sup>19</sup> 63 percent and 30 percent, respectively.

<sup>20</sup> McKinsey & Company. 2011. "Education for Employment for Youth in the Arab Region," (March).

workforce and available jobs) and its links to the lack of information sharing between the education sector and the job market, the lack of data on placement rates per education type, and the poor quality of job intermediation. Additional efforts need to be made to partner with the private sector and to work with youth groups, schools, and other local organizations to develop programs that more effectively keep young people active, particularly by better informing and equipping them for the future.

**41. Shortcomings in the implementation of the legal framework undermine the economic, social, and political status of women.** Social norms exclude women socially and economically, leading to social phenomena such as harassment and domestic violence, for which there is no comprehensive legislation. In addition to gaps in the legal framework, women are affected by limited application of existing legislation, caused by weak institutional capacity and selective enforcement by public officials influenced by social norms. In particular, some social norms restrict women's ability to exercise newly acquired rights, further limiting their economic, social, and political participation. Women's access to top management positions is limited both in the professional and political arena.

**42. Efficient subsidy and targeted safety net programs are needed to better support disadvantaged and excluded Moroccans.** The current social protection system is not effective in fighting poverty, as it favors primarily the wealthiest households and supply chain networks. Data from 2012 show that the richest 25 percent of Morocco's households benefit from 46.7 percent of all butane subsidies and around 40 percent of all liquid fuel subsidies.<sup>21</sup> At the same time, social assistance programs remain limited in scope, fragmented, and poorly targeted, while the social insurance system has limited coverage and displays ad hoc financing mechanisms and redistributive arrangements that increase the cost of formal employment and make the system financially unsustainable and inequitable. The challenge for the Government is to raise awareness about the advantages of reforming these programs in order to expand their coverage, improve their targeting, and promote program integration while assisting the sector stakeholders who are most affected. In particular, the Government needs to reach consensus on how best to sequence and apply subsidy and safety net reforms.

### **C. Strengthening Governance and Institutions for Better Public Interventions**

**43. Improving public sector governance and the capacity of institutions and service providers is critical to ensuring effective and inclusive public interventions.** Access to basic public services is central to sustained poverty reduction and to the promotion of shared prosperity. Indeed, the poorest segments of the population are particularly dependent, and therefore vulnerable, to any discretion or quality deficiencies in public service provision. Lack of access to these basic services has a direct effect on citizens' living conditions and purchasing power. To remedy this, the Constitution has mandated the government to implement reforms to make institutions more accountable and transparent in the delivery of public services at the local level, including through decentralization and fiscal transfers.

**44. At the central level, a key priority is improving public sector governance, including strengthening accountability and transparency in the management of public resources.** The budget is considered opaque, insufficiently strategic, highly fragmented, and difficult to monitor and evaluate. Similarly, the process for fiscal transfers is highly

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<sup>21</sup> Wealth being determined by consumption quintile, World Bank estimates, Verme, Araar and Gadiry-Barry, 2012.

prescriptive and rigid with the result that spending is not as effective as it could be.<sup>22</sup> To address these challenges, the organic budget law is being revised to introduce performance-based budgeting. State-owned enterprises (SOEs) represent two-thirds of public investment and half of public expenditures and play an important role in delivering services and implementing public policy. As such, the Government has embarked on a program to modernize the governance of SOEs to promote more efficient service delivery.

**45. Morocco's health sector illustrates some of the governance challenges that undermine access to services and their quality.** The system faces a critical shortage of health personnel, who are often poorly trained, do not report to work, and are not equitably distributed, particularly to health facilities in rural areas. There is also no system for regulating or evaluating the quality of health care providers and no program for career management. Many health care facilities are poorly operated, lack legitimacy and are not accountable to patients. Drug policies and controls are weak (prices of drugs are inconsistent and leakages occur). At the institutional level, different actors have overlapping functions, or one institution may do more than it is mandated to do.

**46. Morocco's procurement system also needs to be modernized.** It would benefit from greater transparency, accountability, and efficiency to align with international good practices and to effectively reduce the risk of corruption.<sup>23</sup> The revision of the procurement decree at the end of 2013, harmonizing the application of public procurement across all government entities, is a welcome first step.

**47. The new Constitution introduced the principle of open governance by granting citizens the right to information, to public consultation, and to petition the Government and Parliament.** The Government has launched a number of initiatives in this regard, which strengthen voice and public participation but that need to be translated into dedicated policies applied across the public sector. These reforms, including a new access to information law, take time to implement and will require education and communication campaigns to raise awareness and change behaviors. To facilitate this process, the Government is seeking to further develop e-government solutions, as illustrated by the *Watiqa*<sup>24</sup> platform.

**48. At the local level, governance reforms should aim to improve access to and quality of service delivery, by listening to users and making service providers more accountable.** What matters most to citizens is receiving services whose cost, timeliness, and reliability is acceptable. Many of these services are provided primarily at the decentralized level, either by municipalities or other decentralized government entities. To guarantee that such services are efficiently delivered and relevant to the user, infrastructure bottlenecks need to be addressed, tariff issues (for example, in water, sanitation, and electricity) resolved, and greater voice in service delivery discussions allowed at the local level. Public services need to be modernized and more accessible to citizens. Strengthening the private sector's role in infrastructure assets and service delivery, through public-private partnerships (PPPs) and greater competition, would also help ensure proper, cost-efficient, and sustainable management of good-quality service delivery.

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<sup>22</sup> Increased spending on priority sectors such as education and justice have not witnessed improved performance, according to public expenditure reviews undertaken by the WBG in the health, education, and justice sectors.

<sup>23</sup> Procurement system assessment of the Use of Country System (UCS) pilot program in 2010-2011.

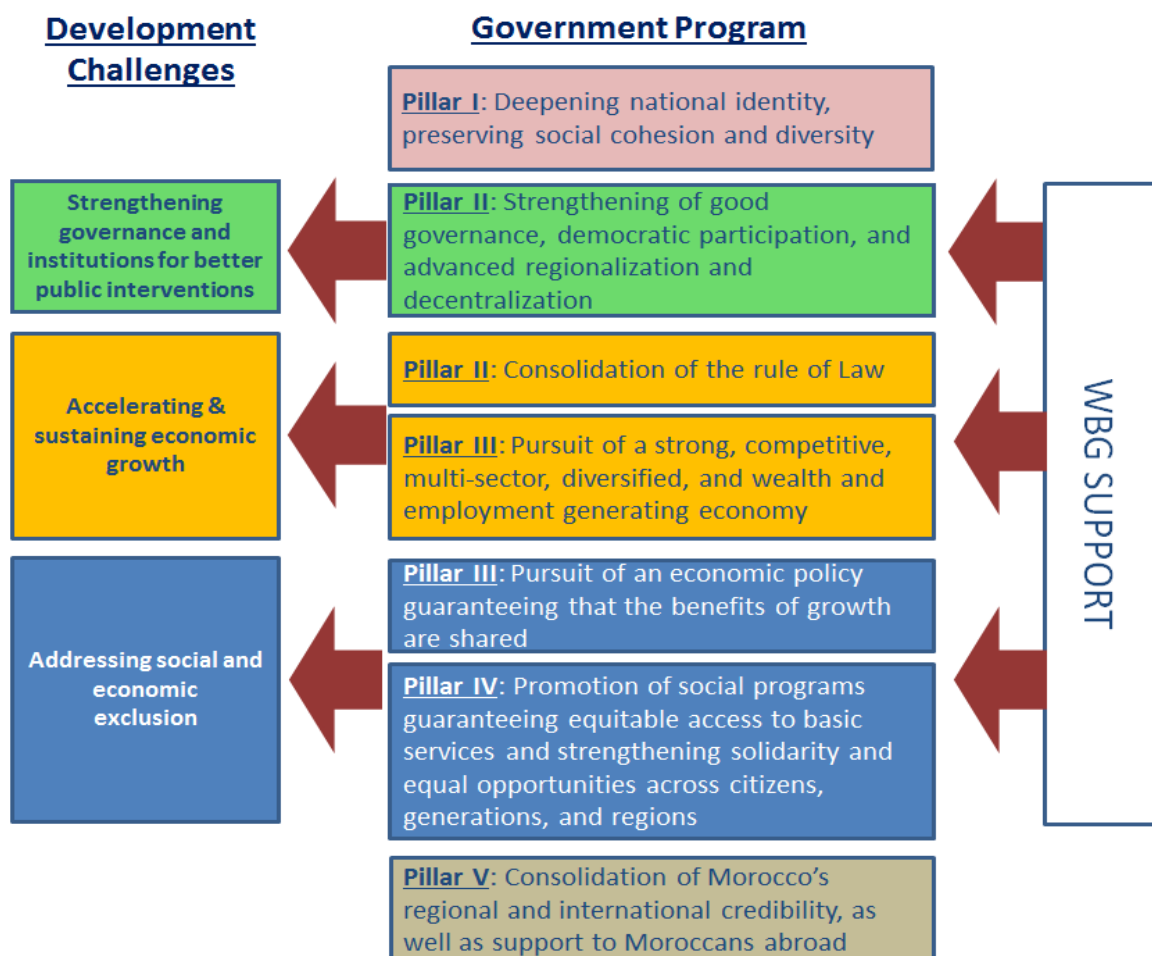
<sup>24</sup> *Watiqa* is a new one-stop online service enabling citizens to request various administrative documents (for example, birth certificates) and receive them via registered mail.

## Government Priorities and Medium-Term Strategy

49. **The Government’s strategic priorities mirror in great part the principles, changes, and actions prescribed by the new Constitution.** This was detailed in the Head of Government’s January 2012 speech, which laid out the Government’s 2012-2016 program. The latter reflects constitutional priorities such as inclusion, reinforcement of good governance principles, human rights, and protection of individual freedoms, as well as institutional responsibility and accountability, sustainable development, and the move toward a more decentralized system of governance.

50. **The Government’s program is structured around five mutually-reinforcing pillars:** (I) deepening national identity, preserving social cohesion and diversity, and openness; (II) consolidating the rule of law, strengthening good governance, democratic participation and advancement of regionalization and decentralization, in the context of accountability and true citizenship; (III) pursuing strong, competitive, multi-sector, diversified, wealth- and employment-generating, and equitable economic growth; (IV) promoting social programs guaranteeing equitable access to basic services and strengthening solidarity and equal opportunities across citizens, generations, and regions; and (V) Consolidation of the country’s regional and international credibility and promotion of public services aimed at Moroccans living abroad. Based on the WBG’s comparative advantages and aim of ensuring selective support to those areas of the Government program that will most effectively address the key development challenges identified, the CPS program seeks most directly to support three of these pillars (II, III and IV) (Figure 2).

Figure 2. Morocco’s Challenges, Government Program and CPS focus



51. **Under Pillar II, the Government is pursuing governance reforms focused on the delivery of public services, access to information and public consultation, tax reform, budget reform, advanced regionalization (that is, decentralization), and a better-functioning justice sector.** A common goal of these governance reforms is to improve the effectiveness of public policies and the delivery of public services to all citizens. This is being pursued through an integrated, holistic program of governance reforms using mutually reinforcing reform levers across the public sector, covering the central administration, SOEs, and local governments. Over the last decade, Morocco has invested heavily to improve local service delivery. Several national sector plans have directed large amounts of funding to infrastructure for local services in the form of financial incentives for investment and professionalizing services (mostly through PPPs), in particular in sanitation (*Programme National d'Assainissement*), solid waste management (*Programme National des Déchets Ménagers*), urban transport, urban upgrading (*Mise à Niveau urbaine*), and rural electrification. Although programs to universalize access to services have been fairly successful, about two million people in low-income peri-urban areas still do not have water or sanitation services. In parallel, the new constitutional rights on access to information and public participation aim to create a more open and inclusive government to foster voice and accountability. Public financial management and public sector reforms aim to strengthen public institutions and accountability in the use of public resources in order to improve the delivery and efficiency of public services. Decentralization reforms focus on strengthening local governance and bringing the most relevant and efficient services to citizens, based on the principle of subsidiarity that decisions should be taken as close as possible to the citizens.

52. **Under this pillar, the Government also seeks to improve economic and financial governance.** Strengthening the Competition Council, improving governance in SOEs, putting in place more transparent and performance-based budgeting, reforming public procurement, rebalancing the pension system through parametric reforms, and implementing fiscal transfers to local governments are key efforts in this regard.

53. **Under Pillar III, the Government seeks to improve economic productivity.** To this end, Morocco continues to implement key sector-specific strategies consisting mainly of tax incentives to sectors with high growth potential, combined with dedicated infrastructure investments, simplification of administrative procedures, and broader access to financing. Several strategies have been adopted covering the main sectors that Morocco wishes to develop, such as agriculture (through the *Plan Maroc Vert*), ICT (through *Plan Maroc Numeric*), and tourism (*Plan Azur* and *Vision 2020*). An ambitious industrial strategy was launched in 2005 and continues to be implemented under the “*National Pact of Industrial Emergence 2009-2015 (PNEI)*,” signed in February 2009 between key ministries and representatives of the private sector and the Professional Banking Association. It covers ten pillars: offshoring, automobiles, aeronautics, electronics, textile and leather, agro-industry, SME competitiveness, investment climate, training, and industrial zones.

**Box 1. Government’s 2012-2016 Program – Selected Targets**

**As part of its program, the Government set out to achieve the following targets by 2016:**

- Growth rate of 5.5 percent
- Inflation rate of 2 percent
- Reduction of unemployment rate to 8 percent
- Improved sustainability of public finances by reducing the budget deficit to 3 percent
- Strengthened competitiveness of the economy
- Improved investment climate
- Greater support to SMEs
- Encouraged exports
- Development of long-term savings
- Renewable energy reaches 42 percent of installed capacity (by 2020)
- Energy efficiency leading to 12 percent in energy savings (by 2020)

54. **Sustainable management of natural resources is also a key component of Pillar III.** The Government has made the green growth agenda a top priority. The Framework Law on Environment and Sustainable Development, approved in January 2013, defines the rights and obligations of the state and citizens for the protection and preservation of the environment and sustainable development; establishes the “*Police de l’Environnement*” to strengthen environmental control and inspection; introduces a green tax (the “*fiscalité verte*”); and promotes waste reduction, reuse, and recycling with a view to achieving more productive and resilient use of environmental assets. The Government is currently preparing a national strategy for the sustainable management of natural resources.

55. **Pillar IV is focused on improving social indicators and economic opportunities.** Through continued support to employment creation programs and the introduction of new programs to insert the unemployed into business and associations, the Government aims to reduce the employment rate to 8 percent by 2016. Other priorities include improving Morocco’s weakest health indicators, such as infant and maternal mortality; addressing the growing challenge of NCDs; improving service quality across the health sector; and reducing the financial burden on households and protecting them from impoverishment due to out-of-pocket health expenditures. A particular emphasis on promoting women’s social and economic opportunities, including through participation, is also stressed under this Pillar. More generally, human development remains a priority for the Government, supported heavily through the National Initiative for Human Development (INDH). More than ever, the importance of fulfilling the goals of the Education Charter, and in particular promoting better governance and quality in the education sector, has been recognized as one of the Government’s top priorities.

56. **Social solidarity, equity, and inclusion are all emphasized under this pillar, with a special focus on poor and vulnerable households.** The Government seeks to move from channeling support to the population through universal energy and food subsidies to more efficient, targeted safety nets. In September 2013, the Government embarked on an important reform to progressively phase out all fuel subsidies except butane, which is used predominately by the poor. The Government is considering how best to move forward with a broad parallel reform of the more cost-effective and better-targeted social assistance program. Broadening the array of citizens that can benefit from the pension system is also an important feature of the program. Finally, continued expansion of basic infrastructure services such as water, sanitation, electricity, roads, and ICT, including mobile phone and Internet services, to remote and underserved areas remains a government priority.

### III. BANK GROUP PARTNERSHIP STRATEGY

#### *Lessons Learned from the Previous CPS and Stakeholder Feedback*

##### **A. Lessons from the CPS Progress and Completion Reports**

57. **The FY10-13 CPS concentrated on three strategic pillars: (i) growth, competitiveness and employment; (ii) service delivery to citizens; and (iii) sustainable development in a changing climate, supported by the two crosscutting beams of governance and territoriality.** A CPS Progress Report was prepared in 2012 to assess implementation progress and make mid-course adjustments, in particular to bring new emphasis to the themes of inclusion, governance, accountability, voice, and opportunity.

58. **The WBG’s performance in designing and implementing the CPS program was rated good in the CPS Completion Report (CPSCR).** The evaluation highlighted the relevance of the strategy’s highly flexible design as social, political, and economic



transformation took hold in Morocco and the broader MENA region over the course of the CPS period. The CPS made use of a unique mix of instruments to support implementation of the Government's ambitious reform agenda, backed up by a well-designed results matrix that closely linked expected CPS outcomes to the outcomes of planned interventions and struck a practical balance between flexibility and specificity. WBG implementation of the CPS program was characterized by largely satisfactory project outcomes, disbursements above the regional average despite significantly expanded lending commitments, increased IFC investment in key sectors, a strong program of analytical and advisory activities, and close and effective partnerships with the Government, development partners, foreign investors, regional players, and nongovernment stakeholders in the country.

**59. The CPSCR concludes that good progress was made toward achieving most CPS proposed outcomes.** The CPSCR rates program performance as *moderately satisfactory*, with notable achievements in private and financial sector reform, access to education, addressing vulnerability and social exclusion, agriculture sector management, and solid waste management (SWM). Substantial progress was made toward most other expected outcomes, though some targets on water management, energy and health sector reforms, and climate change adaptation were not achieved. In general, successful CPS interventions enjoyed high-level government ownership and integration with government programs; participatory approaches; effective technical assistance (TA); and well-specified, operationally integrated, and regularly monitored outcome indicators. In a few areas (such as the competitiveness program), momentum was slowed by the additional challenges associated with interagency coordination and under the auspices of new multi-sector DPLs, by low government staffing, or as a result of imperfectly specified targets.

**60. Lessons from the CPSCR have informed the design of the FY14-17 CPS.** WBG engagement in strategic areas such as competitiveness, governance, green growth, social protection, and service delivery remains relevant and has been scaled up in pursuit of promoting shared prosperity and eliminating poverty. The integration of gender and youth across CPS pillars and activities is maintained and further deepened through discrete new interventions. This CPS retains the previous strategy's flexible model, which successfully allowed the WBG to adjust its program as needed to respond to emerging priorities. Although significant sector advancements were made through single-sector DPLs under the previous CPS, the CPSCR pointed out the importance of supporting more ambitious second-generation reforms with cross-sectoral dimensions while continuing to focus on service provision, strengthening coordination to achieve tangible results, and enhancing citizen participation. This approach responds to the Government's request for more multi-sector programs to help tackle more complex, multidimensional problems. Building on the previous CPS focus on a wide reform agenda, under this CPS, the WBG will bring more focus to implementation support, with a more balanced portfolio of instruments (relying less heavily on DPLs). Given the positive experience with Morocco's first Program for Results (PforR) operation, approved for the INDH2 in 2012, together with the Government's interest in managing for results, the WBG will mobilize this new instrument to achieve a more balanced, results-focused program, in conjunction with continued DPL and investment lending support where appropriate. In terms of investment lending, the CPSCR confirmed that many operations encountered challenges with implementation readiness, which delayed the pace of procurement and disbursement, particularly in the first year of implementation. This issue has proved particularly acute with grant-financed operations. Overall, the CPSCR concludes that the FY10-13 CPS was generally implemented as planned and reached a majority of the intended results.

## **B. Client Feedback and Stakeholder Consultations**

61. **The WBG carried out comprehensive and inclusive in-country consultations in 2013 through formal conferences and bilateral meetings with the Government, civil society, private sector, academia, and development partners, at both the central and regional level.** A wide variety of development stakeholders were invited to provide feedback, comments, and recommendations around key themes of WBG involvement in Morocco. They were asked to offer their views on the new partnership framework with regard to Morocco's development priorities. A dedicated web space was created to keep stakeholders informed about the CPS process and invite further comments.

62. **Civil society recommendations have been critical to the WBG's dialogue with the Moroccan Government and have helped to frame the orientation of the CPS.** Civil society representatives have provided valuable feedback based on their experience on the ground and their knowledge of major bottlenecks in key sectors, and have made constructive proposals to enhance the WBG's support to the Government. The following are key recommendations made by civil society.

63. **Morocco's civil society constitutes a vibrant and growing development stakeholder whose field presence and experience are invaluable.** Its capacity and expertise should be strengthened to more effectively deliver on the ground. One of the most common demands made by civil society organizations during CPS consultations was the chance to be involved in Morocco's development programs from inception to implementation, including in the decision-making process. They requested that their role be better recognized and taken into consideration in development policies and reforms at the local and national level.

64. **Governance is at the heart of Morocco's development challenges.** In virtually all consultations held, civil society stakeholders pointed to weak governance mechanisms as a key cause of public service failures to deliver on promised results, despite the involvement in some cases of substantial financial resources. Stakeholders advocated for urgent collective action to upgrade governance norms and guidelines in all public facilities and services, mirroring a strong demand among street protesters in 2011: combating corruption, privilege, and rent seeking.

65. **In particular, there was a request for increased transparency and participation at all levels of decision making.** Be it at a central or local, sectoral or administrative level, Morocco's governance system will gain in efficiency and performance if managed through the prism of transparency, participation, and accountability, according to stakeholders. This is seen as the thrust of the new Constitution.

66. **The performance of public services, and social programs in particular, falls well below people's expectations, especially in lagging regions and some urban and peri-urban areas.** Training, education, and capacity building for civil society, young people, rural women, and local authorities are needed to equip citizens with adequate knowledge and competences to become effective actors in an open society.<sup>25</sup> Stakeholders called on the WBG to support efforts to provide more economic opportunities, combat corruption and nepotism, and promote entrepreneurship and private sector development.

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<sup>25</sup> An open society is understood as a flexible and tolerant society that is based on the rule of law and justice, individual responsibility, accountability, transparency, freedom of information and participation, and that promotes fairness in political, legal and economic systems, as well as equal opportunities for all.

## *Proposed World Bank Group Partnership Strategy*

### **A. World Bank Group Partnership Strategy Overview**

67. **The WBG, through its renewed partnership with Morocco, seeks to selectively deepen its support for a more open society and sustainable economic and social opportunities for all Moroccans.** The CPS builds on the strategic areas of cooperation under the 2010 CPS, as well as selective themes introduced in the 2012 CPS Progress Report in response to the 2011 Constitution. This support includes promoting a more competitive economy, creating employment, improving service delivery to citizens, greening growth, and increasing the focus on voice and accountability, particularly in local governance, by bringing citizens into decision-making processes. Within these themes, the WBG team focused on three areas of strategic engagement with the aim of achieving, through tailored packages of services, 14 selective outcomes directly linked to the WBG goals (Annex 1).

68. **The new CPS will increase the focus on competitive growth to create much-needed jobs, while ensuring that growth is sustainable, inclusive, and responsive to the WBG's twin objectives of boosting shared prosperity and eradicating extreme poverty.** The WBG will scale up its support for Morocco's green growth agenda, supporting innovative multisector approaches to sustainable and environmentally sound development, for the benefit of future generations and to reduce the country's vulnerability to shocks. The strategy also brings a new focus to improving governance and service delivery, with increased support for more efficient, transparent, and inclusive governance arrangements across all levels of government (central to local), as well as in state-owned and private enterprises responsible for ensuring equitable access and quality of services. Promoting citizens' voice and participation is integral to these efforts, as is the focus on gender and youth.

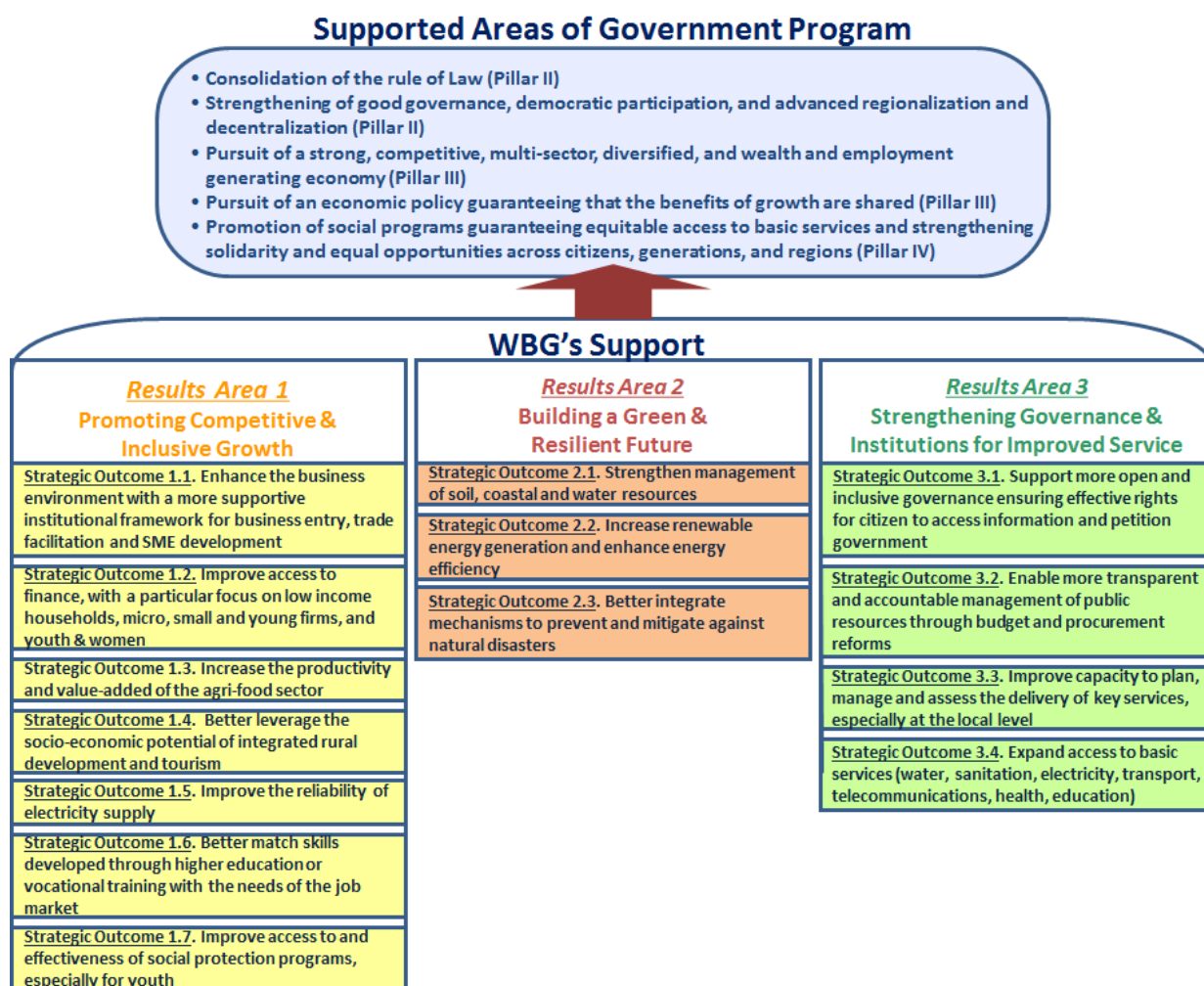
69. **The CPS retains a flexible approach while increasing the focus on multisector operations to better respond to Morocco's development challenges.** While the CPS program has been designed to achieve specific objectives and outcomes, the program is indicative and there is some flexibility to address any unforeseen or newly emerging priorities that may arise in Morocco. In particular, the detailed program of support and the coverage of milestones will give greater focus to the first two years of the CPS period, namely FY14-15. A CPS Progress Report will define the milestones for the remaining period, namely FY16-17, allowing for mid-term adaptation based on the latest conditions. The focus on transversal and multisector operations will reduce what has at times been a fragmented and narrow sector approach. This is expected to enable the WBG to support Morocco's more ambitious reforms. A detailed Results Framework is presented in Annex 2.

70. **On this basis, three strategic results areas are proposed as an organizing framework for the new CPS program (Figure 3):**

- Result Area 1: Promoting Competitive and Inclusive Growth
- Result Area 2: Building a Green and Resilient Future
- Result Area 3: Strengthening Governance and Institutions for Improved Service Delivery to All Citizens

71. **Because of their sensitivity and recognized importance to Morocco's development, the CPS proposes to maintain or raise the visibility of three crosscutting themes throughout its program: (i) gender, (ii) youth, and (iii) voice and participation.**

Figure 3. Morocco CPS FY14-17: Strategic Results Areas and CPS Outcome Areas



## B. Expected Results and Program of Lending and Non-Lending Activities

### Results Area 1: Promoting Competitive and Inclusive Growth

72. Under this Results Area, the WBG will support the Government of Morocco in its efforts to achieve a more competitive economy in which the benefits of growth are shared by all. The WBG will support policies and interventions that promote investment in competitive sectors as one channel for accelerating Morocco's growth potential to further reduce poverty; and strengthen the business environment and financial sector to encourage and accompany entrepreneurs and emerging businesses, facilitate the participation of all Moroccans, including the rural poor, women and young people, in the economy, and ensure a greater role for the private sector. (*See Annex 1 which discusses the proposed program, expected outcomes and impact on WBG Goals*).

*Strategic Outcome 1.1. Enhance the business environment with a more supportive institutional framework for business entry, trade facilitation and SME development*

*Link to twin goals: This outcome will boost economic activity to help create jobs and is linked to the goal of boosting shared prosperity.*

73. **Business environment.** Efforts to improve the business environment were initiated under the Economic Competitiveness Support Program (ECSP) DPL series and associated

technical and advisory assistance, and will be pursued under a second ECSP operation (FY15). The ECSP series will be complemented by dedicated assistance, several parallel studies, and additional TA. For instance, a new Country Economic Memorandum (FY14/15) will examine opportunities to promote a more open society and thus reignite Morocco's economic dynamism to set it on a higher and more inclusive growth path. Joint Bank-IFC TA will continue to be dedicated to institutional strengthening of the Competition Council (*Conseil de la Concurrence*), increasing the transparency with which the Investment Commission (*Commission des Investissements*) grants incentives, and strengthening public-private coordination in designing investment climate reforms through the public-private National Business Environment Committee (*Comité National de l'Environnement des Affaires*, CNEA).

74. **Trade facilitation.** A study on trade and integration with the EU will further inform the understanding of, and future support to, the competitiveness agenda. Morocco's first-ever reimbursable TA initiative is exploring how the establishment of a new Moroccan Investment Agency could help provide adequate tools for supporting public and private investments in strategic projects in productive and transformative sectors such as agribusiness. TA on ICT-enabled business process outsourcing (BPO) will help the country cement its status as a destination for foreign investment in areas such as call centers and software development. The WBG will provide TA to the transport sector, potentially through the Deauville MENA Transition Fund (DTF), to focus on logistics, public-private partnerships in transport, an assessment of transit along the trans-Maghreb corridor, the competitiveness of the national railway, and the trucking industry. Additional TA in logistics will support the newly created Moroccan Agency for the Development of Logistics (AMDL), urban logistics, customs reforms, and collaboration with other international financial institutions. In addition, IFC will continue to support a public-private initiative in collaboration with AMDL and the private sector to improve youth employability and the sector's overall competitiveness.

75. **Entrepreneurship and SME development.** The World Bank and IFC will pursue an integrated approach to facilitate entrepreneurship and SME development. The MENA MSME Technical Assistance Facility, a joint World Bank-IFC led project, will continue to provide TA to governments, regulators, financial institutions, and micro, small, and medium enterprises (MSMEs) in Morocco. Additional support for microenterprises, microfinance institutions, and their enabling environment will be provided under a Microfinance Development Project (FY14), financed by the DTF. A new procurement framework enabling greater participation of SMEs in public contracts and systematic publication of awards is also receiving TA through an Institutional Development Fund (IDF) grant. IFC will complement the Bank's support to SMEs by investing in financial intermediaries, SME funds, and microfinance institutions. IFC will continue to implement a sizeable advisory program in MSME finance, business environment, skills development and corporate governance program, which is critical to strengthen companies' ability to attract investment and promote economic development.

*Strategic Outcome 1.2. Improve access to finance, with a particular focus on low income households, micro, small and young firms, and youth and women*

*Link to twin goals: This outcome will help create more opportunities for young entrepreneurs and boost shared prosperity.*

76. **Micro and SME finance.** These priorities will be supported through several WBG instruments: (i) the programmatic DPL series (FY14-16) in support of capital market development and SME access to finance; (ii) the Microfinance Development Project, which will promote access to finance among low-income households, MSMEs, and women; (iii) an

IFC microfinance investment and advisory program that will continue to support the three main microfinance institutions, enhancing their resilience and diversifying their product offerings to improve their ability to manage risks and to scale up their outreach, particularly to women and youth, in a sustainable manner; (iv) the ongoing MSME Development Project, which provides partial credit guarantees to SMEs and is nearly fully disbursed after 18 months of implementation due to high uptake of the credit guarantee for very small enterprises, confirming needs in this area and opening up the possibility of a follow-on operation; (v) training to improve the financial literacy of women and youth and for microfinance institutions, supported through a regional TA program on enhancing microfinance for women and youth; and (vi) Bank TA and lending to provide innovative entrepreneurs with capital and support adapted to the risk profile of early-stage ventures. As one of the priority areas of its engagement in Morocco, IFC will continue to support SMEs by investing in financial intermediaries, private equity funds targeting high-growth SMEs, and through microfinance institutions that provide access to finance mostly to women and young entrepreneurs

77. **Capital market development.** The programmatic DPL series mentioned above will support capital market development by promoting more sophisticated financing tools that optimize domestic and foreign investment allocations in productive and innovative sectors.

***Strategic Outcome 1.3 Increase the productivity and value-added of the agri-food sector***

***Link to twin goals: This outcome will increase revenues for farmers, thereby boosting prosperity and reducing poverty in rural areas.***

78. The Bank will continue to support the *Plan Maroc Vert* (PMV), which seeks to double the agriculture sector's value-added and supports activities to integrate commercial and small farmers into domestic and international markets. The Bank will continue to support the PMV components that aim to enhance farmers' income through better techniques, skills, and knowledge support, and IFC will continue to promote private agribusiness investments to maximize outreach to farmers and help increase and diversify rural incomes. In line with the PMV DPL series, the Bank will further support the expansion of drip irrigation and associated improvements in the value chain and farmers' organizations through additional lending.<sup>26</sup> In the outer years of the CPS, new lending, possibly through PforR operations, and programmatic economic and sector work (ESW) is envisaged to support further agriculture modernization (including restructuring of the Department of Agriculture's decentralized services at the regional level, establishment of regional irrigation utilities to improve service to farmers, establishment of agro-industrial areas and trade and commercialization platforms, and sustainable approaches to improve the livelihoods of small farmers<sup>27</sup>). Focus on productive adaptation of Morocco's agriculture sector to climate change will also continue under the ongoing GEF-funded Social and Integrated Agriculture (ASIMA), Integrating Climate Change in the Implementation of the PMV (PICCPMV) and Integrated Management of Coastal Zones (GIZC) projects, as well as the new Inclusive Green Growth (IGG) DPL series

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<sup>26</sup> Additional financing to the Modernization of Irrigated Agriculture in the Oum Er Rbia River Basin project (FY15).

<sup>27</sup> Pillar 2 of the PMV program.

***Strategic Outcome 1.4. Better leverage the socioeconomic potential of integrated rural development and tourism***

***Link to twin goals: This outcome will help create new economic opportunities in rural areas thereby boosting shared prosperity.***

79. **Integrated Rural Development.** Building on its past support to the implementation of the Rural Development Strategy, as well as from Integrated Rural Development projects financed by the IFAD and EU, the Bank will support rural development in targeted regions of Morocco, through a new PforR operation aiming to (i) promote local economic opportunities in agriculture and off-farm sectors, especially for women; (ii) ensure an integrated approach, coordinated at the provincial level, in order to decentralize decisions on resource allocation closer to the population to further the process of de-concentration and decentralization; (iii) strengthen the capacity of the “*communes rurales*” by reinforcing their role in local development; and (iv) further the process of transfer of responsibilities to local development associations and producer organizations. The Bank will also support efforts to diversify economic activities through integrated rural development programs that promote linkages between investment in agriculture and nonagriculture sectors in rural areas through the ongoing GEF-funded GIZC project.

80. **Tourism.** A Tourism Development lending project is working to leverage the socioeconomic potential of Morocco’s 31 medinas and its rural and natural assets by supporting the Ministry of Tourism’s *M’dinti* and *Qariati* programs, which aim to diversify the sector and create additional revenues and job opportunities through new investment and management models on the empowerment of regions, cities, and local communities.

***Strategic Outcome 1.5. Improve the reliability of electricity supply***

***Link to twin goals: This outcome will help ensure businesses can operate without interruption, as part of a more competitive economy needed to create employment and boost shared prosperity.***

81. To ensure the electricity supply needed to meet the growing demand associated with a stronger and more competitive economy, while increasing Morocco’s energy security by reducing its exposure to the volatile prices and subsidy burden associated with imported fossil fuels, the WBG will support ONEE’s efforts to strengthen its power transmission grid through the ongoing ONEE Support Project, as well as Morocco’s strategic development of renewable energy capacity (see Results Area 3), regional integration efforts, and potential IFC investments in the energy sector. MIGA will see to support eligible foreign investors in renewable energy through traditional political risk insurance and new products (see para 116).

***Strategic Outcome 1.6. Better match skills developed through higher education or vocational training with the needs of the job market***

***Link to twin goals: This outcome will help create employment for young people and is linked to the goal of shared prosperity***

82. **Skills training.** The Skills and Employment DPL (SEDP) series, launched in FY12 and whose second operation is planned for FY14, supports the Government’s program of improving skills, productivity, and quality of employment. The CPS will support efforts to enhance the quality and relevance of higher education and vocational training through assistance in implementing the reforms initiated under the SEDP series, as well as TA to the

establishment of the “*Agence d’évaluation universitaire*” and the participation of Moroccan universities in the CMI University Regional Network to support governance reforms. The WBG plans to support the implementation of the new vocational training strategy that is under preparation, aiming to develop a training system that better responds to labor market needs and offering additional opportunities, especially to disadvantaged youth and women, through TA and possibly lending. The Bank will support the Government in gaining tools to monitor jobs and skills offerings through a National Labor Observatory, and the IFC will support improvements in employment-based education offerings at a sectoral level. Through the E4E Initiative for Arab Youth, IFC will work with the AMDL and the Ministry of Tourism to put in place sector-specific labor observatories that will complement the National Labor Observatory. Furthermore, IFC will work with the Ministry of Tourism to refine the sector’s existing qualification framework and design a training program to improve the management/administration of education providers in the sector. The E4E Initiative also focuses on providing high quality training to youth, in order to fill their skill gap and prepare them better for the job market, as well as enhancing their career opportunities.

83. **Micro-entrepreneurship.** Through a DTF TA operation (FY14), the Bank will continue to help disadvantaged youth receive micro-entrepreneurship development services and to assist in strengthening the institutional capacity of national and local stakeholders, including civil society organizations that work with young people. The Bank will provide technical support to the Government in preparing and implementing an Integrated National Youth Strategy and establishing a Consultative Council for Youth, which aims to strengthen youth participation in policy decisions that affect them directly.

84. **Revenue-generating activities.** The Bank’s flagship PforR operation supporting the second phase of the National Human Development Initiative (INDH2) works through local governments and community-driven development to promote services and income-generating activities in poor areas, including for young people and women, while increasing local communities’ participation in decision making. Similarly, the IGG DPL series will promote investments aimed at diversifying revenues and job opportunities in rural areas.

***Strategic Outcome 1.7. Improve access to and effectiveness of social protection programs, especially for youth***

***Link to twin goals: This outcome will help ensure that social protection reaches the most vulnerable, to reduce poverty.***

85. **Active Labor Market Programs.** The Bank will continue to support active labor market programs for unemployed youth. Through policy dialogue and lending, the Bank plans to support the reform agenda of the national employment and skills promotion agency (ANAPEC), based on a four-pillar policy framework: (i) developing results-based PPPs; (ii) improving the effectiveness of labor intermediation; (iii) developing results-based monitoring and evaluation frameworks; and (iv) promoting entrepreneurship/self-employment, on-the-job training, and life skills training among job seekers. Lending in outer years of the CPS period could include an operation focused on youth employment opportunities. To offer opportunities for less formal learning and lower barriers to labor market entry, including geographic boundaries, time flexibility, and home-based work, the Bank will continue to support ICT solutions and innovative ideas such as ICT-enabled micro-work (such as employing people with limited opportunities for sustainable employment as principal workers in BPO centers, and shifting simple outsourcing work from cities to poor rural areas for cost reduction).



86. **Employment regulations.** To prepare the ground for a more favorable regulatory framework for employment creation in the formal sector (notably for youth and women), the Bank will engage with the Government to identify reform options in the areas of labor regulation, labor taxation, and wage-setting mechanisms (including minimum wage policy).

87. **Social protection programs and policies.** The Bank will continue to provide analytical support on subsidies and the social protection system through a Social Protection ESW and TA, pension TA, and poverty ESW. The Social Protection TA envisions developing the Government's technical capacity to improve efficiency in the delivery of social safety nets by: (i) finding alternatives to develop a national methodology to target poor households, and (ii) proposing options to develop a unified registry of beneficiaries of social assistance programs. Analytical work and TA on subsidies and social protection systems will continue to inform policies to improve the targeting of beneficiaries of social safety nets and will inform the preparation of a possible Social Protection P4R (FY16/17). Likewise, analytical work and TA on youth inclusion will inform the design of a possible Youth and Employment Support operation (FY16/17). The INDH2 project remains a critical pillar of the social protection system being supported by the Bank and is expected to show good results during the CPS period. Analytical work on gender will inform the policy dialogue on promoting the inclusion of women, as well as the integration of gender considerations in development policy and programs.

## **Results Area 2: Building a Green and Resilient Future**

88. **Under this Results Area, the WBG will support Morocco's efforts to: (i) increase the efficiency and sustainability of natural resource use, and (ii) mitigate the economy's vulnerability to natural hazards.** Poor and vulnerable groups are known to be more impacted by common goods problems and environmental externalities. Measures aimed at improving the sustainability of natural assets and environmental stewardship are key to ensuring equity and shared prosperity, including from an inter-generational perspective. The WBG will support policies and measures that enhance the management of natural assets to sustain the growth of key sectors, including through strengthened management of soil, coastal, and water resources; more rational production and utilization of energy; increased use of renewable energy and resource efficiency; and more integrated and effective mechanisms to prevent and mitigate against natural disasters and the effects of climate change.

### ***Strategic Outcome 2.1. Strengthen management of soil, coastal, and water resources***

***Link to twin goals: This outcome will help ensure that natural resources are used in a sustainable manner and is linked to both reducing poverty and boosting shared prosperity.***

89. **Land and coastal management.** Consistent with the Government's objective of encouraging growth that is less costly for the environment, the Bank will continue to promote industrial depollution, better soil management, integrated coastal management, and enhanced and adapted agriculture techniques and knowledge through the ongoing GEF-financed Social ASIMA, GIZC, PICCPMV projects, as well as through the IGG DPL series.

90. **Water resources.** The Bank will continue to promote wastewater treatment and reuse. Additionally, in the context of both ongoing and new lending support to the water sector, the Bank will support nonrevenue water reduction, desalination, and access to improved sanitation.

91. **Climate change.** In line with Morocco's green growth agenda, the Bank will continue to support the analysis of climate change impacts through TA and programmatic ESW, as well as TA on mining sector reform.

*Strategic Outcome 2.2. Increase renewable energy generation and enhance energy efficiency*

*Link to twin goals: This outcome will help ensure that scarce resources are invested more sustainably in the energy sector and is linked to both reducing poverty and boosting shared prosperity.*

92. **Renewable energy.** In the context of Morocco's intent to reduce its dependence on fossil fuels, development of the country's vast renewable energy resource potential remains a top priority for the Government. Morocco's new energy strategy targets a renewable energy capacity of 42 percent by 2020. To maintain the momentum behind Morocco's Solar Plan, and building upon the success of the first phase of the 500W Ouarzazate concentrated solar plant (Noor I) project, together with the Clean Technology Fund (CTF), and many other donors, the WBG intends to support the Moroccan Agency for Solar Energy's strategy for developing the remaining 350 MW of the solar complex through the Noor II & III project (FY15). On top of its own financing, the WBG will help mobilize additional concessional financing (notably through CTF funding for Concentrated Solar Power), and IFC will seek to increase private sector participation in the implementation of future phases of the Solar Plan. A Partnership for Market Readiness Grant (FY15) will support the establishment of national systems to measure and manage greenhouse gas emissions in different sectors. The Bank also intends to support the Government in pursuing regional collaboration opportunities with Maghreb and EU countries. The country's ambitious move to greater renewable energy use requires further reinforcement of the power system to enable it to absorb large amounts of renewable generation while meeting growing demand. In that context, the Bank proposes to assist ONEE, as operator of the power system, in coping with potential grid instability from integrating wind and solar power at a large scale without corresponding investments through a Clean and Efficient Energy lending project (FY15) aiming at optimizing the dispatch.

93. **Energy efficiency.** The Government has set an ambitious target of 12 percent energy efficiency savings by 2020. Rapid growth in electricity demand has strained the operation of existing power generation and transmission assets, leading to damaging network congestion. To alleviate the concentration of peak coincidence of electric loads, and thus to avoid the costly investment and heavy carbon footprint associated with additional generation, the WBG proposes to support policy measures and investments that encourage reductions in electricity consumption during times of peak electricity demand. This support would be provided through the Clean and Efficient Energy project. The IGG DPL series will continue to support institutional reforms in the energy sector through the creation of an energy regulator and revision of the legislative framework for renewable energy. During FY14-16, IFC's advisory services will focus on resource efficiency, namely on the implementation of projects with a number of agribusiness companies and provision of a sector-tailored guidance manual to scale up the adoption of cleaner production technologies through relevant aggregators (such as industrial associations). IFC also intends to implement resource efficiency projects with a number of companies in various sectors in the industrial zone in Casablanca. Finally, IFC will identify technologies with high resource efficiency potential per industrial sector and design business model(s) for wider uptake in the market.

***Strategic Outcome 2.3. Better integrate mechanisms to prevent and mitigate against natural disasters***

***Link to twin goals: This outcome will help mitigate the impact of natural disasters --which disproportionately affect the poor -- and is linked to the goal of reducing poverty.***

94. The Bank plans to support the Government's efforts to consolidate, modernize, and expand existing risk prevention and mitigation initiatives into an integrated risk management strategy and program, through an Integrated Risk Management Support PforR (FY15). The new project would build on many years of Bank-led analytical work and technical assistance, with support from key donors, including the Swiss Agency for Development and Cooperation. TA on climate change adaptation in rural roads is also being prepared.

**Results Area 3: Strengthening Governance and Institutions for Improved Service Delivery to All Citizens**

95. **Under this Results Area, the WBG will support activities to: (i) strengthen public sector governance and institutional capacity, and (ii) improve access to basic and quality services for all citizens.** The WBG will support policies and interventions that promote a more open and inclusive governance framework, more transparent and accountable management of public resources, and more effective and equitable delivery of basic and quality services to all Moroccans across the public sector. Access to basic public services is central to sustained poverty reduction and to promoting shared prosperity as the poorest segments of the population are particularly dependent on these services for their social and economic well-being.

***Strategic Outcome 3.1. Support more open and inclusive governance ensuring effective rights for citizens to access information and to petition government***

***Link to twin goals: This outcome is linked to both boosting shared prosperity and reducing poverty.***

96. Morocco's new constitution has strengthened the principles of open governance and introduced new citizen rights, such as the right to information (article 27) and the right to petition and to propose legislative motions (articles 14 and 15) in order to foster more participatory democracy. These rights now need to be translated into specific policies and implemented. The Government has undertaken reforms to increase fiscal transparency and public access to information, including through the publication of draft laws and regulations prior to consideration for adoption. To improve voice and citizen engagement, the Government has launched a national dialogue for the implementation of the constitutional provisions on citizen participation. The Bank is directly supporting these policies, including a draft law on public petitions, a public consultations policy, and the law on access to information, through a Transparency and Accountability (*Hakama*) programmatic DPL series, launched in FY14, and associated TA. The Bank is supporting demand for social accountability through a multi-stakeholder working group on e-participation and through the Global Partnership for Social Accountability (GPSA), which Morocco joined in 2013. Design and implementation of the new budget reform and citizen engagement policies will be supported by a New Governance Framework Implementation Support TA (FY14), financed by a DTF. INDH2 will contribute to this objective through its emphasis on inclusive local development, notably through community participation of women and youth and enhanced social accountability mechanisms targeting program beneficiaries.

97. To ensure better and wider governance of service delivery, and of its accountability framework in particular, citizens and their representatives need more opportunities to participate in the planning, organization, management, and control of service provision, making the decision-making process more transparent. Combined with the ongoing decentralization process, greater participation allows citizens to play a real role in public policy. Entry points include enhancing access to water supply and sanitation, including in rural areas (through the FY14 Second Rural Water Supply project) and improving the quality of public transportation services (through the FY15 Urban Transport PforR operation).

***Strategic Outcome 3.2. Enable more transparent and accountable management of public resources through budget and procurement reforms***

***Link to twin goals: This outcome of improving effectiveness of public spending is linked to reducing poverty.***

98. To help the Government carry a more strategic budget policy, increase the allocative and operational efficiency of public spending, and improve fiscal transparency, accountability, and the focus on performance, the WBG will support reforms such as the introduction of programmatic, multiannual, and performance-based budgeting; a new legal framework for PPPs aimed at leveraging private investments, expertise, and competition; and a modernized public procurement framework that strengthens the management of public resources through unified regulation, introduction of grievance mechanisms, increase use of e-procurement, and institutional and capacity building. In addition, the WBG will support the move toward a more strategic and less systematic ex-ante control system (financial control) together with increased reliance on ex-post controls (internal and external audits). Likewise, the WBG will seek to help improve the efficiency of public investments and the effectiveness of public services by strengthening the governance of SOEs and agencies, and the implementation of the new code for SOE governance in priority sectors. Some of the reforms supported will contribute to Strategic Outcome 3.3. by improving the capacity and management of public services. This support will be provided through a Transparency and Accountability DPL series (“Hakama”) (FY14) in close coordination with the EU and the African Development Bank (AfDB), a DTF-funded New Governance Framework TA (FY14), and an IDF-funded TA. A Public Expenditure and Financial Accountability assessment will be undertaken jointly with the EU and AfDB to update the analytical underpinnings of the large public financial management reform program and to assess progress to date.

99. Through the above-mentioned governance program, the Bank will assist in modernizing the management of local finances and intergovernmental fiscal relations. This entails a revision of the system for financial transfers to local governments, with a view to strengthening the legal framework, making the rules more transparent, and enhancing the impact of transfers, in line with the Government's regionalization strategy. In parallel, financial management information systems will be strengthened by extending the integrated expenditure management system to municipalities.

***Strategic Outcome 3.3. Improve capacity to plan, manage, and assess the delivery of key services, especially at the local level***

***Link to twin goals: This outcome of improving public service delivery is linked to both reducing poverty and boosting shared prosperity.***

100. **Sector-specific services.** Strengthening the capacity of municipalities and improving their services is critical to delivering good-quality services to all citizens. Despite recent achievements, additional efforts are needed to enhance governance, particularly on the demand side, in sectors such as transport and SWM by improving accountability, transparency, and access to information, and by providing citizens and civil society with new and effective opportunities for engagement and voice while reducing disparities in the quality of and access to services. To achieve these goals, the WBG will continue its support to the SWM sector through a Fourth Municipal Solid Waste Management DPL (FY15) aimed at extending access to and improving the quality of SWM services, as well as support to the urban transport sector through a PforR operation (FY15) to improve coordination, quality, and access in urban transportation with the aim of creating more sustainable and livable cities, connecting people to opportunities, and reducing congestion and emissions from personal cars and taxis. The ongoing Judicial Performance Enhancement for Service to Citizens Project will contribute to this objective by strengthening the institutional capacities of the Ministry of Justice and Liberties and improving the transparency and effectiveness of its services to citizens and businesses.

101. **Local government capacity.** In addition to sector-specific reforms, there is a need to strengthen the overall institutional and technical capacity of local governments. The Local Government Support Program (*Programme d'Appui aux Collectivités Territoriales*, PACT) (FY14), financed by the DTF, aims to leverage the economies of scale inherent in municipal cooperation by establishing: (i) support centers to provide TA to local governments in preparing and managing public service projects; and (ii) municipal groupings allowing municipalities to build capacity to better invest in, manage, and operate the services they have been mandated to provide to their constituents, whether directly or by contracting private operators. The Bank will scale up its support to the Government's effort to strengthen local government service delivery capacity through potential PforR financing (FY16) while continuing to strengthen local governments' role in including communities through participatory planning and avenues for voice and accountability through its ongoing support to the INDH program. MIGA is looking to support a foreign investment into an integrated utility service provider at the municipal level.

102. **Education.** The Bank will sustain the support provided to the education Emergency Plan and the associated wave of reforms being defined by the Government through wide consultations, together with other development partners. Going forward, TA and lending support will have a stronger focus on improving the quality, equity, and governance of education, particularly through supporting the acquisition of basic skills in early grades and more effective teacher policies; consolidating and improving the efficiency of subsidy programs targeting rural and disadvantaged areas; and improving the governance of the education system by building the capacity of the regional academies and providing support to school-based management mechanisms.

103. **Health.** To support the Government's program for expanding equitable access to primary health services and improving the quality and distribution of health human resources to needed regions, and to address governance issues and gaps in the health management

information system (HMIS), the Bank proposes a Health Sector PforR (FY15), underpinned by a recent health public expenditure tracking survey and public expenditure review. The HMIS, also supported through a MENA Multidonor Trust Fund (MDTF) grant, will strengthen health sector officials' capacity to plan and provide health care access to more people across the country, and improve service efficiency by making health information available to policymakers and the public in a transparent manner. To further support health sector reforms, the Bank is considering another complementary lending operation and additional TA in the outer years.

104. **E-government.** In order to improve service delivery by reducing the redundancy in Morocco's development effort and increase the efficiency of overall government service delivery, the Bank will consider assisting the e-government agenda by ensuring that government services, datasets, and infrastructure are shared and mutually utilized, based on coherently defined interoperability.

***Strategic Outcome 3.4. Expand access to basic services (water, sanitation, electricity, transport, telecommunications, health, education)***

***Link to twin goals: This outcome of expanded access to services is linked to both reducing poverty and boosting shared prosperity.***

105. In order to reduce the outstanding access gap still observed in some areas for some basic services, efforts still need to be made to extend services such as roads, water supply and sanitation, electricity, telecommunications (mobile phones, internet, broadband networks infrastructure), health, and education to underserved areas, particularly in rural and peri-urban areas. Increasing the rural population's access to all-weather roads through the successful National Rural Roads program (ongoing and future lending); assisting the efforts of ONEE, local governments, and municipal service providers in expanding access to water supply and sanitation services in underserved urban, peri-urban, and rural areas; strengthening access to reliable power supply in underserved areas, particularly in remote areas and lagging regions, through the development of renewable energy solutions; improving access to primary health care services through the Health Sector PforR and TA in support of national consultations that were initiated with the Second National Health Conference, preparation of a universal health coverage strategy, and development of a National Health Charter; and enabling basic telecommunications in remote areas will all constitute a focus of Bank support over the CPS period.

106. To promote further rural deployment of infrastructure, the Bank envisages TA to formulate policies and regulations as well as supporting PPPs to catalyze further private investment, in particular in agro-industry and in trade and commercialization platforms for farmers.

### **Crosscutting Themes: Gender, Youth, and Voice and Participation**

107. **The WBG's program will adopt a gender-sensitive approach that takes into account the role of women and provides them with equal opportunities.** Morocco's new Constitution introduces the principle of gender equality and emphasizes the need to involve women in the development process. Nevertheless, key indicators show that progress still needs to be made to strengthen their status and give them equal access to opportunities. In this respect, the CPS program seeks to promote more emphatically and concretely the gender agenda throughout WBG-supported activities, including the INDH2 operation. To help track

progress in this area, gender-disaggregated indicators will be used in such key areas as entrepreneurship, revenue-generating activities, skills training, active labor market programs and access to basic services. A comprehensive Country Gender Assessment (FY14) is expected to expand the Bank's understanding of challenges faced by women in Morocco and yield concrete recommendations on how best to support opportunities and services for women. IFC will complement the WBG's engagement in this area through a strategic and selective approach, especially through access to finance instrument, looking for opportunities in its investment and advisory services to improve job creation and empowerment of women and youth entrepreneurs.

108. **No one can deny the challenges faced today by Morocco's young people, one of the largest and most vulnerable segments of the population.** While acknowledged to have the potential of being a rich and powerful engine of growth, this group is too often left out of economic opportunities and of the decision-making process around matters that affect it most. As a complement to the Bank's support for a new coherent and integrated government strategy, as well as ongoing support to youth representation and participation under the INDH2, youth challenges will be addressed through sector-specific interventions (such as the education, employment, or entrepreneurship agendas) with the common goal of seeking to provide young people with the social and economic opportunities they need to succeed and become productive contributors to Morocco's future.

109. **Increased voice and participation are seen as prerequisites for a more inclusive development process and as a lever for improving the delivery of key public services.** The new Constitution fosters good governance and citizen engagement through enhanced access to information, participation, and responsibility across all sectors and institutions. While large-scale initiatives have already been launched in this area, especially around the law on access to information and policies on public consultation, much still needs to be done to develop the operational instruments and support the implementation of these new policies across the public sector in order to inform and shape citizens' voice and establish an adapted space for citizen participation. This requires support to both the public sector and civil society organizations, notably through the GPSA.

## ***Implementing the FY14-17 Country Partnership Strategy***

### **A. Managing the Program**

110. **Country demand for the CPS period FY14-FY17 is estimated at up to US\$4 billion (Table 2).** The indicative financing program for FY14 is US\$1,185 million and is reasonably firm. Lending volumes in FY15-17 will depend on country performance, IBRD's lending capacity, demand by other Bank borrowers, and global economic developments. This level of financing represents a notable increase over the total amount of financing granted during the previous CPS, which amounted to just under US\$2.5 billion. This larger lending envelope would allow the Bank to pursue a high-case lending scenario to support critical reforms and investments in public administration reform, accountability and decentralization, employment support, inclusive green growth, and rural services. This stepped-up engagement would respond to Morocco's financing demands and enable the authorities to pursue economic transformation against a backdrop of economic difficulties in Europe, which have dampened external demand; high international food and fuel prices; and social pressure to create jobs and deliver on the promises of the new Constitution.

111. **A greater focus on results and implementation will require a more balanced mix of instruments.** Development policy operations (DPLs), which accounted for 60 percent of total lending during the last CPS period, have had a proven record of combining policy advice and support with flexible financing. They are expected to continue to play an important role in IBRD lending support to Morocco. At the same time, given the Government's shift toward a more results-centered program and the greater emphasis sought on supporting reform implementation and institutional capacity building in particular, the share of non-DPL financing, namely investment lending and PforR lending, is expected to increase to nearly half of IBRD financing over the CPS period. In particular, greater use of the PforR instrument, successfully introduced in Morocco in support of the second phase of INDH and particularly appreciated for its focus on tangible results on the ground, the intensive and continued capacity building support it offers throughout implementation, and its flexible disbursement arrangements, will be considered where most relevant. The timing and composition of IBRD financing is expected to be managed flexibly, allowing for financing across instruments and areas of engagement in response to evolving global conditions and country priorities within the overall envelope.

**Table 2. Projected IBRD Financing Program FY14-FY17**

FY14		FY15		FY16-FY17 (indicative)*	
Project Name	US\$m	Project Name	US\$m	Project Name	US\$m
<b>Development Policy Financing</b>					
Accountability and Transparency 1	200	Economic Competitiveness 2	120	Inclusive Green Growth 2	
Inclusive Green Growth 1	300	Solid Waste 4	130	Accountability & Transparency 2 & 3	
Capital Markets & SME Finance 1	300			Gender	
Skills & Employment 2	100			Capital Markets & SME Finance 2	
<b>Sub-Total</b>	<b>900</b>	<b>Sub-Total</b>	<b>250</b>	<b>Sub-Total</b>	
<b>Program for Result Financing</b>					
		Urban Transport	200	Energy Efficiency	
		Health Sector Modernization	100	Agriculture Modernization	
		Integrated Risk Management	75	Support to ORDAR Creation	
				Support to Periurban WSS Service Extension	
				INDH 3	
				Local Government Institutional Capacity	
				Social Protection Reform	
				Judiciary Reform Implementation	
				Rural Development Program	
				Education Support	
<b>Sub-Total</b>		<b>Sub-Total</b>	<b>375</b>	<b>Sub-Total</b>	
<b>Investment Project Financing</b>					
ONEE support AF	40	Noor CSP 2-3	150	Youth & Employment Support	
Rural Roads II AF	95	Clean & Efficient Energy	125	Rural Road 3	
Rural Water Supply	150	OER Irrigation AF	180	Water & Sanitation	
		Early stage entrepreneurship	50	Tourism Development	
		Non-Revenue Water	100	ICT Development	
<b>Sub-Total</b>	<b>285</b>	<b>Sub-Total</b>	<b>605</b>	<b>Sub-Total</b>	
<b>TOTAL</b>	<b>1,185</b>	<b>TOTAL</b>	<b>1,230</b>	<b>TOTAL</b>	<b>1,585</b>
<b>Total Estimated Lending Envelop</b>					<b>4,000</b>

\* operations proposed for FY16-17 are indicative only, as the program will be confirmed at the time of CPS Progress Report

112. **AAA will remain a key ingredient of the Bank's strategic support.** To optimize the Bank's knowledge and leverage greater impact on the ground, and in continuation of past practice, the Bank will selectively use analytical and advisory services, and particularly programmatic ESW, as an integral part of the implementation of the CPS program, continuing to inform and support the policy dialogue on reforms and the overall lending and grant portfolio. Discussions around the planned Country Economic Memorandum (CEM) should



help to seek a more integrated view of where Morocco stands on key economic issues. Support to Morocco's green growth agenda and analysis of the impacts of climate change will continue through programmatic ESW. Building on past knowledge work,<sup>28</sup> a new programmatic ESW will help to assess and review management models for service delivery, tariff and efficiency improvements in the water and sanitation sector, and decentralization and integration of the impacts of climate change in sector policies. Where appropriate, strategic partnerships with Moroccan counterparts (such as the fruitful ongoing collaboration with HCP on poverty work and on the ongoing Country Gender Assessment, the envisaged partnership with the Social and Economic Council of Morocco on the CEM) will be sought. Opportunities to build on emerging lessons from the country's first fee-based TA will be assessed in due time. The Bank will continue to be flexible and responsive to other counterpart demands by providing just-in-time AAA when appropriate.

**113. Where opportunities arise, promotion of South-South exchanges will continue.** Given Morocco's own successful, and at times pioneering, experience in some key development areas (such as climate change adaptation, integrated natural catastrophe risk management, reliance on civil society for youth programs, use of the PforR instrument in support of ambitious national human development programs, and pioneering solar energy generation models), the WBG will continue to encourage Morocco's sharing of good practices and successful experiences with other Bank client countries. Promoting South-South investments will remain an integral part of IFC's strategy in Morocco. Supported by IFC's program, the expansion of Morocco's banking sector to Sub-Saharan Africa helped partially offset the impact of the slowdown of the Eurozone. IFC will continue to support Moroccan regional players and further mobilize resources to increase investments, deepen regional integration, and expand South-South opportunities, especially into Sub-Saharan Africa.

**114. The continued but selective use of grants, trust funds, and partnerships will allow for complementary and targeted interventions where most relevant.** Where feasible, DTF funding will be sought for larger-scale TA activities that aim to accompany critical reforms or programs of a truly transformational nature and that require particularly intensive technical support (such as support to the national governance framework, to local government capacity building, to the introduction of underserved youth to micro-entrepreneurship, or to the development of microfinance). GEF funding will be leveraged strategically to complement operations supporting pilot or innovative initiatives in the area of sustainable development. Similarly, support to sensitive reforms and groundbreaking analytical work in the social sectors (such as social protection, subsidy reforms, and health) will continue to rely in part on grant facilities such as the Japan Social Development Fund and MENA MDTF.

**115. IFC will continue to increase its support to Morocco with a view to restoring investor confidence through countercyclical investment support to existing clients and new firms.** The focus will be on financial markets, with equity investments likely representing the majority of new investments as a means to help the economy through the crisis. IFC will explore investments in agribusiness, education, aeronautics, renewables, and mining. Through its advisory services program, IFC will help improve the Moroccan business environment, with a focus on PPPs in the infrastructure sector. At the same time, IFC will assist businesses in improving their corporate governance and internal controls, which are vital to attracting investors.

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<sup>28</sup> 2008-2010 Water PESW

116. **MIGA is open to continuing its support for sustainable projects with high development impact in sectors aligned with the broader WBG strategy.** MIGA has continued to expand its product line by introducing two new products: non-honoring of sovereign financial obligations (NHSFO) in 2010 and non-honoring of financial obligations of state-owned enterprises (NHFO-SOE) in 2013. Foreign investments in Morocco, including projects in the infrastructure and energy sectors, may be eligible for support through these products. MIGA will strive to ensure that eligible investments avail themselves of these new products to support foreign investments. MIGA's client base has expanded and now includes equity investors, lenders and capital market investors. MIGA will reach out to such potential clients, including through business development missions. Notwithstanding the new products, MIGA will continue to support investors interested in Morocco through traditional political risk insurance, including through its Small Investment Program. Supporting foreign investments into Morocco is in line with MIGA's MENA Initiative, according to which MIGA has mobilized up to US\$1 billion in capacity for new guarantees for cross-border investments into the MENA region. Working together with IFC, MIGA will continue to support Morocco's efforts to attract foreign private investors, including South-based and regional investors, through the provision of guarantees for noncommercial risk. MIGA also stands ready to support Moroccan investors and banks seeking to expand their operations in developing economies.

## **B. Portfolio and Pipeline Management**

117. **Morocco's lending portfolio, totaling US\$1.2 billion as of January 2014, consists of one PforR operation with a commitment of US\$300 million, and 9 investment operations, with commitments totaling \$945 million and an undisbursed balance of US\$556 million.** While this undisbursed balance may appear high, it should be noted that close to 40 percent of it is driven by an atypical project, the US\$200 million Noor I CSP project, whose financing profile will, by design, only lead to disbursements toward the end of the project's life (FY16). The remaining balance is explained by a combination of new operations, some of them involving new partners, and a few investment operations faced with challenging land acquisition administrative procedures. Though still falling short of expectations, overall disbursement improved somewhat over the past two years, with a FY13 disbursement ratio reaching 12.1 percent.

118. **IFC scaled up its engagement in Morocco during the last CPS period.** Since January 2011, IFC has invested a total of US\$590 million, including mobilization through its subsidiary, IFC Asset Management Company (AMC), as well as cross-border investments. IFC's investment portfolio has grown and has reached almost US\$ 396 million in 16 companies (end-February 2014). IFC had a record year in FY13 with annual commitments increasing to about US\$272 million (including mobilization). This increase was driven by a large equity investment of US\$204 million in *Banque Centrale Populaire* (BCP) to support the Government's reforms of the banking sector through BCP's increased lending to SMEs and expansion into Sub-Saharan Africa. Furthermore, IFC committed over US\$300 million of investments in South-South projects during the past three years. In FY13, IFC also made an equity investment of US\$7 million in the education sector. In FY14 thus far, IFC has committed a total of US\$ 133 million in social housing, agribusiness, funds, and MSME support. In addition, IFC has been scaling up its advisory work in the areas of microfinance, SME banking, corporate governance, investment climate, energy efficiency, public-private partnerships in infrastructure and skills development for the youth as part of the regional E4E Initiative for the Arab Youth.

119. **Over the course of the last CPS, the Bank successfully introduced the new PforR instrument to Morocco in the context of its support to the second phase of the INDH program.** In addition to focusing on results, strengthening institutional capacity and governance, and optimizing coordination among partners, the new instrument responded to the Government's request for greater use of country systems. It is anticipated that several areas of support under the new CPS will benefit from this instrument.

120. **Key stakeholders will be involved more proactively and better prepared to implement new lending operations and grant-funded activities.** The recent past has seen recurring slow disbursements in some investment lending activities and a majority of grant-funded operations. Following the recommendations of a June 2013 country fiduciary forum in Rabat, a more proactive and integrated approach to portfolio management has been initiated, in close collaboration with Moroccan counterparts. It ensures that all stakeholders with direct involvement in implementation are brought on board and together much earlier during project preparation, so that key steps such as proper budgeting, setup of payment mechanisms and clarification of roles can be secured before effectiveness. In addition, a more systematic application of the existing but still little-known "green circuit" procedures<sup>29</sup> for activities funded under donor grants, which allow for lighter and more ex-post financial controls in the Government's management of funds, is being sought. Another positive development for the auditing of Bank-financed projects is the agreement obtained to progressively migrate auditing responsibilities from the *Inspection Générale des Finances* to the *Cour des Comptes*, which is also mandated to carry out such functions and whose independence has been strengthened by the new Constitution.

### **C. Partnerships and Donor Coordination**

121. **Articulation of donor strategies for support to the Moroccan Government is often in sync, sharing similar areas of focus and strategic objectives.** Alignment of donor programs with government priorities will continue to be strong. This is especially true around ongoing or new budget support operations (such as Hakama, IGG, SEDP2), but it also applies to ongoing and envisaged results-based lending programs (including INDH, health, agriculture, and urban transport) as well as investment lending operations, where possible (for example, the Noor I CSP project and support to the national rural roads program). In addition to seeking joint synergies (such as with the EU when supporting health and governance reforms, with the *Agence Française de Développement* (AFD) on the employment agenda, or with AfDB and the EU on a new Public Expenditure and Financial Accountability assessment), the Bank will step up its engagement in key areas where other donors withdraw due to their own strategic realignment (as with the AFD in the health sector). Close and effective donor coordination will continue through regular thematic meetings held locally at the technical level, through the more strategic exchanges with in-country representations or visiting officials from headquarters, or through numerous interactions sought around joint operations, from the exploratory phase of preparation phase through implementation.

## **IV. MANAGING RISKS**

122. **Economic, social, and external risks.** A fragile global environment, characterized by an uncertain economic recovery in Europe and volatile economic conditions in many emerging markets, create downside risks to Morocco's trade position, economic growth, and fiscal performance, as well as to the pace of financing the country's investments. Adhering to sound

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<sup>29</sup> Decree N 2-07-1235 of 5 Kaada 1429 (November 4, 2008).

macroeconomic management—including reining in spending—and accelerating reforms to boost Morocco’s competitiveness and revenues will help reduce its vulnerability to external shocks and mitigate the risk of a narrowing fiscal space with limited policy options. The Bank’s program is designed to support the authorities in undertaking reforms critical to strengthening the country’s trade position and competitiveness, and to increase the fiscal space through reforms and fast-disbursing resources. Morocco will remain under tremendous domestic pressure to maintain generous social programs and will need to raise awareness and communicate widely regarding the objectives of wage, subsidy, and social safety net reforms to bolster broad-based support. CPS outcomes which would be most at risk are associated with improving the business environment, social protection programs and strengthening governance. The WBG is supporting these efforts through the DPL and TA activities discussed in the CPS document. The program’s flexible design will allow for adjustments to Bank support in line with the pace of reforms, as needed. Should the environment for the private sector deteriorates significantly, IFC will stand ready to provide selective and high impact countercyclical support to help existing and new clients continue their business operations and maintain their workforces.

123. **Political risks.** Implementation of the CPS and the achievement of proposed outcomes, particularly under Results Areas 1 and 3, are predicated on the coalition government’s adherence to the ambitious reforms set out in its program and mandated by the new Constitution. Any reduction in the depth and scope of those reforms would directly affect the CPS program, especially the delivery of the envisaged DPL operations and the proposed scale up in lending support. The WBG will maintain a close dialogue with the authorities and other stakeholders and continue to provide TA aimed at improving the knowledge base and understanding of policy options for the reform program, in particular for sensitive or complex reforms supported by the CPS program, such as subsidies, social protection, decentralization, competitiveness, transparency, and employment promotion.

124. **Program coordination risks.** Given the shift toward more transversal and multi-sector programs supported by the WBG under the CPS, there is a risk of weak coordination among the many government actors supporting implementation, which could in turn lead to delays in preparation and implementation of such operations. To manage such risk, the Bank will work closely with its partners to establish consensus and define clear roles and responsibilities in line with each agency’s mandate and technical expertise. This will be particularly critical for the delivery of the envisaged PforR operations, which involve multiple stakeholders and are particularly critical to achieving outcomes across all three Results Areas.

125. **Implementation risks.** Land acquisition and compensation issues played a role in delaying preparation and implementation of investment operations under the previous CPS. Given the continued reliance on investment projects, especially to achieve the outcomes under Results Area 3, and the opportunity for lending scale up under the CPS, the Bank has launched a review of these and other safeguards issues and is discussing a program for resolving them with the authorities. Success of some of the analytical work supported by the CPS (for example, the planned Country Gender Assessment) relies heavily on official data. The Bank will pursue close collaboration with relevant government counterparts to ensure that such data can be made available where possible and to reduce the risk of weakening the credibility and impact of such work.

## Annex 1 : Summary MOROCCO CPS Selectivity, WBG Development Solutions and Impact on WBG Goals

Expected Outcomes	Specific Problem Areas or Challenges Addressed	Development Solution: WBG Tailored Package of Services	Impact WBG Goals	
			Poverty	Sh.Prosp
<b>Theme 1: Promoting Competitive and Inclusive Growth</b>		The WBG will support the Government of Morocco in its efforts to achieve a more competitive economy in which the benefits of growth are shared by all.		
1. Enhance the business environment with a more supportive institutional framework for business entry, trade facilitation and SME development	Structural economic transformation, including trade and exchange rate policies to support competitiveness and integration in global value chains.	Programmatic and multi-sector knowledge and convening services supporting implementation of reform and modernizations initiatives. IBRD funding to increase economic competitiveness; IFC investment in financial markets, real sector and MSMEs funds. WB knowledge on trade and integration, ICTs', value chain improvements in agriculture. IFC's advisory services to support investment climate reforms and corporate governance project	Low	High
	Business environment more conducive to supporting micro, small and medium enterprises (MSMEs); regulation and payroll taxes favorable to promote a dynamic labor force and creation of formal employment; implementation of policy reforms related to investment climate; change of regulatory framework to reduce dominant positions and unfair competition in sectors such as ICT; heavy administrative burden and lack of transparency; public agencies' coordination to reduce the gap between the laws and their application		High	High
2. Improve access to finance, with a particular focus on low income households, micro, small and young firms, and youth and women	Capital markets are not sufficiently developed, which impedes the competitiveness of the financial sector. Diversify from banking to capital markets while taking into account the financing needs of small and young firms	WBG programmatic and integrated approach to facilitate capital market development, entrepreneurship and SME development, including through corporate governance. Additional support for microenterprises, microfinance institutions, and improve the enabling environment, including with a new procurement framework enabling greater participation and transparency. IFC's investment services directly in financial intermediaries, private equity funds targeting high-growth SMEs, and through microfinance institutions to provide access to finance mostly to women and youth.	High	High
	SMEs lack access to finance and need support to grow, formalize and become sustainable and create better employment opportunities		Average	High
			Low	High
3. Increase the productivity and value-added of the agri-food sector	Clearer legal framework for water resource, including governance and non-conventional water resources; irrigation modernization.	Bank and IFC financing to support improvements in financial sector through IBRD financing and IFC investments in financial markets, banks, insurance, SME funds and microfinance. Bank and IFC work on youth and women micro-entrepreneurship.	High	High
	More efficient and modernized agriculture sector. Agriculture's higher value added, including local processing of products.			
4. Better leverage the socio-economic potential of integrated rural development and of tourism	Integrated rural development: diversify economic opportunities to improve incomes in rural areas, promoting decentralization and transfer of responsibilities to local development associations and producer organizations to empower them.	Programmatic and multi-sector knowledge and convening services supporting implementation of reform and modernizations initiatives. IBRD funding to increase green growth and modernize water and energy sectors. IFC investment in agribusiness and education. GEF contribution to knowledge (agriculture and coastal management). IFC Advisory on irrigation PPP projects and E4E for logistics and tourism. Collaboration with DPs.	High	High
	Diversification of the tourism sector to create additional revenues and job opportunities through new investment and management models on the empowerment of regions, cities, and local communities.			
5. Improve reliability of electricity supply.	Ensure electricity supply meets the growing demand for a more competitive economy. Reduction of exposure to the volatile prices and subsidy burden associated with imported fossil fuels.	WBG support ONEE's efforts to strengthen its power transmission grid and strategic development of renewable energy capacity, regional integration efforts, and potential IFC investments in the energy sector. MIGA to engage with foreign investors in renewable energy.	High	High
6. Better match skills developed through higher education or vocational training with the needs of the job market	Low skilled/lack of proper skills of labor force; labor regulations and payroll taxes do not promote a dynamic labor force and the creation of formal employment; limited voice and economic opportunities for young people and women ; insufficient economic growth rate to reduce unemployment; limited diversification of job opportunities, particularly in rural areas; women and youth still marginalized from the economic and decision making process; poor quality of IGA and weak capacities of the poor to implement them	Programmatic and multi-sector knowledge and convening services supporting implementation of reform and modernization initiatives for skills and employment, education, gender, and inclusive green growth. Bank and IFC work supporting employment creation through trainings and skills enhancement activities. Collaboration with DPs.	High	High

Expected Outcomes	Specific Problem Areas or Challenges Addressed	Development Solution: WBG Tailored Package of Services	Impact WBG Goals	
			Poverty	Sh.Prosp
7. Improve access to and effectiveness of social protection programs, especially for youth	Strong disparities in accessing to social and economic opportunities and services; pronounced urban-rural disparities; lack of efficient and well-targeted subsidy program for a more effective impact and support to disadvantaged and excluded population.	Programmatic and multi-sector knowledge and convening services supporting labor market programs, revisions of employment regulations, and social protection program and policies (including through and results-based instruments, and Bank's knowledge work on cash transfers, poverty and gender assessment).	High	High
<b>Theme 2: Building a Green and Resilient Future</b>		The WBG will support Morocco's efforts to (i) increase the efficiency and sustainability of natural resource use, and (ii) mitigate the economy's vulnerability to natural hazards		
1. Strengthen management of soil, coastal and water resources	Unsustainable use of natural resources, including coastal water management (salinization of aquifers, water supply issues, loss of biodiversity, and ecologically sensitive areas, particularly in the northeast coast with erosion and sea level rise). Poor and vulnerable households are more affected by these challenges and mitigating them has a greater impact on prospects for the poor	Programmatic and multi-sector knowledge and convening services supporting inclusive green growth, rural and regional water supply systems, and modernization of irrigation and desalinization systems. GEF support to social and integrated agriculture, integrated coastal zone management, and integrating Climate Change practices. IFC Advisory on Water PPP projects.	High	High
	Land degradation contributes to small farmers' poverty, marginalization, and overall environmental degradation.		High	Low
	Inefficient use of water for irrigation leads to wasted resources		High	Low
2. Increase renewable energy generation and enhance energy efficiency	High dependence on fossil fuel at high cost to scarce public resources that could otherwise be invested in programs and services for the poor; difficulties to absorb large amount of renewable generation while meeting increasing energy demand; lack of development of a sustainable renewable energy capacity; energy insecurity, lack of access for to all Moroccan households and businesses due to competitive prices.	Programmatic knowledge, technical assistance and convening services to improve green growth through clean energy (solar and wind) and energy efficiency management. IFC Advisory on resource efficiency/clean techs.	Average	High
3. Better integrate prevention and mitigation mechanisms against natural disasters	Lack of clear strategies/actions to mitigate natural hazards and their impact on: highly populated urban areas (including in hazard prone areas), the economy and agriculture. A fragmented approach to risk management has been less effective than a comprehensive integrated approach would be.	Programmatic knowledge, technical assistance and convening services to develop an integrated risk management approach in line with adaptation to climate change, and with mitigation strategies.	High	Average
<b>Theme 3: Strengthening Governance and Institutions for Improved Service Delivery to All Citizens</b>		The WBG will support activities to (i) strengthen public sector governance and institutional capacity, and (ii) improve access to basic and quality services for all citizens.		
1. A Support a more open and inclusive governance framework through effective rights for citizens to access information and petition government	Government faces challenges in delivering the governance and institutional reforms promised under the new constitution. These reforms would improve delivery of social, economic and infrastructure services on which the poor and vulnerable rely the most.	Combination of financial and programmatic knowledge initiatives. Financing to support overall and sector-specific improvements in accountability and transparency through projects and other activities.	Average	Average
	Lack of transparency and participation in the formulation of public policies has led to policies and actions that do not always adequately respond to issues they seek to resolve		Average	Average
2. Enable a more transparent and accountable management of public resources. Through budget and procurement reform	Urgent need to improve public sector governance, including increasing accountability and transparency public resource management to deliver better public services to citizens, in particular the poorest and most underserved; need to enhance fiscal transparency and efficiency for spending to have greatest impact for citizens, in particular poor and rural communities.	IBRD financing for accountability and transparency operations. Knowledge support including with work with DPs.	High	Low

3. Improve capacity to plan, manage and assess key service delivery, especially at local level.	Municipalities with low capacity to deliver services and economies of scale are not leveraged to address urban growth challenges; improved governance and effectiveness of public service delivery at national and local level. Institutional arrangements for inter-municipal cooperation to be adopted in metropolitan areas; inertia in trying new service delivery models to serve inter-municipal challenges. Inefficient & nontransparent public administration processes.	Combination of financial, programmatic, and knowledge services to support accountability, transparency, and justice initiatives both at local and central level – and encompassing sectors (health, education, transport, water, etc).	High	High
4. Expand access to basic services ( <i>water, sanitation, transport, telecommunications, health, education</i> ).	Rural areas have less access to services, affecting in particular poorest communities Disparities in access to lower secondary education; high repetition and dropouts; and low quality of education	Programmatic and multi-sector knowledge and convening services supporting implementation of projects aiming to support education, accessibility to services, water and waste management, and transport - -- and governance aspects	High	Low

Note: The above assessment identifies whether WBG interventions have a high, average or low expected impact on income poverty or on the access to any of the basic needs that are reflected in the multi-dimensional poverty assessment. A high value represents areas where the initial expected direct impact could be on both the income side and the access to basic needs. In other words, this refers to strategic areas on which WBG interventions could have a direct impact on “extreme poverty”, defined as population with monetary income below the ‘minimum welfare’ line and with at least three deprivations. An average value reflects areas where the initial impact could be either on the income side or on the access to basic needs. Finally, a low value refers to areas that may not necessarily have an expected direct impact on the income or the basic needs sides (i.e. a direct impact on the extreme poor).

Shared prosperity focuses on income growth of the bottom 40 % of the population; 'average' or 'low' indicates the WBG's impact on economic growth in general. 'High' indicates impact on specific target groups within the bottom 40%.

## Annex 2: Morocco CPS Results Framework (FY14-17)

<i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i>	<i>CPS Milestones</i>	<i>Indicative WBG Program</i>
<b>Result Area 1: Promoting Competitive and Inclusive Growth</b>		
<b><i>1.1 Enhance the business environment with a more supportive institutional framework for business entry, trade facilitation and SME Development</i></b>		
<p><u><i>Business Environment</i></u> Key administrative business procedures simplified and standardized by CNEA (number) <i>Baseline: 20</i> <i>Target: 40</i></p> <p><u><i>Trade Facilitation</i></u> Regular production and communication of performance and monitoring indicators from PORTNET, including e.g. indicators of transit time <i>Baseline: No</i> <i>Target: Yes</i></p> <p><u><i>Entrepreneurship and SME Development</i></u> MSMEs receiving capacity building support through the corporate governance support tool (number) (IFC) <i>Baseline: 0</i> <i>Target: 20</i></p>	<p><u><i>Business Environment</i></u></p> <ul style="list-style-type: none"> <li>• The public-private National Commission for Business Environment (CNEA) adopts annual reform programs and publishes them with an evaluation of reform impacts</li> <li>• An inter-ministerial commission for certifying applicable administrative forms to businesses and citizens has been formally established</li> <li>• Key authorities concerned (tax, OMPIC, trade register, CNSS) use the common business identifier</li> <li>• IFC capacity building of Moroccan Institute of Directors training 100 persons</li> </ul> <p><u><i>Trade Facilitation</i></u></p> <ul style="list-style-type: none"> <li>• The IT system managed by PORTNET for data exchange is operational and used by the key public authorities and private trade operators involved in import and export operations</li> </ul> <p><u><i>Entrepreneurship and SME Development</i></u></p> <ul style="list-style-type: none"> <li>• The regulatory framework applicable to individual entrepreneurs has been simplified and adapted to their specific needs</li> <li>• A corporate diagnostic tool for SMEs developed to enable SMEs to identify and implement corporate governance practices.</li> </ul>	<p><u><i>On-going Financing</i></u> <i>Economic Competitiveness (DPF)</i> <i>MSME Development(IPF)</i> <i>IFC Investments in Financial Markets, Real Sector and SME Funds</i></p> <p><u><i>Indicative New Financing</i></u> <i>Economic Competitiveness 2(DPF)</i> <i>Entrepreneurship Fund(IPF)</i></p> <p><u><i>Indicative AAA/TA/TF/Others</i></u> <i>First Study for the establishment of the Moroccan Investment Agency(TA)</i> <i>Country Economic Memorandum (ESW)</i> <i>Trade and Integration-EU (ESW)</i> <i>Trade and Integration – Phase II (ESW)</i> <i>Morocco Trade and Competitiveness (ESW)</i> <i>Value Chain and Trade Improvement in Agriculture (ESW)</i> <i>IFC Advisory services to support Investment Climate reforms</i> <i>IFC Maghreb Corporate Governance project</i> <i>Broadband and eGov policy advice(TA)</i> <i>ICT –enabled BPO(TA)</i></p>



<b>CPS Outcomes and Indicators</b> (with 2014 baselines and FY17-end targets)	<b>CPS Milestones</b>	<b>Indicative WBG Program</b>
<b>1.2 Improve access to finance with a particular focus on low income households, micro, small and young firms, and youth and women</b>		
<p><u>Micro and SME Finance</u> Volume of outstanding MSME portfolio of Participating Financial Institutions <i>Baseline: 78,644 MAD million (2012)</i> <i>Target: +20% (2017)</i></p> <p>Microloans outstanding (number) (IFC) <i>Baseline: 221,400 (127,286 to women)(2012)</i> <i>Target:272,772 (156,820 to women) (2018)</i></p> <p>New small or young firms reached by CCG <i>Baseline: 1572 (June 2010- June 2013)</i> <i>Target: 3000 (June 2013 -June 2016)</i></p> <p><u>Capital Market Development</u> Finance professionals required to register under Law 42-13 certified by AMMC in trading, compliance, asset management, and financial analysis (%) <i>Baseline: no certification (2013)</i> <i>Target: 50% (2016)</i></p>	<p><u>Micro and SME Finance</u></p> <ul style="list-style-type: none"> <li>• The <i>Caisse Centrale de Garantie</i> (CCG) launches a public-private fund dedicated to start-ups by 2016</li> <li>• 6 CCG outlets in the regions by 2016 (baseline: 2 in 2013)</li> <li>• Creation of a centralized collateral registry by 2016</li> <li>• 3 Alternative Microfinance Products developed and piloted by 2016</li> <li>• 6,000 targeted beneficiaries receiving financial literacy training by 2016</li> </ul> <p><u>Capital Market Development</u></p> <ul style="list-style-type: none"> <li>• Rules and procedures of Morocco’s Capital Market Agency (AMMC) are adopted to implement Law 42-13 and creating independent capital market supervisor by 2016</li> <li>• Securities lending contracts regulated and recorded in central depository by 2016</li> <li>• AMMC complies with IOSCO Principles 6 and 7 on the perimeter of regulation and maintaining financial stability</li> </ul>	<p><b>On-going Financing</b> <i>Financial Sector (DPF)</i> <i>MSME Development(IPF)</i> <i>IFC investments in Banks, Insurance, SME Funds and Microfinance</i> <i>Microfinance Development (TF)</i> <i>Youth Micro-Entrepreneurship(TF)</i></p> <p><b>Indicative New Financing</b> <i>Financial Sector 2(DPF)</i> <i>IFC Investments in Financial Markets</i></p> <p><b>Indicative AAA/TA/TF/Others</b> <i>Enhancing Microfinance for Women and Youth (TA)</i> <i>IFC Access to Finance Advisory Program (A2F)</i></p>
<b>1.3 Increase the productivity and value-added of the agri-food sector</b>		
<p>New agribusinesses created based on partnership projects with farmers in large scale irrigation (number) <i>Baseline: 0 (2013)</i> <i>Target: 20 (2016)</i></p> <p>Area with high value-added crops in Doukkala-Haouz-Tadla (ha) <i>Baseline: 4,873 (2013)</i> <i>Target: 8,966 (2016)</i></p>	<ul style="list-style-type: none"> <li>• Participating farmers using drip irrigation (in targeted area Doukkala-Haouz-Tadla) increases from 1 % in 2013 to 50% by 2016</li> <li>• Feasibility studies of establishing seaweed and shellfish farms undertaken by 2016</li> <li>• IFC’s support to a leading industrial poultry producer and its expansion plan including feedmill, chicken and turkey rearing, and hatchery capacity.</li> <li>• 3 “Agropolis” and agricultural products trade platforms created by 2017</li> <li>• Enhanced incentive framework for agro-business investment by 2017</li> </ul>	<p><b>On-going Financing</b> <i>Inclusive Green Growth(DPF)</i> <i>Modernization of Irrigation in OER (IPF)</i> <i>IFC Investment in Agribusiness and Education</i> <i>Social &amp; Integrated Agriculture(GEF) Integrated Coastal Zone Mgt (GEF)</i></p> <p><b>Indicative New Financing</b> <i>Modernization of Irrigation in OER AF (IPF)</i> <i>Agriculture Modernization (PforR)</i> <i>Support to ORDAR Creation(PforR)</i></p> <p><b>Indicative AAA/TA/TF/Others</b> <i>IFC Advisory on irrigation PPP projects</i> <i>Value Chain and Trade Improvement in Agriculture (ESW)</i></p>

<b><i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i></b>	<b><i>CPS Milestones</i></b>	<b><i>Indicative WBG Program</i></b>
Farmers reached by IFC investments <i>Baseline: 0 (2013)</i> <i>Target: 3,000 (2017)</i>	<ul style="list-style-type: none"> <li>• Laws creating the ORDARs adopted and regional irrigation utilities for improved service delivery to farmers established in 5 regions by 2017</li> </ul>	
<b>1.4 Better leverage the socio-economic potential of integrated rural development and of tourism</b>		
<u><i>Integrated Rural Development</i></u> Integrated Rural Development Programs implemented in selected regions <i>Baseline: 0</i> <i>Target: 3</i>  <u><i>Tourism</i></u> Ecotourism Sector Jobs created over the period 2013-2017, gender disaggregated (number) <i>Baseline: 0</i> <i>Target: 1,100</i>	<u><i>Integrated Rural Development</i></u> <ul style="list-style-type: none"> <li>• National Committee on Impact Studies validates the Directive specific to the aquaculture sector</li> <li>• Six local development plans incorporating coastal zone management in the Eastern Mediterranean Coast by 2016</li> </ul> <u><i>Tourism</i></u> <ul style="list-style-type: none"> <li>• At least two Local Development Entities tasked with managing rural tourism investments (Qariati program) established by 2016</li> <li>• Small eco-lodges piloted in villages along the Eastern Mediterranean Coast by 2016</li> </ul>	<u><i>On-going Financing</i></u> <i>Inclusive Green Growth(DPF)</i> <i>Social &amp; Integrated Agriculture (GEF)</i> <i>Integrated Coastal Zone Mgt (GEF)</i> <i>Integrating CC in the PMV (GEF)</i>  <u><i>Indicative New Financing</i></u> <i>Tourism Development(IPF)</i> <i>Integrated Rural Development (PforR)</i>  <u><i>Indicative AAA/TA/TF/Others</i></u> <i>Tourism Development(TA)</i> <i>IFC E4E advisory in Logistics and Tourism</i>
<b>1.5 Improve reliability of electricity supply</b>		
Electric transmission losses South of Chichaoua (%) <i>Baseline: 11% (2013)</i> <i>Target: 8.50 % (2015)</i>  Reduction of unserved energy (MWh) <i>Baseline: 832.7 (2007)</i> <i>Target: 400 (2015)</i>	<ul style="list-style-type: none"> <li>• National Agency for Energy Regulation created by 2016</li> <li>• 476 kms of transmission lines constructed by 2016</li> <li>• Double circuit transmission line constructed between Chichaoua and Agadir by 2016</li> <li>• Tariff study completed by 2016</li> </ul>	<u><i>On-going Financing</i></u> <i>Inclusive Green Growth(DPF)</i> <i>ONEE (IPF)</i>  <u><i>Indicative AAA/TA/TF/Others</i></u> <i>Water and Energy Nexus – Thirsty Energy (TA, KP)</i>
<b>1.6 Better match skills developed through higher education or vocational training with the needs of the job market</b>		
<u><i>Skills training</i></u> Internal efficiency of vocational training programs, covered by a programmatic contract (%) (broken down by gender) <i>Baseline: 75% (2010)</i> <i>Target: &gt;90% from 2013 onwards</i>	<u><i>Skills training</i></u> <ul style="list-style-type: none"> <li>• 10 University programs evaluated by the new evaluation agency on their adequacy for the job market</li> <li>• The National Qualifications Framework has been operationalized by the Ministry of National Education</li> </ul>	<u><i>On-going Financing</i></u> <i>Skills &amp; Employment (DPF)</i> <i>INDH2(PforR)</i> <i>Inclusive Green Growth (DPF)</i> <i>Youth Micro-Entrepreneurship(TF)</i>  <u><i>Indicative New Financing</i></u> <i>Skills &amp; Employment 2(PforR)</i>

<b><i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i></b>	<b><i>CPS Milestones</i></b>	<b><i>Indicative WBG Program</i></b>
<p>Youth are trained on management skills and reach jobs or career advancement opportunities.  <i>Baseline: 0</i>  <i>Target: 1500 youth trained (30% women)</i></p> <p><u>Micro-entrepreneurship</u>  Youth micro-entrepreneurs who receive post-creation follow-up support for at least 12 months (number), of which female (%)  <i>Baseline: 0</i>  <i>Target: 1800 (40% women)</i></p> <p><u>Revenue generating activities</u>  Income-generating activities (IGAs) implemented by cooperatives, associations or companies which are viable two years after benefiting from INDH financing (%)  <i>Baseline: 25% (2012)</i>  <i>Target: 40% (2015)</i></p>	<p>and Vocational Training by 2016</p> <ul style="list-style-type: none"> <li>On-the Job Training Law, providing for the governance and financing of on-the job training has been drafted by 2016</li> <li>A National Labor Observatory to monitor and analyze the labor market has been established by 2016</li> <li>IFC investment to support an established quality private educational institute ‘<i>Institut des Hautes Etudes de Management</i>’ to provide more technically oriented education at an affordable cost to 1000 students</li> <li>The capacity of a 3-4 training providers has been built by 2015 with IFC in-house Business Edge solutions and they will offer certified high quality training to 1000 youth and entrepreneurs until end of FY17.</li> </ul> <p><u>Micro-entrepreneurship</u></p> <ul style="list-style-type: none"> <li>4500 youth aspiring to be entrepreneurs who successfully complete entrepreneurship training by 2017</li> <li>Impact evaluation of pilot program to strengthen micro-entrepreneurship carried out by 2017</li> <li>Law drafted establishing a legal, fiscal and social status for self-entrepreneurship that minimizes the costs, simplifies the administrative procedures and provides social insurance coverage by 2016</li> </ul> <p><u>Revenue generating activities</u></p> <ul style="list-style-type: none"> <li>INDH financed IGAs implemented by cooperatives, associations, and private firms up from 18% in 2012 to 35% in 2015</li> <li>50% of income generating activities in the rural targeted areas implemented by women</li> <li>CLDH and CPDH (INDH local governance committees) include 20% women and 15% youth from 2012 onwards</li> </ul>	<p>INDH3(PforR)  Gender(DPF)  Youth and Employment Support(IPF)</p> <p><b><i>Indicative AAA/TA/TF/Others</i></b>  Programmatic Employment(TA)  ICT-Enabled Micro-work(TA)  Support to the Vocational Training Startegy (TA)  Support to the University Evaluation Agency (TA)  IFC Investments in Education  E4E in Logistics and Tourism  E4E Training programs</p>

<i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i>	<i>CPS Milestones</i>	<i>Indicative WBG Program</i>
<b>1.7. Improve access to and effectiveness of social protection programs, especially for youth</b>		
<p><u>Active Labor Market Programs</u> New enrolments with ANAPEC per year, by gender (number) <i>Baseline:</i> 130,000 (2011) <i>Target:</i> 160,000 (60% male, 40% female) (2016)</p> <p><u>Social Protection Programs/Policies</u> Total subsidy envelope to diesel, gasoline and industrial fuel (in % of GDP) <i>Baseline:</i> 3% (2012) <i>Target:</i> &lt;2.5% (2017)</p> <p>A single registry including beneficiaries of the two largest social assistance programs (RAMED and TAYSIR) is built <i>Baseline:</i> No – (Social Assistance programs have their own information system) <i>Target:</i> Yes</p>	<p><u>Active Labor Market Programs</u></p> <ul style="list-style-type: none"> <li>• The National Employment and Skills Promotion Agency (ANAPEC) strengthens its capacity to develop results-based Public Private Partnerships (PPPs) to promote entrepreneurship/self-employment.</li> <li>• All ALMP programs evaluated (impact or process evaluations)</li> </ul> <p><u>Employment regulations</u></p> <ul style="list-style-type: none"> <li>• Reform options prepared in the areas of labor regulation, labor taxation, and wage setting mechanisms (including minimum wage policy).</li> </ul> <p><u>Social Protection Programs/Policies</u></p> <ul style="list-style-type: none"> <li>• Reform of inefficient universal subsidy system, including introducing automatic price adjustment for diesel, gasoline and fuel</li> <li>• Proposing options to develop a unified registry of beneficiaries of social of social assistance programs</li> <li>• Identifying possible options for a pro-poor INDH targeting</li> <li>• Administrative offices (Ministry of Interior) at the local level are equipped with ICT tools necessary to register social assistance beneficiaries in all localities</li> <li>• RAMED’s targeting method (formula and implementation) is assessed and adjusted periodically.</li> </ul>	<p><b>On-going Financing</b> <i>INDH2(PforR)</i> <i>Inclusive Green Growth (DPF)</i></p> <p><b>Indicative New Financing</b> <i>INDH3(PforR)</i> <i>Social Protection Reform (PforR)</i> <i>Youth and Employment Support(IPF)</i></p> <p><b>Indicative AAA/TA/TF/Others</b> <i>Subsidy Reform and Cash Transfer Program(TA)</i> <i>Morocco Poverty(ESW)</i> <i>Morocco Gender Assessment(ESW)</i></p>
<b>Results Area 2: Building a Green and Resilient Future</b>		
<b>2.1. Strengthen management of soil, coastal and water resources</b>		
<p><u>Land and coastal zone management</u> Land area where sustainable land management practices were adopted as a result of Bank program (ha) <i>Baseline:</i> 0 (2013) <i>Target:</i> 500 (2017)</p>	<p><u>Land and coastal zone management</u></p> <ul style="list-style-type: none"> <li>• Two regional coastal zone management plans (Schemas Regionaux d’Aménagement du Littoral) approved by 2017</li> <li>• Completion of a hydrological study of biodiversity ecosystem interest sites by 2016</li> </ul>	<p><b>On-going Financing</b> <i>Inclusive Green Growth(DPF)</i> <i>Regional Potable Water Supply Systems(IPF)</i> <i>Rural Water Supply and Sanitation(IPF)</i> <i>OER Irrigation Modernization (IPF)</i> <i>Social &amp; Integrated Agriculture(GEF)</i> <i>Integrated Coastal Zone Mgt(GEF)</i> <i>Integrating CC in the PMV(GEF)</i> <i>Oum Er Rbia Sanitation</i></p>

<b><i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i></b>	<b><i>CPS Milestones</i></b>	<b><i>Indicative WBG Program</i></b>
<p>Marine areas brought under biodiversity protection (ha)  <i>Baseline:</i> 0 (2013)  <i>Target:</i> 20 (2017)</p> <p><u>Water resources</u>  Reduction pollution (as measured by tons of BOD abated yearly)  <i>Baseline :</i> 0 (2013)  <i>Target :</i> 1,830 (2017)</p> <p><u>Climate Change</u>  Small farmers in the selected Plan Maroc Vert Pillar II projects integrating at least one climate change adaptation (%)  <i>Baseline :</i> 0 (2011)  <i>Target :</i> 35% (2015)</p>	<p><u>Water resources</u></p> <ul style="list-style-type: none"> <li>• Impacts of climate change on water resources assessed in 3 additional river basins by 2016 (up from one in 2013)</li> <li>• Aquifers (nappes) in which groundwater abstraction is regulated by an aquifer agreement among ‘large’ water consumer (Baseline : 1 (2013), Target : 3 (2017))</li> <li>• Revised Water Law adopted by CG</li> </ul> <p><u>Climate Change</u></p> <ul style="list-style-type: none"> <li>• Development of the capacities of public and private institutions for integrating climate change adaptations in projects directed to small farmers in five target regions by 2015</li> </ul>	<p><b><i>Indicative New Financing</i></b>  Rural Water Supply 2(IPF)  Rural Water Supply 3(IPF)  OER Irrigation Modernization AF(IPF)  Desalination and NRW reduction (IPF)</p> <p><b><i>Indicative AAA/TA/TF/Others</i></b>  Water/Energy Distribution Restructuring(ESW)  Support to Artisanal Mining(TA)  Impacts of CC in WRM (TA)  Non-Revenue Water Assessment (ESW)  IFC Advisory on Water PPP projects</p>
<b>2.2 Increase renewable energy generation and enhance energy efficiency</b>		
<p><u>Renewable Energy</u>  Installed solar energy capacity  <i>Baseline :</i> 20 MW (2013)  <i>Target:</i> (i)180 MW installed; (ii) 375 MW under development (having achieved financial close) (2017)</p> <p><u>Energy Efficiency</u>  New buildings (hospitals, residential, tertiary) integrating legal EE requirements (%)  <i>Baseline :</i> 0% (2013)  <i>Target:</i> 50% (2017)</p>	<p><u>Renewable Energy</u></p> <ul style="list-style-type: none"> <li>• Commissioning of the Noor I Concentrated Solar Power plant by 2015</li> <li>• Reinforcement of the power system to enable it to absorb large amount of renewable generation while meeting the increasing demand</li> <li>• Revision of the legislative framework for renewables o allow for renewable energy generation connected to the medium voltage grid</li> </ul> <p><u>Energy Efficiency</u></p> <ul style="list-style-type: none"> <li>• New decree on energy efficiency in the building sector implemented</li> </ul>	<p><b><i>On-going Financing</i></b>  Noor I Concentrated Solar Power (IPF)  Inclusive Green Growth (DPF)</p> <p><b><i>Indicative New Financing</i></b>  Noor II –III Concentrated Solar Power Project (IPF)  Clean and Efficient Energy Project(PforR)  Energy Efficiency (PforR)  IFC Investments in Wind and Solar Energy</p> <p><b><i>Indicative AAA/TA/TF/Others</i></b>  Partnership for Market Readiness(CF)  Water/Energy Distribution Restructuring(ESW)  Clean Energy (Phase 2)(TA)  IFC Advisory on resource efficiency/clean techs</p>

<i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i>	<i>CPS Milestones</i>	<i>Indicative WBG Program</i>
<b>2.3. Better integrate prevention and mitigation mechanisms against natural disasters</b>		
<i>TBD at the CPS progress report stage based on the scope of the Integrated Risk Management Project</i>	<ul style="list-style-type: none"> <li>• Select number of risk mitigation projects launched - both in terms of risk mitigation and risk insurance</li> <li>• Reform of institutional risk management practices launched</li> <li>• A more integrated risk management system established</li> </ul>	<p><b>Indicative New Financing</b> <i>Integrated Risk Management Project (PforR)</i></p> <p><b>Indicative AAA/TA/TF/Others</b> <i>Integrating CC in the PMV(GEF)</i> <i>Climate Change Adaptation &amp; Mitigation Strategy(ESW)</i> <i>Climate Change Adaptation in the road Sector(TA)</i></p>
<b>Results Area 3: Strengthening Governance and Institutions for Improved Service Delivery to All Citizens</b>		
<b>3.1. Support a more open and inclusive governance framework through effective rights for citizen to access information and petition government</b>		
<p>Open Budget Index (OBI) from the International Budget Partnership (IBP) <i>Baseline: OBI Score 38 (2012)</i> <i>Target: OBI Score 42 (2015)</i></p> <p>Open Government partnership's OGP score on access to information <i>Baseline: OGP 2 out of 4 (2012)</i> <i>Target: OGP 4 out of 4 (2015)</i></p> <p>Women within local governance bodies (CLDH &amp;CPDH) (%) <i>Baseline : 20%</i> <i>Target : 22%</i></p>	<ul style="list-style-type: none"> <li>• Draft law on Access to information and accompanying regulation prepared in line with art 27 of the constitution and international good practice</li> <li>• Draft organic law on public petition in line with the new constitutional right and the recommendations of the National Dialogue and international good practice</li> <li>• Social accountability tools such as Citizens' Report Cards (CRCs) introduced in at least three large cities by 2016</li> <li>• Strengthening participatory monitoring and evaluation in INDH targeted areas, through the use of social accountability tools</li> <li>• Number of birth certificates provided electronically using "Watiqua" is 2850 by 2015.</li> </ul>	<p><b>On-going Financing</b> <i>Accountability and Transparency (DPF)</i> <i>INDH2(PforR)</i> <i>Rural Water Supply (IPF)</i> <i>Urban Transport Project(PforR)</i> <i>IGG DPL 2 (DPF)</i></p> <p><b>Indicative New Financing</b> <i>Accountability and Transparency Series (DPF)</i> <i>Agriculture Modernization (P4R)</i> <i>INDH3(PforR)</i></p> <p><b>Indicative AAA/TA/TF/Others</b> <i>Support New Governance Framework(TF)</i></p>
<b>3.2. Enable a more transparent and accountable management of public resources through budget and procurement reforms</b>		
<p>PEFA indicators related to budget transparency, policy based budgeting and external scrutiny <i>Baseline : 2009 PEFA assessment: Indicator n°6 scored B; n° 12: C, n°26: D, and n°27: B</i> <i>Target : Increase by one notch PEFA scores (indicators 6, 12, 26 and 27) (2015)</i></p>	<ul style="list-style-type: none"> <li>• New organic budget law and its implementing regulation, including the new programmatic budget classification and performance indicators ( including gender) by 2016</li> <li>• The National Public Contracts Committee, including non-State actors is established with a stronger mandate on oversight, complaints handling and training by 2015</li> <li>• 80% of municipalities have real time information on budget execution through the roll out of an integrated</li> </ul>	<p><b>On-going Financing</b> <i>Accountability and Transparency (DPF)</i></p> <p><b>Indicative New Financing</b> <i>Accountability and Transparency 2 (DPF)</i> <i>INDH3(PforR)</i></p> <p><b>Indicative AAA/TA/TF/Others</b> <i>Support New Governance Framework(TF)</i> <i>PEFA diagnostic (with EU and AfDB)(ESW)</i></p>

<b><i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i></b>	<b><i>CPS Milestones</i></b>	<b><i>Indicative WBG Program</i></b>
Procuring entities subject to the new procurement rules (number) <i>Baseline : 1,571 (2012)</i> <i>Target : 3,345 (2015)</i>	expenditure management information system (GID) by 2015	
<b>3.3. Improve capacity to plan, manage and assess key service delivery, especially at local level</b>		
<p>Cities with over 300,000 inhabitants with long term multimodal urban transport master plan  <i>Baseline: 5 cities (Casablanca, Tangiers, Tetouan, Marrakesh, and Rabat) (2013)</i>  <i>Target: 8 cities (2017)</i></p> <p>Local Government Support Program (PACT) s operational with at least two support centers established  <i>Baseline : No (2013)</i>  <i>Target : Yes (2017)</i></p>	<ul style="list-style-type: none"> <li>• At least three cities over 500,000 inhabitants have established local governments-owned holding companies (“<i>Sociétés de Patrimoine</i>”) with urban transport planning and management authority for the urban transport sector.</li> <li>• Three conurbation associations created and/or expanded (geographically or in sector terms) with clear/sustainable legal, financial, governance, and staffing arrangements</li> <li>• A national program has been set up to support the contractualization (between State and LGs) of the improvement of municipal management and strategic urban development</li> <li>• Water and Electricity infrastructure investment planning and policies are harmonized</li> <li>• Establishment of a third party conciliation mechanism for delegated municipal services by 2016 (solid waste DPL)</li> </ul>	<p><b><i>On-going Financing</i></b>  <i>Inclusive Green Growth(DPF)</i>  <i>ONEE AF(IPF)</i>  <i>Modernization of Irrigation in OER (IPF)</i>  <i>Social &amp; Integrated Agriculture(GEF)</i>  <i>Integrated Coastal Zone Mgt (GEF)</i>  <i>IFC Investment in Agribusiness and Education Solid Waste Sector (DPLIV)</i></p> <p><b><i>Indicative New Financing</i></b>  <i>Tourism Development (IPF)</i>  <i>Modernization of Irrigation in OER (IPF)</i>  <i>Urban Transport (PforR)</i></p> <p><b><i>Indicative AAA/TA/TF/Others</i></b>  <i>Tourism Development(TA)</i>  <i>Water &amp; Energy Nexus– Thirsty Energy (TA, KP)</i>  <i>IFC Advisory on irrigation PPP projects</i>  <i>IFC E4E advisory in Logistics and Tourism</i></p>
<b>3.4. Expand access to basic services</b>		
<p>National rural road accessibility index  <i>Baseline: 77 % (2013)</i>  <i>Target: 80% (2015)</i></p> <p>People in rural areas provided with access to Improved Water Sources (number)  <i>Baseline: 171,000 (2013)</i>  <i>Target: 465,000 + 335,000 (2017)</i></p>	<ul style="list-style-type: none"> <li>• 15,560 kms of rural roads rehabilitated or upgraded under Second National Rural Roads Program by 2015 (up from 13,171 km in 2013)</li> <li>• Program establishing sustainable management models for water and sanitation services in small towns and rural areas in place</li> <li>• 90% of water supply and wastewater facilities built have functioning and sustainable management structures</li> <li>• 10 waste water treatment plants constructed in the Oum Er Rbia Basin by 2017</li> </ul>	<p><b><i>On-going Financing</i></b>  <i>Rural Roads II (IPF)</i>  <i>Rural Water Supply and Sanitation (IPF)</i>  <i>Regional Potable Water Supply Systems(IPF)</i>  <i>Oum Er Rbia Sanitation (IPF)</i>  <i>INDH2 (PforR)</i>  <i>Support to Periurban WSS Service Extension</i></p> <p><b><i>Indicative New Financing</i></b>  <i>Rural Roads II AF (IPF)</i>  <i>Urban Transport Project (PforR)</i>  <i>Clean and Efficient Energy Project(IPF)</i>  <i>Rural Water Supply (IPF)</i></p>

<b><i>CPS Outcomes and Indicators (with 2014 baselines and FY17-end targets)</i></b>	<b><i>CPS Milestones</i></b>	<b><i>Indicative WBG Program</i></b>
People in urban areas provided with access to Improved Sanitation (number) <i>Baseline: 0 (2013)</i> <i>Target: 65,000 (2017)</i>		<i>Water and Sanitation (IPF)</i> <i>Health (PforR)</i> <i>Non-Revenue Water(IPF)</i>  <b><i>Indicative AAA/TA/TF/Others</i></b> <i>Promoting Accessibility of PLM(PHRD)</i> <i>Education Support(TA)</i> <i>Morocco Systems Approach for Better Education Results</i> <i>Workforce Development(TA)</i> <i>improving the governance of provision of social services(ESW)</i> <i>Public Expenditure Review: Health and Education(ESW)</i> <i>Climate Change Adaptation in the road Sector(TA)</i>



## Annex 2 : Country Partnership Strategy FY10-13 Completion Report

### I. INTRODUCTION

126. *This Country Partnership Strategy Completion Report (CPSCR) evaluates the Country Partnership Strategy prepared jointly by the World Bank and International Finance Corporation (IFC) for the Kingdom of Morocco for FY2010-2013.* Based on a review of the operational support, technical assistance, and knowledge and coordination services provided by the World Bank Group (WBG), this CPSCR: (i) assesses the extent to which expected CPS outcomes, as updated in the May 2012 CPS Progress Report (CPSPR), were achieved; (ii) evaluates the WBG's performance in designing and implementing the CPS program; and (iii) draws lessons for the preparation of the forthcoming CPS for FY2014-2017.

127. *The main objective of the CPS for FY2010-2013, which was presented to the World Bank's Board of Directors in January 2010, was to support the government in the implementation of its reform program.* In doing so, the WBG's intention was to focus on the "how to" of implementation by facilitating institutional reform and coordination, to support reform implementation in areas requiring interagency coordination and capacity building through lending programs built on a strong foundation of analytical work, and to help increase the results orientation of country programs. The strategy focused on three thematic pillars of relevance to both the International Bank for Reconstruction and Development (IBRD) and IFC: (i) growth, competitiveness, and employment; (ii) service delivery to citizens; and (iii) sustainable development in a changing climate. In addition, all CPS activities were to address two crosscutting beams: governance and territoriality.<sup>30</sup>

128. *This evaluation of the performance of the CPS program, and of the WBG's design and implementation of the strategy, points to positive results overall.* The country team has rated program performance *Moderately Satisfactory*, highlighting notable achievements in private and financial sector reform, access to education, addressing vulnerability and social exclusion, agriculture sector management, implementation of conditional cash transfers, and solid waste management. Substantial progress was made toward most other expected outcomes, though some targets in water management, energy sector reform, and climate change adaptation were not achieved. WBG performance is rated *Good*, reflecting the highly flexible design of the CPS and its responsiveness to the significant social, political, and economic changes that took hold in Morocco during the CPS period. Implementation of the CPS program was characterized by largely satisfactory project outcomes, disbursements above the regional average despite expanded lending commitments, increased IFC investment in key sectors, a strong program of analytical and advisory work, and close and effective partnerships. This evaluation is based on the results matrix as updated in the CPSPR, and ratings are based on the latest guidelines on assessing country partnership strategies.<sup>31</sup> Highlights of the program assessment are discussed below, and details are provided in the summary assessment matrix (Annex 2A).

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<sup>30</sup> In Morocco, territoriality is understood to refer broadly to deconcentration, decentralization, regionalization, and spatially aware development.

<sup>31</sup> World Bank. 2013. "Guidance to Staff on the Country Assistance Strategy Completion Report." Operations Policy and Country Services (OPCS) Department (November); and "Assessing Country Partnership Strategies: A Shared Approach." OPCS and Independent Evaluation Group.

## **II. CHANGES IN COUNTRY CONTEXT AND PROGRESS TOWARD LONGER-TERM NATIONAL DEVELOPMENT GOALS**

### ***2.1 Social and Political Environment***

129. ***Following the Arab awakening, Morocco's social and political context has shifted considerably since the preparation of the FY2010-2013 CPS.*** Morocco's experience with this social movement has been relatively peaceful and constructive compared to other countries in the region. Street protests conducted during 2011 and early 2012 centered around the need for political change, including the establishment of a more democratic constitution enshrining the principles of popular sovereignty, an independent judiciary, and separation of powers. Protesters called for greater social equality, better social welfare services, improved media freedom and independence, and better, more transparent governance. Despite many of the same popular grievances expressed in other countries affected by this movement, Morocco's experience underlines its political distinctiveness in the region. Successive national governments have overseen an impressive political, economic, and social transformation, with a marked acceleration of reforms in recent years. Though these gains did not provide immunity to popular dissatisfaction or remaining development challenges, the country's experience has shown that Moroccans seem more inclined to seek evolution within the system rather than seeking change outside of it.

130. ***In March 2011, King Mohammed VI responded to popular calls for reform with a broad package of political, institutional, and social reforms that gathered widespread popular support through a constitutional referendum held in July 2011.*** The new constitution reinforces the principles of good governance, human rights, and protection of individual freedoms, including extending the previous guarantee of political equality between women and men to civil and social arenas as well. In addition, the new constitution strengthens the separation of powers, judicial independence, and checks and balances, and lays the basis for regionalization as a decentralized system of government. Transparent elections held in November 2011 brought the Justice and Development Party (PJD) to power in a convincing victory. The King named the head of the PJD, Abdelilah Benkirane, as Head of Government in January 2012.

### ***2.2 Recent Economic Developments***

131. ***Morocco's economy performed relatively well during the CPS period, despite the environment of regional upheaval and global economic slowdown.*** Annual growth averaged 3.8 percent during 2010-2012 and registered 4.4 percent in 2013, during which a 21 percent jump in agricultural production offset slower growth in other sectors. Growth of non-agriculture GDP declined from an average of 4.9 percent during the period 2000-2008 to 3.4 percent per year, on average, since 2009. The main drivers of growth have been domestic demand and fiscal spending. After declining steadily from 62 percent of GDP in 2005 to 50.3 percent in 2010, government debt has grown to 61.9 percent of GDP in 2013, where it was contained by substantial capital grants. The Government has made a significant effort to control inflation mainly through subsidies on food and fuel products, with growth in the consumer price index limited to one percent in the last few years, though increasing slightly to 1.9 percent in 2013. Gross investment as a share of GDP has increased from 25 percent in the 1990s to 35 percent currently, and net foreign direct investment inflows more than doubled over the CPS period, increasing from US\$ 1.5 billion in 2009 to US\$ 3.4 billion in 2013.

132. ***Fiscal sustainability has been tested by increased government spending to alleviate popular grievances and counteract the economic effects of the financial crisis in Europe.*** Subsidies on food and fuel, at 6.6 percent of GDP in 2012, exceeded capital expenditures for the first time. In 2012, the budget deficit widened to 7.6 percent of GDP, well above the Budget Law's target of 5.5 percent. In 2013, owing to lower world fuel prices and the start of a fuel price indexation system, the subsidy bill declined to 4.8 percent of GDP and the fiscal deficit narrowed to just below 6 percent of GDP.

133. ***Morocco's terms of trade deteriorated significantly over the CPS period, faced with high prices for food and fuel and diminished demand in European markets.*** The country's food import bill rose significantly in 2012 in response to severe drought conditions domestically at a time of soaring international prices for food, especially wheat. With no domestic oil production, Morocco's spending on fuel imports was similarly affected by high oil prices, which averaged US\$ 110 per barrel in 2011-2012. At the same time, demand for Moroccan products declined in the European Union—the country's principal trading partner, largely as a result of sovereign debt crises in Spain, Italy, and elsewhere, and the broader economic slowdown that followed.

134. ***Given these external challenges, Morocco will have to rely on its own forces to foster the structural transformation necessary to eradicate poverty, grow the middle class, and meet citizens' high expectations.*** Though Morocco's production structure has gradually shifted toward services (whose share in GDP has increased from 51.8 percent in the 1990s to 55.8 percent in the 2000s), continued weak performance in manufacturing and agriculture has prevented the country from taking full advantage of opportunities for better market access. With further structural changes, Morocco could expand its export potential—and the growth and employment benefits that would follow.

### ***2.3 Poverty and Human Development***

135. ***Economic growth in Morocco has been pro-poor, but vulnerability and inequality remain important challenges.*** Absolute poverty has decreased sharply in the space of a decade, from 15.3 percent in 2001 to 6.2 percent in 2011. Average per-capita income doubled during the same period to US\$ 3,100 in 2011. Despite the country's improved poverty profile, 13.3 percent of Moroccans live just above the poverty line and thus continue to face the threat of falling into poverty. Rural areas are subject to higher poverty rates (15 percent in 2011), largely as a result of difficult geography, deteriorating infrastructure, poor access to basic services, and limited opportunities for formal employment. Income inequality has remained high, with a Gini coefficient of 0.41.<sup>32</sup>

136. ***Unemployment is an enduring challenge, particularly in urban areas and among young people.*** Overall unemployment has remained steady at about nine percent since 2011, after dropping from about 13 percent in 2000. Unemployment is 13.7 percent in urban areas, as compared to four percent in rural areas. Youth unemployment is high at 18 percent overall and 35 percent in urban areas. The unemployment rate among women is ten percent, as compared to nine percent for men.

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<sup>32</sup> The Gini coefficient measures the dispersion of wealth, with 0 indicating perfect equality and 1 indicating maximum inequality.

137. *Despite good progress on poverty reduction and social indicators such as access to education, Morocco lags behind comparator countries on human development outcomes, especially for women.* Morocco ranks 130<sup>th</sup> of 187 countries on the United Nations Development Programme’s 2013 Human Development Index.<sup>33</sup> Life expectancy increased from 71.7 years in 2004 to 74.9 years in 2011. Infant mortality rates declined from 36.1 per 1,000 live births in 2004 to 26.8 in 2012, and the maternal mortality ratio dropped from 170 per 100,000 live births in 2000 to 100 in 2011. Yet health indicators continue to lag behind similar economies (Table 1). Similarly, despite a remarkable expansion in access to schooling, with net primary school enrollment rates growing from 52.4 percent in 1990/91 to 93.5 percent in 2006/07 to 96.6 percent in 2011/12, literacy remains low at about 67 percent, and gender disparities and gaps in educational quality and efficiency remain.

**Table 1: Key Social Indicators – Morocco in Comparison**

Country	Life Expectancy at Birth (years)	Infant Mortality Rate (per 1,000 live births)	Maternal Mortality Ratio (per 100,000 live births)
	2011	2012	2010
Algeria	70.8	17.2	97
Egypt	70.7	17.9	66
Jordan	73.6	16.4	63
Kuwait	74.3	9.5	14
Lebanon	79.6	8.0	25
<b>Morocco</b>	<b>74.9</b>	<b>26.8</b>	<b>100</b>
Oman	76.3	10.0	32
Saudi Arabia	75.3	7.4	24
Tunisia	74.8	13.8	56

Sources: *Haut Commissariat au Plan* for Morocco life expectancy data; World Development Indicators.

### III. PROGRAM PERFORMANCE

138. *The strategic themes of the CPS and the majority of its envisioned activities were implemented broadly as expected, though the country team made effective use of the strategy’s flexible approach to make mid-course adjustments and additions in response to changing country circumstances and priorities.* The CPS was built around 19 program areas that were recognized at the time of CPS preparation as being at different stages of development. Of these program areas, 14 were considered sufficiently well advanced to be included in the CPS results matrix, and it was expected that the program would be adjusted based on client needs as well as any progress made in fleshing out the program areas that were still under development at the start of the CPS period. By the time the mid-term CPSPR was prepared, Morocco had experienced significant social and political changes, including the adoption of the new constitution and election of a new coalition government. The CPS program was adjusted to reflect a greater focus on governance and accountability, social and economic inclusion, and voice and participation.

139. *A revised results matrix was presented in the CPSPR, reflecting both the pace of implementation progress and shifts in emphasis in both the Government’s and the WBG’s programs.* The health sector activities envisaged in the CPS did not evolve as planned, following the Ministry of Health’s decision not to engage the WBG in support of the health agenda. Program Area 1.3 on the health sector was therefore dropped from the results matrix and will not be evaluated by this CPSCR, save for an exploration of lessons learned from this experience. By contrast, as the WBG’s engagement in the area of trade and competitiveness

<sup>33</sup> The Human Development Index measures a country’s average achievement along three dimensions: life expectancy, educational attainment, and income.

had evolved into a key element of the country program, the CPSPR included a new results area to capture implementation progress and outcomes. Expected results in public sector management, skills and employment, and social protection were fine-tuned to align more closely with government priorities and with the actual delivery of the WBG program. In other areas, indicators were added or revised to strengthen gender disaggregation and ensure effective measurement of progress toward expected outcomes. These changes were indicated clearly in the text of the revised results matrix appended to the CPSPR.

140. ***Overall performance of the CPS program is rated Moderately Satisfactory, as expected program outcomes were mostly achieved (Annex I).*** There were notable results in private and financial sector reform, access to education, addressing vulnerability and social exclusion, agriculture sector management, implementation of conditional cash transfers, and solid waste management. Substantial progress was made toward most other expected outcomes, though some targets on water management, energy sector reform, and climate change adaptation were not achieved. In general, successful CPS interventions enjoyed high-level government ownership and integration with government programs; participatory approaches; effective technical assistance; and well-specified, operationally integrated, and regularly monitored outcome indicators. In a few areas, momentum was slowed by the additional challenges associated with interagency coordination under the auspices of new multisectoral development policy loans (DPLs), by low government staffing, or as a result of imperfectly specified targets.

### ***3.1 Pillar One: Growth, Competitiveness, and Employment***

141. ***Performance on the first strategic pillar is rated Moderately Satisfactory.*** Good progress on private sector reform took shape in significant improvements to Morocco's *Doing Business* indicators over the course of the CPS period. The country's ranking for overall ease of doing business rose from 124<sup>th</sup> of 181 economies in 2009 to 87<sup>th</sup> of 189 economies in 2013. Importantly, Morocco eliminated the minimum capital requirement for limited liability companies and slightly exceeded targets on strengthening investor protection. The financial sector reform agenda advanced considerably over the CPS period supported by a joint Bank-IFC package of lending, TA and advisory services, exceeding targets on strengthening credit infrastructure for small businesses, improving liquidity, and putting in place the legal framework needed to establish independent supervisory authorities on insurance and pension funds and on capital markets. Performance on expanding household access to finance was mixed, exceeding targets on increasing the number of deposit accounts relative to the population and initially meeting targets on reducing the share of nonperforming loans in microfinance institutions before this indicator slipped again in 2012. Moderate progress was achieved on the multisectoral agendas related to skills and employment and trade and competitiveness, which the WBG supported through DPLs and technical assistance. Delays related to changes in the Government's organizational structure and limited human resource capacity were among the constraints.

### ***3.2 Pillar Two: Service Delivery to Citizens***

142. ***Performance on the second strategic pillar is rated Moderately Satisfactory.*** All expected outcomes were at least partially achieved, and there was exceptional progress in a few key areas. The education sector saw impressive gains in primary school enrollment rates—both overall and for girls specifically—reflecting improvements in student retention. Under the Government's National Initiative for Human Development (known by its French acronym, INDH), targets on the use, accountability, and inclusiveness of basic infrastructure

services were exceeded as a result of strong political support and successful mobilization to reach over five million beneficiaries. In the social protection arena, the Tayssir pilot program of conditional cash transfers in education reached nearly double the targeted number of beneficiaries and has been scaled up to the national level. An impact evaluation showed that the program played a role in reducing dropout rates and improving students' math test results. The RAMED program of non-contributory insurance for poor and vulnerable segments of the population was scaled up to the national level, and its targeting systems were improved. Other areas showed moderate progress toward expected outcomes. There was some progress in introducing key public sector management tools such as medium-term expenditure frameworks (MTEF) at the sector and subsector level and e-government platforms. In the education sector, expanded school enrollment at the primary level was not matched at the lower secondary tier, largely as a result of low enrollment in rural areas and overly ambitious targets. Expected results in reducing repetition rates and increasing the efficiency of human resource allocations were not achieved. In the transport sector, rural access to all-weather roads improved significantly, and preparation of a strategy for the maintenance of unclassified rural roads has advanced, though at a slower pace than expected. In the agriculture sector, targets on irrigation water management and public sector support to smallholders were achieved, and there was good progress in integrating smallholders into domestic markets.

### ***3.3 Pillar Three: Sustainable Development in a Changing Climate***

143. ***Performance on the third strategic pillar is rated Moderately Satisfactory.*** Good progress was recorded in the water management sector, with improvement in off-farm irrigation networks and extension of subsidized household access to piped sanitation supported through WBG investment projects. Targets on urban sewerage and wastewater treatment coverage were not met, however. There was some progress on institutional reforms in the energy sector, though price reform targets were not met owing to historically high oil prices during the CPS period. CPS targets in the solid waste management sector were all achieved, including the establishment of legislative decrees and improvements in financial sustainability and cost effectiveness through a successful series of DPLs in the sector. Good progress was recorded on climate change adaptation. An adaptation action plan was adopted for the agriculture sector, and pilot initiatives on adaptation in the sector were launched as planned as part of the PMV DPL series and supporting GEF activities. There was some movement on developing a national climate change strategy, but the establishment of climate early warning systems has been delayed.

### ***3.4 Cross-Cutting Beams***

144. ***Through the CPSPR, the WBG indicated its intention to realign its governance agenda to support the development and implementation of Morocco's new constitution and the subsequent changes to the country's overall governance structure.*** Governance continued to be mainstreamed in all WBG operations, supported by institutional development activities under DPLs on competitiveness and sustainable access to finance. The first INDH program was designed around the principles of transparency, accountability, and inclusiveness, and its expected outcomes amended in the CPSPR to reflect this enhanced governance focus. The Public Administration Reform DPL IV focused on strengthening budget management, human resource management, and e-government, and there has been good progress on procurement reforms. These initiatives were supported by extensive analytical and advisory work, including programmatic economic and sector work (P-ESW) on public administration reform, a Country Governance and Anticorruption assessment, a Use of Country Systems Initiative Pilot, and a Bank Governance Review. The country team is

continuing to deepen its governance focus, preparing an Accountability and Transparency DPL and a New Governance Framework Implementation Support Project for implementation beginning in FY2014.

145. ***The CPS supported governance improvements at the sector level.*** The Solid Waste DPL3 has helped strengthen demand-driven governance improvements by supporting the progressive rollout of Citizen Report Cards on the quality and adequacy of municipal solid waste services, following a successful pilot in Témara. In the agriculture sector, the first DPL in support of the *Plan Maroc Vert* worked to improve the legal and institutional framework and enhance the governance and public financial management of agricultural investment support. The Education DPL helped strengthen sector public expenditure management, and as part of the Urban Transport DPL agencies involved in sector governance were established and strengthened.

146. ***The WBG has implemented a program of targeted assistance to the justice sector, building on the new Government's strong focus in this area.*** The ongoing Judicial Performance Enhancement Project aims to strengthen the Government's capacity to deliver efficient, timely, and transparent justice services to citizens and businesses by piloting a participatory reform process involving judges, court staff, and the public in selected courts, and strengthening central capacity to support and monitor the court system. The project has been somewhat slow to roll out, but there have been some consultations with judges and administrative staff and several planned activities will be launched in the near future. This program has been accompanied by justice sector technical assistance in FY2011 and a Justice Public Expenditure Review in FY2013.

147. ***The CPS aimed to support the Government's objective of fostering spatially inclusive development and increasing the role, performance, accountability, and empowerment of local governments.*** These goals were tackled largely through sector programs, with good results in expanding access to critical services in rural areas. The Second Rural Roads Project has made significant progress in increasing the share of Moroccans who have access to an all-weather road (from 54 percent in 2005 to 77 percent in 2013) and is on track to meet the target of 80 percent by the end of 2015. The Improved Access to Water and Sanitation Services Project supported an innovative, large-scale, and successful pilot in poor peri-urban neighborhoods of three cities to demonstrate output-based aid mechanisms for the promotion of water and sanitation service connections in chronically underserved areas. The ongoing Rural Water Supply and Sanitation Project is making progress in expanding sustainable access to potable water supply in rural areas. Several sector interventions focused on strengthening local government. These activities were supported by technical assistance on regional development for disadvantaged areas and on governance and territoriality. The New Governance Framework Implementation Support Project aims to support fiscal decentralization by assisting in the revision of the fiscal transfer and equalization system for local governments and providing training to regional and other local authorities.

### ***3.5 Gender, Inclusion, and Voice***

148. ***The CPSPR committed to strengthening the focus on gender, inclusion, and voice during the remainder of CPS implementation.*** The WBG has focused on using knowledge as a platform for dialogue and advocacy by disseminating data from analytical and advisory work to inform reforms, nourish public debate, and ensure more effective targeting. Work on gender and inclusion has been informed by a report on promoting youth opportunities, a TA program in employment, a social protection strategy note, and statistical work on poverty. A Gender Assessment is underway, with delivery expected in FY2014. In addition, the WBG has

continued to work with stakeholder and citizen groups to implement the ongoing portfolio with an emphasis on gender mainstreaming where possible, and enhancing outreach and communication. The CPSPR introduced several new, gender-disaggregated outcome indicators intended to better assess the effect of CPS programs on women and girls in education and in the area of vulnerability and social exclusion. Progress toward these targets was good under the INDH program and on primary education, but less successful on girls' enrollment and repetition rates in lower secondary school.

149. *Approved in FY2012, the flagship Program for Results (PforR) operation on targeting women, tackling vulnerability, and strengthening inclusion—the National Initiative for Human Development 2—has so far been successful in expanding educational support and opportunities for local governance among women.* This program aims to address economic and social inclusion through a participatory and community-driven approach that promotes voice in development and reaches out to marginalized groups such as women and young people. Its monitoring and evaluation component features gender-disaggregated information and wide application of social accountability tools. In addition to the INDH2, the MSME Project (FY2012) aims to improve access to finance among women-owned micro, small, and medium enterprises, and the WBG has prepared a project on Strengthening Micro-Entrepreneurship for Disadvantaged Youth (FY2014) to strengthen youth inclusion through self-employment.

150. *IFC's investment and advisory services have focused on empowering women entrepreneurs, especially in underserved regions.* IFC has partnered with microfinance institutions that have a strong gender focus, helping to increase their outreach and thus increase access to finance among women micro-entrepreneurs.

**Table 2: Achieving the CPS Objectives – Overview**

<b>Program Areas</b>	<b>Performance Rating</b>
<b>Pillar I</b>	<b>MS</b>
1.1 Business Environment	Achieved
1.2 Financial Sector Reform	Achieved
1.3 Skills and Employment	Mostly Achieved
1.4 Trade and Competitiveness	Partially Achieved
<b>Pillar II</b>	<b>MS</b>
2.1 Public Sector Management	Partially Achieved
2.2 Quality and Access in Education	Mostly Achieved
2.3 Health Sector Reform	Dropped
2.4 Vulnerability and Social Exclusion	Achieved
2.5 Transport	Partially Achieved
2.6 Agricultural Sector Reform	Achieved
2.7 Social Protection Reform	Achieved
<b>Pillar III</b>	<b>S</b>
3.1 Water Management	Mostly Achieved
3.2 Low Carbon Energy Policy and Energy	Partially Achieved
3.3 Solid Waste Management	Achieved
3.4 Climate Change Adaptation	Mostly Achieved

#### **IV. WORLD BANK GROUP PERFORMANCE**

151. *Overall WBG performance is rated Good.* The strategy's flexible design allowed the WBG to respond quickly to adjust the CPS program as social, political, and economic transformation took hold in Morocco and the broader Middle East and North Africa (MENA) region. The CPS used a unique mix of instruments to support implementation of the Government's ambitious reform agenda, backed up by a well-designed results matrix, in that it closely linked expected CPS outcomes to the outcomes of planned interventions and struck a



practical balance between flexibility and specificity. WBG implementation of the CPS program was characterized by largely satisfactory project outcomes, disbursements above the regional average despite expanded lending commitments, increased IFC investment in key sectors, a strong program of analytical and advisory activities, and close and effective partnerships with the government, development partners, and nongovernment stakeholders in the country.

#### ***4.1 Design and Relevance***

152. ***The flexible design of the CPS proved highly relevant, allowing the WBG to make seamless program adjustments in response to changes in government and in the social, political, and economic environment more broadly.*** Based on the lessons learned in implementing the previous Country Assistance Strategy, the CPS for FY2010-2013 was intentionally designed as a flexible, evolving program. It encompassed a 24-month business plan of firmly developed activities whose expected outcomes were defined in the accompanying results matrix, embedded within a longer-term strategic framework that included several potential activities still under development. The later stages of the CPS program were to be laid out more concretely at mid-term, through the preparation of the CPSPR and a fully updated results matrix. This nimble design proved to be an asset, as the CPS program and expected results were easily adjusted following changes in the country's constitution and government and in response to the economic challenges posed by the domestic drought and the financial crisis in Europe. The flexibility of the CPS also proved to be an effective risk mitigation measure, as both risks highlighted in the original CPS—systemic and exogenous risks related to the global economic crisis, as well as the role of political economy factors in successful implementation of the government program—came into play during CPS implementation.

153. ***While the original strategy's three strategic pillars remained relevant, the CPS program was revised at mid-term to align with the priorities of the new government and to adhere to the MENA region's commitment to "do things differently" following the Arab awakening.*** The program was adapted to focus more on strengthening governance and accountability, ensuring greater social and economic inclusion, and increasing voice and participation. The CPSPR proposed two fundamental directions for the WBG program going forward. First, it aimed to support more ambitious reforms, including an enhanced focus on sectoral governance, communication, and participation in ongoing program areas, and stepped-up engagement on economic competitiveness in support of growth and job creation, governance, social protection and subsidy reform, and strengthening inclusion and voice, particularly for young people and women. Second, the CPSPR introduced multisector approaches to lay the basis for consolidation in the next CPS, allowing stronger alignment with the Government's priority of addressing complex cross-sectoral issues. This adjustment took shape in a move from single-sector development policy lending to more intricate cross-cutting programs in areas such as skills and employment, competitiveness, and green growth. These shifts in the CPS program design were appropriate and effective in advancing the WBG's contribution to achieving Morocco's country development goals, and in setting the stage for continued support under the forthcoming CPS, though it is important to note that the increased focus on multisectoral approaches introduces new challenges in coordination and implementation.

154. ***The CPS program employed a unique mix of instruments to support implementation of the Government's ambitious reform agenda.*** The use of DPLs has become a defining aspect of the WBG's program in Morocco, reflecting the Government's preference for this

instrument's flexibility and ability to tackle the structural challenges posed by sectorwide reforms. In parallel, the WBG implemented sectoral investment lending programs in key sectors such as water and sanitation, rural roads, irrigation modernization, agriculture, and judicial reform. Beginning in FY2012, the WBG successfully introduced the new and innovative PforR instrument in the context of a second program in support of the INDH. The PforR format responds closely to the government's request for greater use of country systems and stronger focus on results.<sup>34</sup>

155. ***As part of the flexible CPS approach, IFC's program adapted to market conditions in a difficult environment for private investment.*** In response to sweeping changes in the regional context and in the domestic political environment, IFC stepped in to restore investor confidence by increasing its engagement in Morocco. The global crisis had a dampening effect on IFC's investment pipeline, however, especially in infrastructure and the real sector. Some projects were delayed or passed on to public financing, and some potential investment areas, such as direct agribusiness investments, did not materialize due to a lack of suitable opportunities.

156. ***The CPS program was underpinned by a well-designed results framework, which succeeded in striking a balance between flexibility and specificity.*** The CPS results matrix, and its updated version in the CPSPR, provided a clear link between country development goals and expected CPS outcomes, targets, milestones, and proposed programs. The realism of CPS objectives was broadly on target, though some sectors saw advanced progress by the time of the CPSPR in FY2012 while targets in a few areas (such as school completion and energy sector reform) proved to be overly ambitious. Monitoring and evaluation of CPS outcomes and targets was, in most sectors, relatively well integrated into supervision and results monitoring at the program level.

#### ***4.2 Implementation***

157. ***Lending commitments slightly exceeded the anticipated envelope.*** The CPS proposed an annual IBRD lending envelope of US\$ 600 million. Over the course of CPS implementation, IBRD commitments to Morocco averaged about US\$ 630 million per year and reached record levels in FY2010 at US\$ 729.5 million, after which they amounted to US\$ 480.3 million in FY2011, US\$ 716 million in FY2012, and US\$ 593 million in FY2013. The WBG delivered eleven DPLs, seven investment projects, and one PforR project during the four-year CPS cycle. Pursuing several DPLs at once allowed the Bank to provide deeper support to a broader range of reforms than would have been the case had several sectors been bundled into multisectoral DPLs. At the close of the CPS period, the IBRD investment portfolio consisted of eleven operations for a total of US\$ 1.3 billion in commitments, with an undisbursed balance of US\$ 922.5 million. The relatively high level of undisbursed funds is explained by a combination of new operations, some of which involve new partners; a few investment operations that face challenging administrative procedures related to land acquisition; and atypical projects such as the US\$ 200 million Ouarzazate (Noor I) Concentrated Solar Power Project, whose design implies that disbursements are only expected toward the end of the project (FY2016).

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<sup>34</sup> This new instrument, introduced in January 2012, supports government programs and links the disbursement of funds directly to the delivery of defined results with a special focus on strengthening institutions.

158. ***Performance of the IBRD portfolio has been broadly satisfactory, with all projects rated satisfactory or moderately satisfactory.*** There have been some delays in launching new projects due to lengthy procurement processes and a focus on capacity building at the start of project implementation, particularly for decentralized entities that are responsible for project implementation. The disbursement ratio averaged 15.6 percent over the CPS period, outperforming the regional average of 13.6 percent.

**Table 3: Morocco IBRD Portfolio Highlights**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>
Number of projects	12	11	11	11
Number of problem projects	2	2	0	1
Number of projects at risk	2	2	0	1
Net commitment amount	1,161.1	1,344.5	1,305.3	1,305.3
Commitments at risk, %	15.0	13.0	0.0	3.3
Proactivity, %	100	0	100	
Disbursement ratio	21.72	14.09	18.23	12.14

Source: World Bank Business Warehouse.

159. ***As evidenced by the substantial program shifts introduced at the time of the CPSPR, implementation of the CPS has been responsive to changing country circumstances, emerging needs, and client requests.*** As discussed above, the intentionally flexible design of the CPS allowed for mid-course adjustments to strengthen the WBG program in the light of game-changing regional and domestic developments. As envisioned, the WBG responded to these shifts by rebalancing the sectoral and thematic emphasis of the CPS program to better match government plans and needs, and by expanding the use of multisectoral (e.g. support to skills and employment, social protection, competitiveness) and results-based (e.g. PforR support to INDH2) instruments as CPS implementation evolved. The country team's responsiveness extended to the implementation of individual initiatives as well.

160. ***The WBG continues to mobilize significant trust funds to complement its engagement in Morocco.*** The inclusion of trust funds in the WBG country budget has been particularly successful, helping to ensure smooth implementation.

161. ***A strong program of analytical and advisory activities (AAA) has helped to broaden and deepen the knowledge base in critical areas, informing the design and implementation of sector reform programs and the preparation of DPLs and investment programs across the CPS portfolio.*** Twinning reform implementation with technical assistance, capacity building, and policy dialogue has been a key aspect of the WBG's partnership with Morocco. The WBG approach has been to carry out strong AAA that underpins dialogue and advocacy in many sectors, and then build up engagement to DPL or investment financing once sectoral reform programs are well designed, fully costed, and set to be evaluated on the basis of relevant objectives and indicators. The WBG's AAA program in Morocco has served as a vehicle for effective advocacy on critical issues such as youth exclusion, social protection reform, poverty analysis, governance, competitiveness, labor market dynamics, and innovative service delivery approaches such as conditional cash transfers.

162. ***IFC scaled up its engagement in Morocco during the CPS period.*** Since January 2011, IFC committed a total of US\$ 477 million in investments, including mobilization of investments through its subsidiary, IFC Asset Management Company (AMC), as well as cross-border investments. IFC's investment program has grown from a committed portfolio of only around US\$ 6 million in FY2006 to US\$ 272 million in FY2013. A 75 percent increase in IFC's investment portfolio between FY2012 and FY2013 was driven by IFC's large equity

investment of US\$ 204 million in *Banque Centrale Populaire* to support its lending to a greater number of small businesses and expansion into Sub-Saharan Africa. IFC also made an equity investment of US\$ 7 million (within a total project size of US\$ 21 million) in the education sector in connection with the regional Education for Employment Initiative in the Arab World (e4e). This expansion has allowed IFC to have significant development impact, including supporting the creation of around 12,000 jobs and helping generate \$1.3 billion of volume in MSME loans.

163. ***IFC's investment activities have been complemented by a strong advisory services program for investment climate, microfinance, and public private partnerships (PPPs) in infrastructure.*** IFC supported two flagship PPP projects showcasing Morocco's regional leadership on climate change and water: (i) a PPP advisory project to help assess the feasibility of and structure the Ouarzazate Concentrated Solar Power Project; and (ii) assistance to the Ministry of Agriculture in structuring and implementing Morocco's first PPP for desalination and integrated irrigation in the Chtouka region, one of Morocco's largest agricultural areas. IFC also provided capacity building to the Ministry of Finance to help with the design and implementation of PPP projects in health and education.

164. ***The CPS commitment to greater collaboration and harmonization yielded dividends in the form of successful World Bank-IFC integration, strong donor coordination, and a growing partnership with nongovernment stakeholders.*** As foreseen in the jointly prepared, well-integrated results framework, collaboration between the World Bank and IFC was strong over the course of CPS implementation. Examples include support to MSMEs through IBRD lending and a joint TA facility, and joint advisory and TA work on targeted measures to improve the business climate. Coordination among Morocco's development partners has continued to be effective, with close alignment between donor programs and government priorities, especially around budget support operations. Donor partnerships have been particularly strong in education, public administration reform, financial sector reform, rural roads, and support for the government's INDH. Finally, consultation with nongovernment stakeholders, outreach to beneficiaries, and dissemination of knowledge evolved into central themes over the course of CPS implementation. This increased emphasis on civil society partnerships reflected the WBG's broader effort to take a more inclusive approach to development in response to the profound changes in the MENA region. In Morocco, these efforts involved further strengthening transparency about WBG programs and broadening relationships to provide a wider range of stakeholders with opportunities to provide input into program and give feedback on implementation results.

## **V. LESSONS RELEVANT TO THE NEXT COUNTRY PARTNERSHIP STRATEGY**

165. ***Implementation of the CPS confirmed the importance of flexible program design.*** The strategy's two-level approach included a 24-month business plan of firmly developed activities and a longer-term framework of potential intervention areas. This approach allowed the WBG to adapt to country circumstances and client demand, including as a new Government took office and developed its own reform plans and as a new constitution was adopted midway into the program.

166. ***Morocco's response to the challenges emerging from the Arab awakening highlights the importance of understanding the political economy environment.*** Although Morocco faced many of the same challenges confronted by its neighbors—high unemployment and poor job quality, inequality, exclusionary practices that benefited elites, and a public service delivery system that partially failed to deliver good-quality results—its

responses were more effective as a result of the Government's willingness to work in a participatory and inclusive manner.<sup>35</sup> There is a broad understanding in Morocco that to achieve real social transformation requires two comprehensive sets of reforms: fostering equitable growth and jobs, and strengthening service delivery and governance. The CPS aimed to strengthen its focus in these areas following the CPSPR, and will continue to seek opportunities to do so in the next CPS.

167. ***High-level government ownership—together with consistent and constructive dialogue—are helpful in generating interest and building momentum for reform.*** Under the CPS, reforms with regular high-level attention were able to move forward more easily. This included the investment climate work through the national commission on business environment, IFC's advisory work with the central bank on credit access, and agriculture sector reforms under the government's high-profile *Plan Maroc Vert* and the National Plan for Irrigation Water Conservation in Morocco. High-level dialogue on broad macro sustainability issues raised awareness of the importance of controlling the wage bill, allowing reform progress even after this objective was dropped from the CPS and in the absence of a dedicated program in this area. Where reform commitment was not backed up by appropriate resources, as in the case of insufficient staffing to implement trade and competitiveness reforms, progress was slow. Even where there has been clear government ownership, as on business environment reforms, their impact has been weaker than anticipated given that the bureaucracy has been slow to adapt to new practices. This suggests the importance of pairing high-level dialogue with practical change management approaches targeted to working-level staff.

168. ***While capitalizing on client ownership and reform momentum, attention to appropriate sequencing remains important.*** Some reforms envisaged under the CPS stalled because smaller reform steps that enjoyed significant interest and backing were taken before overarching frameworks were in place. In the area of public sector management, for example, multiannual performance budgeting objectives did not yield intended results because sector medium-term expenditure frameworks (MTEFs) were developed before the global MTEF. In the solid waste sector, policy reforms adopted under the first two DPLs may have advanced more quickly than the administrative procedures required to implement them.

169. ***Participatory approaches are essential to ensure broader stakeholder ownership of reform.*** In light of Morocco's new constitutional mandate to conduct more systematic public consultations and foster citizen participation, the CPSPR highlighted the need to strengthen the WBG's support for greater outreach, inclusion, and accountability. Participatory approaches were successful in ushering forward reform through the INDH, on agriculture, on water and sanitation, and in implementing the Clean Development Mechanism in the solid waste sector. It will be important to build on these successful experiences in the forthcoming CPS.

170. ***The single-sector DPLs on which the CPS program relied were effective in moving forward on a broad program of first-generation reforms amid weaknesses in cross-ministerial coordination, but Morocco's development needs—and the Government's reform interests—now center around more complex second-generation reforms that involve more cross-sectoral challenges.*** Several of the Government's priority reforms, in areas such as trade and competitiveness, employment generation, and climate change adaptation and green

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<sup>35</sup> The new constitution specifically states that the government is obliged to work in a more participatory and inclusive way.

growth, can only be achieved through across-the-board efforts encompassing a wide variety of actors. In response to this need, the WBG program has begun to move toward the design of operations that support the Government in mobilizing multiple institutions and actors and ensuring better coordination and communication. This shift implies a risk that implementation progress will stall in the face of continued challenges in cross-agency collaboration. However, recent experience demonstrates that carefully designed multisectoral operations, backed by support for institutional coordination mechanisms, could improve the chances of reform success and, indeed, have a greater impact on complex cross-sectoral reforms than a “silo” approach centered on individual sectors. For example, the experience of the CNEA shows that interministerial coordination mechanisms can help build reform momentum if given appropriately high-level support. In the water sector, improved coordination and better governance were key factors in resolving the disconnect between water mobilization investments and irrigation infrastructure (each the responsibility of a different agency) on the one hand, and underutilization of already mobilized water resources.

171. ***The strong AAA approach adopted under the CPS was a key factor in developing and maintaining strong country engagement, and this will need to continue and deepen as more ambitious reforms are undertaken.*** It will be important to ensure, however, that the WBG has the required knowledge and expertise to accompany the Government and can add real value to the process. Well-targeted technical assistance can help foster institutional and technical capacity building, an area that is expected to receive greater emphasis as the WBG moves to implement activities with a stronger focus on implementation and results, as well as initiatives that aim to strengthen governance, accountability, and voice. In parallel, as echoed by regular counterpart requests, there is a need to step up technical assistance and implementation support for reforms. This is particularly important as the program continues to shift toward multisectoral reform programs. The WBG program needs to step up implementation support going forward.

172. ***Thoughtful design of monitoring and evaluation frameworks was a factor in the successful implementation of CPS programs.*** The INDH program benefited from a thorough approach to monitoring and evaluation design, which was emphasized not only as a mechanism for tracking and improving INDH performance and for measuring achievements against targets, but also as a key element in two-way communication with beneficiaries. Achievements in the transport sector were facilitated by the use of an indicator on rural access to all-weather roads, which was well defined, measurable, and well understood and internalized by all stakeholders. On business environment reforms, the WBG followed the Government’s lead in concentrating on improving performance against the high-profile *Doing Business* indicators, which resulted in significant progress in key areas of this survey. Good results in advisory projects led by IFC showed the importance of involving project stakeholders in developing monitoring and evaluation frameworks to ensure the same vision of success. In other areas, such as public sector management reforms, the country team felt that ownership of reforms could be strengthened through enhanced consultation of users and stakeholders, notably in the definition of performance objectives and indicators.

## Annex 2A: Morocco CPS Completion Report Summary Assessment Matrix

### Pillar 1: GROWTH, COMPETITIVENESS AND EMPLOYMENT

#### 1.1 BUSINESS ENVIRONMENT : ACHIEVED

**Government Objectives:** Improve the business environment, especially for SMEs, via a comprehensive investment climate reform strategy supported by an effective reform implementation and coordination

**Key Issues Targeted :** (1) Uneven quality of the business law/regulatory framework and its enforcement, leading to an unlevel playing field that reduces entry of new SMEs and diversification and (2) Weak and uninstitutionalized process of PSD reform identification, preparation, implementation and coordination.

**Progress Overview:** Among other achievements, Morocco improved its Doing Business indicators the most in 2011 compared to other global economies, climbing 21 places to 94<sup>th</sup> out of 183 economies on overall ease of doing business; with continued progress, Morocco is now ranked 87<sup>th</sup> of 189 economies. This improvement reflects progress on CPS outcomes such as eliminating the minimum capital requirement for limited liability companies and strengthening investor protections. Progress in reducing the time and cost of registering a business has been slower than planned, but is expected to gain momentum through the establishment of e-registration in 2014.

CPS Outcomes	Status and evaluation summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Streamlined regulatory environment and a more equitable enforcement of rules, particularly for new entrants &amp; SMEs.</u></p> <ul style="list-style-type: none"> <li>Indicator: Minimum capital requirement for a limited liability company (as % of GNI per capita) <i>Baseline:</i> 2009: 11.8% <i>Target:</i> 2013: less than 1%.</li> <li>Indicator: Administrative steps to create a business/cost associated as % of GNI per capita <i>Baseline:</i> 2009: 6 steps/16% <i>Target:</i> 2013: 3 steps/8%.</li> </ul>	<p><i>Achieved</i></p> <p>Minimum capital requirement for a limited liability company is 0% of GNI. The amendment to the Limited Liability Company law was included in the annual reform program of the public-private National Committee for Business Environment, chaired by the Head of Government and prepared by the Ministry of Industry and Commerce (MCINET) which is the authority in charge of overseeing commercial law.</p> <p>5 administrative steps required to create a business, at an average cost of 9.5% of income per capita. Morocco reduced the costs and number of administrative steps through setting up a common process at the local Regional Investment Committee one-stop shops. The planned e-registration process has not progressed due to a lack of agreement on processes. It is planned to be fully operational in 2014 under the leadership of the tax administration and close involvement of the NCBE.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Competitiveness DPL (Approved FY13; Closed FY14; S); Competitiveness DPL2 now underway</li> </ul> <p><u>AAA</u></p> <ul style="list-style-type: none"> <li>IDF for national commission on business environment (CNEA) (Closed FY14; MU due to late delivery)</li> <li>Bank TA to the NCBE (CNEA) (between 2010-2012)</li> <li>ICT Strategy Implementation</li> </ul> <p><u>IFC</u></p> <ul style="list-style-type: none"> <li>TA to support regulatory reforms of the business environment</li> <li>Alternative Dispute Resolution advisory (ADRII) aimed at encouraging the use of commercial mediation to streamline conflict settlement processes (Delivered</li> </ul>	<ul style="list-style-type: none"> <li>Business environment simplification is a key demand from the private sector. Moroccan authorities have been able to streamline regulatory processes and administrative procedures in certain areas, but with a relatively moderate impact.</li> <li>The Competitiveness DPL and TA assistance to the CNEA aimed at generating an ambitious approach to this issue. Following the TA, the Ministry in charge of Administrative Simplification has contracted out a private firm with the mission of establishing a streamlined mechanism for simplifying procedures through a certification process for administrative forms.</li> <li>In parallel, several legal and regulatory reforms have been undertaken by concerned ministries.</li> <li>However, even though there is a clear progress and willingness of authorities to continue moving on that front, the concrete impact of these efforts remains relatively weak, as the bureaucracy is slow to adapt its practices to the new business environment.</li> <li>In terms of project implementation, advisory projects led by IFC showed the importance of building synergies among different project partners for greater impact, as well as the importance of having project stakeholders</li> </ul>

<ul style="list-style-type: none"> <li>• Indicator: % of firms which claim that the rules/regulations are applied in an unpredictable and inconsistent way. <i>Baseline:</i> 2009: 60% <i>Target:</i> 2013: 40%</li> <li>• Indicator: Average of the <i>Doing Business</i> indices of extent of director's liability, ease of shareholders' suit; and strength of minority investor protection. <i>Baseline:</i> 2009: 3 <i>Target:</i> 2013: 4.5</li> </ul>	<p>The baseline was established in the 2009 Investment Climate Assessment (ICA), to be measured again in 2013 ICA. The repeat ICA was not conducted due to a lack of government interest. The ongoing regional ICA may have findings in late 2014. It is important to note, however, that Morocco jumped from 127<sup>th</sup> to 87<sup>th</sup> in the <i>Doing Business</i> rankings between DB2011 and DB2014, pointing to a better business environment overall.</p> <p>Average index on strength of investor protection increased to 4.7 in 2013, as reported in <i>Doing Business 2014</i>. Morocco adopted: (a) an implementing decree to its corporations law, prepared by MCINET, which improved minority shareholder protection; and (b) an amendment to the law on judicial procedures before commercial courts, prepared by the Ministry of Justice, which facilitated shareholder suits.</p>	<p>June 2013)</p> <ul style="list-style-type: none"> <li>• Quality of Public Service Delivery (IFC AS) to improve the quality of the regulatory environment (Underway as of March 2013)</li> <li>• Corporate governance advisory and capacity building to enhance corporate governance standards of private SMEs (Launched in FY13; to be completed FY16)</li> <li>• E4E logistics/tourism labor observatories (Underway; to be completed FY16)</li> </ul>	<p>involved in developing monitoring and evaluation frameworks to ensure the same vision of success.</p> <ul style="list-style-type: none"> <li>• On corporate governance, market-level activities have been successful in the long term in convincing firms to implement better practices. However, working on regulatory reforms by assisting regulators (central bank, market authority, stock exchange) to promulgate corporate governance directives would speed up the reform process.</li> </ul>
<p><u>More effective reform coordination and implementation in the business environment area.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Effectiveness indicators of investment climate reform commissions <i>Baseline:</i> 2009: average score among 4 existing reform commissions: 1.7 <i>Target:</i> 2013: 2.5 for CNEA</li> <li>• Indicator (as of CPSPR): Increase in Doing Business Ranking. <i>Baseline:</i> 124 in 2009</li> </ul>	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>• <b>Dropped</b> This indicator was dropped at the CPSPR stage and replaced with the new indicator below.</li> <li>• Overall ranking in the Doing Business survey increased from 124 of 181 economies in 2008 (DB2009) to 94 of 183 economies in 2011 (DB2012) to 87 of 189 economies in 2013 (DB2014).</li> </ul>		<ul style="list-style-type: none"> <li>• The CNEA was established in 2010 by the Moroccan authorities with World Bank assistance. The purpose of the CNEA was to remedy the coordination failures that were identified during previous diagnostics, notably the ICA.</li> <li>• In many ways, the CNEA has proved successful in generating interest and momentum on investment climate reforms. It is now routinely chaired by the Head of Government and has established its legitimacy as the main tool to identify and monitor investment climate reforms.</li> <li>• The CNEA now needs to be more ambitious and tackle more aggressively the systemic constraints that are not measured by the <i>Doing Business</i> report. Coordination with the private sector needs to be enhanced to ensure that reforms have an actual impact on business transactions and private sector development.</li> </ul>



## 1.2 FINANCIAL SECTOR REFORM - ACHIEVED

**Government Objectives:** (1) Improve further access to finance for households; (2) Strengthen access to finance for SMEs; (3) Promote financial stability; and (4) Foster capital market development to improve access to finance, competition, and risk management.

**Key Issues Targeted :** (1) More than half of the population does not have access to banking or postal accounts and MFI weaknesses could affect over 1.2 million customers; (2) SMEs remain underserved; (3) New risks generated by the development of the financial system (e.g. real estate, interest rate, etc.); and (4) Limited development of long term market instruments.

**Progress Overview:** Nearly all targets met. Establishment of authorities on capital markets and insurance and pension funds has advanced significantly through the passage of key laws, and nomination of the heads of these authorities is expected soon.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>A restructured financial sector allowing for sustainable expansion of access to finance by households.</u></p> <ul style="list-style-type: none"> <li>Indicator: Increase in number of total deposit accounts relative to the population. <i>Baseline:</i> 43% (banks and the post office) in December 2008.</li> <li>Reduction in the NPL ratio of MFIs <i>Baseline:</i> 9% in June 2009.</li> </ul>	<p style="text-align: center;"><i>Mostly Achieved</i></p> <p>Number of total deposit accounts relative to the population increased to 50% in December 2010, 54% in December 2011, 57% in December 2012, and 58% in June 2013. The banks have continued to roll out low-income banking services under the central bank's financial inclusion strategy, endorsed by the Alliance for Financial Inclusion (AFI).</p> <p>The NPL ratio of MFIs decreased to 6.2% in December 2010 and 4.3% in December 2012, then rose to 9.6% in December 2012. Key factors in the initial achievement of this target included more effective supervision, merger of microfinance institutions (MFIs), and pausing to clean up the loan portfolio.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Sustainable Access to Finance DPL 1 (Approved FY10, Closed FY12, S)</li> <li>Financial Sector DPL 2 (FY13) <i>dropped</i></li> <li>MSME Development Project (Investment loan, approved FY12; S)</li> </ul> <p><u>AAA</u></p> <ul style="list-style-type: none"> <li>Technical assistance, funded by MNA Transition Fund</li> <li>Bank Governance Review (2009)</li> <li>Strengthening Crisis Preparedness and Processes (FIRST) (2010)</li> <li>Review of framework for mobile payments (2012)</li> </ul> <p><u>IFC</u></p> <ul style="list-style-type: none"> <li>Access to Finance advisory</li> </ul>	<ul style="list-style-type: none"> <li>The Moroccan central bank (BAM) has developed a strong agenda in the area of financial inclusion and has worked over the past decade with the WBG and MFIs to design a program for extending access to finance among households. These efforts are paying off, demonstrating the importance of tailoring WBG interventions to areas with strong ownership, in this case by the central bank.</li> </ul>

<p><u>Established credit infrastructure more conducive to SME finance</u></p> <ul style="list-style-type: none"> <li>• Indicator: Increase in the number of monthly consultations to the credit bureau. <i>Baseline: 2,000 consultations in November 2009</i></li> </ul>	<p><b><i>Achieved</i></b></p> <p>The number of monthly consultations to the credit bureau reached 12,500 in January 2010, 79,609 in December 2011, 90,173 in 2012, and 123,893 in 2013. The large increase over the baseline is because the credit bureau had just been set up when the baseline was calculated.</p>	<p>aimed at improvement of financial infrastructure with the creation of a credit bureau and ongoing support to BAM (Bank Al-Maghrib, central bank) for implementation.</p> <ul style="list-style-type: none"> <li>• Capacity building for microfinance. Support provided to the 3 main MFIs to scale up their outreach, now serving about 800,000 micro-entrepreneurs.</li> <li>• Investment in local banks, insurance companies, SME funds, and MFIs focused on women and MSMEs. IFC own account investments in financial markets reached US\$ 290 million in January 2014.</li> <li>• Support to banking sector and improved financial infrastructure</li> <li>• Morocco Secured Lending Project to establish legal infrastructure for secured transactions to expand access to finance for Moroccan SMEs (Started 2013)</li> </ul>	<ul style="list-style-type: none"> <li>• IFC established strong credibility during the first project with BAM (2006-2009), which positioned IFC as the preferred advisor to BAM in the area of credit reporting. Continuous follow-up and provision of high-level advice following the conclusion of the first project helped maintain a strong relationship between both institutions in credit reporting, ensured that Morocco is moving in the right direction in this area, and may potentially result in a second project in the next period.</li> <li>• BAM's strong awareness of and buy-in regarding the importance of credit reporting and capacity helped it to partner with IFC in awareness and capacity-building activities designed for countries in the MENA and Africa regions, which has positioned Morocco as one of the knowledge centers in the region on credit reporting.</li> </ul>
<p><u>Better identification of risks in the financial system through the introduction of fully independent supervisors.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Establishment of new insurance supervisor <i>Baseline: none</i></li> <li>• Indicator: Establishment of new capital market supervisor <i>Baseline: none</i></li> </ul>	<p><b><i>Mostly achieved</i></b></p> <p>A law creating the insurance and pension fund authority was voted by both chambers of Parliament in 2013.</p> <p>The law creating the capital market authority was promulgated in 2013.</p> <p>The law for nominating the heads of both authorities was adopted by government in February 2014, paving the way for operationalization of these entities in the near future.</p>		

<p><u>Improved liquidity of the benchmark yield curve, creation of new instruments (e.g. covered bonds).</u></p> <ul style="list-style-type: none"> <li>Indicator: Reduction in the number of lines of Treasury bills <i>Baseline: 170 lines in June 2009</i></li> </ul>	<p><b>Achieved</b></p> <p>Number of lines of Treasury bills: 63 (Dec. 2013). Key enabling factors included implementation of the FIRST TA and issuance of a strategy adapted to macro conditions.</p>		<ul style="list-style-type: none"> <li>Success in this area demonstrates the importance of close consultations with industry.</li> </ul>
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### 1.3 SKILLS AND EMPLOYMENT – MOSTLY ACHIEVED

**Government Objectives:** (1) Improve access to and quality of higher education (and vocational education and training [VET]) system; (2) Improve labor market information systems; (3) Extend active labor market programs; (4) Set-up an unemployment insurance scheme.

**Key Issues Targeted:** (1) Inadequacy of higher education (and VET) supply to demand ; (2) Knowledge of labor market dynamics is insufficient to inform policies and program; (3) Labor market rigidity and lack of income protection mechanisms hamper labor mobility and productivity.

**Progress Overview:** Moderate progress recorded, although data collection has been challenging. CPS outcomes in this sector were amended in the CPSPR to reflect the Skills and Employment DPL.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Matching skills developed within the vocational training and higher education systems to the needs of the labor market (“flow”)</u></p> <ul style="list-style-type: none"> <li>Indicator: Rate of internal efficiency of vocational training programs covered by a programmatic contract <i>Baseline: 75% (2009/10)</i> <i>Target: &gt;90% (2012/13)</i></li> </ul>	<p><b>Partially achieved</b></p> <p>Rate of internal efficiency of vocational training programs covered by a programmatic contract: no aggregated data were available at the time of publication. However, 2013 data related to specific sectors show high levels of both internal and external efficiency of training programs covered by a programmatic contract: (i) 100 percent of the 400 trainees of the aeronautics</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>First Skills and Employment DPL (Approved FY12; Closed FY13; S)</li> <li>Second Skills and Employment DPL under preparation, to be delivered in FY14 subject to completion of prior actions.</li> </ul> <p><u>AAA</u></p> <ul style="list-style-type: none"> <li>Programmatic Employment TA, which aims to strengthen government capacity to: (i) design the 2012-2106</li> </ul>	<ul style="list-style-type: none"> <li>The Second Skills and Employment DPL has been delayed by several months due political changes in Morocco and the subsequent government reshuffle, which has heavily affected the departments involved. The limited capacity in the relevant sectors has been another factor.</li> <li>The employment TA has helped strengthen capacity in several areas: (i) strategic vision; (ii) establishing a Labor Market Observatory; (iii) improving the design of Active Labor Market Programs; and (iv) facilitating the dialogue for the preparation of an on-the-job training law, etc. All related prior actions are now nearing completion.</li> <li>DPLs can be a challenging instrument in low-</li> </ul>

<ul style="list-style-type: none"> <li>Indicator: University graduation rate in open-enrollment faculties <i>Baseline:</i> 64% (2009/10) <i>Target:</i> 69% (2012/13)</li> </ul>	<p>center (GIMAS) completed the program and were employed; and (ii) 95 percent of the 3,425 trainees in the Renault center were employed.</p> <p>University graduation rate in open-enrollment faculties: 64% in 2012: data for 2013 requested but not obtained by the time of publication.</p>	<p>employment promotion strategy; (ii) strengthen the labor market information system; and (iii) prepare the Vocational Training Law (ongoing; most of the outputs planned at the concept stage have been delivered or are nearing completion).</p>	<p>capacity sectors.</p> <ul style="list-style-type: none"> <li>When a series of two DPLs is approved, it is important for the Bank to continue its commitment in supporting the reforms of the second DPL and to take into account the political environment in gauging the processing time.</li> </ul>
<p><u>Improving the effectiveness of intermediation services, including active labor market programs ("stock")</u></p> <ul style="list-style-type: none"> <li>Indicator: Number of new enrolments with ANAPEC, including proportion of non-graduates<sup>36</sup>, per year, by gender <i>Baseline:</i> 130,000, including 1% of non-graduates (2011) <i>Target:</i> 150,000, including 10% of non-graduates (2013)</li> </ul>	<p><b>Achieved</b></p> <p>Number of new enrolments with ANAPEC: 158,770 in 2012 (60% men, 40% women), including 10% of non-graduates/ 150,559 in 2013 (61% men, 39% women), including 15% of non-graduates.</p>	<ul style="list-style-type: none"> <li>Growth, Employment and Poverty PESW (Underway; to be completed FY14).</li> </ul>	
<p><u>Improving job quality</u></p> <ul style="list-style-type: none"> <li>Indicator: Number of firms, formerly operating in the informal sector, registered annually for professional tax <i>Baseline:</i> n.a. (2010) <i>Target:</i> 14,000 (2012) - cumulative</li> </ul>	<p><b>Achieved</b></p> <p>The number of firms formerly operating in the informal sector, registered annually for professional tax, has increased steadily following fiscal measures implemented in January 2011.</p> <p>2011: 6,449 firms 2012: 12,410 firms 2013: 19,400 firms</p>		

<sup>36</sup> Non-graduates are those who have not completed high school (baccalauréat), or do not have a vocational training diploma.

**1.4 TRADE AND COMPETITIVENESS – Added to the CPS Results Matrix at CPSPR – PARTIALLY ACHIEVED**

**Government Objectives:** (1) Modernizing the legal and institutional framework of foreign trade; (2) Streamlining trade logistics at the ports of entry; (3) Strengthening the institutional framework for the competition policy

**Key Issues Targeted:** (1) Enhancement of transparency and predictability on the regulatory framework applicable to safety and hygiene standards for local producers and importers; (2) Reduction of administrative burden (time and costs) and increased transparency for importers and exporters; and (3) Reduction of dominant positions and unfair competition.

**Progress Overview:** This new results area was added through the CPSPR to reflect the focus of the Bank’s Competitiveness DPL. All planned actions have been initiated, but targets have only been partially achieved, due either to a lack of resources or to overambitious indicators.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Modernizing the legal and institutional framework of foreign trade</u></p> <ul style="list-style-type: none"> <li>Number of controls on imported products <i>Baseline:</i> 71,000 (2011) <i>Target (2013):</i> over 100,000</li> </ul>	<p><i>Partially achieved</i></p> <p>76,000 controls on imported products (2012), including 343 rejections. Data for 2013 will be available in March 2014.</p> <p>8,300 control operations on the local market, resulting in 94 cases being brought to litigation.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Economic Competitiveness Support Program DPL (Approved FY13; Closed FY14; S)</li> <li>Competitiveness DPL2 now underway</li> </ul>	<ul style="list-style-type: none"> <li>It is suggested that this indicator be amended to reflect the number of rejected products and the number of prosecutions.</li> </ul>
<p><u>Streamlining trade logistics at the ports of entry</u></p> <ul style="list-style-type: none"> <li>Reduce the total time (discharge outlet) for containers <i>Baseline:</i> 2010 average <i>Target (2013):</i> Reduce by 25% by 2013</li> </ul>	<p><i>Partially achieved</i></p> <p>7 days (Dec. 2013).</p> <p>Portnet is used only to unload containers and is not yet a single entry point for all controls (stopover only).</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> <li>TA on trade capacity building (FY11)</li> <li>TA on Analytical Support to the Government of Morocco in the Analysis of Constraints to Competitiveness and Competitiveness Policy Design (FY12)</li> </ul>	<ul style="list-style-type: none"> <li>Portnet deployment took longer than expected. The delay can be explained by delays in implementation of the <i>Guichet Unique du Commerce Extérieur</i> (one-stop shop for foreign trade, which is to be developed by the Ministry of Foreign Trade), which is part of the Portnet global solution.</li> <li>In addition, the partners involved do not have the same degree of IT maturity, underestimating the impact on information systems interconnection.</li> </ul>
<p><u>Strengthening the institutional framework for the competition policy</u></p> <ul style="list-style-type: none"> <li>Number of cases of self-referral, investigation and sanctions imposed by the National Competition Council. <i>Baseline:</i> 0 <i>Target:</i> 4 official investigations by end 2013</li> </ul>	<p><i>Partially achieved</i></p> <p>2 official investigations in 2013. Incomplete progress can be explained by a lack of sufficient human resources, as there are only 6 operational staff + 3 operational staff in 2 years.</p>	<ul style="list-style-type: none"> <li>AAA on data and statistics, including simulation of industrial and trade policies (To be completed FY14)</li> </ul>	<ul style="list-style-type: none"> <li>The average processing time is one year due to insufficient resources.</li> <li>A manual of procedures for investigations would facilitate the work of investigators.</li> </ul>

## Pillar 2: SERVICE DELIVERY TO CITIZENS

### 2.1 PUBLIC SECTOR MANAGEMENT – PARTIALLY ACHIEVED

**Government Objectives:** (1) Increase transparency, accountability and performance measurement of the budget ; (2) Progress in implementing key components of HR reform; (3) Consolidate and control civil service payroll evolution ; (4) Simplification of PA procedures and greater availability of on line services.

**Key Issues Targeted:** (1) Insufficient visibility of policies in their medium-term budgetary implications which would allow for budgetary allocation decisions in a multiyear framework; (2) Need to improve HR management to enhance civil service performance including in deconcentrated entities; (3) Strengthen payroll management to foster control of overall public wage bill and promote macroeconomic stability; and (4) Inefficient and nontransparent procedures undermine quality and reliability of PA processes.

**Progress Overview:** Moderate progress recorded based mainly on PARL IV DPL actions. Some good progress on reducing the wage bill was achieved in 2010 but was then reversed due to Arab Spring pressures up to 2012. As the medium-term sustainability of public finance was at risk, the government worked to better control expenditures in 2013, including the wage bill, with encouraging results. The First Transparency and Accountability DPL series was signed in December 2013. It supports key policy reforms to enhance transparency and accountability in the management of public resources and foster a more open mode of governance through access to information and public participation. A parallel technical assistance project, funded by the Transition Fund, was approved in October 2013 to support the implementation of reforms related to performance budgeting, citizen participation, and fiscal decentralization.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Multiannual budgetary planning integrated with the process of preparation of the Budget Law.</u></p> <ul style="list-style-type: none"> <li>Indicator: Number of additional ministries that routinely do a Medium-Term Expenditure Framework (MTEF). <i>Baseline:</i> 12 ministries, in October 2009.</li> </ul>	<p><i>Partially achieved</i></p> <p>In progress. More than 16 ministries have developed over 19 sector or subsector MTEFs. Most ministries are familiar with this tool, but it is not yet fully operational, in the absence of a global MTEF and multi annual budget ceilings. The new organic budget law, which was approved by the Council of Ministers in January 2014 and is awaiting parliamentary approval, intends to address this shortcoming by introducing a multi annual budget perspective and a programmatic approach. In the meantime, the 2014 budget law launched the preparation of programmatic budgets for 4 ministries on the basis of performance objectives and indicators.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>PARL IV (Approved FY10; Closed FY11; S)</li> <li>Accountability and Transparency DPL underway (Approved FY14)</li> </ul> <p><u>AAA</u></p> <ul style="list-style-type: none"> <li>Pension Reform TA</li> <li>E-Government TA</li> <li>Compensation Reform TA</li> </ul> <p><i>dropped</i></p> <ul style="list-style-type: none"> <li>Public Administration Reform TA</li> <li>Country Governance and Anti-Corruption</li> <li>P-ESW</li> <li>Public Expenditure Review</li> </ul>	<ul style="list-style-type: none"> <li>The multiannual performance budgeting did not yield the intended results in the absence of a central medium-term budget framework and a clear legal framework. Sector MTEFs were developed without a global MTEF or initial globalization of appropriations at budget item level before genuine budget program and heads were defined. The benefits from testing the performance approach were therefore limited. This is being addressed through the new organic budget law.</li> <li>There is a need for stronger coordination with a number of connected reforms, including payroll and human resources management as well as the deconcentration charter. Similarly, synergies between these central reforms and sector strategies seem to have been underutilized.</li> <li>The long and incremental preparation phase and its extended pilot testing have led to reform fatigue in line ministries. A shorter implementation phase (2 to 3 years) with a participatory platform approach may be more effective in fully mobilizing the</li> </ul>

<p><u>The pending HRM policy adopted by the government. This concerns the decree on Harmonization of Civil Service Status of “Editors-Rédacteurs” and “Technicians.”</u></p> <ul style="list-style-type: none"> <li>Indicator: Decree adopted by the government. <i>Baseline:</i> Preparatory background work has started.</li> </ul>	<p><b>Achieved</b></p> <p>The number of different civil servant statutes was reduced through the adoption of three decrees at the beginning of 2011, merging 22 statutes into 3.</p>		<p>administration for reform implementation, as in the Latin American experience with public sector reforms.</p> <ul style="list-style-type: none"> <li>Lessons learned from the steering of the preparatory and experimental phase confirm the need to strengthen and formalize the steering of the reform on three levels: (i) a specific, temporary, and adequately funded coordination unit within the Ministry of Finance and dedicated temporary units, which are directly attached to sector ministries and have both budget and operational expertise; (ii) senior-level thematic inter-ministerial committees for consolidating and broadening the working groups created to revise the organic budget law; and (iii) a political interministerial committee that would <u>meet regularly</u> to steer the reform, arbitrate and to monitor its implementation.</li> <li>Ownership of reforms could be strengthened through: (i) enhanced consultation of users and stakeholders, notably in the definition of performance objectives and indicators; (ii) creating a reform community (through an Internet/Intranet website and topical seminars) aimed at networking experts and disseminating knowledge and experience; (iii) intensifying and institutionalizing information and training (ENA, management training organizations, etc.).</li> </ul>
<p><u>The wage bill is in line with the government medium term target of 10 percent of GDP.</u></p> <ul style="list-style-type: none"> <li>Indicator: Share of Wage Bill in GDP. <i>Baseline:</i> 10.3% in 2009.</li> </ul>	<p><b>Dropped</b></p> <p>This outcome was dropped due to the Government’s response to the Arab awakening, including wage increases for civil servants. The focus of the Bank’s program shifted away from support for a traditional administrative reform agenda toward the improvement of transparency, accountability, and public service delivery.</p>		<ul style="list-style-type: none"> <li>Although no Bank program is addressing the wage bill issue explicitly, dialogue with the government on the consolidation of public finance to ensure macroeconomic sustainability over the medium term raises awareness of the government on the need to control the wage bill. The government is fully committed to rationalizing management of the wage bill, which it succeeded to achieve in 2013 despite social pressures.</li> </ul>

	Nevertheless, after an increase to 11.6% of GDP in 2012, the wage bill was reduced to around 11% of GDP in 2013.		
<p><u>E-government is introduced to simplify PA procedures including for service delivery.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Number of Government Priority projects (15 listed) fully implemented. <i>Baseline: None in 2009.</i></li> </ul>	<p><b><i>Partially achieved</i></b></p> <p>Over 9 Government Priority projects fully implemented; e-Consulat, Integrated management of public expenditure, Online VAT claims, Paying Corporate Tax, Paying Income tax, Setting up and electronic certification authority, Employee online social claims, Customs declarations.</p> <p>Other applications are on their way to being implemented: Online bidding for public tenders, enterprise creation, Common identifier and inter-operability among administrations.</p>		<ul style="list-style-type: none"> <li>• The Bank has focused its support on two key e-government initiatives. (1) A collaborative Internet platform called Watiqa, enabling citizens to order their birth certificates online and to receive them through registered mail; the geographic and functional scope of this platform is being extended. (2) The adoption of e-procurement and reverse auctions, for which the legal basis has been established.</li> <li>• Furthermore, a multi-stakeholder working group has been established with participation from the civil society and academe to develop an e-participation platform concretizing the new constitutional right for participatory democracy.</li> </ul>



## 2.2 QUALITY AND ACCESS IN EDUCATION – MOSTLY ACHIEVED

**Government Objectives:** (1) Achieve universal compulsory basic education by 2015; (2) Improve system performance (teaching, management and stewardship); (3) Mobilize and utilize resources effectively.

**Key Issues Targeted:** (1) Large number of school-aged remains excluded from the system, with high repetition and dropout rates; (2) Weak external efficiency and quality of the education system; and (3) Weak institutional performance in teaching, management and stewardship.

**Progress Overview:** Good progress toward most outcomes, particularly in the area of access to primary education. Slower progress in expanding access to lower secondary education reflects low enrollment in rural areas as well as overly ambitious indicators. Targets on quality and management capacity were mostly achieved. The thrust of the Bank's support to education evolved during the CPS period, focusing more on quality than on access. Gender-disaggregated indicators were introduced in the CPSPR.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Increased net enrollment rates for primary and lower secondary education.</u></p> <ul style="list-style-type: none"> <li>Indicator: primary education net enrollment rate. <i>Baseline:</i> 90.5% (2008/09). <i>Targets:</i> 91.9% (2009/10), 93.2% (2010/11), 94.6% (2011/12).</li> <li>Indicator: lower secondary net enrollment rate. <i>Baseline:</i> 42.7% (2008/09). <i>Targets:</i> 51.5% (2009/10), 62.0% (2010/11), 74.7% (2011/12).</li> </ul> <p><u>Additional gender indicators added at CPSPR:</u></p> <ul style="list-style-type: none"> <li>Indicator: female primary education net enrollment rate <i>Baseline:</i> 89.1% (2008/09). <i>Targets:</i> 92.5% (2010/11), 94.2% (2011/12).</li> </ul>	<p><b>Mostly achieved</b> with 2 targets fully achieved and 2 targets partially achieved</p> <p>Primary education net enrollment rate targets exceeded: 93.9% (2009/10), 96.4% (2010/11), 96.6% (2011/12). Good progress as a result of improved student retention as reflected in lower dropout rates (from 4.6% to 2.8%).</p> <p>Lower secondary education net enrollment rate improved but fell short of targets: 48.0% (2009/10), 51.0% (2010/11), 53.9% (2011/12). Partial progress reflects overly ambitious targets, as well as low enrollment in rural areas (31% in 2011/12).</p> <p>Female primary education net enrollment rate targets exceeded: 92.7% (2009/10), 95.4% (2010/11), 96% (2011/12). Good progress due largely to improved female net enrollment in rural areas (from 93% to 97%).</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Education DPL (Approved FY10; Closed FY11; MS)</li> <li>Education DPL2 (Approved FY13; S)</li> <li>Skills and Employment DPL (Approved FY12; Closed FY13; S)</li> <li>Second Public Administration Reform DPL (Approved FY06, Closed FY07; S)</li> <li>Accountability and Transparency DPL underway (Approved FY14)</li> </ul> <p><u>AAA</u></p> <ul style="list-style-type: none"> <li>Impact evaluation of conditional cash transfer program in rural primary schools (Data collected, draft report completed, final report underway)</li> <li>Education PER (Draft completed)</li> <li>PETS-QSDF (PETS TOR developed)</li> </ul> <p><u>IFC</u></p> <ul style="list-style-type: none"> <li>PPP in Education</li> </ul>	<ul style="list-style-type: none"> <li>Budget support provided jointly with other development partners has been instrumental in helping the Ministry of National Education (MEN) achieve most of its targets in terms of improved access to education.</li> <li>Targets regarding lower secondary education were overly ambitious given wide disparity in enrollments between urban and rural areas.</li> </ul>

<ul style="list-style-type: none"> <li>Indicator: female lower secondary net enrollment rate <i>Baseline:</i> 42.4% (2008/09) <i>Targets:</i> 61.8% (2010/11), 74.6% (2011/12).</li> </ul>	<p>Female lower secondary net enrollment rate improved but fell short of targets: 47.3% (2009/10), 50.2% (2010/11), 52.9% (2011/12). Partial progress reflects overly ambitious targets, as well as low enrollment in rural areas (24% in 2011/12).</p>		
<p><u>Reduced repetition rates for primary and lower secondary education.</u></p> <ul style="list-style-type: none"> <li>Indicator: Primary repetition rate. <i>Baseline:</i> 12.3% (2008/09). <i>Targets:</i> 9.1% (2009/10), 6.7% (2010/11), 5.0% (2011/12).</li> <li>Indicator: lower secondary repetition rate. <i>Baseline:</i> 15.2% (2008/09). <i>Targets:</i> 13.0% (2009/10), 11.1% (2010/11), 9.5% (2011/12).</li> </ul> <p><u>Additional gender indicators added at CPSPR:</u></p> <ul style="list-style-type: none"> <li>Indicator: Primary female repetition rate <i>Baseline:</i> 10% (2008/09). <i>Targets:</i> 5.9% (2010/11), 4.5% (2011/12).</li> <li>Indicator: lower secondary female repetition rate <i>Baseline:</i> 11.5% (2008/09) <i>Targets:</i> 8.9% (2010/11), 7.9% (2011/12).</li> </ul>	<p><b>Partially achieved</b></p> <p>Primary education repetition rate improved but fell short of targets: 12.0% (2009/10), 9.3% (2010/11), 8.2% (2011/12). Repetition rates are still high, particularly for boys (9.8% in 2011/12). One possible explanation is that it is taking time to put in place the planned student monitoring and support mechanism (education non formelle).</p> <p>Lower secondary education repetition rate remained stable: 16.1% (2009/10), 16.3% (2010/11), 16.0% (2011/12). Repetition rates are still high, particularly for boys (19.4% in 2011/12). Same factors as above.</p> <p>Primary female repetition rate improved significantly, but still fell short of targets: 9.8% (2009/10), 7.3% (2010/11), 6.4% (2011/12). Same factors as above.</p> <p>Lower secondary female repetition rate remained stable: 12.1% (2009/10), 12.3% (2010/11), 11.6% (2011/12). Same factors as above.</p>		<ul style="list-style-type: none"> <li>Improving internal efficiency and quality of education requires a better understanding of key factors related to both demand and supply sides; knowledge in this area is currently insufficient.</li> </ul>

<p><u>Improved education quality with a focus on restructuring teachers' training and learning evaluation.</u></p> <ul style="list-style-type: none"> <li>Indicator: Establishment of national learning assessment system.  <i>Baseline:</i> Not yet established (2008/09).  <i>Target:</i> New upper secondary education strategy is developed and implemented by 2012; National learning assessment system has been established and at least one learning outcomes survey has been carried out (with analysis and dissemination) by 2012.</li> </ul>	<p><i>Mostly achieved</i></p> <p>National Learning Assessment System (PNEA) established. One learning outcomes survey conducted; second planned survey postponed due to teacher strikes. New upper secondary education strategy at early stages of preparation, awaiting ongoing consultations on overall education sector strategy.</p>		<ul style="list-style-type: none"> <li>DPLs are not appropriate for supporting the government in addressing issues (such as quality and internal efficiency) that require closer collaboration with the client.</li> </ul>
<p><u>Improved management capacity and increased accountability of results at all levels, within the context of decentralization.</u></p> <ul style="list-style-type: none"> <li>Indicator: Proportion of lower secondary teachers working the full complement of hours assigned.  <i>Baseline:</i> 37.5% (2008/09).  <i>Targets:</i> 40.5% (2007/08), 53.8% (2009/10), 71.5% (2011/12).</li> </ul>	<p><i>Mostly achieved</i></p> <p>Proportion of lower secondary teachers working the full complement of hours assigned improved, but fell short of targets: 40.2% (2009/10), 43.0% (2010/11), 59.8% (2011/12). Despite measures adopted by MEN for rationalizing human resource (HR) allocation in the schools sector (covering teacher redeployment, mobility, and retention), which improved efficiency in administrative processing, their effect on efficiency in managing HR—particularly on teacher deployment—has been limited.</p>		

### 2.3 HEALTH SECTOR REFORM - DROPPED

**Government Objectives:** (1) Reduce the burden of major health conditions; (2) Reduce inequity in access to services affecting poor and rural populations; (3) Improve financing and efficiency of the sector; and (4) Improve governance of the sector.

**Key Issues Targeted:** (1) Dual burden of non-communicable diseases and poor maternal and child health outcomes; (2) Public financing of health services remains inadequate, resulting, among other things, in high out-of-pocket expenditures; and (3) Limited access to affordable and quality pharmaceutical products (quantity scarce in public sector, prices high in the private sector).

**Progress Overview:** The Bank's Health DPL preparation was cancelled because no agreement was reached on the adequacy of the measures to be supported, the instrument, or sector needs. Technical assistance was carried out.

### 2.4 VULNERABILITY AND SOCIAL EXCLUSION - ACHIEVED

**Government Objectives:** (1) Reduce rural poverty, urban social exclusion and vulnerability; (2) Empower poor and vulnerable groups for their own development.

**Key Issues Targeted:** (1) High level of rural poverty, social exclusion and vulnerability; (2) Insufficient access to/use of basic infrastructure, social services and economic opportunities, by poor and vulnerable groups; (3) Lack of convergence of poverty alleviation policies and implementation mechanism across government agencies; and (4) Centrally-driven approach dealing with poverty and social exclusion, with little room for participation and empowerment of the stakeholders.

**Progress Overview:** Advanced progress recorded based on the successful completion of INDH-1, in which many outcomes surpassed their targets. The CPS outcomes in this program area were amended at the time of the CPSPR in response to changes made in INDH-1 project development objectives, at the government's request, to better capture the outcomes of inclusiveness, accountability and transparency, and to measure the impact on the target population. Recognizing the value added provided by the Bank, the client requested Bank technical and financial support for the program's second phase, launched in June 2011. The Bank is supporting the INDH-2 through the first PforR operation in Morocco (2012-2015).

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned								
<p><u>Use of services and infrastructure</u></p> <ul style="list-style-type: none"> <li>Indicator: Number of persons (men, women and youth) reporting increased use of basic infrastructure and socioeconomic services created by INDH</li> </ul> <table border="0"> <tr> <td><i>Baseline</i></td> <td><i>Target</i> (June 2011):</td> </tr> <tr> <td>Men 0%</td> <td>Men 70%</td> </tr> <tr> <td>Women 0%</td> <td>Women 50%</td> </tr> <tr> <td>Youth 0%</td> <td>Youth 30%</td> </tr> </table>	<i>Baseline</i>	<i>Target</i> (June 2011):	Men 0%	Men 70%	Women 0%	Women 50%	Youth 0%	Youth 30%	<p><i>Achieved</i></p> <p>Number of persons (men, women, and youth) reporting increased use of basic infrastructure and socioeconomic services created by INDH, broken down by program (rural/urban/vulnerable/crosscutting), at project's end in June 2011:                      Rural: 78% men, 71% women, 61% youth                      Urban: 73% men, 72% women, 56% youth                      Crosscutting: 74% men, 67% women, and 58% youth. This indicator was not tracked for the vulnerability component, which focused instead</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>INDH Project (SWAP, 2007-2010) completed (Approved FY07; Closed FY12; MS)</li> <li>INDH 2 PforR Operation, 2011-2015 (Approved FY12; S)</li> <li>JSDf Grant \$2.85m Promoting Accessibility for Persons with Limited Mobility (Approved FY12; S)</li> </ul>	<ul style="list-style-type: none"> <li>Design of and support to the participatory process was critical. Particular Bank contributions included supporting the preparation or revision of the operational manuals that guided the program as a whole.</li> <li>Strong focus on procedures helped ensure fiduciary soundness and appropriate safeguards, including elaboration of financial and procurement manuals, an environmental management plan and a resettlement plan, inclusion of environmental screening in subproject selection, and designation of a safeguards focal person at the INDH</li> </ul>
<i>Baseline</i>	<i>Target</i> (June 2011):										
Men 0%	Men 70%										
Women 0%	Women 50%										
Youth 0%	Youth 30%										

<p><u>Transparency</u></p> <ul style="list-style-type: none"> <li>Indicator: % of CLDH, CPDH and CRDH's decisions published, relating to the projects approved/rejected and annual physical and financial reports <i>Baseline:</i> 0% in Dec. 2006 <i>Target:</i> 95% in June 2011</li> </ul> <p><u>Accountability &amp; ownership</u></p> <ul style="list-style-type: none"> <li>Indicator: % of projects implemented by communities, NGO, Communes <i>Baseline (Dec. 2006):</i> Rural 0% <i>Target (June 2011):</i> Rural 60% Urban 0% Urban 70% Crosscutting 0% Cross-cutting 70%</li> </ul> <p><u>Inclusiveness</u></p> <ul style="list-style-type: none"> <li>Indicator: % of women in CLDH, CPDH and CRDH. <i>Baseline (Dec. 2006):</i> CLDH 0% <i>Target (June 2011):</i> CLDH 14% CPDH 0% CPDH 14% CRDH 0% CRDH 7%</li> </ul>	<p>on budget priorities and NGO participation in decision making and project management. These achievements were the result of high mobilization, strong political support, and the implementation of over 22,000 subprojects for 5.2 million beneficiaries. This key project development indicator was monitored and followed up on regularly.</p> <p><b><i>Achieved</i></b></p> <p>100% of CLDH, CPDH, and CRDH's decisions published, relating to the projects approved/rejected and annual physical and financial reports at project's end in June 2011. This was a key intermediate indicator in the project, monitored closely during implementation.</p> <p><b><i>Achieved</i></b></p> <p>90% rural, 72% urban, and 79% of cross-cutting projects implemented by communities, NGOs, and communes at the project's end in June 2011. Lessons of experience from community-driven development projects elsewhere were introduced in the INDH design.</p> <p><b><i>Achieved</i></b></p> <p>17% of women in CLDH, 17% in CPDH, and 11% in CRDH. The key enabling factors for this achievement were the implementation of awareness-raising and capacity development activities and the inclusion of specific indicators to assess progress over time.</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> <li>PESW</li> <li>Breaking Barriers to Youth Inclusion</li> <li>Governance of Service Delivery to Citizens</li> <li>Poverty PESW (Underway; to be completed FY14).</li> </ul> <p><u>IFC</u></p> <ul style="list-style-type: none"> <li>Ongoing IFC support to microfinance sector (investment and advisory)</li> </ul>	<p>coordination unit at the central level.</p> <ul style="list-style-type: none"> <li>Targeting mechanisms for urban neighborhoods could have been refined to ensure more objectivity in selection.</li> </ul>
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<ul style="list-style-type: none"> <li>Indicator: % of youth in CLDH, CPDH and CRDH. Baseline: 0% in December 2006 Target: 7% in June 2011</li> </ul>	<p>12% of youth in CLDH, CPDH, and CRDH. Success factors as described above.</p>		
<b>ADDITIONAL INDICATORS ADDED AT THE CPSPR</b>			
<ul style="list-style-type: none"> <li>Increase in the % of girls <del>and boys</del> who reside in the educational dormitories (<del>Dar Talib</del>, <i>Dar Taliba</i>), graduating to the next grade. Baseline: 45% Target: 50% by end-2012</li> <li>Increase in the % of women and youth (18 – 35 years old) in local governance bodies: CLDH &amp; CPDH. Baseline: 17% women and 12% youth at end-2011. Targets: 20% women, 15% youth by end-2012</li> <li>Increase in % of IGA implementing agencies receiving capacity building. Baseline: 20% of above agencies receive capacity building (2011) Target: 50% (2013)</li> </ul>	<p><b>Achieved</b></p> <p>80.4% of girls who reside in the educational dormitories (<i>Dar Taliba</i>) graduated to the next grade in 2012. The key enabling factor in significantly exceeding this target was that the girls also benefitted from educational support during their stay in the dormitories.</p> <p>20.1% of women and 16.4% of youth (18-35 years old) in local governance bodies—CLDH and CPDH—in 2012. This was achieved thanks to the lessons learned in implementing INDH-1.</p> <p>A capacity building program was implemented, including training of over 800 NGOs. The final and exact number will be validated in 2014, but preliminary estimates foresee that 50-60% of IGA agencies received capacity building</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>INDH 2 (Approved FY12; S)</li> </ul>	<ul style="list-style-type: none"> <li>The significant difference between the target and the result achieved regarding the girls’ success rates points to the possibility that either the baseline or the target value were underestimated. This will be assessed during the upcoming mid-term review of the project.</li> </ul>

## 2.5 TRANSPORT – PARTIALLY ACHIEVED

**Government Objectives:** (1) Rural Roads: Improve access of rural dwellers to basic infrastructure and social services with all weather roads; (2) Urban Transport: develop the institutional framework, improve efficiency of services and infrastructure, and ensure the environmental and social sustainability.

**Key Issues Targeted:** (1) Rural Roads Accessibility: only 54% of the rural population has access to roads that can be used all times; (2) Responsibility over maintenance of the 3,000km of unclassified roads is unclear; (3) Inefficient provision of transport services and infrastructure due also to weak institutional capacity.

**Progress Overview:** Advanced progress recorded. Access among the rural population to an all-weather road improved significantly from 54 percent in 2005 to 77 percent in 2013. Preparation of a strategy for the maintenance of unclassified rural roads has advanced, albeit at a slower pace than expected. Indicators and milestones for the Urban Transport PforR will be specified at the time of preparation and will be captured by the next CPS. The JSDF grant supporting accessibility of people with reduced mobility expects to achieve results only by end-2013, which is beyond the timeframe of the current CPS; results of this activity will therefore be captured in the next CPS.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Increased accessibility of rural population to all-weather roads - from 65% (2009) to 80% (2012).</u></p> <ul style="list-style-type: none"> <li>Indicator: Percentage of rural population that have access to all weather-roads. <i>Baseline:</i> 65% (2009) <i>Target:</i> 80% (2012).</li> </ul>	<p><i>Partially achieved</i></p> <p>Percentage of rural population that has access to all-weather roads: 75% (December 2012), 77% (June 2013). In 2005, the government launched the Second National Program of Rural Roads to increase this percentage from 54% in 2005 to 80% in 2015 through the improvement of 15,600 km of rural roads. In 2007 the government decided to bring the program's completion date forward to 2012, but this proved infeasible due to a lack of financing. The program is ongoing, with completion expected in 2015 as originally planned.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Rural Roads Project (Approved FY04; Closed FY11; S)</li> <li>Second Rural Roads Project and Additional Financing (Approved FY06; AF FY10; Second AF under preparation; S)</li> <li>Urban Transport DPL 1 (Approved FY11; Closed FY12; MS)</li> <li>Urban Transport DPL 2 (FY13) replaced by Urban Transport PforR (FY15)</li> <li>JSDF Grant (\$2.85m) Promoting Accessibility for Persons with Limited Mobility (in supervision phase)</li> </ul>	<ul style="list-style-type: none"> <li>One key success factor of the Second National Program of Rural Roads was its monitoring and evaluation system, which was built upon the indicator of the rural population's access to an all-weather road. All stakeholders understood and internalized this well-defined and measurable indicator, which is more relevant than the length of improved roads.</li> </ul>
<p><u>Sustainable maintenance of unclassified roads.</u></p> <ul style="list-style-type: none"> <li>Indicator: Action plan for sustainability of unclassified rural roads in place. <i>Baseline:</i> No plan prepared <i>Target:</i> Plan implemented by 2012.</li> </ul>	<p><i>Partially achieved</i></p> <p>Sustainability of unclassified rural roads has advanced, albeit at a slower pace than expected since institutional stakes are complex. An interministerial committee was formed in 2011 to devise a strategy for the maintenance of</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> <li>TA to reinforce the Port Authority (ANP)</li> <li>Cross-border trade facilitation and infrastructure study for Maghreb countries</li> <li>Transport and Energy Efficient AAA</li> </ul>	

	<p>these roads, including institutional, financial, and organizational arrangements. The committee proposed three strategic options in October 2013, and the decision is expected in 2014. The committee would then develop the selected option in details with a view to beginning implementation in 2015.</p>	<p><u>IFC</u></p> <ul style="list-style-type: none"> <li>• PPP in transport</li> </ul>	
<p><u>Efficient planning and management of the urban transport sector.</u></p> <ul style="list-style-type: none"> <li>• Indicator 1: Number of cities over 500,000 inhabitants which have established an urban transport planning and management authority <i>Baseline:</i> 1 city (Casablanca) <i>Target:</i> 4 cities by 2013</li> <li>• Indicator 2: Number of cities over 500,000 inhabitants which have adopted a long term multimodal urban transport master plan <i>Baseline:</i> 1 city (Casablanca) <i>Target:</i> 6 cities by 2013.</li> </ul> <p><u>Financial support allocated to urban transport projects with high economic returns</u></p> <ul style="list-style-type: none"> <li>• Indicator: Central Government share of urban transport infrastructure</li> </ul>	<p><b><i>Partially achieved</i></b></p> <p>1 city (Casablanca) has established a fully functioning urban transport planning authority (AODU) with oversight and advisory responsibilities. 1 mid-sized city (Agadir) is working to set up a similar institution. The Ministry of Interior’s current strategy is to have local government-owned holding companies (<i>Société de Patrimoine</i>) assume the role of urban transport planning and management authorities. Over the medium term, it is planned that STRS (<i>Société du Tramway de Rabat-Salé</i>) will act as the de facto urban transport authority for Greater Rabat. The Urban Transport Project (PforR) will support this strategy under the next CPS.</p> <p>5 cities (Tangers, Casablanca, Rabat, Tétouan, Marrakech) have adopted a long term multimode urban transport master plan (PDU). 2 other mid-sized cities (Agadir and Oujda) have made significant progress on their PDUs following initial delays due to local procurement issues.</p> <p><b><i>Partially achieved</i></b></p> <p>Two urban infrastructure investments are relevant for this indicator: 1) Tramway in Rabat, estimated to cost 3.8bn</p>		<ul style="list-style-type: none"> <li>• Local issues related to procurement, financing, governance, and coordination may contribute to delaying the implementation of initiatives by both cities and local governments. It is critically important, therefore, to include in the program strong incentives for cities to achieve results, coupled with institutional strengthening and complementary investments.</li> </ul>



<p>investment funding in cities over 500,000 inhabitants.  <i>Baseline:</i> To be established through the first UT DPL.  <i>Target:</i> 20% in 2013.</p>	<p>DH. The central government's share of the funding is 1.7bn DH (45%), channeled through a company responsible for land planning (AAVB); this is the entity that will be investing in the tramway as well as in other infrastructure projects.  2) Tramway in Casablanca, estimated to cost 6bn DH. Central government funding is 4bn DH (66%).</p>		
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## 2.6 AGRICULTURAL SECTOR REFORM - ACHIEVED

**Government Objectives:** Increased competitiveness and diversification of the agricultural sector to sustain stronger agricultural growth and employment.

**Key Issues Targeted:** (1) Low quality domestic marketing infrastructure (wholesale markets and slaughterhouses) that inhibits price formation; (2) Inefficient management of water resources in irrigation sector; and (3) Under-performing public sector support and services.

**Progress Overview:** Significant progress has been recorded, due mainly to the successful implementation and completion of the DPL series in support of the Plan Maroc Vert (Morocco Agricultural Policy).

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Improved integration of smallholders into domestic markets.</u></p> <ul style="list-style-type: none"> <li>Indicator: Million tons domestically produced fresh fruit and vegetable sold in national wholesale markets.  <i>Baseline:</i> 2.2 million tons  <i>Target:</i> 4 million tons.</li> </ul>	<p><i>Mostly achieved</i></p> <p>Improved integration of smallholders into domestic markets: 3.25 million tons of domestically produced fresh fruit and vegetables sold in wholesale markets.</p> <p>The convention between local government and relevant ministerial departments on implementing fruit and vegetable wholesale market pilot projects that introduce new management models has been signed for Berkane.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Oum Er Rbia Irrigation Project (Approved FY10; MS)</li> <li>PMV DPL 1 (Approved FY11; Closed FY12; S)</li> <li>PMV DPL 2 (Approved FY13; S)</li> </ul> <p>Modernization of irrigation project is progressing well, with 20,000 ha to be modernized; the first sectors to be completed by the end of 2014.</p> <p>Policy dialog continues on financial sustainability. PMV DPL-2 tariff measure replaced by more structural support for sector reform to turn</p>	<ul style="list-style-type: none"> <li>The Ministry of Agriculture and Maritime Fisheries (MAPM) has demonstrated sufficient capacity to design and implement agreed reforms. However, this capacity continues to be challenged in the case of reforms entailing interministerial coordination, as in the case of improving the efficiency of domestic markets.</li> <li>Reducing domestic market distortions through increased investment and improved management of marketing infrastructure and liberalizing distribution systems for fruit and vegetables will require more time because the process of change involves many actors, both in the central government and in the municipalities, that have traditionally played a large role in regulating marketing at the local</li> </ul>

		ORMVAs from an administration status into a utility called Regional Irrigation Companies, as part of a broader reform to consolidate all of MAPM's deconcentrated services at the regional level into one called ORDAR (Regional Office for Agricultural and Rural Development). 16 laws were prepared and are being reviewed by the government.	level. Two additional conventions for wholesale markets are underway, one in Meknès and one in Rabat.
<p><u>Improved irrigation water management.</u></p> <ul style="list-style-type: none"> <li>Indicator 1: area equipped with drip irrigation systems. <i>Baseline: 2008: 165,000 ha; Target: 2013: 360,000 ha.</i></li> <li>Indicator 2: % O&amp;M cost recovery in 5 ORMVAs <i>Baseline: 2007: 76%. Target: 88%</i> <i>Target for this indicator changed from 7 to 5 ORMVAs and from 100% to 88% to align with indicators of Plan Maroc Vert DPL2</i></li> </ul>	<p><b>Achieved</b></p> <p>Drip irrigation water management: 365,000 ha equipped by the end of 2013. Achievement of this target was enabled by the MAPM's strong engagement in implementing the Plan Maroc Vert, and within it the National Irrigation Modernization Program (PNEEI), combined with subsidies made available to farmers through the FDA fund.</p> <p>%O&amp;M cost recovery in the 5 ORMVAs: Despite the government's recall of tariff reforms, collection rates have improved to 90% in 5 ORMVAs. In addition, 76% correspond to the sustainable cost, which goes beyond O&amp;M and includes a portion of renewal. Although ORMVA-specific, the ballpark breakdown for all ORMVAs is 80% O&amp;M / 20% renewal. As a result, the O&amp;M cost recovery is over 90% for 5 ORMVAs.</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> <li>• WBG and FAO technical assistance</li> <li>• WBG TA on PPP models for ORMVAs</li> </ul>	<ul style="list-style-type: none"> <li>• The government has made a strong push to support PMV, PNEEI, and FDA subsidies.</li> <li>• Modernization of large-scale irrigation takes time, as it requires the development of new irrigation infrastructure.</li> <li>• A key challenge is to accompany and train farmers to take control of their farming strategy and learn how to best use drip irrigation.</li> <li>• The participatory approach embedded in the project structure was a key to success, and has been replicated by other donors funding PNEEI (AfDB and EIB).</li> <li>• Partnership with FAO embedded in the Modernization of Irrigation project is recognized by all parties as good practice.</li> <li>• New modes of engagement need further support in the form of technical assistance to manage technology; development of adapted extension services to deliver on intensification ambition; and encouraging the creation of new value chain to incentivize farmers to switch to higher-value crops.</li> <li>• MAPM led a strong push to increase the collection ratio in ORMVAs that were performing less well; through improved service, this generated improvement in Gharb ORMVA.</li> <li>• Farmers have no problem paying more for water, as long as the water generates added value beyond this cost. The key to water efficiency is to combine the added value of agriculture and the added value per cubic meter of irrigation water.</li> </ul>

<p><u>Improved public sector support and services to smallholders.</u></p> <ul style="list-style-type: none"> <li>Indicator: # of Pillar II projects implemented in 2013.  <i>Baseline:</i> 50 Pillar II projects (2009)  <i>Target:</i> 290 Pillar II projects (2013)</li> </ul>	<p><b><i>Achieved</i></b></p> <p>340 projects implemented as of the end of FY13. These projects involve 530,000 beneficiaries, 660,000 ha, and represent a total amount of MAD 12 billion (US\$1.4 billion) in investment. Provincial technical committees have been established for the pre-selection of Pillar II projects. The main contributing factors to the achievement of this outcome are the lessons learned since the launch of the Plan Maroc Vert in 2008 and the priority given by the government to this program. Pillar II projects are financed mainly by public resources.</p>		<ul style="list-style-type: none"> <li>ADA, the agency responsible for implementing and monitoring the PMV, is highly dynamic. They are able to combine these Pillar II approaches with the value chain diversification they are also promoting.</li> <li>Strengthening good governance and public financial management is important to sector outcomes.</li> <li>Pillar II of PMV demonstrates the government's push to confront problems of falling productivity and low incomes of small farmers.</li> <li>There is important domestic pressure to address challenges in small-scale farming in an effort to increase its contribution to the rest of the economy.</li> </ul>
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## 2.7 SOCIAL PROTECTION REFORM - ACHIEVED

**Government Objectives:** (1) System reform to consolidate SP: (i) Design and implement a more equitable, efficient and coherent package of social protection programs; (ii) As part of the above, reform the oil and food subsidies programs.

**Key Issues Targeted:** (1) Main safety net remains the general subsidies provided by the *Caisse de Compensation* which in the medium to long term may become unsustainable. In addition, the poor receive only about 10 percent of the allocated amounts (2007). Lack of coherent social protection strategy to inform reform options; (2) Current SP system is fragmented. The various targeting methods generate inequities. Efficiency and impact of most programs are unknown; (3) Less than 25% of the labor force has access to pensions, health insurance, and other social security benefits.

**Progress Overview:** The most promising social protection programs envisioned in the CPS—RAMED (a non-contributory insurance scheme for poor and vulnerable segments of the population) and *Tayssir* (a conditional cash transfer program) were rolled out. The government introduced measures to decrease fuel subsidies.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>A more coherent, equitable, and sustainable supply of social protection programs available to poor and vulnerable groups.</u></p> <ul style="list-style-type: none"> <li>Number of beneficiaries of Tayssir program.  <i>Baseline:</i> 80,000 students (2008/09)  <i>Target:</i> 400,000 (2012/2013)</li> </ul>	<p><b>Achieved</b></p> <p>Number of beneficiaries of Tayssir program has reached 757,000 (2012/2013). The pilot was scaled up and an impact evaluation showed an effect in reducing dropout rates (by 4 points on average, 5 points for girls) and in improving students' math test results.</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> <li>ESW/TA on Social Protection and Targeting Strategy (Delivered May 2012).</li> <li>TA on social security extension <b>dropped</b></li> <li>ESW/TA on the political economy of removing food and fuel subsidies (Delivered early 2011).</li> <li>TA for food and fuel subsidy reform <b>dropped</b></li> <li>Programmatic ESW/TA for Social Protection and Subsidy Reform (Ongoing; roadmap toward the establishment of an unconditional cash transfer program delivered to Ministry of General Affairs and Governance (MAGG) in October 2012; models to perform incidence analysis of the impacts of food and fuel subsidy reform scenarios on macro variables (e.g. inflation, budget, poverty) delivered early 2012).</li> </ul>	<ul style="list-style-type: none"> <li>In June 2012, the government introduced a one-off increase in the price for unleaded gasoline and diesel fuel by 20 percent and 16 percent, respectively—the sharpest single increase in fuel prices in several years. In August 2013, the Prime Minister approved an Order introducing automatic price adjustments based on international price fluctuations for three subsidized petroleum products (diesel, gasoline, and industrial fuel).</li> <li>Despite the lack of political consensus regarding social protection and subsidy reforms in Morocco and the lack of a high-level government champion supporting a comprehensive medium-term reform of subsidies, high-level officials in the government acknowledge that the Bank's technical assistance on subsidy reform in recent years has shaped the government's decision-making process. At the technical level, the government acknowledges that future social protection reforms (and notably the development of a system of household compensation) will need to be in place if other subsidized products (notably butane) are indexed/liberalized, as they have higher incidence on the consumption</li> </ul>

			<p>patterns of poor, vulnerable, and middle class households. In this context, the Bank needs to continue to identify and assess policy options to further reform subsidies and social protection and discuss them with the main stakeholders despite uncertainties. Doing so is expected to inform the political process and promote consensus building.</p>
<p><u>More efficient and effective social protection operational systems, including targeting, and M&amp;E.</u></p> <ul style="list-style-type: none"> <li>• The RAMED targeting system has been implemented nationally and can be used by other social assistance programs.</li> </ul>	<p><b>Achieved</b></p> <p>In 2012, the government decided to scale up the pilot RAMED nationally and improved the targeting system processes. However, RAMED's targeting system is not yet used by other social protection programs.</p>		<ul style="list-style-type: none"> <li>• In addition to technical issues, the establishment of national registries/identification systems confronts political economy challenges. The Bank may be able to overcome these political economy challenges by using its convening power at the national level.</li> </ul>
<p><u>Expansion and diversification of social security coverage.</u></p> <ul style="list-style-type: none"> <li>• Number of non-salaried workers registered with National Social Security Fund  <i>Baseline:</i> n.a. (2011)  <i>Target:</i> 200,000 (2013)</li> </ul>	<p><b>Dropped</b> due to change in Bank engagement</p>		

**Pillar 3: SUSTAINABLE DEVELOPMENT IN A CHANGING CLIMATE**

**3.1 WATER MANAGEMENT – MOSTLY ACHIEVED**

**Government Objectives:** (1) Promote water demand management; (2) Improve water resources quality protection; (3) Adaptation to climate change impacts on water resources (see CC matrix); (4) Improve water supply and sanitation (WSS) service coverage and efficiency; and (5) Pursue institutional reforms of the water sector.

**Key Issues Targeted:** (1) Sub-optimal use of irrigation water, overexploitation of aquifers and weak enforcement of water abstraction regulation; (2) Inadequate sewerage, lack of wastewater treatment, environmental degradation and weak enforcement of water quality regulation; (3) Water resources management institutions not well prepared; (4) Inadequate access to WSS service in poor peri-urban and rural areas, need for enhanced cost recovery and investment capacity in WSS utility service and inefficient sector organization and operator regulation; and (5) Weak inter-ministerial coordination.

**Progress Overview:** Moderate progress recorded, with significant progress on modernization of irrigation practices, preparation of an action plan on climate change adaptation, and improved coordination. Targets on increased coverage of urban sewerage and wastewater treatment were not met, however. The results matrix in this area was fully revised during the CPSPR to better reflect the Bank's program and align with the objectives of the three water/sanitation/irrigation investment projects approved by Board in June 2010 (after the CPS).

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Modernization of irrigation practices in agriculture and better control of groundwater abstraction.</u></p> <ul style="list-style-type: none"> <li>Indicator: area equipped with drip irrigation systems. Baseline: 2008: 800 ha. Target: 2013: 15,000 ha.</li> </ul>	<p><b>Achieved</b></p> <p>Target exceeded, as area equipped with drip irrigation systems nationwide reached 365,000 ha in 2013.</p> <p>Under the Modernization of Irrigation Project, works for off-farm drip irrigation networks to equip 7,700 ha are expected to be completed, allowing a switch to drip irrigation service provision, by December 2014. Works launched or being launched for the equipment in modernized irrigation of 60,000 ha in large-scale irrigation perimeter, 21,000 under the ongoing Bank project to be completed between end-2014 and 2016. Procurement of on-farm equipment is ongoing, with delivery expected to take place in 2014.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Oumer Rbia (OER) Irrigation Project (Approved FY10; MS)</li> <li>PMV DPL1 (Approved FY11; Closed FY12; S)</li> <li>PMV DPL2 (Approved FY13; S)</li> <li>Improved Access to Water and Sanitation Services Project (OBA scale-up) (Approved FY07; Closed FY12; S)</li> <li>OER Sanitation Project (Approved FY10; MU)</li> <li>PHRD grant to the OER basin agency</li> <li>Rural Water Supply and Sanitation Project (Approved FY06; S)</li> <li>Regional Potable Water Supply Systems Project (Approved FY10; MS)</li> </ul>	<ul style="list-style-type: none"> <li>The government has made a strong push to promote and fund drip irrigation through the PNEEI and FDA.</li> <li>The areas equipped consist of private farmers equipping themselves.</li> <li>Equipment with drip irrigation systems depends on the development of new infrastructure to deliver water under pressure to farmers in the large-scale irrigation perimeter. The Bank is pioneering such development with the first support to PNEEI for the modernization of 20,000 ha. Through the PMV DPL series and irrigation modernization projects, the WB is working on the entire value chain to ensure agriculture intensification while preserving its sustainability.</li> <li>Investment planning needs to be carefully mastered to ensure timely delivery of all infrastructure aspects and minimize delays.</li> <li>Accompanying measures to demonstrate the potential in drip irrigation, and to help farmers</li> </ul>

		<u>AAA</u> <ul style="list-style-type: none"> <li>• ESW on CC impacts on water resources management</li> </ul>	<p>determine their farming strategy and organize themselves in associations to equip themselves take time, but this time needs to be taken as it is key to sustainability and drawing the benefits of the investments.</p>
<p><u>Increased urban sewerage and wastewater treatment coverage</u> (in project areas)</p> <ul style="list-style-type: none"> <li>• Indicator 1: Number of households with access to piped sanitation <i>Baseline:</i> 2008: 10,000 hhd.  <i>Target</i> 2013: 40,000 hhd.</li> <li>• Indicator 2: Wastewater treatment capacity installed <i>Baseline:</i> Zero in 2008. <i>Target:</i> 200,000 eq inhabitants.</li> </ul>	<p><b><i>Not achieved</i></b></p> <p>The OBA Pilots for service extension to poor peri-urban areas subsidized access of 9,036 households to piped sanitation by the end of 2011.</p> <p>As of end-2013, no wastewater treatment capacity has been installed and no additional household connections to water supply and sanitation were established. The OER Sanitation Project is facing implementation delays, but the project is nevertheless proceeding at an accelerated pace and results are expected by the end of 2014.</p>		<ul style="list-style-type: none"> <li>• Delays in wastewater collection and treatment projects are to be expected due to the NIMBY (Not In My Back Yard) syndrome. Voice and participation improvements since 2011 translated into more and stronger opposition.</li> <li>• The OER Sanitation Project, although implemented by ONEE, responds to communes' requests for such investments. The post-2011 period saw an increase in local politics translating into delays in obtaining commitments of communes. Some communes decided to drop out of the project and are being replaced by communes that show a clear demand.</li> <li>• The Government of Morocco has not yet implemented the National Program for Water and Sanitation extension to low-income peri-urban areas. Although some progress took place, it is not in Bank support and is therefore not recorded.</li> </ul>
<p><u>Better knowledge of CC impacts on water resources.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Action Plan for adaptation to CC in the OER basin prepared <i>Baseline:</i> Zero. <i>Target:</i> One action plan.</li> </ul>	<p><b><i>Achieved</i></b></p> <p>Study on the preparation of the CC Adaptation Action Plan was delivered in April 2013 (in French). The action plan was included in a Bank ESW finalized in June 2013 (in English).</p>		<ul style="list-style-type: none"> <li>• Understanding CC impacts on water resources is key to informing public policies and major investments in the sector, such as interbasin transfers and desalination for water supply, as available freshwater resources get more scarce, despite &gt;90% mobilization of surface water.</li> <li>• Impacts of CC are significant in the OER basin and demonstrate that water availability stated in current plans and strategies (PDAIRE, Plan National de l'Eau) is overoptimistic.</li> <li>• Further to the study, the OER River Basin Agency is working to accompany a voluntary reduction of groundwater abstraction in the OER river basin, to protect this strategic resource.</li> </ul>

			<ul style="list-style-type: none"> <li>• This study should be carried out in other river basins in Morocco. The Bank was asked to carry out similar impact assessments, with due adaptations, in water-wealthy river basins.</li> <li>• This study is the result of funding from WPP and PHRD. There is a need for Bank funding to be allocated to other CC impact studies on water resources as part of Bank sector dialog.</li> </ul>
<p><u>Increased access to and efficiency of WSS services (in project areas).</u></p> <ul style="list-style-type: none"> <li>• Indicator: % access to water service in rural and peri-urban areas covered by project. <i>Baseline:</i> 2009: 0%. <i>Target:</i> 70%.</li> </ul>	<p><b><i>Mostly achieved</i></b></p> <p>The OBA pilots for service extension to poor peri-urban areas subsidized access to piped water supply for 10,504 households by the end of 2011, which corresponds to 52,500 people, which represent over 80% of the target population. The target was therefore exceeded in peri-urban areas. Though targets for rural access to water service in rural areas were not fully met for project areas, ongoing Bank-funded projects contributed to an overall increase in the coverage of water service in rural areas from 61% in 2005 to 93% in 2013.</p> <p>In the Rural Water Supply and Sanitation Project areas, 183,000 gained access, which represents 49.1% of the target population. The overall population in project provinces with access to safe and reliable water supply increased by about 9%.</p>		<ul style="list-style-type: none"> <li>• Demand for improved water supply service, either through standpipes (rural areas) or through house connections (peri-urban areas), is very high.</li> <li>• Key contributors/enabling factors for achievement under the OBA pilot include a clear focus on client access (a prerequisite to subsidy payment) and a social management team to carry out information campaigns and awareness raising among beneficiary populations.</li> <li>• The limitations are linked in part to lengthy infrastructure projects needed to provide service to remote areas and associated technical obstacles to services extension in rural areas.</li> <li>• In peri-urban areas, the limitation is the end of the grant funding and the fact that the government has not yet implemented the national service extension program, although requested in the new CPS.</li> </ul>
<p><u>Better coordination between ministries involved in the water sector.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Number of integrated water mobilization-irrigation investment plans prepared <i>Baseline:</i> 2009: 0. <i>Target</i> 2013: 3 (2011, 2012 and 2013).</li> </ul>	<p><b><i>Achieved</i></b></p> <p>This prior condition to PMV DPL 2 was met. Adequate funding for the irrigation perimeters located downstream from dams under construction has been allocated in the budget law in each of the last four years (2010-2013). It is particularly relevant to consider 2010,</p>		<ul style="list-style-type: none"> <li>• Improved coordination and better governance contributed to put a halt to the disconnect between water mobilization investments (responsibility of MEMEE) and irrigation infrastructure (responsibility of MAPM), and underutilization of already mobilized water resources. In 2010, the gap between the potential area irrigable by reservoirs and the actual area irrigated by these reservoirs reached 108,000 ha. The investment needed to fill this gap is estimated</li> </ul>



	<p>given the utility of improving budget programming as early as possible. Achievement of this target required coordination between MAPM and MEF.</p>		<p>at MAD 15 billion.</p> <ul style="list-style-type: none"> <li>• MAPM elaborated a program to close the irrigation infrastructure gap. This program is included in the multiyear agreement on the financing of the PMV (2009-2015) signed between MEF and MAPM.</li> <li>• This integrated planning approach allows MEF to allocate financial resources for investments in water mobilization consistently with investments in irrigation infrastructure development.</li> <li>• Water scarcity in Morocco calls for more such integrated approaches in the coming years, ideally. Such coordination, embedded in the Water Law (10-95) should be implemented systematically and involve all stakeholders.</li> </ul>
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### 3.2 LOW CARBON ENERGY POLICY AND ENERGY SECTOR RESTRUCTURING – PARTIALLY ACHIEVED

**Government Objectives:** Enhance energy security and ensure availability of energy to all households and businesses at competitive prices, while protecting the environment and mitigating climate change.

**Key Issues Targeted:** (1) High import dependency and strong reliance on fossil fuels, resulting in a high carbon content of the energy mix; (2) Budgetary burden of price support schemes; (3) Finding the financial resources required by large investment needs of fast growing energy demand, especially to finance highly capital intensive low carbon technologies; and (4) Avoiding a negative effect on the balance of trade because of the switch to more complex low carbon technologies.

**Progress Overview:** Good progress at the level of the program. It should be noted that the indicators measuring the CPS outcome are dominated by effects that are outside of the control of the measures that were adopted. The results matrix has been updated. Since the CPSPR, the Noor I (previously Ouarzazate Phase 1) project has become effective and construction has begun. The Ain Beni Mathar ISCC is fully operational and the project closed with satisfactory outcomes. The ONEE Support Project is making good progress and Additional Financing to tackle cost overruns has been approved. The Bank's program will continue to explore ways of being more innovative on issues such as pricing reforms and energy efficiency. To this end, dedicated triggers have been inserted in a Green Growth DPL. Dedicated TA for energy efficiency is also underway.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Reduction of energy intensity and increased penetration of renewable, to transition the Moroccan energy system to a low carbon path.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Energy intensity.</li> </ul>	<p><i>Achieved</i></p> <p>Energy intensity declined somewhat over the</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>• ONEE Support Project (Approved FY08; S; additional financing for transmission investment, company restructuring in FY14)</li> </ul>	<ul style="list-style-type: none"> <li>• In the case of the last CPS, a large number of energy instruments were being used, but the indicators measuring the CPS outcome are dominated by effects that are outside of the control of the measures that were adopted. Thus</li> </ul>

<p><i>Baseline (2007): 0.275 toe/\$000 GDP</i>  <i>Note: Baseline rebased to use IEA statistics: energy intensity was 0.275 toe per \$000 GDP (GDP in constant 2000\$).</i></p> <ul style="list-style-type: none"> <li>• Indicator: Share of renewable in TPES.  <i>Baseline (2007): 2.2% share of renewable in TPES.</i>  <i>Note: Baseline rebased to use Ministry of Energy, Mines, Water &amp; Environment statistics</i></li> </ul>	<p>time period with a level of 0.26 toe/\$000 GDP in 2009 and 0.22 toe/\$000 GDP in 2011.</p> <p>Share of renewable in TPES increased to 6.7% in 2010, but was at a reduced level, and reached 4.7% in 2012, as the share of renewable energy is highly sensitive to hydropower conditions.</p>	<ul style="list-style-type: none"> <li>• Ouarzazate Concentrated Solar Power–IBRD + CTF (Approved FY12; Effective FY13; under construction; S)</li> <li>• Ain Beni Mathar integrated solar combined cycle power plant project successfully completed (GEF funds) (FY13)</li> </ul> <p><u>AAA</u></p> <ul style="list-style-type: none"> <li>• PSW on energy market reform and clean energy</li> <li>• TA on low carbon planning for power sector</li> <li>• ESMAP Energy Supply Strategy</li> <li>• Maghreb Vulnerability Assessment (power sector)</li> <li>• PESW on Maghreb Energy Market (regional market integration, Euro-Med market in support of CSP)</li> <li>• Maghreb Fossil Fuels (CCS) (final report to be delivered in 2014)</li> <li>• MENA local manufacturing study and workshop (delivered FY11)</li> <li>• Study on Morocco strategy and roadmap for local manufacturing and establishment of CIC (delivered 2014)</li> <li>• TA on energy efficiency with focus on air conditioners (ongoing)</li> <li>•</li> </ul>	<p>the effectiveness of the instruments cannot be effectively captured. Going forward CPS outcomes should be more closely aligned with the underlying instruments that are being used.</p> <ul style="list-style-type: none"> <li>• The share of renewable energy in TPES is better measured by excluding hydropower, as hydropower is subject to significant annual fluctuations. To understand the progress that is being made on new and renewable energy sources it could be useful to choose an indicators that simply states the MW installed, even if such an indicator does not well capture the GWh produced.</li> </ul>
<p><u>Implementation of price reform, to reduce the budgetary burden of price subsidies and ensure the financial viability of the energy operators.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Share of explicit energy subsidies in GDP.  <i>Baseline: 3.5% in 2008.</i></li> <li>• Indicator: Profitability of ONE as measured by EBITDA.  <i>Baseline: 21% in 2007.</i></li> </ul>	<p><b><i>Not achieved</i></b></p> <p>Share of energy subsidies in GDP increased to 5% in 2011 and 5.8%<sup>37</sup> in 2012 due to high world oil prices.</p> <p>Profitability of ONE has varied over the reporting period, with an EBITDA of 17% in 2009, 25% in 2010, 11% in 2011, and 7% in Quarter 1 of 2012. In April 2012 the merger with the water company ONEP took place and the EBITDA for the joint company ONEE for Quarter 2 and 3 in 2012 was 17%. Variations in the EBIDTA across years are affected by international energy prices and the level of precipitation (availability of hydropower).</p>		<ul style="list-style-type: none"> <li>• (3) The same point as under (1) applies here. While the recent Green Growth DPL contained a trigger for subsidies, the effects of this trigger have not yet trickled down. A precise analysis of subsidy flows will be essential going forward if similar triggers are to be retained in the next CPS.</li> <li>• (4) ONEE’s profitability has also not improved over the reporting period mainly due to high international energy prices. A more permanent solution to ONEE’s finances going forward needs to be found and future lending operations should suggest measures of how this could be done.</li> </ul>

<sup>37</sup> 48 billion MMAD of energy subsidies (Source: MEF) for a 828 billion MMAD GDP (source: HCP Planning Department)

<p><u>Establishment of institutions and financial mechanisms to successfully implement energy sector reform (FDE, ESCOs, etc.).</u></p> <ul style="list-style-type: none"> <li>• Indicator: Volume of operations of FDE. <i>Baseline: Zero 2008.</i></li> <li>• Indicator: Volume of EE operations through ESCOs. <i>Baseline: Zero in 2008.</i></li> </ul>	<p><i>Partially achieved</i></p> <p>Volume of operations of FDE<sup>38</sup>. 2009: 167.5 MDH, 2010:160.9 MDH 2011: 349.4 MDH, 2012: 76 MDH</p> <p>Volume of EE operations through ESCOs: negligible.</p>		<ul style="list-style-type: none"> <li>• (5) The volume of FDE operations has been continuously high, with fluctuations which are typical for lumpy energy sector investments. As such, it seems to be an effective tool for supporting activities of energy sector reform.</li> <li>• (6) While the concept is interesting, best practice no longer suggests that ESCOs are an effective instrument in and of itself to bring about reductions in levels of energy intensity. This aside, the CPS did not contain any specific measures dedicated to the setting up of ESCOs, and therefore a lack of progress of this indicator is not surprising.</li> </ul>
<p><u>Development of a local manufacturing capability for renewable technologies and energy efficient equipment - a green stimulus package - therefore contributing to job creation.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Share of renewable PG equipment produced locally and exports of renewable equipment. <i>Baseline: Zero.</i></li> </ul>	<p><i>Partially achieved</i></p> <p>Share of renewable PG equipment produced locally and exports of renewable equipment: small but growing. Aside from a slight increase of locally manufactured parts due to an increase in construction of renewable energy projects (especially the Ouarzazate 1 (now Noor 1) project, a Climate Innovation Center (CIC) has been designed to take the agenda further.</p>		<ul style="list-style-type: none"> <li>• (7) Development of a manufacturing base needs a dedicated set of policies that are best supported by technical assistance. The CIC was designed with the help of the Bank's assistance and is expected to go forward as part of the Noor II &amp; III CSP project.</li> </ul>

<sup>38</sup> Source: MEF : data collected for the Climate Change PER, 2011.

### 3.3 SOLID WASTE MANAGEMENT - ACHIEVED

**Government Objectives:** (1) Provide legal and institutional basis for effective establishment of integrated municipal solid waste systems ; (2) Enhance the sustainability of the municipal solid waste sector through the introduction of financial mechanisms and incentives ; and (3) Upgrade and operationalize the existing EIA system and improve the environmental and social performances of the solid waste sector.

**Key Issues Targeted:** (1) Lack of policy planning and coordination in the sector, and ineffective implementation of the national solid waste law; (2) Ad-hoc, limited and inefficient allocation of financial resources to the sector and modest cost effectiveness of the services; and (3) Poor waste disposal practices with huge environmental and social negative impacts.

**Progress Overview:** All targets achieved, mainly due to the successful completion of the DPL-2 for the Solid Waste Sector. The legislative framework for the municipal solid waste sector is nearly complete. The financial sustainability of the solid waste management sector and the cost effectiveness of municipal solid waste services have improved. Disposal practices met targets. A Solid Waste Carbon Fund program has been appraised by the Bank and the related Emission Reduction Purchasing Agreement (ERPA) signed in 2013.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Effective inter-ministerial coordination of the National Solid Waste Program (PNDM) and strengthened regulatory framework through the enactment of executive regulations for SWM planning, norms and standards.</u></p> <ul style="list-style-type: none"> <li>Indicator: Issue of decrees on SWM norms and standards, and regional planning. <i>Baseline:</i> 2008: None.</li> </ul>	<p><i>Achieved</i></p> <p>With the enactment of its first Solid Waste Law in 2006, Morocco benefits from a solid framework of legislation to address the challenges of the sector through integrated solid waste management. Morocco has now almost completed the required legislation in the municipal solid waste sector, building on the enactment of its first solid waste law 28.00. It has published decrees related to: (a) waste classification, (b) administrative procedures and technical specifications for sanitary landfills (Official Gazette dated January 7, 2010), and (c) procedures for the elaboration of provincial and prefectural MSW master plans (Official Gazette dated July 22, 2010).</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> <li>Solid Waste DPL1 (Approved FY09; Closed FY10; S)</li> <li>Solid Waste DPL2 (Approved FY11; Closed FY12; S)</li> <li>Solid Waste DPL3 (Approved FY13; Closed FY14; S)</li> <li>Solid Waste Carbon Finance program appraised and related ERPA signed</li> </ul> <p>An ICR for the first programmatic series (DPL 1 and 2) has been delivered and published</p> <p><u>AAA</u></p> <ul style="list-style-type: none"> <li>PPIAF/PSP Study</li> <li>PSIA I (FY09)</li> <li>PSIA II (FY13)</li> </ul>	<ul style="list-style-type: none"> <li>Continued coordination among ministries, national entities, and municipalities is needed for sustained successful results. One of the major impacts of the first three DPLs was to mainstream coordinated planning to support the MSW reform program. This was a major milestone in the way the government conducts business, not only in the solid waste sector but in other reform areas. The Bank was able to act as a catalyst for a new <i>modus operandi</i> for interministerial collaboration and accompany the government in a new spirit of openness, in which the ministries were looking for partnerships but were not yet working together on cross-sectoral issues. The new interministerial committee will continue to play this coordinating role, including the introduction of eco-taxes and the oversight of the development of the recycling value chains.</li> </ul>

<p><u>Better financial sustainability of SWM sector Allocation of financial resources are consistent with the sector policies and programs.</u></p> <ul style="list-style-type: none"> <li>• Indicator: Percentage of financial resources allocated to municipalities based on transparent eligibility criteria <i>Baseline: 2008: 0%</i></li> </ul> <p><u>Improved cost effectiveness of private sector involvement in providing MSW services; and additional sources of revenues generated through Clean Development Mechanism (CDM).</u></p> <ul style="list-style-type: none"> <li>• Indicator: Average cost of MSWM services provided by private operators. <i>Baseline: 2008: 441 DH/ton.</i></li> </ul>	<p><b>Achieved</b></p> <p>80% of financial resources are allocated to municipalities based on published and transparent eligibility criteria</p> <p>The average cost of MSW services provided by private operators was reduced to about 380 DH/ton in 2012.</p>		<ul style="list-style-type: none"> <li>• Policy reforms adopted under the first two DPLs may have advanced more quickly than the administrative procedures required to implement them. This was due in particular to the allocation of financial support from the center to the municipalities for solid waste investments and the implementation of model contracts for private service providers. Therefore, special attention should be paid in the future to the implementation capacity of the relevant agencies for investment appraisals, financing, and contracting mechanisms.</li> <li>• While private sector participation in the MSW sector increased substantially (collection services are provided by private operation to more than 75% of the urban population), the capacity building and standard specifications supported by the DPL series have shown their limitations in terms of improving cost-effectiveness; more needs to be done in terms of market development. For now, the major cities have the funds necessary to contract out services, based on revenues from the municipal service tax, but as coverage rates and service standards continue to increase, new sources of funds targeted at MSW should be developed, including the eco-tax. The second programmatic series supports a number of actions intended to improve budget management, reduce LG arrears toward private sector service providers, and set in place conciliation mechanisms.</li> </ul>
<p><u>Additional sources of revenues generated through Clean Development Mechanism (CDM).</u></p> <ul style="list-style-type: none"> <li>• Indicator: Number of CDM projects developed in solid waste sector. <i>Baseline: 2008: Zero projects.</i></li> </ul>	<p><b>Achieved</b></p> <p>A Solid Waste Carbon Fund program has been appraised by the Bank and the related Emission Reduction Purchasing Agreement (ERPA) signed in 2013. The program targets 16</p>		<ul style="list-style-type: none"> <li>• External factors—including the complex and long CDM registration process, as well as the volatility of the carbon market—affected the outcome of this program and its delivery timing. Flexibility in the design and early involvement of key players (private operators and local governments) are key.</li> </ul>

	<p>landfills and is expected to cover a total volume of waste of approximately 3.38 million tons per year, representing more than 50% of municipal solid waste collected in urban areas. Emission reductions are estimated at an average of 838,000 tCO<sub>2</sub>e per year, amounting to 7.5 million tCO<sub>2</sub>e over nine years (2012-2020). The signed ERPA will enable the Bank as trustee of CPF to purchase 2 million tCO<sub>2</sub>e.</p>		
<p><u>Disposal practices comply with international social and environmental standards.</u></p> <ul style="list-style-type: none"> <li>Indicator: Percentage of collected waste is being disposed of in sanitary landfill.  <i>Baseline:</i> 2008: 10%  <i>Target (2011):</i> 30% of collected municipal wastes are disposed of in sanitary landfills.</li> </ul>	<p><i>Achieved</i></p> <p>32% of collected waste was being disposed of in sanitary landfill at the end of 2011. The construction of new landfills in Casablanca and Marrakech will help reach 60% by the end of 2014. .</p>		<ul style="list-style-type: none"> <li>The institutions at regional and local level remain below capacity compared to what is needed to take the program into the next phase, including development and implementation of regional sanitary landfills. DPL3&amp;4 will place emphasis on the overall coherence of reforms in the sector with regionalization of support and oversight structures, coupled with targeted project management support (AMO) to local governments in the context of the PNDM.</li> </ul>

### 3.4 CLIMATE CHANGE ADAPTATION – MOSTLY ACHIEVED

**Government Objectives:** Improve resilience to climate variability and change through the integration of adaptation actions across and within sectors.

**Key Issues Targeted:** (1) Limited interagency coordination and policy coherence on CC adaptation; (2) Limited ability to design climate-resilient sector policies; and (3) Few experiences on the ground of viable adaptation options

**Progress Overview:** The planned Climate Change DPL was replaced by the Inclusive Green Growth DPL series, whose first operation was approved in December 2013, after the close of the CPS period.

CPS Outcomes	Status and Evaluation Summary	Bank Group Program Instruments/Status	Lessons Learned
<p><u>Improved inter-agency coordination on climate change adaptation by mainstreaming climate adaptation in the national development planning process.</u></p> <ul style="list-style-type: none"> <li>Indicator: development of a national climate change strategy <i>Baseline: Zero</i></li> <li>Indicator: at least one adaptation action plan adopted in at least one of the key vulnerable sectors (agriculture, urban; transport or others) <i>Baseline: Zero</i></li> </ul>	<p><i>Mostly achieved</i></p> <p>Partial progress in developing a national climate change strategy. The 2<sup>nd</sup> National Communication to UNFCCC was completed and submitted; preparation of the 3<sup>rd</sup> communication is underway. A White Paper on Climate Change has been finalized, and the National Sustainable Development Strategy, which is to be launched in Spring 2014, has a heavy emphasis on climate. Integration of an article on CC policy in Framework Law of Environment is currently seeking parliamentary approval.</p> <p>In agriculture, an action plan has been put in place by the Agence pour le Developpement Agricole (ADA) for prioritizing the public financing of projects directed to small farmers (Pillar II Projects under the Plan Maroc Vert) that include climate change adaptation measures, which are partially implemented as part of the GEF project “Integrating Climate</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> <li>ESW on CC issues in: WRM, agriculture, transport, coastal cities adaptation, climate migration and displacement (Delivered June 2012)</li> <li>GEF - Capacity building for Adaptation in WRM and Agriculture (In progress)</li> <li>Adaptation Climate Change Coastal Cities of North Africa Risk Management AAA (Delivered 2011)</li> </ul>	<ul style="list-style-type: none"> <li>A key lesson is the importance of working through existing sector strategies to let emerge climate related concerns affecting existing goals, in order to catalyze government wide support to joined up climate action. The future CPS integrates will need to take this lesson into account in the preparation of the second Inclusive Green Growth DPL and the Integrated Risk Management PforR.</li> </ul>

	Change in the Implementation of the Plan Maroc Vert.”		
<u>Adaptation pilots initiated in selected areas.</u> <ul style="list-style-type: none"> <li>Indicator: adaption pilots launched in at least 2 regions in the context of Plan Maroc Vert; <i>Baseline: Zero</i></li> </ul>	<b><i>Achieved</i></b> <p>9 pilots on the implementation of adaptation measures in agriculture had been launched by the end of 2013, 5 of them as part of the GEF project “Integrating Climate Change in the Implementation of the Plan Maroc Vert.” These 5 projects span 5 regions: Chaouia – Ouardigha (involved in 3 projects); Rabat – Salé – Zemmour – Zaër (2 projects), the regions targeted by the GEF project; as well as Gharb (1 project); Tadla (1 project); and Doukkala (2 projects).</p>		
<u>Development of tools and mechanisms to increase resilience and alertness.</u> <ul style="list-style-type: none"> <li>Indicator: Establishment of climate early warning systems (e.g. forecasting of spring cereal harvest based on winter precipitation data) <i>Baseline: Zero</i></li> </ul>	<b><i>Not achieved</i></b> <p>Climate early warning system still being designed.</p>		



**Annex 2B: Planned Lending Program and Actual Deliveries, FY10-FY13**

<b>CPS Plans</b>		<b>IBRD US\$m</b>	<b>Status</b>	<b>IBRD US\$m</b>
FY10	Sustainable Access to Finance DPL	100	Delivered (amount increased)	200
	Education Sector DPL	60	Delivered	60
	Public Administration Reform DPLIV	100	Delivered	100
	Rural Roads Additional Financing	80	Delivered (amount increased)	81.5
	Urban and Rural Water	150	Delivered (amount increased)	175
	Oum Er Rbia Irrigated Agriculture	70	Delivered	70
	Oum Er Rbia Sanitation	40	Delivered (amount increased)	43
	<b>Subtotal</b>	<b>600</b>		<b>729.5</b>
FY11	Urban Transport Sector DPL	136.7	Delivered	136.7
	Support to Plan Maroc Vert DPL	205	Delivered	205
	Solid Waste Sector DPL2	138.6	Delivered	138.6
	National Initiative for Human Development II	300	Deferred to FY12	
	Energy Sector DPL		Dropped	
	Energy Development Fund		Dropped	
	Health Sector DPL		Dropped	
	<b>Subtotal</b>	<b>780.3</b>		<b>480.3</b>
<b>Subtotal FY10-11</b>		<b>1,380.3</b>		<b>1,209.8</b>
<b>Progress Report Plans</b>			<b>Status</b>	
FY12	Ouarzazate Concentrated Solar Power	200	Delivered	200
	First Skills and Employment DPL	100	Delivered	100
	Judicial Performance Enhancement	16	Delivered	16
	National Initiative for Human Development II (PforR)	300	Delivered	300
	Micro, Small and Medium Enterprise (MSME) Development	100	Delivered	100
	<b>Subtotal</b>	<b>716</b>		<b>716</b>
FY13	Economic Competitiveness Support DPL1	160	Delivered	
	Accountability and Transparency DPL	150	Approved FY14	
	Urban Transport Sector DPL2	100	Planned for FY15 as PforR	
	Second Competitiveness DPL	80	Planned for FY15	
	Plan Maroc Vert DPL2	203	Delivered	203
	Solid Waste Sector DPL3	130	Delivered	130
	Education Sector DPL2	100	Delivered	100
	Inclusive Green Growth DPL	100	Approved FY14	
Road Asset Management	1,023	Dropped		
<b>Subtotal</b>	<b>2,046</b>		<b>593</b>	
<b>Subtotal FY12-13</b>		<b>2,762</b>		<b>1,309</b>
<b>CPS Plans</b>			<b>Status</b>	

**Annex 2C: Planned Non-Lending Services and Actual Deliveries, FY10-FY13**

<b>Economic and Sector Work</b>		<b>Technical Assistance</b>		
<b>CPS Plans</b>	<b>Status</b>	<b>CPS Plans</b>	<b>Status</b>	
	Transport and Climate Change (PCN)	Delivered	Rural Land Market Development	Dropped
	Agricultural Sector Review	Delivered	Urban Development Strategy	Delivered
	Adaptation to Climate Change in Agriculture	Delivered	ESMAP: Energy Supply Strategy	Delivered
FY10	Country Governance and Anticorruption (CGAC)	Delivered	Morocco Nutrition Strategy	Dropped
	Public Administration Reform PESW	Delivered	Regional Development for Disadvantaged Areas	Delivered
	Poverty Assessment PESW	Dropped	Morocco Environment and Water	Dropped
			Morocco Housing Finance	Dropped
			Morocco Railways TA	Dropped
	Social Protection Strategy Poverty PESW	Delivered	Justice Reform TA	Dropped
	Promoting Youth Opportunities and Participation	Dropped	National eGov Strategy	Dropped
	Clean Energy	Delivered	Transport in Ports and Railways	Delivered
FY11	Use of Country Systems Initiative Pilot	Delivered	Justice Sector TA	Delivered
			Institutionalizing a Reform Process for Business Environment	Dropped
			Poverty PESW TA	Delivered
			Pension Reform	Delivered
			E-Security TA	Delivered
			Trade Capacity Building Governance and Territoriality	Delivered
	Bank Governance Review	Delivered	Analytical Support to the Government of Morocco in the Analysis of Constraints to Competitiveness and Competitiveness Policy Design	Delivered
	Country Environmental Analysis	Dropped	Justice Survey	Dropped
	Poverty PESW	Delivered	Sustainable Transport and Logistics	Dropped
FY12			Financial Literacy Survey	Dropped
			Reform Process for Improving the Business Environment	Delivered
			E-Government and Broadband TA	Delivered
	Education Public Expenditure Tracking Survey	Dropped	Compensation Reform TA	Dropped
FY13	Assessment of Climate Change Impacts on Water Resources Management	Delivered	E-Government and Broadband Policy Advice	Delivered
	Justice Public Expenditure Review	Delivered	Health Sector Support TA	Delivered

## Annex 3 : Detailed Macroeconomic Overview

### *Economic Developments*

173. **Structurally, the Moroccan economy remains largely dependent on a volatile and poorly productive agricultural sector.** The sector is the first employer in the economy, absorbing almost 40 percent of the labor force. Although on a declining trend, the share of agricultural and fisheries activities has remained significant over the last decade (an average 15.6 percent of GDP at factor costs). The reliance of agriculture on erratic weather conditions also explains the volatile nature of growth. The decline in the primary sector's share of GDP benefitted services sector, and notably the relatively low value-added services. As a result, Morocco could not guarantee the productivity gains that would have allowed the emergence of a larger middle class. The challenge of increasing and further sharing prosperity remains.

174. **One key stylized aspect of Morocco's weak economic performance can be traced in its difficulty to benefit from the current wave of globalization.** Morocco's share of global exports has been stagnant around 0.15 percent since mid-70s, while most competitors saw substantial increases in their shares. The price of the national export basket has generally been higher than that of key competitors and the gap has widened since the global financial crisis. High and rising export prices are symptomatic of persistent weaknesses in the competitiveness of Moroccan enterprises on the global market.

175. **While the 2008 financial crisis had a limited impact on Morocco's economy, the food and fuel price crisis had an important effect, which was magnified by reduced demand from European markets.** With the price of oil averaging US\$110 per barrel in 2011-2012, Morocco suffered a major deterioration of its terms of trade. This deterioration was compounded by a significant increase in its food import bill in 2012 because of a severe domestic drought at a time of soaring international food prices, especially of wheat. Moreover, with a strong trade exposure to the EU, Morocco has been adversely affected by developments in the Eurozone, in particular sovereign debt crises in Spain and Italy, among other countries, and the subsequent slowdown in economic growth. The banking/sovereign crises in Europe and related recessionary tendencies reduced demand for Moroccan exports and tourism, while remittances declined. As a result, growth of non-agriculture GDP decelerated to an average of 3.5 percent since 2009 compared to 4.7 percent over 2000-2008. Growth has mostly been driven by debt-creating domestic demand and fiscal spending.

176. **The private sector in Morocco was compelled to find new growth drivers.** Thanks to solid economic fundamentals, a smooth political transition, and a relatively good track record of conducting reforms as well as the capacity of finding new sectors of growth, helped the Moroccan private sector weather the effects of the crises. While both traditional domestic- and export-driven sectors<sup>39</sup> slowed down, the Moroccan private sector reacted by shifting its focus to new high value industries (i.e. car manufacturing, aeronautics, etc.) and the expansion of Moroccan companies in Sub-Saharan Africa, creating the basis for Morocco to become a regional hub for investments.

177. **External shocks however, highlighted the weak competitiveness of Moroccan enterprises.** Morocco has made virtually no productivity gains over the past two decades,

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<sup>39</sup> Exporters of traditional products (particularly phosphates and textiles) have continued to struggle, while the newer branches of Morocco's manufacturing sector (especially the automotive and aerospace industries) have grown.

despite high levels of investment: (i) Morocco has consistently invested (public and private) 5 to 10 percentage points of GDP more than peer countries; (ii) investment as a share of GDP has increased from 25 percent in the 1990s to 35 percent currently. Investment has been insufficiently productive, even though its high level has helped dampen the volatility of growth. Quite simply, investment has merely boosted the productivity of labor (a gain of 3 percent per year since 1999), but has not yet triggered a growth take-off through higher Total Factor Productivity (TFP). Some impact might still occur in that government capital expenditures (about 5 percent of GDP in average) focus on infrastructure (energy, highways, ports, airports, industrial zones), for which TFP gains take longer to materialize.

**178. Investments in the infrastructure sector have remained dominantly led by the public sector, with limited clarity on the efficiency of the Moroccan investment and capital allocation model.** Public investment increased dramatically from about US\$6.3 bln to US\$16.5 bln between 2005 and 2013, with a large share carried out by state owned enterprises (65 percent in 2013). These investments were focused on large infrastructure projects, including the extension of the Tangier Med port, the construction of new highways, the extension of phosphate production facilities (*Office Chérifien des Phosphates*, OCP), and increasing electricity production by ONEE. Lack of private sector involvement in these investments is also due to the absence of a legal framework for public-private partnerships and restrictive regulations in some sectors, including medium voltage energy, healthcare, and intercity transport. In 2014, a number of laws (including on PPP and energy) that could have a positive impact on private sector involvement in the infrastructure sector, both in terms of local as well as foreign investors, are expected to be ratified.

**179. The authorities put a great deal of emphasis on controlling inflation.** Subsidies on food and fuel products have helped cap inflation, notwithstanding recently higher import prices. The consumer price index evolution has been low over the last few years (at 1 percent in average), but edged up to 1.3 percent in 2012 and 1.9 percent in 2013, with food prices contributing the most (+2.2 and +2.4 percent respectively). Increases in administered prices for fuel and their direct impact on transportation (up 3.2 percent) have had limited indirect effects on inflation so far. However, the fixed exchange rate combined with subsidies on imported food and fuel products have increased pressures on international reserves. BAM's expansionary stance has helped to mitigate private sector crowding out. However, poor fiscal fundamentals have begun to feed through to higher interest rates, with yields on the key 5-year bond gaining 100 basis points since mid-2012.

**180. Increased government spending on subsidies, higher civil service wages and pensions helped counteract weak demand from Europe, but is jeopardizing fiscal sustainability.** In 2012, for the first time, subsidies were higher than capital expenditures and the pension fund for the civil and military services entered a phase of rapid decumulation (payout). The fiscal outcome for the year was worse than expected with the deficit widening to 7.3 percent of GDP, compared to 5.5 percent in the Budget Law, despite good tax collection and hikes in subsidized fuel prices (up 19.6 percent for gasoline, 14 for diesel, 13.4 for industrial fuel). Subsidies (on fuel and food) and the wage and pension bill (up 12.4 and 8.7 percent, respectively) exceeded half of total expenditures.

Table 1. Annual subsidies in central government budget, in percent of GDP

Commodities	2007	2008	2009	2010	2011	2012	Est. 2013
Food	0.8	1.1	0.7	0.7	0.9	0.8	0.8
Fuels	1.7	3.5	1.1	2.9	5.2	5.8	3.9
<b>Total Subsidies</b>	<b>2.5</b>	<b>4.6</b>	<b>1.7</b>	<b>3.6</b>	<b>6.1</b>	<b>6.6</b>	<b>4.7</b>

Source: Ministry of Economy and Finance

181. **In a difficult but decisive move, Government initiated reforms of the subsidy system in 2013 to help reverse the deteriorating fiscal trend.** The fiscal deficit narrowed to 6 percent of GDP<sup>40</sup> in 2013 as a result of the activation of a price indexation mechanism that cut subsidies by almost 2 percentage point of GDP. The budget also benefitted from lower world fuel prices. The government's decision to rein in recurrent expenditures and capital outlays also explains the consolidation of public finance. The rise of the wage bill was contained to 2 percent in 2013– thanks to the absence of any exceptional promotions or wage increases– while capital outlays were cut by 6.2 percent.

182. **Government debt increased significantly in 2012 to reach 60.1 percent of GDP, but was contained to 62.3 percent of GDP in 2013 in part thanks to substantial capital grants.** The deficit in 2013 was mostly financed domestically, though Morocco also tapped international markets (BBB- rating). The Treasury issued 4.7 percent of GDP in domestic bonds and raised US\$750 million through international bonds in May 2013. It also benefitted from the equivalent of one billion dollars in capital grant, mainly from the Gulf countries. Although less than a quarter of debt is denominated in foreign exchange, Morocco's government debt increased by 15 percentage points of GDP in just five years of which 6.4 points in 2012 alone.

183. **Substantial capital grants, mainly from the GCC, were critical in financing the current account deficit and consolidating foreign reserves in 2013.** Fiscal expansion and weak exports and remittances fuelled the current account deficit in 2012 and to a lesser extent in 2013. After widening to 9.7 % of GDP in 2012, the current account deficit is estimated to have improved to 8.7 percent of GDP in 2013 with both imports (CIF) and exports (FOB) declining by 2 % and 0.8 %, respectively. Europe has remained by far Morocco's main trading partner (absorbing 60 % of its exports and providing 80 % of the remittances received) with a strong concentration on only two markets: France and Spain accounting for a third of total exports and half of total remittances. On the financing side, in a context of fixed exchange rate, net FDI inflows grew by an impressive 23 % in 2013. Thanks to the capital grants and the issuance of Eurobonds, overall financial flows more than covered the current account deficit, leading to a consolidation of foreign reserves by US\$1.3 billion to US\$18.5 billion (4.3 months of imports) end 2013.

184. **Current account deficits have tightened banking system liquidity.** BAM compensated by relaxing its stance in a context of low inflation: cutting its policy rate from 3.25 to 3 percent in March 2012, lowering reserve requirement from 6 to 4 percent in September 2012, and increasing liquidity injections. However, money supply grew by only 2.8 percent in 2013, compared to 4.5 percent in 2012. Bank credit to the economy grew 3.5 percent (4.6 percent in 2012), mostly driven by mortgage credit (6.3 percent) on the back of housing programs and credit for business equipment (1.9 percent). Consumption credit

<sup>40</sup> The budget deficit does not take account of capital grants, which is registered as source of financing. The budget deficit including capital grants was 5.4 percent of GDP in 2013.

slowed down to 2.1 percent in 2013, while working capital loans declined by 6 percent. Non-performing loans have been increasing in 2013 and represented 5.9 percent of bank credit to the private sector in December 2013. With the loan-to-deposit ratio above 100% in domestic banks, deposit growth is insufficient to support loans growth to the private sector. Implementation of the Basel III accords starting 2014 is expected to put further pressure on credit extension, especially longer terms and to larger borrowers.

### ***Economic Prospects***

185. **The Government's medium-term macroeconomic framework is broadly appropriate, although both the global and regional contexts exacerbate downside risks.** Recessionary tendencies in Europe would undermine the macro-economic outlook through continued weak exports, tourism, remittances or FDI. High fuel prices, deterioration in the regional context, or renewed global financial turmoil would compound these challenges. Under these conditions, it would become difficult to sustainably finance pre-crisis growth levels if internal demand remains the key driver of growth. Absent a significant reorientation of the economy toward the tradable sector and increased competitiveness, growth, private sector job creation will remain weak.

186. **Morocco's macroeconomic prospects are essentially linked to the country's capacity to generate productivity gains.** Morocco would therefore benefit from increased efforts to enhance competitiveness and gain market shares on global markets. Along with the sector strategies already under implementation, these efforts would involve improving the quality of domestic investments and continuing to attract large flows of FDIs. This would call for more opportunities and economic freedom for all Moroccans, to compete, produce and participate in the economy, including with a greater role for the private sector. Moreover, macroeconomic stability depends on strengthened governance and robust fiscal consolidation—particularly subsidy, pension, and fiscal reforms, a prudent monetary policy, and greater flexibility in exchange rate management. While subsidy and pension reforms are most urgent, including establishing more effective and inclusive social protection programs, proceeding with structural reforms is needed in the medium term to boost enterprise productivity through better channeling resources to competitive industries.

187. **Besides the measures discussed above, the Government confirmed in the 2014 Budget Law its strategy to continue reforming the subsidy system and launch the reforms of the pension and fiscal systems this year.** In addition, it intends to deepen regionalization and de-concentration and adopt the Budget Organic Law to enhance central and local governments' budget design and implementation for better public service delivery and efficiency. To improve further the investment climate, the government planned to proceed with the justice reform, improve access to financing, especially for the SMEs, address access to land constraints, develop logistics services, and reinforce technical training. The Central Bank also announced last year its objective to progressively put in place a more flexible exchange rate mechanism over the next 3 years. Assuming these reforms take place, growth in the non-agriculture economy would reach around 5.5 percent over the medium term, with inflation below 2.5 percent and the budget deficit below 3 percent of GDP. Main macroeconomic indicators under a strong reform scenario are found in Table 2.

**Table 2. Selected Macroeconomic Indicators (2010-17)**

		Act.		Est.	Proj.			
	2010	2011	2012	2013	2014	2015	2016	2017
<b>Real economy</b>	<i>Annual percentage change, unless otherwise indicated</i>							
GDP (nominal--local currency)	4.3	5.0	3.2	5.9	5.4	7.0	7.3	7.3
Real GDP	3.6	5.0	2.7	4.4	3.0	4.6	4.8	4.9
Per Capita GDP	2.5	3.8	1.6	3.3	1.9	3.5	3.8	3.9
<b>Contributions:</b>								
Consumption	1.1	5.0	3.6	3.1	1.7	3.0	3.1	2.9
Investment	-0.8	1.4	-0.9	-0.3	1.0	1.2	1.4	1.6
Net exports	3.4	-1.5	0.0	1.6	0.2	0.4	0.3	0.4
Imports	3.6	5.0	2.0	-0.4	4.1	4.0	4.6	4.7
Exports	16.6	2.1	2.7	1.5	6.3	6.6	7.1	7.3
Unemployment rate (ILO definition)	9.1	8.9	9.0	9.2	...	...	...	...
GDP deflator	0.6	0.1	0.5	1.5	2.4	2.3	2.3	2.3
CPI (pa)	0.9	0.9	1.3	1.9	1.7	1.8	2.3	2.3
<b>Fiscal Accounts</b>	<i>Percent of GDP, unless otherwise indicated</i>							
Expenditures	29.9	33.1	35.0	31.9	31.5	30.8	30.0	29.8
Revenues	25.2	26.2	27.6	25.8	26.6	26.7	26.7	26.7
Central Government Budget Balance	-4.7	-6.9	-7.3	-6.1	-4.8	-4.1	-3.4	-3.1
Central Government Debt	50.3	53.7	60.1	62.3	62.9	61.8	60.1	58.2
<b>Selected Monetary Accounts</b>								
Base Money	4.2	6.4	4.5	2.8	...	...	...	...
Credit to non-government	11.0	10.4	5.1	3.1	...	...	...	...
Interest (key policy interest rate)	3.25	3.25	3.00	3.00	...	...	...	...
<b>Balance of payments</b>								
Current Account Balance	-4.5	-8.0	-9.7	-8.7	-7.6	-6.6	-5.8	-5.0
Imports	44.3	49.9	51.5	48.1	46.6	46.1	45.8	45.5
Exports	33.4	35.8	36.0	33.6	33.8	34.6	35.2	35.9
Foreign Direct Investment, net	1.1	2.4	2.8	3.3	3.2	3.1	3.2	3.3
Net reserves in US\$, bln (eop)	23.3	20.3	17.2	18.4	...	...	...	...
In months of next year's imports	5.6	4.9	4.2	4.4	...	...	...	...
As % of short-term external debt	0.9	0.5	0.4	0.5	...	...	...	...
External Debt	29.0	29.3	34.4	36.5	38.6	38.8	38.7	38.4
Terms of Trade, change in %	-3.4	4.1	-13.1	0.8	0.7	1.7	0.1	0.1
Exchange rate (average)	8.42	8.09	8.63	8.48	...	...	...	...
<b>Other memo items</b>								
GDP, nominal MAD, bln	764.0	802.6	828.2	877.3	924.9	989.9	1,062.1	1,139.7
GDP, nominal US\$, bln	90.8	99.2	96.0	103.4	...	...	...	...

188. **External debt sustainability remains within reach provided reforms take hold.** The current account deficit would progressively narrow from 9.7 percent of GDP in 2012 to around 5 percent in 2017 benefiting from better export potentials and a recovery of tourism and remittances. External debt is expected to peak at close to 40.8 percent of GDP in 2015 before declining thereafter. Foreign reserves would remain at a little more than four months of imports, assuming foreign investors retain confidence and GCC financial support materializes timely as it has been the case so far.<sup>41</sup> Over the last two years, FDIs inflows has seen double digit growth (22 percent on average, in US dollars) and is expected to continue at the same pace over the next few years.

189. **Assuming the process of reforming the subsidy and pension systems continues as planned by the Government and the wage bill cost of civil servants is better controlled through restrained hiring and wage policies as confirmed in the Budget Law 2014, the fiscal framework would remain sustainable over the medium term.** Stress tests suggested sustainability over the medium term, although debt in three tests stayed between 62-64 percent of GDP, highlighting the risks posed by a limited reform scenario. Even under the

<sup>41</sup> The Government signed in February 2013 a grant for US\$1.25 billion over a five-year period with the Kuwait Development Fund (KDF). KDF made a first installment of US\$500 million in November 2013. In 2013, the Government also received US\$675 million from the Saudi Development Fund under a US\$ 1.25 billion grant agreement. Qatar pledged its share of US\$1.25 billion in January 2014 and activated the first and second installment of a total of US\$500 in March 2014. All these grants are part of a cooperation agreement with GCC governments for US\$5 billion.

more optimistic scenarios, the debt ratio to GDP would remain above the range generally judged appropriate for mid-size emerging markets.<sup>42</sup>

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<sup>42</sup> See IMF World Economic Outlook, Fall 2013: “based on past fiscal performance, the sustainable public debt level for a typical emerging market may only be about 25 percent of GDP, (...) emerging markets as a group have failed to respond in a manner consistent with ensuring fiscal sustainability once public debt exceeds 50 percent of GDP.”



## CPS Annex A – Morocco at Glance

### Morocco at a glance

11/22/13

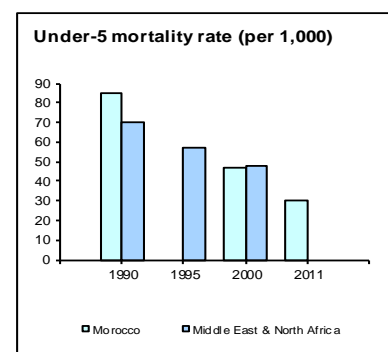
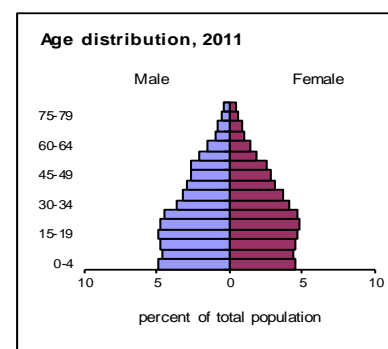
#### Key Development Indicators

(2012)

	Morocco	M. East & North Africa	Lower middle income
Population, mid-year (millions)	32.5	337	2,533
Surface area (thousand sq. km)	447	8,775	20,842
Population growth (%)	1.4	1.7	1.6
Urban population (% of total population)	58	59	39
GNI (Atlas method, US\$ billions)	96.8	1,279	4,488
GNI per capita (Atlas method, US\$)	2,980	3,866	1,772
GNI per capita (PPP, international \$)	4,880	8,052	3,837
GDP growth (%)	2.7	4.2	5.5
GDP per capita growth (%)	1.3	2.4	3.9

(most recent estimate, 2005–2012)

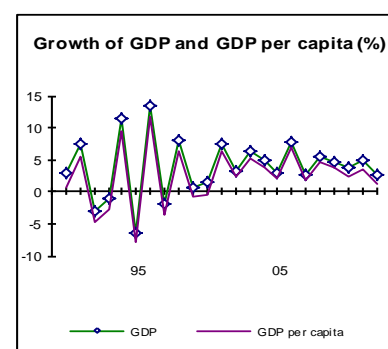
Poverty headcount ratio at \$1.25 a day (PPP, %)	3	3	30.2
Poverty headcount ratio at \$2.00 a day (PPP, %)	14	14	59.5
Life expectancy at birth (years)	75	72	66
Infant mortality (per 1,000 live births)	29	26	46
Child malnutrition (% of children under 5)	3	6	24
Adult literacy, male (% of ages 15 and older)	69	84	80
Adult literacy, female (% of ages 15 and older)	44	68	62
Gross primary enrollment, male (% of age group)	118	108	106
Gross primary enrollment, female (% of age group)	111	101	102
Access to an improved water source (% of population)	97	89	87
Access to improved sanitation facilities (% of population)	51	88	47



Net Aid Flows	1980	1990	2000	2012 <sup>a</sup>
(US\$ millions)				
Net ODA and official aid	1,161	1,241	434	993
Top 3 donors (in 2010):				
France	135	217	155	254
European Union Institutions	12	29	117	223
Japan	4	111	103	121
Aid (% of GNI)	5.7	4.4	1.2	1.1
Aid per capita (US\$)	60	51	15	31

#### Long-Term Economic Trends

Consumer prices (annual % change)	9.4	7.0	1.9	1.3
GDP implicit deflator (annual % change)	15.2	7.8	-0.6	0.4
Exchange rate (annual average, local per US\$)	3.9	8.2	10.6	8.6
Terms of trade index (2000 = 100)	83	94	100	101



	1980–90	1990–2000	2000–12	(average annual growth %)		
Population, mid-year (millions)	19.4	24.2	28.7	2.2	1.7	1.0
GDP (US\$ millions)	21,079	28,839	37,022	5.1	2.9	4.7
	(% of GDP)					
Agriculture	18.4	19.3	14.9	14.6	6.8	0.3
Industry	29.8	30.4	29.1	29.6	2.4	3.0
Manufacturing	15.9	18.9	17.5	15.2	3.3	2.6
Services	51.1	50.3	56.0	55.8	1.5	1.7
Household final consumption expenditure	61.8	60.0	61.4	59.7	5.0	2.8
General gov't final consumption expenditure	18.0	16.8	18.4	19.2	5.2	2.3
Gross capital formation	28.5	28.7	25.5	35.3	2.3	3.4
Exports of goods and services	19.9	25.7	28.0	36.2	6.2	5.5
Imports of goods and services	28.2	31.2	33.4	50.4	3.5	4.4
Gross savings	22.1	28.3	24.3	25.3		

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

<sup>a</sup> Aid data are for 2010.

Development Economics, Development Data Group (DECDG).

## Morocco at Glance (Continued)

Morocco

Balance of Payments and Trade	2000	2012
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	7,418	21,400
Total merchandise imports (cif)	11,531	44,783
Net trade in goods and services	-2,085	-14,654

Current account balance	-475	-9,555
as a % of GDP	-1.3	-10.0

Personal transfers and compensation of employees (receipts)	2,161	7,256
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Reserves, including gold	5,138	16,648
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### Central Government Finance

*(% of GDP)*

Current revenue (including grants)	23.6	26.3
Tax revenue	21.7	24.1
Current expenditure	23.4	28.7

Overall surplus/deficit	-4.8	-7.5
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Highest marginal tax rate (%)

Individual	..	..
Corporate	..	..

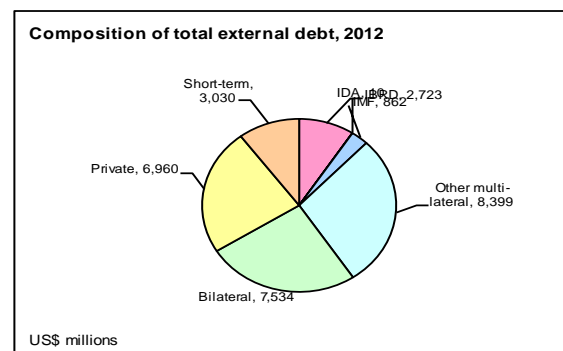
### External Debt and Resource Flows

*(US\$ millions)*

Total debt outstanding and disbursed	20,674	29,518
Total debt service	2,610	3,232
Debt relief (HIPC, MDRI)	-	-

Total debt (% of GDP)	55.8	30.8
Total debt service (% of exports)	24.3	9.1

Foreign direct investment (net inflows)	470	3,387
Portfolio equity (net inflows)	30	110



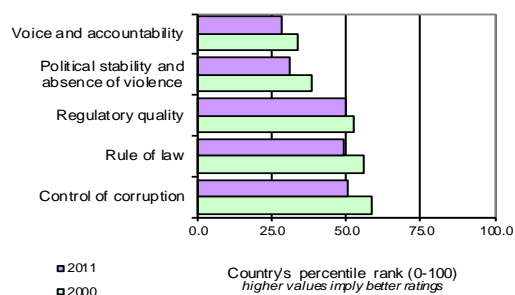
### Private Sector Development

Time required to start a business (days)	-	12
Cost to start a business (% of GNI per capita)	-	15.7
Time required to register property (days)	-	75

Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2011
Access to/cost of financing	..	84.4
Tax rates	..	62.6

Stock market capitalization (% of GDP)	29.4	60.6
Bank capital to asset ratio (%)	9.8	8.1

### Governance indicators, 2000 and 2011



Source: Worldwide Governance Indicators ([www.govindicators.org](http://www.govindicators.org))

### Technology and Infrastructure

Paved roads (% of total)	56.4	70.4
Fixed line and mobile phone subscribers (per 100 people)	13	124
High technology exports (% of manufactured exports)	113	7.7

### Environment

Agricultural land (% of land area)	69	67
Forest area (% of land area)	12.7	12.7
Terrestrial protected areas (% of land area)	15	15
Freshwater resources per capita (cu. meters)	985	899
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	12	15
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	8.3	8.3
Energy use per capita (kg of oil equivalent)	356	517

### World Bank Group portfolio

*(US\$ millions)*

<b>IBRD</b>		
Total debt outstanding and disbursed	2,837	2,866
Disbursements	138	711
Principal repayments	307	208
Interest payments	190	60
<b>IDA</b>		
Total debt outstanding and disbursed	27	12
Disbursements	0	0
Total debt service	2	1
<b>IFC (fiscal year)</b>		
Total disbursed and outstanding portfolio of which IFC own account	29	122
Disbursements for IFC own account	1	5
Portfolio sales, prepayments and repayments for IFC own account	7	6
<b>MIGA</b>		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified.  
.. indicates data are not available. - indicates observation is not applicable.

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Development Economics, Development Data Group (DECDG).

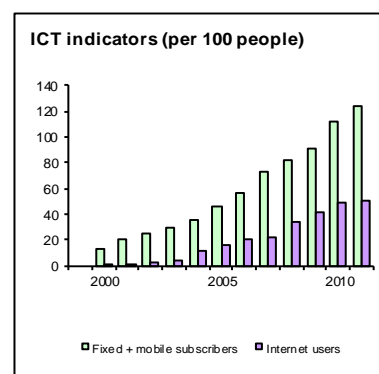
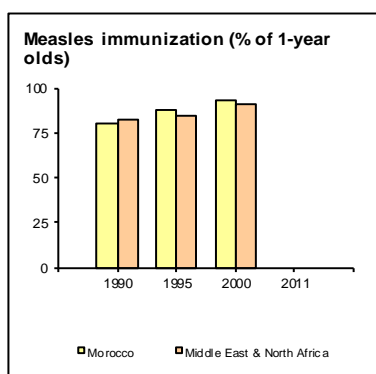
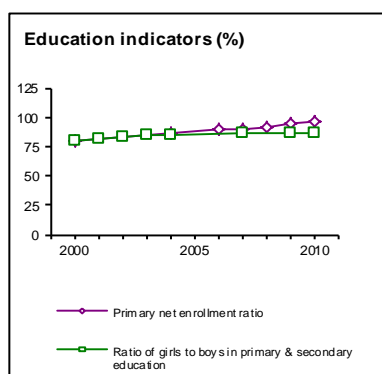
# Millennium Development Goals

Morocco

With selected targets to achieve between 1990 and 2015

(estimate closest to date shown, +/- 2 years)

	Morocco			
	1990	1995	2000	2011
<b>Goal 1: halve the rates for extreme poverty and malnutrition</b>				
Poverty headcount ratio at \$ 1.25 a day (PPP, % of population)	2.5	..	6.3	2.5
Poverty headcount ratio at national poverty line (% of population)	13.1	..	15.3	6.2
Share of income or consumption to the poorest quintile (%)	6.6	..	6.3	6.6
Prevalence of malnutrition (% of children under 5)	9.0	..	..	3.1
<b>Goal 2: ensure that children are able to complete primary schooling</b>				
Primary school enrollment (net, %)	58	72	79	97
Primary completion rate (% of relevant age group)	52	48	57	89
Secondary school enrollment (gross, %)	37	38	38	67
Youth literacy rate (% of people ages 15-24)	55	62	67	85
<b>Goal 3: eliminate gender disparity in education and empower women</b>				
Ratio of girls to boys in primary and secondary education (%)	67	72	80	87
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	20	18
Proportion of seats held by women in national parliament (%)	..	1	1	13
<b>Goal 4: reduce under-5 mortality by two-thirds</b>				
Under-5 mortality rate (per 1,000)	85	..	47	31
Infant mortality rate (per 1,000 live births)	66	57	40	29
Measles immunization (proportion of one-year olds immunized, %)	80	88	93	94
<b>Goal 5: reduce maternal mortality by three-fourths</b>				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	332	228	228	112
Births attended by skilled health staff (% of total)	31	34	48	74
Contraceptive prevalence (% of women ages 15-49)	42	50	..	67
<b>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</b>				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.1	0.2
Incidence of tuberculosis (per 100,000 people)	110	113	95	85
Tuberculosis case detection rate (% all forms)	76	73	86	86
<b>Goal 7: halve the proportion of people without sustainable access to basic needs</b>				
Access to an improved water source (% of population)	75	..	80	96
Access to improved sanitation facilities (% of population)	58	..	68	51
Forest area (% of land area)	6.8	12.7	12.7	12.7
Terrestrial protected areas (% of land area)	1.2	1.5	1.5	1.5
CO2 emissions (metric tons per capita)	1.0	1.1	1.2	1.5
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	9.7	8.2	8.3	8.3
<b>Goal 8: develop a global partnership for development</b>				
Telephone mainlines (per 100 people)	16	4.2	4.9	110
Mobile phone subscribers (per 100 people)	0.0	0.1	8.1	113.3
Internet users (per 100 people)	0.0	0.0	0.7	510
Households with a computer (%)	..	..	..	39.0



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

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Development Economics, Development Data Group (DECDG).

**CPS Annex B2**  
**Selected Indicators\* of Bank Portfolio Performance and Management**

As of March 20, 2014

Indicator	2011	2012	2013	2014
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	12	12	14	16
Average Implementation Period (years) <sup>b</sup>	2.3	2.1	2.7	3.0
Percent of Problem Projects by Number <sup>a, c</sup>	16.7	0.0	7.1	6.3
Percent of Problem Projects by Amount <sup>a, c</sup>	13.0	0.0	3.3	2.3
Percent of Projects at Risk by Number <sup>a, d</sup>	16.7	0.0	7.1	6.3
Percent of Projects at Risk by Amount <sup>a, d</sup>	13.0	0.0	3.3	2.3
Disbursement Ratio (%) <sup>e</sup>	14.1	18.1	12.1	13.4
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	No	No	No	No
Supervision Resources (total US\$)	1,588	1,587	2,048	1,600
Average Supervision (US\$/project)	70	62	81	65

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	133	8
Proj Eval by OED by Amt (US\$ millions)	8,592.0	813.1
% of OED Projects Rated U or HU by Number	24.8	0.0
% of OED Projects Rated U or HU by Amt	24.3	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- \* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

## CAS Annex B3 - IBRD/IDA Program Summary

As of March 20, 2014

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards b (H/M/L)</i>	<i>Implementation b Risks (H/M/L)</i>
2014	Accountability and transparency	200.0		
	Inclusive Green Growth 1	300.0		
	Capital Market Develop. & SME Finance	300.0		
	Rural Water Supply II	150.0		
	Second Rural Roads 2 - addt'l financing	95.0		
	Second Skills and Employment DPL	100.0		
	ONEE Support AF	40.0		
	<b>Subtotal</b>	<b>1,185.0</b>		
2015	Noor II and III Concentrated Solar Power	150.0		
	Clean and Efficient Energy	125.0		
	Health Sector Support	100.0		
	Integrated Risk Management	75.0		
	Second Competitiveness DPL	120.0		
	Solid Waste Sector DPL4	130.0		
	Urban Transport Sector	200.0		
	Early Stage Entrepreneurship	50.0		
	Non-Revenue Water	100.0		
	OER Irrigation AF	180.0		
	<b>Subtotal</b>	<b>1,230.0</b>		
2016-2017 (Indicative)	Inclusive Green Growth DPL2			
	Support to ORDAR Creation			
	Judiciary Reform Implementation			
	Rural Development Program			
	Financial Sector DPL2			
	Rural Roads III			
	Accountability and Transparency DPL2 & 3			
	Education Support			
	Tourism Development			
	Agriculture Modernization			
	Local Government Modernization			
	INDH3			
	Peri-Urban Water Supply and Sewerage			
	ICT Development			
	Gender DPL			
	Energy Efficiency			
	Social Protection Reform			
	Youth and Employment Support			
	Water and Sanitation			
	<b>Subtotal</b>	<b>1,585.0</b>		
	<b>TOTAL</b>	<b>4,000.0</b>		

## CAS Annex B3 - IFC Program Summary

<b>IFC Investment Operations Program</b>		<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14 (*)</b>
<b><u>Commitments (US\$m)</u></b>						
Gross	IFC Own Account (OA)	10.5	18.5	106.4	199.1	133.2
Net**	IFC Own Account + Mobilization	10.5	18.5	156.4	271.7	133.2
<b><u>OA Commitments by Sector (%)</u></b>						
Agriculture and Forestry		0%	0%	0%	0%	18%
Oil, Gas and Mining		21%	16%	3%	0%	0%
Construction and Real Estate		0%	0%	0%	0%	41%
Finance & Insurance		0%	84%	97%	90%	26%
Collective Investment Vehicles		79%	0%	0%	3%	15%
Education Services		0%	0%	0%	7%	0%
<b>Total</b>		100%	100%	100%	100%	100%
<b><u>OA Commitments by Investment Instrument (%)</u></b>						
Guarantee		0%	36%	26%	24%	11%
Loan		0%	14%	0%	0%	15%
Quasi-Equity (inc. Loan Type)		0%	34%	0%	0%	19%
Straight Equity (inc. Fund)		100%	16%	74%	76%	55%
<b>Total</b>		100%	100%	100%	100%	100%

(\*) As of March 12, 2014

**CAS Annex B4 - Summary of Nonlending Services**  
As of March 20, 2014

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>
<b>Recent completions</b>		
Justice Public Expenditure Review	FY13	262
Climate Change Impact on Water Resource Mgmt	FY13	76
Health Sector Support	FY13	73
eGov and Broadband Policy Advice	FY13	136
Climate Change Adaptation and Mitigation Strategy	FY14	609
Trade and Integration	FY14	304
Governance of Service Delivery	FY14	462
Community-Based Disaster Risk Management	FY14	46
Integrated Risk Management and Strategy	FY14	245
Systems Approach for Better Education Results	FY14	45
<b>Underway</b>		
Gender Assessment	FY14-15	150
PER Health and Education	FY14	500
Poverty PESW	FY14	500
Employment TA	FY14	400
Broadband and eGov Policy Advice	FY14	130
Support to Improve SOE governance in MENA Region	FY14	210
Trade Facilitation and Logistics in MENA Region	FY14	90
Gender Learning and Operational Initiative in MENA Region-TF	FY14	300
Country Economic Memorandum	FY15	200
Trade and Competitiveness	FY15	50
Subsidy Reform and Cash Transfer Program	FY15	500
Support to Artisanal Mining	FY15	50
Climate Change Adaptation in Road Sector TA	FY15	150
Tourism Development	FY15	50
GAC in Moroccan Health Management Information System TF	FY15	365
Public Employment and Governance in MENA	FY15	110
Water and Energy Nexus - Thirsty Energy Initiative TF	FY15	400
Promoting Social Entrepreneurship TF	FY15	350
<b>Planned</b>		
Non-Revenue Water Assessment ESW		
Water/Energy Distribution Restructuring ESW		
PEFA Diagnostic ESW		
ICT-Enabled Micro-Work TA		
Employment TA		
Poverty ESW		
Clean Energy TA Phase 2		

## CPS Annex B5

### Morocco Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2006-12	M. East & North Africa	Lower- middle- income
<b>POPULATION</b>					
Total population, mid-year ( <i>millions</i> )	21.8	26.4	32.5	339.6	2,507.0
Growth rate ( <i>% annual average for period</i> )	2.3	1.8	1.1	1.7	1.5
Urban population ( <i>% of population</i> )	44.9	51.9	57.7	59.5	38.9
Total fertility rate ( <i>births per woman</i> )	4.7	3.6	2.2	2.8	2.9
<b>POVERTY</b>					
<i>(% of population)</i>					
National headcount index	26.0	13.1	6.2		
Urban headcount index	17.3	7.6	3.5		
Rural headcount index	32.6	18.0	10.0		
<b>INCOME</b>					
GNI per capita ( <i>US\$</i> )	670	1,280	2,960	3,453	1,879
Consumer price index ( <i>2005=100</i> )	54	91	123	..	..
<b>INCOME/CONSUMPTION DISTRIBUTION</b>					
Gini index	39.2	39.2	40.8		
Low est quintile ( <i>% of income or consumption</i> )	6.7	6.6	6.6		
Highest quintile ( <i>% of income or consumption</i> )	46.3	46.4	48.1		
<b>SOCIAL INDICATORS</b>					
<b>Public expenditure</b>					
Health ( <i>% of GDP</i> )	..	1.0	1.4	3.0	1.5
Education ( <i>% of GDP</i> )	5.9	5.6	6.0	4.7	4.2
<b>Net primary school enrollment rate</b>					
<i>(% of age group)</i>					
Total	61	72	97	93	87
Male	73	81	97	95	88
Female	48	63	95	90	86
<b>Access to an improved water source</b>					
<i>(% of population)</i>					
Total	..	75	97	89	87
Urban	..	94	100	95	93
Rural	..	58	92	82	84
<b>Immunization rate</b>					
<i>(% of children ages 12-23 months)</i>					
Measles	45	88	94	91	79
DPT	51	86	..	91	73
Child malnutrition ( <i>% under 5 years</i> )	..	9	3	6	24
<b>Life expectancy at birth</b>					
<i>(years)</i>					
Total	59	68	75	71	66
Male	58	66	74	69	64
Female	60	70	76	73	68
<b>Mortality</b>					
Infant ( <i>per 1,000 live births</i> )	83	57	29	21	46
Under 5 ( <i>per 1,000 live births</i> )	115	76	31	26	61
Adult (15-59)					
Male ( <i>per 1,000 population</i> )	264	234	..	176	239
Female ( <i>per 1,000 population</i> )	207	184	..	111	166
Maternal ( <i>per 100,000 live births</i> )	..	228	112	81	260
Births attended by skilled health staff (%)	24	34	74	..	57

CAS Annex B5. This table was produced from the CMU LDB system.

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Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.



## CPS Annex B6: Key Economic Indicators

Indicator	Actual			Estimate			Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>National accounts (as % of GDP)</b>									
Gross domestic product <sup>a</sup>	100	100	100	100	100	100	100	100	100
Agriculture	14	15	16	15	15	15	17	16	16
Industry	27	30	29	30	30	30	29	29	29
Services	59	55	55	55	54	56	54	55	55
Total Consumption	77	75	75	75	77	79	80	79	78
Gross domestic fixed investment	31	33	31	31	31	31	30	30	30
Government investment	4	5	6	6	6	6	5	5	5
Private investment	28	28	25	25	25	26	25	25	25
Exports (GNFS) <sup>b</sup>	36	37	29	33	36	36	34	35	35
Imports (GNFS)	45	51	40	43	49	50	47	47	46
Gross domestic savings	23	25	25	25	23	21	20	21	22
Gross national savings <sup>c</sup>	32	33	30	31	28	25	25	26	27
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	75223	88879	90554	90770	99212	95982	103803	108992	115361
GNI per capita (US\$, Atlas method)	2340	2600	2870	2960	2990	2960	3140	3180	3360
Real annual growth rates (% , calculated from 98 prices)									
Gross domestic product at market prices	2.7	5.6	4.8	3.6	5.0	2.7	4.5	3.0	4.6
Gross Domestic Income	3.0	4.4	7.9	1.8	4.3	2.0	4.3	3.1	5.0
Real annual per capita growth rates (% , calculated from 98 prices)									
Gross domestic product at market prices	1.8	4.6	3.7	2.4	3.6	1.3	3.4	2.0	3.6
Total consumption	3.0	4.8	5.1	0.3	5.4	3.0	4.0	1.5	3.1
Private consumption	2.8	5.0	3.5	1.0	6.0	2.1	4.5	1.9	3.2
<b>Balance of Payments (US\$ millions)</b>									
Exports (GNFS) <sup>b</sup>	27268	33430	26182	30308	35529	34877	35159	37739	40827
Merchandise FOB	15129	20095	13973	17771	21631	21400	21274	22521	24123
Imports (GNFS) <sup>b</sup>	34610	46267	37026	40192	49480	49531	48846	50893	53172
Merchandise FOB	29206	39573	30189	32744	40908	41394	40680	42362	44230
Resource balance	-7342	-12837	-10844	-9884	-13951	-14654	-13687	-13154	-12345
Net current transfers	7661	8727	7360	7290	8010	7474	7684	8065	8462
Current account balance	-70	-4637	-4930	-4078	-7986	-9555	-8632	-7981	-7033
Net private foreign direct investment	2183	2002	1476	985	2389	2474	2598	3500	3500
Long-term loans (net)	370	1445	2321	2559	1684	2742	4541	3863	2898
Official	820	1758	1902	1161	1672	85	3833	3165	3155
Private	-450	-312	419	1398	12	2658	708	697	-257
Other capital (net, incl. errors & omissions)	-416	-291	937	1739	1280	872	1296	1336	1324
Change in reserves <sup>d</sup>	-2067	1481	196	-1206	2632	3467	198	-718	-689
<i>Memorandum items</i>									
Resource balance (% of GDP)	-9.8	-14.4	-12.0	-10.9	-14.1	-15.3	-13.2	-12.1	-10.7
Real annual growth rates ( YR98 prices)									
Merchandise exports (FOB)	3.5	-4.3	..	..	1.3	14.1	0.8	5.1	5.9
Primary	5.1	-9.4	..	..	-3.3	-1.1	3.6	6.7	7.6
Manufactures	0.9	1.3	..	..	3.5	23.0	-2.3	2.9	3.3
Merchandise imports (CIF)	11.8	6.5	..	..	8.2	1.5	0.5	4.1	5.0
							<i>(Continued)</i>		

## CPS Annex B6: Key Economic Indicators (Continued)

Indicator	Actual			Estimate			Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public finance (as % of GDP at market prices)<sup>e</sup></b>									
Current revenues	27.4	29.7	25.8	25.4	25.9	26.3	25.9	26.2	26.1
Current expenditures	24.1	25.5	23.1	23.8	26.9	28.7	26.3	25.7	25.0
Current account surplus (+) or deficit (-)	3.2	4.2	2.7	1.6	-0.9	-2.4	-0.4	0.5	1.1
Capital expenditure	4.6	5.5	6.3	6.2	6.2	5.9	5.3	5.3	5.3
Foreign financing	0.6	1.6	1.7	2.1	0.9	1.8	3.9	3.7	2.6
<b>Monetary indicators</b>									
M2/GDP	114.6	116.1	116.9	116.7	118.3	119.8	119.0	119.6	119.8
Growth of M2 (%)	17.5	13.3	7.0	4.2	6.4	4.5	6.4	6.0	7.1
Private sector credit growth / total credit growth (%)	74.6	80.6	92.8	108.2	66.5	68.5	59.6	66.2	72.5
<b>Price indices (YR98 =100)</b>									
Merchandise export price index	153.9	211.0	..	164.4	197.6	171.4	169.0	170.2	172.2
Merchandise import price index	130.3	161.3	..	138.6	160.0	159.7	156.0	156.1	155.2
Merchandise terms of trade index	118.1	130.8	..	118.6	123.5	107.4	108.3	109.0	110.9
Real exchange rate (US\$/LCU) <sup>f</sup>	87.0	80.3	82.8	87.0	85.8	94.4	90.4	90.4	90.4
<b>Real interest rates</b>									
Consumer price index (% change)	2.5	3.7	1.0	1.0	0.9	1.3	1.6	1.7	1.4
GDP deflator (% change)	3.9	5.9	1.5	0.6	0.1	0.4	2.4	2.4	2.3

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

## CPS Annex B7: Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total debt outstanding and disbursed (TDO) (US\$m) <sup>a</sup>	20679	20957	24631	26299	29049	29518	37726	41609	44307
Net disbursements (US\$m) <sup>a</sup>	651	1102	1842	2564	2025	469	4691	3883	2698
Total debt service (TDS) (US\$m) <sup>a</sup>	4023	4205	3413	3306	3234	3232	3440	3656	3914
Debt and debt service indicators (%)									
TDO/XGS <sup>b</sup>	59.2	50.7	73.9	69.9	66.7	70.2	87.2	90.0	89.1
TDO/GDP	27.5	23.6	27.2	29.0	29.3	30.8	36.3	38.2	38.4
TDS/XGS	11.5	10.2	10.2	8.8	7.4	7.7	7.9	7.9	7.9
Concessional/TDO	29.2	34.3	32.6	33.2	32.3	33.1	32.2	32.1	32.5
IBRD exposure indicators (%)									
IBRD DS/public DS	16.5	15.8	18.9	12.1	12.1	10.6	10.4	10.9	11.5
Preferred creditor DS/public DS (%) <sup>c</sup>	34.2	39.0	49.8	43.7	51.7	52.7	50.1	47.6	44.8
IBRD DS/XGS	1.1	0.9	1.0	0.7	0.6	0.7	0.7	0.8	0.8
IBRD TDO (US\$m) <sup>d</sup>	2578	2540	2543	2468	2866	2723	4313	5145	6046
Of which present value of guarantees (US\$m)									
Share of IBRD portfolio (%)	2	2	2	2	3	3	4	5	6
IDA TDO (US\$m) <sup>d</sup>	17	16	14	13	12	10	9	8	6
IFC (US\$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US\$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

**CAS Annex B8 - Operations Portfolio (IBRD/IDA and Grants)**

As of March 20, 2014

**Closed Projects**                      **158**

**IBRD/IDA** \*

Total Disbursed (Active)	1,131.05
of w hich has been repaid	16.97
Total Disbursed (Closed)	3,000.88
of w hich has been repaid	3,146.56
Total Disbursed (Active + Closed)	4,131.94
of w hich has been repaid	3,163.53
Total Undisbursed (Active)	708.57
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	708.57

**Active Projects**

Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$ Millions			Difference Between Expected and Actual Disbursements <sup>a/</sup>		
		Supervision Rating			IBRD	GRANT	Cancel.	Undisb.	Orig. Frm	Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>							
P129774	GEF Social & Integrated Agriculture	S	MS	2013		6.44		6.44	0.45	
P130903	Accountability and Transparency DPL	#	#	2014	200.00					
P121271	GEF Integrated Coastal Zone Mgt	S	MS	2013		5.18		4.98	1.50	
P117081	GEF Integrating CC in the PMV	S	MS	2011		4.35		3.23	1.47	
P127956	Inclusive Green Growth DPL	#	#	2014	300.00					
P125799	Judicial Performance Enhancement	MS	MS	2012	15.80			15.57		
P093719	Modern. of Irrig. Agric.in OER Basin	MS	MS	2010	70.00			42.39	21.48	
P129326	MSME Development	S	S	2012	50.00			0.29	(40.46)	
P116201	National Initiative for Human Dev II	S	S	2012	300.00			170.58		
P104265	ONE Support Project	S	S	2008	190.50			60.34	42.87	
P122028	Ouarzazate Concentrated Solar Power	S	MS	2012	200.00			199.50		
P098459	Oum Er Rbia Sanitation	MU	MU	2010	43.00			41.92	21.90    18.75	
P100397	Regional Potable Water Supply Systems	MS	MS	2010	175.00			161.24	144.04    71.25	
P094007	Rural Roads II	S	MS	2006	141.52				(90.65)    (15.51)	
P086877	Rural Water Supply and Sanitation	S	S	2006	60.00			16.73	10.82    5.91	
P120541	Second Education DPL	S	S	2013	100.00					
	<b>TOTAL</b>				<b>1,845.82</b>	<b>15.97</b>		<b>723.22</b>	<b>(629.20)    80.40</b>	

## CPS Annex B9

MIS

International Finance Corporation

Report Run Date: 03/20/2014

### Statement of IFC's Committed and Outstanding Portfolio

*Amounts in US Dollar Millions*

Accounting Date as of : 02/28/2014

Page 1

Region(s): Middle East and North Africa

Country(s) : Morocco

Commitment Fiscal Year	Institution Short Name	COMMITTED							OUTSTANDING						
		LN	ET	QL + QE	GT	RM	ALL	ALL	LN	ET	QL + QE	GT	RM	ALL	ALL
		Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	>mtd - IFC	Cmtd - IFC	>mtd - Par	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - Part
2010	<a href="#">ARIF</a>	0	10.95	0	0	0	10.95	0	0	3.54	0	0	0	3.54	0.00
2007	<a href="#">Al Amana - Maroc</a>	0	0	1.15	0	0	1.15	0	0	0	1.15	0	0	1.15	0.00
2014	<a href="#">Alliances</a>	0	30.00	25.00	0	0	55.00	0	0	0	0	0	0	0	0.00
2008	<a href="#">AlterMed Maghreb</a>	0	6.25	0	0	0	6.25	0	0	0.77	0	0	0	0.77	0.00
2013	<a href="#">BCP</a>	0	51.76	0	0	0	51.76	0	0	51.07	0	0	0	51.07	0.00
2008	<a href="#">BMCE</a>	0	0	96.55	0	0	96.55	0	0	0	96.55	0	0	96.55	0.00
2013	<a href="#">CNAV Fund II</a>	0	13.73	0	0	0	13.73	0	0	2.28	0	0	0	2.28	0.00
2008	<a href="#">Capital N Africa</a>	0	4.21	0	0	0	4.21	0	0	2.44	0	0	0	2.44	0.00
2014	<a href="#">FBPMC</a>	20.00	0	0	0	0	20.00	0	0	0	0	0	0	0	0.00
2006/ 2012	<a href="#">FONDEP</a>	0	0	0	8.95	0	8.95	0	0	0	0	0.35	0	0.35	0.00
2013	<a href="#">HEM</a>	0	7.00	0	0	0	7.00	0	0	7.00	0	0	0	7.00	0.00
2010/ 2011/ 2012	<a href="#">Kasbah</a>	0	5.72	0	0	0	5.72	0	0	5.72	0	0	0	5.72	0.00
2000	<a href="#">Maghreb Inv. Mgt</a>	0	0.02	0	0	0	0.02	0	0	0.02	0	0	0	0.02	0.00
2000	<a href="#">Maghreb Invest P</a>	0	0.00	0	0	0	0.00	0	0	0.00	0	0	0	0.00	0.00
2014	<a href="#">Mediterrania II</a>	0	20.69	0	0	0	20.69	0	0	0.45	0	0	0	0.45	0.00
2008/ 2012	<a href="#">Mixta Africa</a>	0	0.88	0	0	0	0.88	0	0	0.88	0	0	0	0.88	0.00
1988/ 1990/ 1993	<a href="#">SETAFIL</a>	0.00	0.00	0	0	0	0.00	0	0.00	0.00	0	0	0	0.00	0.00
2012	<a href="#">Saham Finances</a>	0	69.04	0	0	0	69.04	0	0	69.04	0	0	0	69.04	0.00
2014	<a href="#">Zalagh Holding</a>	0	24.00	0	0	0	24.00	0	0	24.00	0	0	0	24.00	0.00
<b>Total Portfolio</b>		<b>20.00</b>	<b>244.25</b>	<b>122.70</b>	<b>8.95</b>	<b>0</b>	<b>395.91</b>	<b>0</b>	<b>0.00</b>	<b>167.21</b>	<b>97.70</b>	<b>0.35</b>	<b>0</b>	<b>265.26</b>	<b>0.00</b>