

**Document of
The World Bank Group**

FOR OFFICIAL USE ONLY

Report No. 131039-MA

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE KINGDOM OF MOROCCO

FOR THE PERIOD FY19–FY24

January 18, 2019

**Maghreb Country Management Unit
Middle East and North Africa
International Finance Corporation
Multilateral Investment Guarantee Agency**

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank Group authorization.

The date of the last Performance and Learning Review was May 24, 2017 (Report No. 105894 – MA)

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 15, 2019)

Currency Unit=Moroccan Dirham (MAD)

MAD 1.00=US\$ 0.11

Kingdom of Morocco

GOVERNMENT FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfD	<i>Agence Française de Développement (French Agency of Development)</i>	CREA	<i>Comité Régional de l'Environnement des Affaires (Regional Committee for Business Environment)</i>
AfDB	African Development Bank	CSO	Civil Society Organization
ALMP	Active Labor Market Policies	CSP	Concentrated Solar Plant
AMC	Asset Management Company	DAAM	Cash Transfer Program for Widows and Orphans
AMMC	Morocco's Capital Market Agency	DCFTA	Deep and Comprehensive Free Trade Agreement
ANAPEC	National Employment Agency	DFI	Development Financing Institution
ASA	Advisory Services and Analytics	DPF	Development Policy Financing
ATI	Access to Information	DPL	Development Policy Loan/Lending
BAM	Bank Al-Maghrib (Central Bank of Morocco)	DPO	Development Policy Operation
BAU	Business as Usual	DRM	Disaster Risk Management
CCAG	<i>Cahier des Clauses Administratives Générales (standard contractual document)</i>	DSA	Debt Sustainability Analysis
CCAP	<i>Cahier des Clauses Administrative Particulières (Specific contractual document)</i>	E4E	Education for Employment Initiative for Arab Youth
CCKP	Climate Change Knowledge Portal (World Bank)	ECD	Early Childhood Development
CE	Citizen Engagement	ECE	Early Childhood Education
CEM	Country Economic Memorandum	ECOWAS	Economic Community of West African States
CLDH	<i>Comité Local de Développement Humain (Local Human Development Committee)</i>	ERC	Equity and Reconciliation Council
CMU	Country Management Unit	EE	Energy Efficiency
CNEA	Comité National de l'Environnement des Affaires (National Committee for Business Environment)	FAST E4E	Youth Employability Enhancement Project
CNCP	<i>Commission de la Commande Publique (Public Procurement Regulatory Commission)</i>	FDI	Foreign Direct Investment
CPF	Country Partnership Framework	GCC	Gulf Cooperation Council

CPI	Consumer Price Index	GDP	Gross Domestic Product
CPS	Country Partnership Strategy	GHG	Greenhouse Gas
GID	Expenditure Management Information System	NPF	New Procurement Framework
GP	Global Practice	NRA	National Registry Agency
GP	Government's Program	ONEE	Office National de l'Electricité et de l'Eau Potable (National Electric and Water Utility)
GVC	Global Value Chain	ORMVA	<i>Régional de Mise en Valeur Agricole des Doukkala</i> (Regional Office of Agricultural Development Doukkala)
H1	First Half of the Fiscal Year	PACT	Local Government Support Program
HCP	<i>Haut-Commissariat au Plan</i> (High Planning Commission)	PEFA	Public Expenditure and Financial Accountability
HMIS	Health Management Information System	PforR	Program for Results
IBRD	International Bank for Reconstruction and Development (World Bank)	PFM	Public Financial Management
ICE	Common Enterprise Identifier	PIM	Public Investment Management
ICT	Information and Communication Technology	PIU	Project Implementation Unit
IDPs	Internally Displaced persons	PJD	Party for Justice and Development
IFC	International Finance Corporation	PLL	Precautionary and Liquidity Line
IMF	International Monetary Fund	PLR	Performance and Learning Review
INDH	National Initiative for Human Development	PME	<i>Agence Nationale pour la Promotion des Petites et Moyennes Entreprises</i> (National Agency for the Promotion of SMEs)
IPF	Investment Project Financing	PMV	<i>Plan Maroc Vert</i> (Morocco Green Strategy)
IST	Implementation Support Team	PNEI	Industrial Emergence Strategy
ICSID	International Centre for Settlement of Investment Disputes	PPD	Public-Private Dialogue
JCAP	Joint Capital Market Development Program (WB and IFC)	PPP	Public-Private Partnership
KfW	German Development Bank	PPP	Purchasing Power Parity
ILO	International Labour Organization	QoS	Quality of Service
M&E	Monitoring and Evaluation	RAMED	Medical Insurance Plan for the Financially Underprivileged
MAGG	Ministry of General Affairs and Governance	RAS	Reimbursable Advisory Services

MASEN	Moroccan Agency for Sustainable Energy	SCD	Systematic Country Diagnostic
MED	Public Health Insurance Program	SDGs	Sustainable Development Goals
MDGs	Millennium Development Goals	SMEs	Small and Medium Enterprises
MENA	Middle East and North Africa	SOE	State-Owned Enterprise
MFD	Maximizing Financing for Development	SR	Social Registry
MGA	Multilateral Investment Guarantee Agency	SSN	Social Safety Net
MID	Maghreb Infrastructure Diagnostic	STEP	Systematic Tracking of Exchanges in Procurement
MSMEs	Micro, Small and Medium Enterprises	Tayssir	Conditional Cash Transfers for Education
MIT	Macroeconomics, Trade and Investment	TNC	Third National Communication
NDC	Nationally Determined Contribution (to Paris Agreement)	UHC	Universal Health Coverage
NEET	Not in Education, Employment or Training	UNFCCC	United Nations Framework Convention on Climate Change
NGO	Non-Governmental Organization	UNIAG	United Nations Inter-Agency Group
NPR	National Population Registry		
NPL	Non-Performing Loan		

	IBRD	IFC	MIGA
Vice President:	Ferid Belhaj	Sergio Pimenta	Keiko Honda
Director:	Marie Françoise Marie-Nelly	Mouayed Makhlouf	Merli Baroudi
Task Team Leader:	Afef Haddad	Xavier Reille	Mena Cammett

Contents

I.	INTRODUCTION	1
II.	COUNTRY CONTEXT AND DEVELOPMENT AGENDA	3
	<i>Social and Political Context</i>	3
	<i>Recent Economic Developments</i>	4
	<i>Boosting Growth Through Regional Integration</i>	8
	<i>Poverty and Inequality Profile</i>	9
	<i>Main Development Challenges: SCD Findings</i>	11
III.	WORLD BANK GROUP PARTNERSHIP FRAMEWORK	17
	<i>Government Program and Medium-Term Strategy 2017-2021</i>	17
	<i>Proposed WBG Country Partnership Framework</i>	18
	<i>Focus Areas and Objectives Supported by the WBG Program</i>	21
	Strategic Focus Area A: Promoting Job Creation by The Private Sector	22
	Strategic Focus Area B: Strengthening Human Capital	24
	Strategic Focus Area C: Promoting Inclusive and Resilient Territorial Development	26
	Governance and Citizen Engagement Foundation	28
	Cross-Cutting Theme: Gender – Empowering Women and Girls for Shared Prosperity	31
	Cross-Cutting Theme: Harnessing Digital Economy for Jobs and Faster Growth	32
	<i>Implementing the CPF</i>	33
	<i>Country Procurement and Financial Management Systems</i>	39
	<i>Portfolio Monitoring and Evaluation: Learning from Implementation</i>	40
	<i>Partnerships and Development Partner Coordination</i>	41
IV.	MANAGING RISKS TO THE CPF PROGRAM	41

BOXES

Box 1: Youth Unemployment and Inactivity in Morocco	13
Box 2. The Time to Act is Now	15
Box 3: Gender Disparities in Morocco	16
Box 4. Government of Morocco's Efforts to Improve Governance and Citizen Engagement	18
Box 5. A New Roadmap to Strengthening CE in the CPF	30
Box 6. A Moonshot for the Middle East and North Africa	32
Box 7. Maximizing Finance for Development	38
Box 8. Maghreb Governance and Political Economy (PE) Filter	39

FIGURES

Figure 1. Morocco: Growth rates of GDP per Capita increased during the 2000s	5
Figure 2. Morocco: GDP growth rates have been on a downward trend since 2006.....	5
Figure 3. Poverty Reduction in Morocco, 2007-2018	9
Figure 4. Poverty Reduction in Morocco at Urban and Rural	9
Figure 5. Regional Distribution of Poverty in 2001 and 2014	10
Figure 6. Urban and Rural Inequality: Gini Index, 2007-2014.....	10
Figure 7. Urban and Rural Subjective Poverty, 2007-2014	11
Figure 8. Evolution of Governance Indicators between 2011 (blue) and 2017 (red)	17

TABLES

Table 1. Summary of Scenarios from Morocco CEM	3
Table 2. Morocco: Selected Macroeconomic Indicators, 2016-2022	7
Table 3. Mapping the CPF to SCD Priorities and Binding Constraints.....	22
Table 4. Ongoing IBRD Program.....	34
Table 5. Indicative WBG Program for FY19-21.....	35
Table 6. Selected WBG Advisory and Analytics, FY19-FY21.....	36
Table 7. The Shift to a Learning and Adaptive CPF	37
Table 8. Systematic Operations Risk-Rating Tool	42

ANNEXES

Annex 1. Morocco CPF (FY19-24) Results Framework.....	43
Annex 2. Morocco FY14-17 CPS Completion and Learning Review	70
Annex 3. Selected Indicators of Bank Portfolio Performance and Management.....	107
Annex 4. Operations Portfolio (IBRD/IDA and Grants)	108
Annex 5. Statement of IFC Held and Disbursed Portfolio	109
Annex 6. MIGA Guarantee Portfolio	110
Annex 7. Roadmap Toward Citizen-State Interface in Morocco	111
Annex 8. IFC Strategy Rooted in CPF Strategy	112
Annex 9. IFC Key Areas of Focus for MFD and WBG Collaboration	113
Annex 10. Change Management and Collaborative Leadership.....	114
Annex 11. Morocco CPF Consultations – Outcomes and main messages	115
Annex 12. Team Composition	117

FY2019-2024 COUNTRY PARTNERSHIP FRAMEWORK FOR THE KINGDOM OF MOROCCO

I. INTRODUCTION

1. **Morocco has made significant social and economic progress over the past 15 years**, due to large public investments and political, institutional and sector reforms, along with measures to ensure macroeconomic stability. The resulting accelerated growth has led to dramatic improvements towards eradicating extreme poverty¹; a sharp decline in the national poverty rate; increased life expectancy; greater access to basic public services, including universal access to primary education; and significant public infrastructure development. These achievements have enabled Morocco to launch a process of convergence with Southern European countries. Morocco enjoyed the fastest per capita growth in the Middle East and North Africa (MENA) region over 2000-2017 and had the fourth-largest Foreign Direct Investment (FDI) inflows in Africa in 2017. Morocco is the only remaining investment-grade country in non-GCC MENA.

2. **Yet, despite these achievements, as stressed in the June 2018 Systematic Country Diagnostic (SCD), Morocco continues to face development challenges, and the aspirations of its citizens for a better life remain unmet.** This is particularly true for the youth. Job creation is slowing; unemployment is high, particularly among youth and women; service delivery is inadequate; social and territorial disparities remain; and there is increasing frustration about the lack of transparency, adequate governance and public accountability. Efforts to improve the situation have been constrained by structural inefficiencies. Private sector development, a key driver of employment, is hampered by lack of inclusion in market institutions leading to weak contestability of markets and poor access to financing for entrepreneurs and Small and Medium Enterprises (SMEs). Moreover, the education system is failing to deliver the skills required for the changing business and labor market. Employers are unable to find the required hard and soft skills, while nearly 20 percent of youth are unable to find work. Nevertheless, labor costs are high, as are the costs of business-related services. Despite the opening of new export sectors, the number of exporting firms is stagnant, as Morocco is no longer competitive in the low-skill products that drove its growth in the past but is not yet competitive in more sophisticated products. This could signal the possible beginning of a middle-income trap, which would further limit progress and worsen the sense of frustration, social fragmentation and lack of trust of the population; or the country could start to do things differently.

3. **Morocco is at a turning point in its history and has a unique window of opportunity to create high and inclusive growth.** The 2017 Country Economic Memorandum (CEM) identified three structural trends which could help Morocco accelerate growth and job creation. These are: (a) the country's demographic transition with an increasing proportion of the population that is of working age (64 percent today against 48 percent in 1960); (b) the urbanization of society in the context of decentralization, with 60 percent of Moroccans living in urban areas today against 41 percent in 1980; and (c) growing school enrollment. If appropriate structural reforms are introduced to take advantage of this unique situation, Morocco could quickly scale up its productivity gains, foster more inclusive growth, and rebalance its growth model (see Table 1 below). H.M. the King has called for such a new development model.

¹ According to the results of the Household survey of 2014, extreme poverty, which is measured at US\$1 PPP, was statistically insignificant.

4. **Morocco has a strategy to deepen regional integration.** The latest and important developments have been the re-integration of Morocco in the African-Union and the initiation of the process to join the Economic Community of West African States (ECOWAS). In parallel, as an early mover on services investments in Sub-Saharan Africa, Morocco has gained market shares in banking, insurance, construction and logistics. Morocco's trade with Africa has doubled since 2007, and its FDI has quickly grown to fifth largest (of 43 countries), driven by financial services, telecoms, fertilizers, real estate and ports. With its extensive backbones, Morocco has also a very important role to play in the Maghreb-Sub-Saharan Africa connectivity.

5. **This Country Partnership Framework (CPF) for Morocco for the period FY2019-24 has the overarching goal of contributing to social cohesion ^[1] by improving the conditions for growth and job creation and reducing social and territorial disparities.** Prepared collaboratively by IBRD, IFC and MIGA, the CPF translates the recommendations of the SCD and the Country Private Sector Diagnostic (CPSD) into an integrated World Bank Group (WBG) engagement. The CPF is aligned with the objectives of the Government's Program and Medium-Term Strategy 2017-21. It is also consistent with the third phase (2019-23) of the Government's National Initiative for Human Development (INDH), which focuses on strengthening human capital through improved education, healthcare and social protection, and on enhancing youth economic inclusion. Opportunities for youth are at the center of the CPF.

6. **The CPF responds to Morocco's ambition to successfully navigate this crucial point in its history. To achieve its objective of contributing to social cohesion and reducing social and territorial disparities,** this CPF pursues three strategic focus areas: (A) Promoting Job Creation by the Private Sector; (B) Strengthening Human Capital; and (C) Promoting Inclusive and Resilient Territorial Development. Governance and Citizen Engagement are the foundational principles of the CPF, and Gender and Digital Technology are cross-cutting themes.

7. **Strong country ownership and demand are important determinants of the specific activities included in the CPF program.** The first three years of the program have been defined jointly with the Government. The program supports the shift to a new development model, based on a scenario of deep and sustained structural reforms to increase productivity gains with special attention to innovation, market contestability and unleashing private sector potential (see Scenario 3 in table 1 below). Under this scenario, Morocco would be able to maintain a relatively high rate of economic growth and economic convergence with more developed countries while preserving macroeconomic stability. The other two possible scenarios: voluntary growth-oriented policies without productivity-enhancing reforms (Scenario 1) or the pursuit of current macroeconomic and structural policies (Scenario 2) would respectively lead to large macroeconomic imbalances or a disappointing growth performance.

8. **This is the first Learning and Adaptive CPF in the MNA region.** In recognition of Morocco's uncertain social and economic environment, the CPF will be a living strategy that incorporates learning by doing and constantly adapts to country circumstances and unforeseen or changing priorities. The definition of the program in the outer years will remain flexible particularly after the 2021 elections, as well as responsive to possible external shocks.

^[1]*Social cohesion* refers to a society that works towards the well-being of all its members, fights exclusion and marginalization, creates a sense of belonging, promotes trust, and offers its members the opportunity for upward social mobility.

Table 1. Summary of Scenarios from Morocco CEM

Scenario	If Morocco...	Then...	However, ...
1. Achieving solid past average growth rate of the 2000s without paradigm shift	...maintains growth achieved over 2000–14 (4.3 percent of GDP in average), it will need to increase its investment rate to more than 50 percent of GDP by 2040.	...per capita income will increase 2.5-fold, resulting in a substantial improvement in the standard of living for Moroccans and relative convergence toward the European economies (PPP per capita GDP reaching 40 percent of the European level by 2040, against 22 percent today.	...this growth model is unsustainable , as it draws primarily from the accumulated stock of capital, with limited productivity gains. The savings-investment imbalance would result in a balance of payments crisis. Long-term strong growth is not possible without significant productivity gains.
2. Continuing recent macro-fiscal and structural trends	...does not accelerate productivity gains, and only stabilizes investment at around 29 percent of GDP, and if the contribution of employment to growth remains unaltered...	... there would be significant impact on the standard of living, poverty reduction, and the rate of convergence with Southern European countries. The outlook for employment will remain unsatisfactory, leaving more than half of the working-age population unemployed, and leaving Morocco in a middle-income trap .	Without solid productivity gains, Morocco is essentially facing a difficult trade-off between macroeconomic imbalance and moderate growth.
3. Initiating strong paradigm change	... rebalances its growth model by scaling up its productivity gains and improving the employment rate through appropriate structural reforms and an increased employment rate of the working age population, driven mainly by an increase in the female employment rate...	... Morocco could sustain strong average growth (4.5 percent on average), assuming additional productivity gains mainly from accumulating more intangible assets in the form of human, institutional, and social capital.	...raising productivity gains by 2 percent per year for several decades is a major challenge, as it requires that Morocco makes judicious and sometimes difficult choices to successfully carry out the reforms needed to speed up the country's structural transformation.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

Social and Political Context

9. **Located in the MENA Region, Morocco is a peaceful and stable country.** Its political stability, underpinned by a series of major institutional and economic reforms since the 1990s, enabled the country to withstand the disruptive effects of the Arab Spring in 2011 and resist being drawn into the conflicts that spread across the region. However, as in other countries, the Arab Spring in Morocco led to demands for greater equality, improved governance and rule of law, greater economic opportunity, and citizen voice and participation.

10. **In response to these demands, Morocco adopted a new Constitution in 2011** that embedded the principles of transparency, strengthened rule of law and greater equality and political rights. The constitutional reform built upon a series of bold initiatives instigated by H.M. the King, included the widely praised Family Code (*Moudawana*) in 2004; a poverty alleviation program, the National Initiative for Human Development (INDH), in 2005; an ambitious regionalization agenda; economic liberalization, enhanced public governance and promotion of sustainable development.

11. **While these efforts have led to commendable economic and poverty outcomes, many reforms are still in the process of being implemented and therefore did not show significant impact on the discontent among marginalized youth and on increasing economic security among the rest of the**

population, including the middle class. Social discontent may be illustrated by the youth movement in the Northern Rif region in 2016-17 and by a 2018 boycott of prominent local firms. In both cases, social media was a key mobilizing factor. Citizens routinely use social media to organize and to deride abrupt government decisions.²

12. **Several factors may explain why reforms have failed to produce greater social cohesion.** Lack of competition affects negatively small firms. Chronic inefficiencies in the fiscal system and social spending hamper income redistribution. The delays in the implementation of the territorial development is translated into more regional and social inequities in access to services and opportunities. The reforms have failed to reduce the prominent level of unemployment or to significantly improve service delivery. The resulting asymmetric patterns of trust, voice and contestability amplify social dissonance.

13. **Looking ahead, the political landscape will be defined by the 2021 legislative elections—which will coincide with the midterm review of the CPF—and the possible emergence of new players in the context of evolving social and political dynamics.** The evolution of the social context will depend on the effectiveness of new development measures, including increased social spending in the 2019 Finance Bill; a royal call for an overhaul of the development model; the launch of the third phase of INDH; and greater emphasis on the social and economic integration of youth.

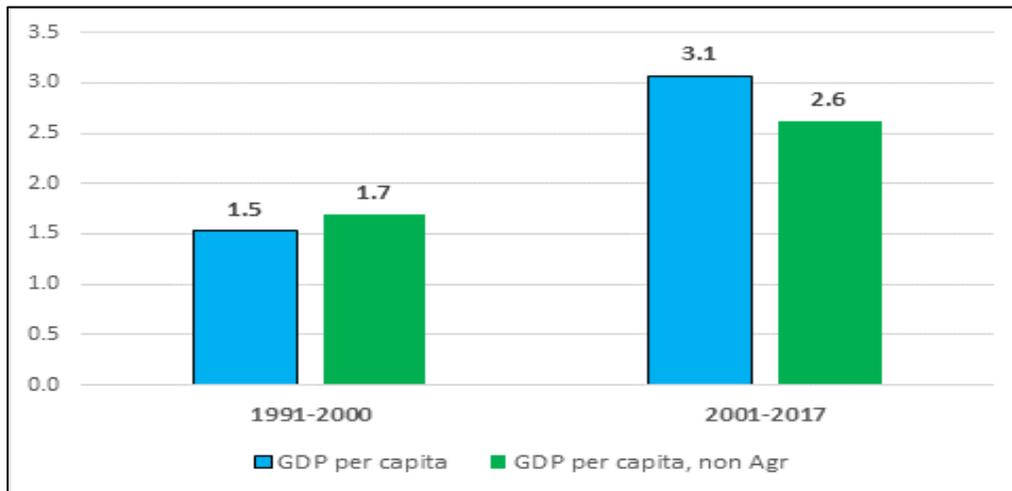
Recent Economic Developments

14. **Over the last two decades, Morocco achieved relatively strong economic and social outcomes thanks to a series of reforms aimed at** (a) stabilizing the macroeconomic framework by reducing domestic and external vulnerabilities, including through phasing out energy and food subsidies; (b) enhancing the fiscal and financial policy frameworks, including adoption of the new Organic Budget Law; and (c) supporting economic diversification and competitiveness. Morocco also enhanced its sector policies aimed at increasing growth potential and job creation, including in high value-added manufacturing sectors such as automotive, aeronautics and pharmaceuticals.

15. **During this period, economic growth improved the well-being of the population.** Morocco real per capita GDP nearly doubled, over 2000-2017 (from US\$1,727 to US\$2,948) (Figure 1); and began to narrow the standard-of-living gap with southern European countries. This growth led to an increase in the country's total wealth and to major social achievements, including the eradication of extreme poverty; a sharp decline in the national poverty rate; increased life expectancy; greater access to basic public services, including universal access to primary education; and significant public infrastructure development.

² Such as the abrupt re-imposition of compulsory military service and abandonment of daylight savings time.

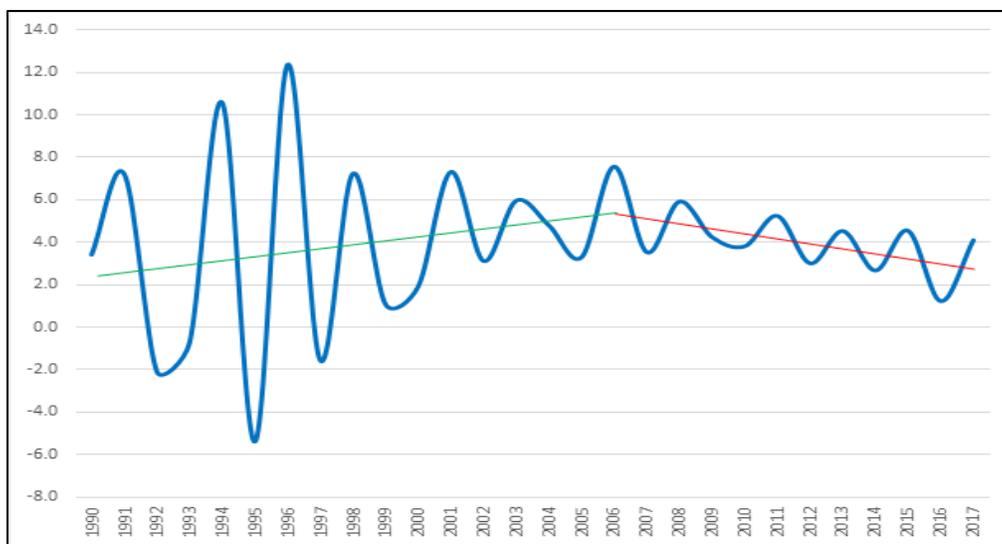
Figure 1. Morocco: Growth rates of GDP per Capita increased during the 2000s



Source : Haut-Commissariat au Plan (HCP).

16. **Over the past 10 years, however, growth has been on a downward trend, and the economy has not generated enough jobs to reduce the persistent high rate of unemployment, especially among the youth and educated.** Real GDP growth decelerated from an average of 4.8 percent over 1996-2006, to 4.6 percent over 2007-2011, and then to only 3.4 percent over 2012-2017 (Figure 2). During the first half of 2018, GDP growth fell to 2.8 percent. This downward trend reflects the slow transformation of the economy, which still relies largely on resource-based activities (including the volatile agriculture sector), and on public investment and domestic demand. These shortcomings point to the fact that Morocco’s current economic model has reached its limits. Recognizing this, H.M. the King has called for a new economic model to address the challenges of equitable growth, jobs and improved basic service delivery.

Figure 2. Morocco: GDP growth rates have been on a downward trend since 2006



Source : Haut-Commissariat au Plan (HCP).

17. **Along with these challenges, Morocco managed to weather the effects of external shocks on the budget and has maintained a stable macroeconomic framework (Table 2).** By 2012, because of the global economic crisis, Morocco experienced both a fiscal deficit and a current account deficit, which reached 6.8 and 9.5 percent of GDP, respectively. In response, the Government initiated in 2013 a process of fiscal consolidation and revenue development that allowed it to shrink the fiscal deficit while controlling the rise of public debt. Reform of the subsidy system, leading to the full liberalization of fuel prices in 2015 (combined with the fall in international oil prices), contributed to a cut in subsidies by about 5 percent of GDP during 2012-2018. On the revenue side, measures to improve tax collection through extension of the tax base, harmonization of tax rates, and efforts to fight tax evasion compensated for the impact of weaker economic activity on tax revenue. Overall, Morocco reduced its budget deficit from 6.8 percent of GDP in 2012 to 3.6 percent in 2017. The central government debt-to-GDP ratio has been stable at around 64-65 percent of GDP since 2015 (compared to 58.2 percent in 2012).

18. **Consistent with the Government's fiscal tightening measures, the external balance has improved markedly since 2012.** However, energy dependency (more than 20 percent of imported goods value) continues to weigh heavily on the trade balance and subjects it to the fluctuations of international energy prices. The decline in oil prices since mid-2014 contributed to a reduction in the current account deficit to 3.6 percent of GDP in 2017 (compared to 9.7 percent of GDP in 2012). However, despite the recovery of exports, the current account deficit is projected to slightly widen to nearly 4.3 percent of GDP in 2018 due to the impact of higher prices of imported energy. The estimated increase in the cost of imported energy in 2018 is around US\$1.5 billion.

19. **The recent widening of the exchange rate band has improved the economy's shock absorption capacity.** In mid-January 2018, Morocco's Central Bank allowed the currency to fluctuate within a band of ± 2.5 percent, compared to ± 0.3 percent before 2018. Since then, the exchange rate has fluctuated around the middle of the band, reflecting broad alignment with fundamentals. Nevertheless, reserves are projected to decline slightly because of the still elevated current account deficit. Morocco's financial sector remains sound overall, but with non-performing loans (NPLs) peaking at 7.5 percent in 2016, large exposures bear watching.

20. **Over the medium term, economic performance is expected to improve, driven by sound fiscal and monetary policies, more consistent sector strategies, and an improved investment environment, all of which are aimed at supporting gradual competitiveness gains.** In the meantime, growth is expected to drop to 2.9 percent in 2019 due to a projected 0.5 percent contraction of agricultural output after two exceptional years. Subsequently, GDP is projected to grow at around 3.8 percent, on average, over 2020-24, driven mainly by more dynamic secondary and tertiary activities, but also with improved productivity of agriculture. This growth will be bolstered by substantial foreign investments in the automotive and aeronautic industries and by expansion of services to businesses and households. Inflation is projected to remain around 2 percent over the medium term.

21. **The fiscal balance will converge to 3 percent of GDP, with central government debt projected to drop to 62-63 percent of GDP in the medium term, towards the government's target of 60 percent of GDP.** Consistent with this objective, the overall fiscal deficit is expected to decline from an estimated 3.6 percent of GDP in 2018 to 3 percent of GDP by 2021. These forecasts assume that the authorities will maintain their current path of fiscal consolidation and improve the efficiency of public investment, despite the potential for mounting pressures due to social movements and rising global oil prices. In this context, external public financing requirements are a moderate concern, as supported by the relatively low public external debt, at 31.3 percent of GDP at end-2017, and Morocco's investment-grade ratings on international markets. However, a downside risk may materialize if the current US\$5 billion budget

support agreement (2013-2018) with the Gulf Cooperation Council (GCC) is not renewed. The proceeds from the GCC have been instrumental in filling Morocco's external financial gaps and reducing the budget deficits over 2013-2018. The government put in place a list of State-Owned Enterprises (SOEs) to transfer to the private sector starting in 2019, which will mitigate the likely reduced grant amounts from the GCC over the next few years.

22. **The current account deficit is expected to improve, driven by sustained export growth, tourism receipts and remittances, which will offset the cost of imports.** This improvement is also related to Morocco's global environment, particularly steady growth in Europe and the stronger growth prospects outside Europe, where the share of Morocco's exports has been increasing. The strong export growth of high value-added industries will also contribute to balance-of-payment improvement. The risks to external debt are contained. Relatively low at 41.2 percent of GDP at end-2017, external debt is expected to drop below 40 percent in the medium term due to steady economic growth, contained current account deficits, and expected strong FDI inflows. Risks are further limited by the fact that 84 percent of external debt is long-term, and 75 percent is at a fixed rate of interest.

Table 2. Morocco: Selected Macroeconomic Indicators, 2016-2022 - (percent of GDP unless otherwise noted)

	2016	2017	Est. 2018	Proj. 2019	Proj. 2020	Proj. 2021	Proj. 2022
Real Economy							
Real GDP	1.1	4.1	3.2	2.9	3.5	3.6	3.9
Agricultural GDP	-13.7	15.4	3.2	-0.5	3.6	3.7	4.3
Non-Agricultural GDP	3.1	2.8	3.1	3.4	3.4	3.4	3.4
Industry	1.0	3.1	3.1	3.2	3.2	3.2	3.3
Services	2.9	2.7	3.1	3.7	3.6	3.6	3.8
Private Consumption	3.7	3.5	3.4	3.5	3.5	3.7	4.2
Government Consumption	1.5	1.5	1.8	1.6	1.4	1.3	1.2
Gross Fixed Capital Investment	8.7	-0.8	4.9	3.4	3.6	3.4	3.8
Exports, Goods and Services	5.5	10.9	6.2	7.3	7.5	8.1	9.2
Imports, Goods and Services	14.7	7.4	6.8	6.1	6.6	7.6	8.1
Unemployment rate (ILO definition)	9.9	10.2	...	...	...	...	...
CPI (pa)	1.6	0.7	1.7	1.7	1.7	2.0	2.0
Fiscal accounts							
Expenditures	30.5	29.7	29.8	29.7	29.3	29.3	29.3
Revenues, including all grants	26.0	26.1	26.2	26.0	26.1	26.3	26.3
Budget Balance	-4.5	-3.6	-3.6	-3.7	-3.2	-3.0	-3.0
Central Government Debt	64.9	65.1	64.9	65.3	64.5	63.3	62.2
Selected Monetary accounts							
Broad Money	4.7	5.5	...	...	...	...	...
Credit to non-government	4.4	2.8	...	...	...	...	...
Interest (key policy interest rate)	2.3	2.3	...	...	...	...	...
Balance of payments							
Current Account balance	-4.2	-3.6	-4.3	-4.0	-4.0	-3.8	-3.6
Imports	43.7	45.2	47.3	48.6	49.2	49.1	49.7
Exports	33.1	35.0	36.4	37.5	37.9	38.8	39.2
Foreign Direct Investment	1.5	1.5	2.5	1.7	1.8	2.1	2.1
Gross official reserves (bln US\$, eop)	25.1	26.2	25.9	26.5	27.3	27.5	27.7
In months of imports	6.2	5.7	5.4	5.6	5.9	6.1	6.4
Exchange rate (average)	9.8	9.7	...	...	...	...	...
Memo items							
Nominal GDP (in billion dirhams)	1013.6	1063.3	1113.8	1169.0	1237.8	1311.8	1394.3
GDP per capita (in current USD)	3030.0	3161.0	3281.0	3451.0	3649.0	3872.0	4124.0

Sources: Moroccan authorities and World Bank staff estimates.

23. **The outlook is subject to risks.** External risks include: (a) geopolitical risks in the region; (b) weaker than expected growth in the euro area, which could affect economic growth and in turn fiscal and external balances; (c) the uncertain global trade and capital flow policy environment, which could create more volatility in financial markets and weaken investor confidence; and (d) lower grants from the GCC after the end of the current support agreement, which may deteriorate budget deficits or hinder implementation of development programs, mainly social programs. On the domestic side, the main risks include: (a) the reversal of previous fiscal reforms, particularly energy subsidies if oil prices continue to rise; and (b) delays in implementing key structural and financial sector reforms, which could adversely affect fiscal space and in turn heighten social tensions.

24. **Overall, the country's macroeconomic policy framework is currently adequate and stable.** In the medium term, however, a higher contribution of productivity gains to economic growth is needed to ensure the sustainability of Morocco's development path, improve job creation, expand economic inclusion and thereby reduce social and political tensions and strengthen cohesion.

Boosting Growth Through Regional Integration

25. **Morocco's growth model has delivered infrastructure-enabled sophistication in merchandise trade, but its presence in high value-added chains is still thin and EU market concentration is high.** The emergence of new industries (automotive, aeronautics, electronics) and leadership in some niche value chains (fertilizers) is encouraging, given that these sectors are traditional escalators for productivity-led growth. However, Morocco's presence in these emerging sectors is still thin, and international competition is fierce. Going forward, Morocco's strategic trade and investment initiatives with the EU and Sub-Saharan Africa should help strengthen its external competitiveness.

26. **A parallel and complementary growth path has emerged—and can be accelerated—through trade and investment in services.** As an early mover on services in Sub-Saharan Africa, Morocco has gained market shares in banking, insurance, construction and logistics; already, 40 percent of the activities at Tanger Med Port represent transshipment to Sub-Saharan Africa. Morocco's strategy is to position itself as a gateway to Africa through infrastructure services and sophistication in finance and ICT, in some cases using linkages originally arising from its natural resource base in phosphates (75 percent of the world's viable deposits). Morocco's trade with Africa has doubled since 2007, and its FDI has quickly grown to fifth largest (of 43 countries), driven by financial services, telecoms, fertilizers, real estate and ports. The 2018 *Global Competitiveness Report* ranked Morocco first in Africa for infrastructure. Its airports have direct flights to 32 destinations on the continent, and Tanger Med is Africa's busiest container port, with links to 174 ports worldwide and a second terminal opening in 2019. Further, Casablanca Finance City is ranked as Africa's top financial center, with more than one hundred financial companies, regional headquarters of multinationals, business service providers and holding companies. These assets can help Morocco climb global value chains and overcome East Asia's first mover advantage in many sectors as major automobile, aeronautics manufacturers and business and financial services firms increasingly use Morocco as a springboard to Africa.

27. **Morocco has a very important role to play in the Maghreb-Sub-Saharan Africa connectivity.** It has extensive backbones that could play a significant role in regional Internet connectivity. Maroc Telecom is currently investing in telecom operators and IT firms in Sub-Saharan Africa. In addition to terrestrial networks, there is a potential to enhance the submarine cable connectivity with Africa. The WBG can contribute to this strategic infrastructure expansion.

28. **Tradeoffs of the integration strategy aimed at simultaneously deepening links with both the EU and Sub-Saharan Africa are becoming apparent.** Morocco rejoined the African Union in 2017 and applied to the Economic Community of West African States (ECOWAS) in 2018. Morocco is also a signatory to the Africa-wide Continental Free Trade Area (CFTA). However, managing the potentially conflicting commitments of ECOWAS and the EU Association Agreement will be complex, particularly in terms of the ECOWAS common external tariff, rules of origin, and plan to adopt a common currency along with freedom of movement. Of interest for Morocco will be the commitments related to trade in services, since Morocco appears to have a comparative advantage in services vis-à-vis African partners, but many trade agreements other than EU Association Agreements tend to be quite shallow in services. It will be important to catalyze what the private sector is already doing in terms of regional integration, while using the Bank’s analytical strength to provide high-quality advisory support in trade policy.

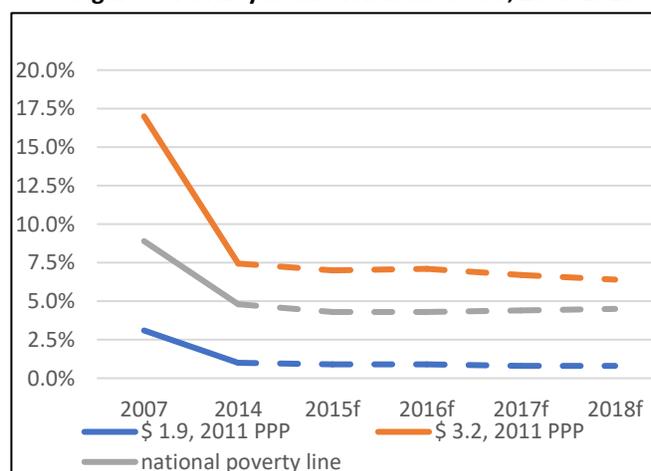
Poverty and Inequality Profile

29. **Morocco experienced significant poverty reduction from 2007 to 2014 (Figure 3).**³ Poverty, as measured by the national poverty line, declined from 8.9 percent in 2007 to about 4.8 percent in 2014. Using the International poverty rate (US\$1.9 PPP), poverty in 2014 was almost eradicated (around 1 percent), while using the lower middle-income poverty line (US\$3.2 PPP), poverty fell below 8 percent.

30. **Based on GDP per capita estimates, projections indicate that after 2014 (dashed lines in Figure 3), poverty reduction slowed dramatically.** In, the poverty rate measured by the national poverty line is expected to be around 4.5 percent, while using the international poverty lines, poverty and lower middle-income poverty will be 0.8 and 6.4 percent, respectively.

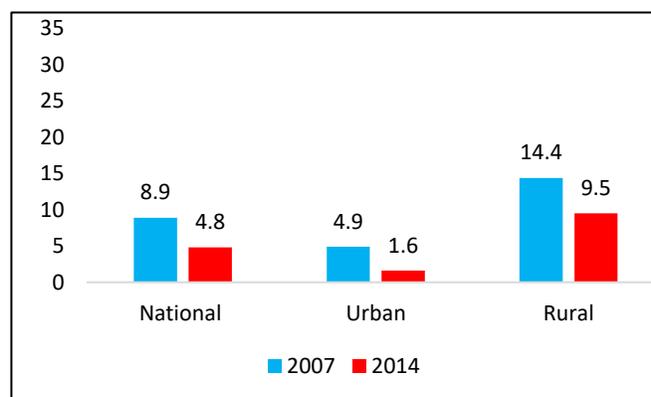
31. **Growth over the last decade has been pro-poor, but the urban-rural gap in poverty rates remains large.** From 2007 to 2014, the growth of household consumption in the bottom quintiles was positive and above the average, but this growth was higher in urban than in rural areas. Thus, the urban poverty rate decreased faster than the national rate: in 2007, it was almost half that at the national level, and in 2014 it was a third (Figure 4).

Figure 3. Poverty Reduction in Morocco, 2007-2018



Source: Household Survey up to 2014; thereafter, HCP and staff estimates.

Figure 4. Poverty Reduction in Morocco at Urban and Rural level: National Poverty Line, 2007-2014

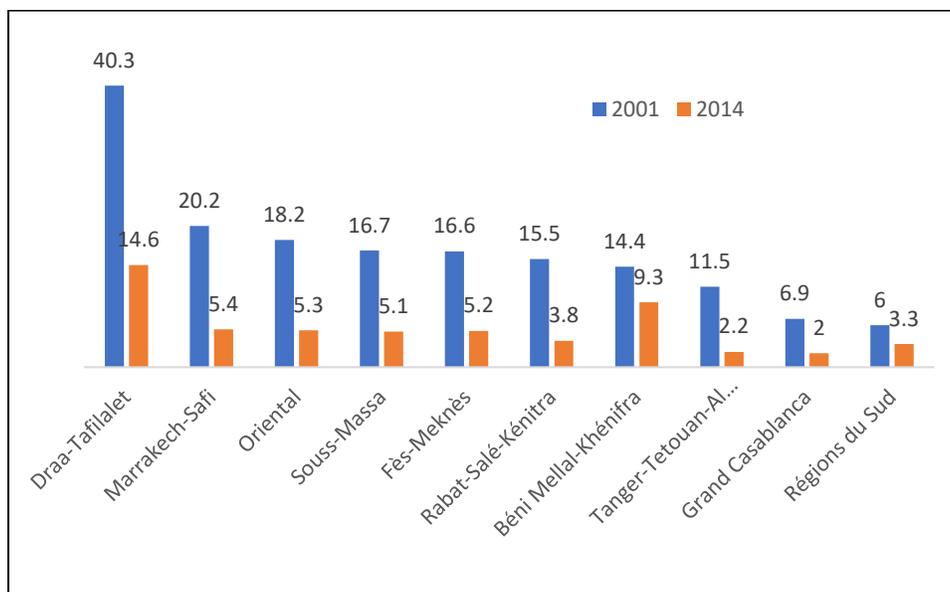


Source : Haut-Commissariat au plan.

³ The last two household surveys were carried out in 2007 and 2014. Data beyond 2014 are staff and HCP estimates based on GDP forecasts and growth elasticity to poverty.

32. **At the regional level, the evolution of the standard of living between 2001⁴ and 2014 showed convergence among the 12 regions of Morocco** (Figure 5). The convergence coefficient indicates that the standard of living in the less affluent regions grew faster than in the richest regions. Convergence has indeed been strong in Fes-Meknes, Marrakesh-Safi, Oriental Draa-Tafilalet with the notable exception Beni Mellal-Khenifra. With an annual convergence rate of 4 percent, it would take 24 years for the convergence process to halve regional disparities.

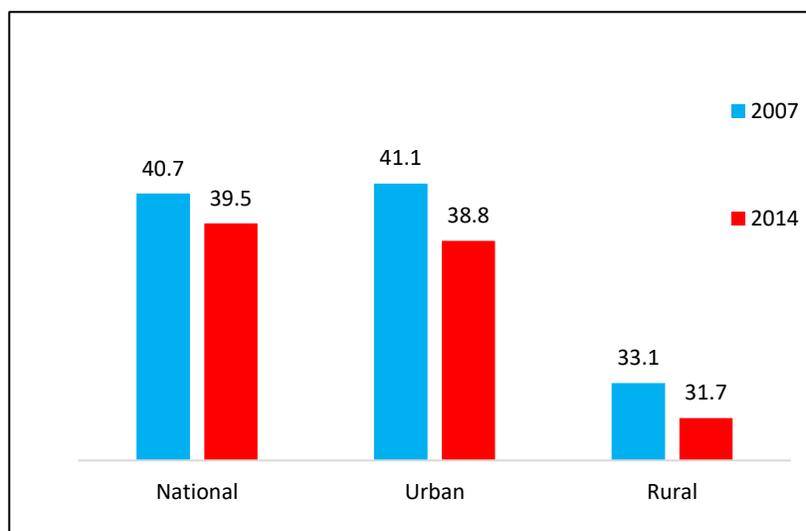
Figure 5. Regional Distribution of Poverty in 2001 and 2014



Source : Haut-Commissariat au Plan.

Figure 6. Urban and Rural Inequality: Gini Index, 2007-2014

33. **Overall, inequality has decreased slightly, though not in all regions.** The Gini coefficient fell slightly between 2007 and 2014, from 40.7 to 39.5 (Figure 6). The reduction in the overall Gini coefficient was the result of two counterbalancing trends: convergence of development across regions and increased within-region inequality. Indeed, inequality increased in some regions (e.g., Rabat-Sale-Kenitra from 39.9 to 44.2, and the Regions du Sud from 35 to 40.2), while it



Source : Haut-Commissariat au Plan.

⁴ We compare 2014 figures to 2001 ones because the 2007 survey is not representative at regional level

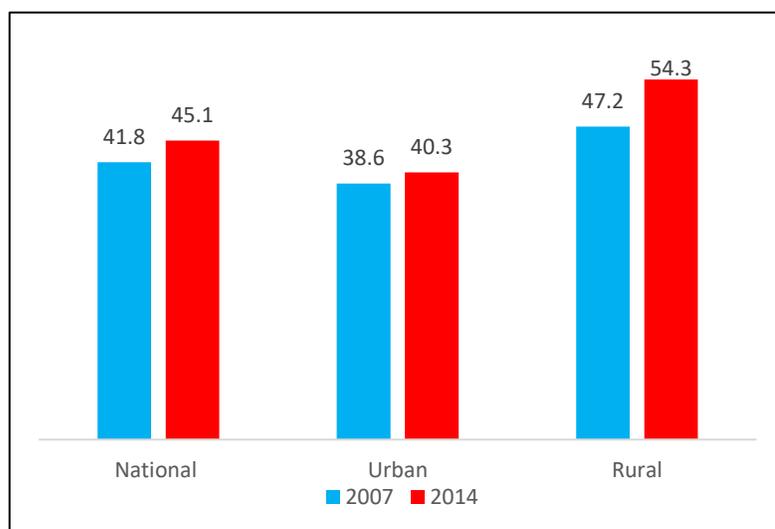
decreased in others (Casablanca-Settat, Marrakech-Safi and Souss-Massa).

34. **Like monetary poverty, multidimensional poverty has also decreased.** Between 2004 and 2014, the overall multidimensional poverty rate declined from 25.0 to 8.2 percent, of which 9.1 to 2.0 percent in urban areas, and 44.6 to 17.7 percent in rural areas. Multidimensional poverty, like monetary poverty, remains mainly a rural phenomenon: almost 90 percent of the population living in multidimensional poverty resides in rural areas.

35. **The decomposition of multidimensional poverty by the various welfare dimensions shows that deficits in adult education and children's schooling account for 55.3 percent of multidimensional poverty.** In urban areas, more than 90 percent of multidimensional poverty is due to deficiencies in education (60.8 percent) and health (24.5 percent). Rural poverty is mainly due to deficiencies in education (54.9 percent) and lack of access to basic services such as water and electricity (21.2 percent).

Figure 7. Urban and Rural Subjective Poverty, 2007-2014

36. **Despite the declines in poverty and vulnerability between 2007 and 2014, subjective poverty has increased between this period and remains high, especially in rural areas** (Figure 7). Nationally, the subjective poverty rate (percentage of household considering themselves poor) increased from 41.8 percent in 2007 to 45.1 percent in 2014. The largest increase was in rural areas, where it increased by 15 percent, reaching 54.3 percent in 2014: more than half the population in rural areas consider themselves to be poor.



Source : Haut-Commissariat au Plan.

37. **This was also true among women (55.3 percent) and those younger than 25 years old (57.6 percent).** Overall, 39.3 percent of households thought that poverty has increased, and 63.9 percent believed that inequality has grown. The perception of poverty is clearly high among poor and vulnerable households but also among the middle class: 44 percent of middle class households perceive themselves as poor. This testifies to a generalized feeling of economic insecurity among middle class households, which see their revenues growing more slowly than costs, and see a gap between what they pay in taxes and services they receive. The high perception of poverty is in contrast with the actual reduction in monetary poverty, as well as the high rate of growth in agriculture GDP, reflecting the higher expectations of the population.

Main Development Challenges: SCD Findings

38. **The SCD identified the lack of inclusion as the crucial barrier to Morocco attaining a higher level of broad-based economic growth and job creation.** Building on the findings of 2017 Country Economic Memorandum and benefitting from robust engagement of the Moroccan Government and close

collaboration with non-government stakeholders, the SCD identified this multifaceted lack of inclusion as encompassing (a) lack of inclusive market and public institutions; (b) lack of inclusive human capital formation; and (c) lack of inclusive social capital and opportunities for citizens, particularly youth and women.

39. Lack of inclusion in market institutions has negative impacts on:

- ***The business environment.*** The business climate is still seen by most players as unpredictable and bureaucratic and does not inspire confidence among investors despite significant improvements in Doing Business rankings. The importance of constraints such as burdensome, complex and opaque administrative formalities and procedures is regularly confirmed in surveys of businesses. The constraints most often mentioned by the formal sector are corruption, competition from the informal sector, low workforce education levels, and difficulties in accessing financing. Importantly, the degree of market competition is perceived to be lower in Morocco than in many countries in and outside the MENA region. The oligopolistic nature of many markets may make it difficult for new firms to enter sectors that elsewhere are typically characterized by low market concentration, such as manufacturing. Competitive neutrality is also limited by the strong participation of the state in most infrastructure sectors through state-owned enterprises. The lack of a level playing field for all market participants hinders the emergence of a dynamic and broad-based private sector that can create the jobs that Morocco urgently needs.
- ***SMEs and entrepreneurship.*** Business environment issues weigh particularly on SMEs, which generally have less access to financing than large enterprises. Although Morocco achieved significant progress in recent years, financing constraints, particularly relating to equity and financing at early and growth stages of the firms' life cycle, continue to hurt SMEs. Business environment issues also are more acute for new entrepreneurs. Support for entrepreneurship and SMEs should be strengthened in terms of opportunities for job creation. Public policies remain oriented toward the development of large investment projects which primarily benefit large enterprises.
- ***Labor market inclusion.*** Average job creation has been modest over the past 15 years, and a large share of the working-age population remains excluded from the labor force. Youth in Morocco face a considerable range of employment constraints. More than three out of four working-age women are not active in the labor market (Box 1).
- ***Competitiveness and diversification.***
 - The Moroccan economy has gradually opened to trade and investment. The country will become the largest car manufacturer in Africa by 2020 thanks to French and Chinese FDI, with aeronautics, fertilizers and just-in-time textile clusters also powering up. The challenge lies in integrating local SMEs into value chains—the number of exporting SMEs has stagnated since 2000. Many local companies operate in sectors made profitable by tax exemptions (real estate, retail, agribusiness) or high, protective tariffs (consumer goods), contributing to high mark-ups and rent-seeking that reduce investments into more competitive, tradable sectors and hamper diversification and job creation. With a development model geared more toward contestability and broader private sector development, Morocco's position between Europe and Africa and growing infrastructure assets could be turned into decisive competitive advantages to accelerate economic convergence.
 - Compared to regional peers, many Moroccan markets are characterized by greater market concentration, with a high share of monopolies in sectors that are typically characterized by low market

concentration elsewhere. Moreover, a larger proportion of Moroccan firms enjoys very high markups when compared to regional peers, suggesting that firms in Morocco face lower levels of competition intensity. To create the conditions for the emergence of a dynamic and broad-based private sector that can create the jobs that Morocco urgently needs, an emphatic focus on market contestability and competition is necessary. A level playing field for all market players is essential to foster market competition. Strong competition policy is needed for a regulatory environment that enables firms to enter markets and to grow, limits privileges for certain public and private market operators, and sanctions anti-competitive practices. Moroccan markets would benefit from embedding competition principles in key enabling sectors such as energy and telecoms, by lifting entry barriers that protect incumbents and reinforcing the role of sector regulators.

Box 1: Youth Unemployment and Inactivity in Morocco

Youth unemployment and inactivity illustrate the weaknesses in both human capital formation and human capital contribution to productivity in Morocco. The country has approximately 1.1 million unemployed (9 to 10 percent of the working-age population). The unemployment rate is 19.9 percent for young people (age 15-24), 21.7 percent for young technical college graduates, and 24.6 percent for young university graduates. In urban areas, the unemployment rate for young people is nearly 40 percent. However, low-skilled youth and school dropouts do not register as unemployed. Only about half of Moroccan youth between the ages of 25 and 35 have a job, which is often informal, poorly paid and insecure, and lacking the social benefits that are provided to formal workers. Young people who are not in education, employment or training (NEET) account for 27.9 percent of all young people, or about 1.7 million (45.1 percent of young women and 11.4 percent of young men). These numbers continue to be fueled by the high number of dropouts. Among the urban unemployed, including young job seekers, two-thirds have been without a job for more than a year and are classified as long-term unemployed.

Employment barriers for youth include the shortage of economic inclusion opportunities, inadequate skills and information about the labor market, and intermediation services and labor market policies that benefit only educated workers. Other job seekers do not have access to effective employment support programs and often lack the skills demanded in the labor market. Even with support services, better-educated youth consider their qualifications and skills insufficient to obtain a decent job without personal or family connections. Formal job intermediation mechanisms and employment policies have limited scope, inadequate private sector involvement, and consequently low success rates. One in three youth desires or plans to leave Morocco.

Available jobs are scarce and of low quality. Morocco has failed to create sufficient and quality jobs and to promote the participation of youth and women in the labor market. Between 2012 and 2016, only 26,400 net new jobs were created per year for a working-age population (15-65 years old) that grew by a net 270,000 people per year, on average. Economic sectors with high youth employment (age 15-24) include agriculture (56 percent), services (23.5 percent), industry (10.5 percent) and construction. Informality is rampant, and approximately 88 percent of working youth do not have an employment contract and face working conditions that they consider “not worth it.”

While entrepreneurship and Micro, Small, and Medium Enterprises (MSMEs) represent the highest potential in terms of job creation, public policies remain oriented towards large investment projects. The business environment has improved in Morocco; however, very small enterprises and MSMEs are still constrained by limited access to finance, poor labor market skills and malfeasance by government officials. The support programs in place for MSMEs (mainly through Maroc PME, the public agency for SME support) are difficult to access from outside Rabat and Casablanca and are available mainly to high-potential firms in manufacturing sectors. Public support for entrepreneurship is, on the other hand, geared towards small income-generating activities, often informal. Civil society increasingly supports business entrepreneurship; however, in the absence of sustained and institutionalized support, these efforts have had limited impact on Very Small Enterprises (VSEs) and MSMEs.

Sources : Situation, évolution et principales caractéristiques du chômage et du sous-emploi, HCP, 2016 ; Rapports détaillés sur l'activité, l'emploi et le chômage (2000, 2005, 2010 et 2015), HCP, 2016 - Quoted in Le Marché du Travail au Maroc : Défis et Opportunités HCP and Banque mondiale, November 2017 ; Household Survey 2014 ; Systematic Country Diagnostic, Kingdom of Morocco, Banque mondiale 2017.

40. **Lack of inclusion in public governance has negative impacts on:**

- **Elaborating and implementing the rule of law.** Despite the general reforms undertaken to strengthen the rule of law through adoption of the new Constitution in 2011 and the Justice System Reform Charter in 2013, the rule of law and the judicial system still face clear challenges. The main weaknesses relate to the lack of independence of the judiciary, malfeasance by judicial officials, and failure to protect the fundamental rights of citizens to privacy, justice, voice and participation.
- **Public administration.** The General Civil Service Regulations, which date from 1958, remain inadequate to meet the requirements for modern human resources management, despite modernization efforts in the context of WBG-supported Public Administration Reform Development Policy Programs.
- **Delivery of public services.** Moroccan citizens appear dissatisfied with the government's performance in delivering key services. At the regional level, poor access to services is the result of continuing economic, social and spatial inequalities.

41. **Lack of inclusion in human capital formation has negative impacts through the following channels:**

- **Education.** Despite substantial investments over the last two decades, learning outcomes remain low, and inequality in educational achievements continues to be widespread. The very structure and governance principles of the system hinder its ability to translate inputs into learning;
- **Health care.** Morocco is in a demographic and epidemiological transition, facing a double burden of disease, with both a rise in communicable diseases and an increased share of non-communicable diseases, which now account for 75 percent of deaths from disease;
- **Early childhood development.** Not enough attention is paid to protecting and stimulating the development of young children in Morocco. Infant mortality remains above average for the MENA region owing to uneven postnatal care and immunization coverage. Many young children continue to suffer from malnutrition and micronutrient deficiencies and are consequently more vulnerable to cognitive deficits, serious health problems, and lower productivity and lower earnings in adulthood.

42. **Improving human capital outcomes will be key for Morocco to achieve faster, more equitable and more sustainable growth.** Human capital contributes an estimated 41 percent to wealth per capita, a level substantially lower than in countries with a similar level of development.⁵ Indeed, weak human capital outcomes are hindering productivity in Morocco—with a Human Capital Index (HCI) of 0.5, Moroccans born today will only reach 50 percent of their productivity potential (Box 2). Morocco's future social and economic trajectory is therefore dependent on its ability to accelerate progress in human capital accumulation and distribution.

⁵ Lange, Glenn-Marie, Quentin Wodon, and Kevin Carey. 2018. *The Changing Wealth of Nations 2018: Building a Sustainable Future*. Washington, DC: World Bank.

Box 2. The Time to Act is Now: Moroccans Born Today Will Operate at only 50% of Their Productivity Potential

The country is faced with significant human development challenges, including:

- **Large inequalities across most early year outputs and outcomes:** Maternal and pre-natal care, early childhood education, early stimulation outcomes vastly lagging in rural and poor areas.
- **Low learning outcomes:** Low completion rates, even at primary education level. Weak learning scores, among the lowest in the MENA region and far below the OECD average.
- **High unemployment:** Fewer than half of Moroccans are economically active and female labor participation is in the bottom 20 percent of countries in the world.
- **Fragmented social protection, ineffective at promoting the formation and productivity of human capital.**

The World Bank’s Human Capital Index shows that Moroccans born today will only reach 50 percent of their productivity potential due to deficiencies in human capital formation. For most women and youth, weaknesses in human capital formation are compounded by the existing limitations on returns to human capital in the labor market.

THE FACTS

Human Capital Index and its Components	2017			
	Total	Male	Female	
HCI Component 1: Survival				
Probability of Survival to Age 5	0.97	0.97	0.976	
HCI Component 2: School				
Expected Years of School	9.7	9.8	9.7	
Harmonized Test Scores	367	359	376	
HCI Component 3: Health				
Survival Rate from Age 15-60	0.93	0.93	0.937	
Fraction of Children Under 5 Not Stunted	0.85			
Human Capital Index (HCI)	0.49	0.48	0.496	

SURVIVAL to age 5

- Drop in the maternal mortality rate (72 per 100,000 live births in 2017, compared to 332 in 1990) and under-five mortality (22.2 per 1,000 live births in 2017, compared with 83.9 in 1990)
- Increase in life expectancy (75 years today vs 49 years in 1967)

EDUCATION

- Near universal access to primary education for girls and boys
- Improvement in access to college education, especially for girls in rural areas (69.4% in 2017 against 39.8% in 2008)
- Reduction of the illiteracy rate to 32% in 2014 against 87% in 1960

HEALTH

- Improvement in the nutritional status of children under 5 (15.1% stunting in 2017 vs 22.6% in 1990)

Source: WB calculations.

43. Lack of inclusion in social capital development negatively impacts:

- **Women’s agency.** With less than one quarter of working age women active in the labor market, Morocco is among the world’s lowest 20 percent of countries for female labor market participation (Box 3). Greater gender equality can increase productivity, improve development outcomes for future generations, and make institutions more representative, all of which are key to Morocco’s sustainable and inclusive growth.
- **Citizens’ trust in government.** World Value Surveys conducted over the past 15 years indicate that the level of trust in the society appears to have declined over time, due to a loss of respect for rule of law, sense of civic duty and solidity of social bonds. These losses, combined with weak citizen participation, translate into a significant lack of respect for others, for the country’s natural resources and for public goods. By investing more in social capital, especially in youth, trust can begin to be restored.

Box 3: Gender Disparities in Morocco

Although substantial reforms of the legal framework have been adopted to promote gender equality, women continue to face significant barriers. Indeed, the country's labor market is characterized by all the key gender disparities: low labor force participation and high unemployment rate for women, and a persistent gender wage gap. More than half the working age population (53.3 percent) is out of the labor force, women being a clear majority. In 2016, the labor force participation rate was around 26.3 percent for women, compared to 71.6 percent for men.

Once employed, women are more exposed to job insecurity, informal work and lower pay. Moreover, they tend to leave their jobs when they marry, partly because of social norms and partly because available jobs often do not offer sufficient opportunities for flexible work.

According to the latest survey results by *Haut-Commissariat au Plan*, women's low participation rate can be explained by several factors. Of the 10 million women not participating in the labor market, 52.7 percent cite household responsibilities as the main reason for staying home—more than 22 percentage points higher than the survey estimate reported by the International Labour Office for Northern Africa as a whole. Indeed, time use surveys indicate that women continue to perform the vast majority of household tasks. This factor, however, decreases as the level of education increases. In fact, 60 percent of women with no education degree report it as the primary reason, while only 31 percent of women with tertiary education do.

The data also indicate that 17.9 percent of women do not want to work; and for 11.6 percent of inactive women, a close relative (father, husband or other) does not allow them to work. Again, these numbers differ markedly from those reported by the International Labour Office for Northern Africa, which are 30.1 percent and 5.6 percent, respectively. In addition, 10.9 percent would like to find employment, which represents a potential of 1.1 million additional workers. A formal empirical analysis has documented the fact that the primary reason for inactivity among women in Morocco is related to household duties and child care (and, in some cases, elder care). There is also evidence of persistent gender discrimination in the laws. Women's inability to engage in the labor market also affects their bargaining power in the family.

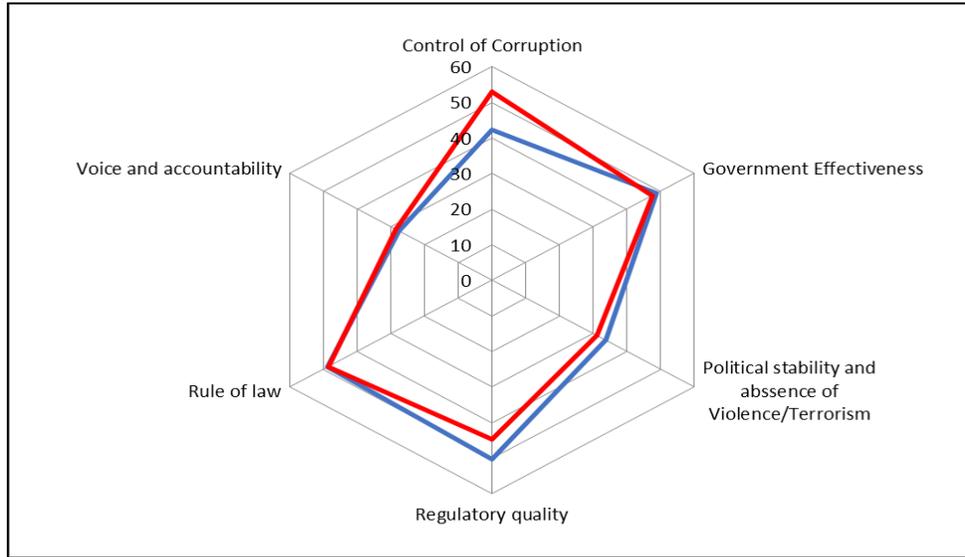
Sources: World Bank 2018, Attioui et al. 2017, Ragbi et al. 2017, International Labour Organization, Haut Commission du Plan.

44. **Given the vulnerabilities of Morocco's economic and social achievements and the numerous factors constraining rapid progress toward convergence**, a new wave of reforms is needed. The recent Systematic Country Diagnostic (SCD) identified four reform pathways, all based on the more efficient use of public resources to achieve and sustain Morocco's development goals:

- ***Getting Morocco closer to its efficiency frontier*** through improving market allocation of resources across firms and sectors, and improving the efficiency of public policies, including in crowding in the private sector;
- ***Leveraging the efficiency frontier*** for all Moroccans by enabling all citizens to benefit directly and/or indirectly from growth;
- ***Pushing the efficiency frontier*** over time by raising human capital and unleashing urban agglomeration potential; and
- ***Greening the efficiency frontier*** by transforming the scarcity of resources and climatic vulnerabilities into opportunities.

45. **Only deeper change to Morocco's system of governance will make these pathways possible.** Figure 8 below shows the evolution of governance indicators between 2011 and 2017.

Figure 8. Evolution of Governance Indicators between 2011 (blue) and 2017 (red)



Source: *Worldwide Governance Indicators, The WBG, 2017.*

III. WORLD BANK GROUP COUNTRY PARTNERSHIP FRAMEWORK

Government Program and Medium-Term Strategy 2017-2021

46. **The Government’s program covering the five-year period 2017-2021 builds on previous political, economic and social achievements, while revising the development model to create the conditions for becoming an emerging economy.** The program revolves around five pillars, which are aligned with the WBG’s corporate goals of governance, youth employment, human capital, social cohesion, and combating climate change. The pillars of the Government’s program are:

(a) Supporting the choice of democracy and the principles of rule of law and advanced regionalization. The Government program aims to enhance the rights and preserve the dignity of citizens and strengthen freedom and equality of opportunities, including through advanced regionalization and effective territorial governance.

(b) Strengthening integrity, reforming the administration, and anchoring good governance. The Government plans to continue the fight against corruption through, inter alia, effective implementation of the National Anti-Corruption Strategy and completing the upgrade of legal tools available to governance bodies (Box 4).

(c) Upgrading the economic model, employment promotion, and sustainable development. The Government program supports strengthening competitiveness and improving the business climate, with the aim of achieving a Doing Business ranking among the top 50 by 2021. It also supports implementation of (i) a dedicated incentive tax regime for new industrial companies, large export industries and start-up SMEs; (ii) a new Investment Charter; (iii) upgrading and implementation of the Morocco 2020 Digital Strategy; and (iv) simplification of the legal framework for public-private partnerships. The program also continues Morocco’s green strategy, aimed at preserving natural resources, particularly water, forests, mines and fishery resources. Through its 2016 Nationally Determined Contribution (NDC), Morocco

identifies ambitious commitments on both adaptation and mitigation, including a 32 percent reduction of emissions by 2030.

(d) Strengthening human development and social and territorial cohesion. The program aims to reform the education system to improve its efficiency, quality, and outcomes; improve and generalize health services; and reduce disparities in income, poverty, precariousness, and social exclusion. To ensure regional cohesion, the program also enhances focus on the development of rural areas.

(e) The Government program also aspires to deepen Morocco's relations with other African countries and organizations, such as the African Union and regional groupings, particularly the Economic Community of West African States. It also aims to continue strengthening Morocco's historical partnerships with the countries of Mediterranean Europe.

Box 4. Government of Morocco's Efforts to Improve Governance and Citizen Engagement

The Government recognizes the importance of good governance to the success of its development program, and has implemented some important legislative and institutional reforms, including adoption of the National Anti-Corruption Strategy and Justice System Reform Charter and completing the upgrade of legal tools available to governance bodies.

The Government has also made progress in other areas of governance, including taking steps to (a) overhaul the Investment Charter to provide more protections for investors; (b) implement a dedicated tax incentive regime for large export industries and startup SMEs; (c) implement the Morocco Digital 2020 Strategy, which will dramatically increase efficiency in the delivery of public services; (d) simplify the legal framework for public-private partnerships (PPPs), to improve the efficiency of public investment, and (e) continue to implement its Green Strategy, (*Plan Maroc Vert*), designed to preserve the country's natural resources, particularly water, forests, mines and fisheries.

While the Government program also recognizes the importance of citizen engagement, more progress will be needed. Embedding in the Constitution the rights of citizens to engage with the state, with access to sufficient information to hold officials accountable, represented a cultural shift in Morocco, with important implications for social equity and dynamic economic development. However, much of the rights legislation adopted to fulfill this promise has not been implemented and many exclusionary policies from the past have persisted, leading to disillusionment, distrust and social tensions.

The Government program aims at strengthening human development by improving the health and education systems. It also aims at improving social and territorial cohesion and reducing poverty, vulnerability and social exclusion. However, in the absence of institutionalized mechanisms and entry points for citizens to engage with decisionmakers, social tensions will persist and efforts to achieve inclusive development will be constrained by frustration, disillusionment about broken promises, and lack of trust in government intentions. Moreover, the absence of engagement mechanisms—of a conducive environment for citizen engagement—will continue to deprive decisionmakers of the lessons from experience that are essential for effective, equitable and sustainable policymaking.

Proposed WBG Country Partnership Framework

47. **The overall objective of the new Country Partnership Framework for FY2019-24 is to help Morocco promote social cohesion by improving the conditions for job creation and reducing social and territorial disparities.** The CPF introduces strategic shifts to the WBG's engagement in Morocco over the six-year period to focus on transformative development priorities that are key for the country to achieve identified development goals. These transformative priorities are to promote private sector-led growth and job creation, strengthen all dimensions of human capital, and optimize the return on public and private investment towards inclusive and resilient development. The youth are at the center of the CPF and synergies will be built around the World Bank's MNA youth platform.

48. **The proposed CPF draws lessons from the Completion and Learning Review (CLR), which concluded that the development outcome of FY14-17 CPS was Moderately Satisfactory and that WBG**

performance was Good (see Annex 2). The main lessons learned are fully reflected in the new CPF, notably:

- **Long-term engagement is critical** to successfully address the issues facing Morocco. The World Bank Group's engagement on key sectors has had a transformational impact. On solid waste management, for example, engagement evolved from investment operations to complex policy reforms that over time transformed the sector. Long-term engagement areas have been carefully selected due to budget constraints.
- **Budget support operations need to give greater attention to the implementation of reforms** to have a greater impact on citizens and businesses. As articulated in the SCD, there is a widespread recognition that implementation rather than the adoption of reforms is the big challenge in Morocco. Going forward, development policy loans (DPLs) will focus more on the criticality of prior actions and will aim to foster greater inter-ministerial coordination and prioritization to make DPL-supported programs more effective.
- **The WBG's advisory services and analytics (ASA) remains one of the most appreciated interventions** by the client for achieving results. ASA should engage strategically in sectors where the WBG has a comparative advantage. Related, well-chosen South-South exchanges have proved highly effective. Government counterparts have benefited from World Bank-supported study tours with counterparts from Brazil, China, India, Korea, Mexico and Turkey. In addition, supporting the expansion of Morocco's regional private sector players through South-South partnerships is a critical aspect of the WBG's strategy.
- **Project design should adequately reflect political economy factors and reality on the ground.** Complex political economy factors can cause delays and critical risks during project implementation. Simplicity and clarity of design are important to facilitate implementation. Selectivity at project design, with a focus on fewer, carefully prioritized activities, reduces transaction costs.
- **Deepening and scaling up citizen engagement is critical for future WBG engagement.** Considering recent developments in the country, citizen engagement has become crucial for the success of future WBG engagements. The involvement of front-line civil service and municipal staff in demonstrating how increased citizen engagement can lead to tangible improvements in service delivery will be key to building citizens' confidence and interest in engaging.

49. **Four guiding principles are used to define the WBG program, at both the strategic and operational levels:**

50. **First: Alignment with the Government's program and strategic priorities.** The CPF continues WBG support for the Government's five-year strategy (2017-2021) while consolidating the gains and learning from previous WBG engagements and addressing the critical constraints identified in the SCD. The WBG's extensive dialogue and consultations with the Government and other stakeholders including civil society organizations, ensure that the proposed strategy is aligned with Morocco's critical priorities, as well as with the WBG's twin goals. The CPF program supports the Government's priorities of good governance, employment creation, sustainable development, human capital development, and social and territorial cohesion. The Maximizing Finance for Development (MFD) approach to leveraging all sources of finance and expertise, especially from the private sector, will provide the tools for the Government to achieve its objective of making private investment and finance integral to development and growth (see Annex 9). Under the CPF, the WBG will help Morocco accelerate MFD-related reforms towards improving

the planning and outcomes from infrastructure investments and broaden them to social services with a view to lowering costs and enhancing cost recovery, improving SOE efficiency and mobilizing private financing and leveraging PPPs in priority sectors such as education, transport, water and ICT.

51. **Strong country ownership and demand from the Government are important determinants of the specific activities included in the CPF program.** The program for the first three years has been defined jointly with the Government and will remain flexible to take into consideration shifts in country circumstances or external shocks. The outer years of the program will be defined after the 2021 national elections and the Performance and Learning Review (PLR).

52. **Second: WBG comparative advantages.** The CPF builds on the WBG's comparative advantages based on its previous and ongoing engagements and global knowledge. In the areas of social protection and disaster risk management, the WBG is currently supporting ground-breaking programs such as a biometric national population registry and a disaster risk financing framework. In the areas of financial sector development, governance and public expenditure management, the WBG is engaging through budget support operations and results-based financing programs. To address the SCD action areas, the WBG is taking a holistic, multi-sectoral approach to addressing critical reforms and institutional challenges.⁶

53. **The WBG's focus on MFD has also influenced the choice of CPF activities** where IBRD, IFC, MIGA and the International Center for the Settlement of Investment Disputes (ICSID) could have a combined comparative advantage (see below for more details).

54. **Third: Alignment with the corporate and MENA priorities:** The CPF embraces boldly two of the corporate priorities. Firstly, Morocco is an early Adopter of the Human Capital Project and the CPF will help improving the outcomes of country efforts in human development areas. Secondly, The Government has also requested explicitly to have digitalization as a key cross-cutting theme in the new CPF. **The CPF is also fully aligned with the WBG MENA Strategy which is evolving to adapt to new realities, help countries revitalize their middle class, and make positive contributions to the region.** The CPF focuses on youth, gender, education, inequality, employment-generation programs and digital technology. These areas fit within the "Renewing the social contract" pillar of the MENA Strategy, which calls for the creation of a new development model built on greater citizen trust, more effective protection of the poor and vulnerable, inclusive and accountable service delivery, and a stronger private sector that can generate jobs and opportunities for youth. The CPF also fits within the "Regional cooperation" pillar of the MENA Strategy, particularly regarding regional public goods, and fostering greater trust and collaboration across MENA countries and between Morocco and Sub-Saharan Africa. Given the disruption to traditional paths to economic growth and the exponential acceleration of modern technologies, the MENA Strategy will also: (a) leverage technology as a tool to unlock markets; b) build human capital; and (c) spur private sector development.

55. **Consistent with the MENA and Corporate priorities, the CPF will also apply the principles of Maximizing Financing for Development (MFD) in its interventions across sectors.** During the last two decades, Morocco has made an impressive progress in developing its infrastructure and spent on average 15 percent of annual GDP in Infrastructure (between 2012-2016). Three-quarters of the total investment came from public sources and SOEs are the primary vehicles for channeling public spending on infrastructure. Morocco has also gained extensive experience in mobilizing private sector through more

⁶ The WBG will not engage in the Rule of Law constraint identified by the SCD, which is being addressed by other partners, as previous experience in this area (the Judicial Reform Project) proved to be challenging.

than 30 PPPs (between 1986 – 2017) across infra sectors and agriculture. Despite this progress, the growth and job impact of sustained large infrastructure has been disappointing.

56. **Fourth: Alignment with the Sustainable Development Goals (SDGs).** Based on the September 2016 assessment of Morocco’s trajectory towards reaching the SDGs,⁷ the CPF will support Morocco’s efforts to improve its performance in lagging subsectors/areas, such as proficiency by the completion of primary education, youth unemployment, protected marine areas and debt sustainability.

Focus Areas and Objectives Supported by the WBG Program

57. **The overarching goal of the CPF during its six-year time horizon is to contribute to social cohesion by improving the conditions for job creation and reducing social and territorial disparities.** Building on the Government’s program and considering the constraints identified in the SCD, the CPF is structured around three strategic focus areas. These are: *Focus Area A: Promoting Job Creation by the Private Sector*; *Focus Area B: Strengthening Human Capital*; and *Focus Area C: Promoting Inclusive and Resilient Territorial Development*. The CPF has *Governance and Citizen Engagement* as its foundational pillar, as well as two cross-cutting themes: *Gender and Digital Technology*. The SCD pathways towards eradicating extreme poverty and boosting shared prosperity in a sustainable manner are woven into the CPF (Table 3).

58. **Compared to the previous CPS, the new CPF will focus more on private sector-led job creation, the digital economy, and human capital transformation, all with a gender-sensitive lens. The CPF will continue its focus on territorial development, resilience to natural disasters and combating climate change. The CPF will focus less on analytics that are not within the CPF’s three strategic areas of focus.**

59. **The three strategic areas of focus, the foundation and the cross-cutting themes strongly complement each other.** The promotion of private sector-led job creation under Focus Area A will benefit from the development of skills and competencies under Focus Area B. Focus Area C, which supports the promotion of territorial development, disaster risk management and climate change, will amply benefit from the improvement of the business environment under Focus Area A and will also contribute to green job creation.

⁷ The assessment concluded that Morocco’s current outcomes are better than expected (compared to a typical country at the same GNI per capita level) for eight indicators (poverty, stunted children, access to electricity, manufacturing share of GDP, urban slum, people affected by disasters, threatened species, and homicide victims). For three of the indicators (under-five mortality, women in parliament and improved drinking water), current outcomes are as expected. The country falls short of expectations for the remaining 5 indicators; proficiency by primary, youth unemployment, material consumption, protected marine areas and debt.

Table 3. Mapping the CPF to SCD Priorities and Binding Constraints

SCD Pathways	SCD Priority Areas	SCD Constraints Addressed in the CPF <i>(italics=addressed by other donors)</i>	CPF Strategic Focus Areas and Objectives
Reaching the Efficiency Frontier	Improving market allocation of resources across firms and sectors Improving the efficiency of public policies, including in crowding in the private sector	Competition and innovation Business environment and market contestability Access to finance Public policy formulation and coordination in a decentralization context Access to quality public services	A. Promoting Job Creation by the Private Sector 1. More efficient environment for business and competitiveness 2. Increase opportunities for private sector growth with a focus on MSMEs and youth employability 3. Increase access to finance
Leveraging the Efficiency Frontier	Enabling all citizens to benefit directly and/or indirectly from growth	<i>Labor market regulation (other donors)</i> Targeted social protection Gender equality Increased citizen voice	B. Strengthening Human Capital 4. Improve access to quality early childhood development services 5. Improve quality and effectiveness of education systems 6. Improve the quality and efficiency of health delivery systems 7. Strengthen social protection for the poor and vulnerable C. Promoting Inclusive and Resilient Territorial Development 8. Improve performance of key infrastructure delivery services of cities and agglomerations 9. Improve access to sustainable water resources 10. Enhance adaptation to climate change and resilience to natural disasters (NDC implementation)
Pushing the Efficiency Frontier	Strengthening human capital Unleashing urban agglomeration potential	Early childhood development Quality of primary, secondary and tertiary education Urban and territorial development	
Greening the Efficiency Frontier	Transforming the scarcity of resources and climatic vulnerabilities into opportunities	Integrated water management and climate change adaptation	
Cross-Cutting Areas	Improving governance and citizen voice	Access to information and accountability Voice, participation and engagement <i>Rule of law and justice (other donors)</i>	Governance and Citizen Engagement Foundation 11. Improve the efficiency of public spending 12. Improve transparency and develop the building blocks for effective citizen-state engagement

Strategic Focus Area A: Promoting Job Creation by The Private Sector

60. **This focus area will contribute to job creation through private sector growth**, by opening more opportunities for business and leveraging disruptive technologies. It is articulated around three objectives: (a) More efficient environment for business and competitiveness; (b) Increasing opportunities for private sector growth, with a focus on MSMEs and youth employability; and (c) Improving access to finance. Improving the enabling environment for the private sector is essential to the MFD approach of

transcending traditional financing models through a coordinated approach to the public and private sides of development.

CPF Objective 1. More Efficient Environment for Business and Competitiveness

61. **Morocco needs a new wave of reforms to create a more conducive and competitive environment for the private sector to flourish and to play a greater role in meeting the country's aspirations.** The WBG will focus on three areas: (a) strengthening market contestability, to improve competition and enable greater entry and growth of firms in more markets for a dynamic and innovative private sector; (b) improving the business climate to position Morocco among the top 50 in the Doing Business ranking and foster domestic and international investment to drive private sector growth; and (c) developing and maintaining key infrastructure such as transport, logistics and ICT, to improve business competitiveness. IBRD will also support the acceleration of reforms aimed at improving the planning and outcomes of infrastructure investments, lowering costs and improving the efficiency of infrastructure SOEs. IFC and MIGA will seek to de-risk and mobilize private financing to reduce reliance on government resources.

CPF Objective 2. Increase Opportunities for Private Sector Growth with a Focus on MSMEs and Youth Employability

62. **This objective will build upon the enhanced business environment of Objective 1 to crowd-in the private sector to generate further growth and job opportunities.** It will help MSMEs to access the value chains of industry leaders, especially export-driven firms, and to leverage those firms' trade and investment agreements and their growing ties with African markets. The WBG will aim to tailor interventions to the needs of MSMEs at various stages and with different potentialities (social entrepreneurs, green entrepreneurs, tech-driven startups) by leveraging digital infrastructure and platforms, supporting market access, developing business skills and enhancing business support services. Adequacy of skills remains a barrier to MSME development. The WBG will help ensure that needed skills are available for specific sectors or firms, while creating employment opportunities for youth. IFC's investment will support Morocco's aim of becoming the gateway of choice for business expansion toward Africa, which will pull along entrepreneurial ecosystems. WBG engagements will have a special focus on youth employability in rural and peri-urban areas. These engagements will also support better monitoring and evaluation of public MSME programs, with a view to refining policies and program efficiency.

CPF Objective 3. Increase Access to Finance

63. **This objective supports implementation of Morocco's first national financial inclusion strategy,** with attention to increasing financing for MSMEs and bringing digital payment technologies and financial education to disadvantaged populations, particularly youth and women.⁸ As part of its Joint Capital Market Development Initiative (JCAP), IFC will leverage the policy work that the WB delivered under the previous CPS, with a view to seed new transactions to fund the long-term need of the economy. The development of Morocco's capital market will help disintermediate banks from financing large companies, thereby freeing up lending capacity toward MSMEs. More directly, JCAP aims to create markets for MSME financing through non-bank channels (e.g., by securitizing banks' MSME loan pools). IFC will also build on

⁸ Financial inclusion is low even though financial sector depth is high, with total assets, including life insurance, pensions and mutual funds, at 200 percent of GDP.

its longstanding presence in Morocco's financial landscape (microfinance, SME banking, green finance, credit infrastructure) to create new markets, such as securitization of NPLs.

Strategic Focus Area B: Strengthening Human Capital

64. **The WBG will ramp up its support to policies and strategies aimed at building, strengthening and protecting human capital**, with a focus on investments that can have a multiplier effect on existing financing for social sectors. The CPF supports interventions that promote equitable early childhood development outcomes and improve the quality and efficiency of education and health services. It also supports the establishment of a robust and cutting-edge⁹ social protection system that aims to empower poor and vulnerable households towards investing in children's health and education. In addition, the CPF promotes the participation of the private sector in the provision of healthcare and tertiary education, including vocational training (another element of the MFD approach; see Annexes 8 and 9).

CPF Objective 4. Improve Access to Quality Early Childhood Development Services

65. **The WBG program will support improved early childhood development (ECD) outcomes in education, health and nutrition, to lay a stronger foundation for holistic development in the early years and for subsequent human capital acquisition throughout the life cycle.** As highlighted in the 2019 *World Development Report: The Changing Nature of Work*, ECD is crucial for the acquisition of socio-emotional skills that will be required by an evolving labor market. Various IBRD programs will contribute to achieving this objective, including a new multisector program supporting the INDH's integrated approach to reducing health, nutrition and education deficits of children in rural areas. Further, to accompany the anticipated expansion of preschool provision, the CPF will support the creation of an institutional framework for ECD, to ensure that norms and standards are established and enforced. The ongoing Health Program for Results (PforR) will continue to support the expansion of access to primary healthcare in rural areas, particularly for children and mothers. Finally, targeted approaches using the improved social protection system will enhance the efficiency of ECD interventions as well as facilitate the necessary household-level investments in human capital.

CPF Objective 5. Improve the Quality and Effectiveness of Education Systems

66. **Even though human capital development is a national priority, Morocco's educational achievement remains weak, with substantial equity and efficiency challenges.** WBG investments will focus on improving learning outcomes, including through upgrading teachers' skills and behaviors, and enhancing accountability and governance at decentralized levels. A new education program will focus on improving the quality and efficiency of the learning process (through enhanced training for teachers and school principals and a revamping of the teacher management policy framework), while strengthening the capacity, autonomy and accountability of the country's Regional Academies for Education and Training.

67. **The WBG will promote the establishment of a national survey on the employability of graduates of both public and private tertiary education institutions.** The IFC will also invest in private tertiary education institutions with the objective of significantly scaling up access to quality education and enabling youth to develop marketable skills to bolster their employability and access to jobs. Bringing the private sector into tertiary education and training will contribute to upgrading skills and productivity. The WBG will support integrated approaches—such as vocational education programs developed and

⁹ Explanation of cutting-edge interventions is under CPF Objective 7.

implemented in collaboration with employers—to effectively address constraints and opportunities on the demand side, including in institutions with a South-South development focus. The IFC will also explore opportunities to set up financing instruments for the low-income student population to increase access to quality tertiary education and vocational training. Finally, the WBG will aim to expand successful public-private vocational training models in strategic sectors beyond those that exist in automotive and aerospace. These interventions will be conducted in alignment with further improvements in the labor market information system in Morocco and in collaboration with employers.

CPF Objective 6. Improve the Quality and Efficiency of Health Delivery Systems

68. **The WBG supports the Government’s Universal Health Coverage (UHC) approach to quickly improve access to health services by vulnerable populations while ensuring sustainable financial coverage and protection.** The ongoing health PforR aims at expanding and improving equitable access to primary healthcare in rural areas. A new operation will focus on improving service provision at health facilities through effective human resources policy, equitable medical coverage, improved national programs and better quality of care, including strengthening individual case management and the referral system. The WBG can help improve quality at the institutional level through resource efficiency advisory for pharma manufacturers to help reduce energy costs and use of the IFC Healthcare Quality Tool to increase the quality of healthcare providers.

CPF Objective 7. Strengthen Social Protection for the Poor and Vulnerable

69. **During the CPF period, the World Bank Group will focus on sustaining and building further operational engagements in support of human capital formation and realization in Morocco.** The World Bank will continue implementing the Identity and Targeting for Social Protection project, which supports the development of two tools—the National Population Registry (NPR) and a Social Registry (SR), both under the oversight of a National Registry Agency—to improve the delivery and effectiveness of social programs enabling poor and vulnerable households to invest in children. The current WBG support to the NPR will enable authentication services at low or no cost to the user, based on individual biometric characteristics. This innovative technology will be streamlined into the SR, allowing a more accurate eligibility process (eliminating ghosts or duplicates), more accurate tracking of service use (e.g., RAMED), simpler and more accurate verification of conditionality (Tayssir) and secure and cheaper payments (e.g., for Tayssir and DAAM). Over 2018-2023, two social assistance programs and a medical insurance plan for the poor and vulnerable, covering about a quarter of the population, will be reengineered and retargeted using the NPR/SR tools¹⁰.

70. **Beyond this, the CPF’s ambition is to accompany the Government’s effort to modernize Morocco’s social protection (SP) system and labor markets to enable households better invest in human capital, engage in economic opportunities, adapt to risks, and overcome economic shocks.** The modernization of social protection system would involve consolidation and refocusing of the existing social protection programs and improving their delivery system toward identifying and addressing household needs in a dynamic and adaptive manner. In labor markets, the emphasis would be on further improving flexibility to promote Tech entrepreneurship and jobs. To facilitate labor mobility and flexibility,

¹⁰ RAMED (Medical Insurance Plan for the Financially Underprivileged), Tayssir (conditional cash transfers for education) and DAAM (cash transfer program for widows and orphans).

better address the needs of those who lack formal employment, and promote social cohesion, the existing contributory SP schemes would be more fully complemented by targeted social programs supporting digital skills from early age, connecting youth and women to economic opportunities, and promoting community engagement toward economic and social inclusion. Building on the successes of the ongoing operation, the World Bank will expand its activities through additional financing. Interventions will include: (a) expanding the use of NPR/SR toward improved targeting and implementation of social assistance programs other than those mentioned above, focusing strategically on the largest remaining programs; (b) expanding the scope of support toward improved use of conditionality across programs to facilitate human capital investments in poor and vulnerable households and improved financial inclusion for the poor; (c) further transitioning from untargeted subsidies to improved and expanded targeted social programs; (d) developing demand-side economic inclusion elements, especially by building on top of the well-targeted cash transfer programs a layer of social services for remedial education, skills development and (for informal workers) skills recognition; and (e) jobs matching, employment and entrepreneurship support programs, and community engagement promoting economic inclusion and social cohesion. Mainstreaming the digital authentication and targeting across SP programs and beyond could leapfrog Morocco in the forefront of the digital revolution in the medium run, where the digital ID system becomes the foundational system for a presence-less, paperless and cashless economy. These new technologies will improve accuracy, reliability, coverage, and targeting of other SP programs, and will support goals beyond SP, such as modern/secure payments, digital lockers for jobs, and revenue mobilization.

Strategic Focus Area C: Promoting Inclusive and Resilient Territorial Development

71. **The WBG will support the Government’s efforts to promote inclusive and resilient territorial development through strengthening of territorial institutions, investing in connective infrastructure, and adopting effective spatially targeted interventions where they are needed.** Water resource management and service sustainability in the territories will be addressed through policies, institutional development and investments in the water sector. The WBG will also continue to support implementation of the Government’s disaster risk management (DRM) strategy and the operationalization of its climate adaptation program, with special focus on water, coastal zones, marine resources and agriculture areas. In addition, the WBG will use the MFD approach to increase the private sector’s role in delivering sustainable and resilient territorial development, particularly in the areas of urban transport, irrigation, desalination, and wastewater treatment, where harnessing private sector know-how, as well as financing, can contribute to significant efficiency gains.

CPF Objective 8. Improve Performance of Key Infrastructure Delivery Services of Cities and Agglomerations

72. **A network of well-functioning urban areas is critical to support Morocco’s economic and social development.** Actions taken during the CPF period will heavily influence the quality of growth in Moroccan cities—with broad implications for the country’s economy. Achieving the structural transition with more jobs in manufacturing and services, requires better planned, serviced and functioning urban spaces in conjunction with the broader business reforms addressed under Focus Area A.

73. **The WBG will support Morocco in improving cities’ performance and urban mobility to prepare for the expected rapid urbanization over the coming decade and the imperative to address spatial disparities head on.** WBG support will include: (a) strengthening the institutional and financial capacity of local governments to deliver urban infrastructure, modernize business and citizen services, and improve access to municipal services, with special attention to underserved neighborhoods; (b) improving urban

mobility and transport systems (including through greater private sector participation); and (c) building capacity for mobilizing and managing increased revenues, land management, local governance, public and private investment in urban infrastructure, and mobilizing new sources of financing (including through commercial loans and access to capital markets). The current WBG program on housing policy and housing finance will also contribute to this objective. WBG engagements will also help Morocco optimize the impacts of the Nador West Med port¹¹ on the socio-economic development of the Riff and of Oriental province. IFC will complement Bank interventions through the development of new models for sub-national finance mobilizing the private sector and the capital market. It will support the Government in its overall ambition to improve the stock and quality of infrastructure through PPPs for better service delivery. MIGA will seek opportunities to support urban infrastructure development, with a focus on transport and service delivery under PPPs and other financing structures that would support the mobilization of private finance.

CPF Objective 9. Improve Access to Sustainable Water Resources

74. **The WBG will support the Government's efforts to improve water security and productivity and the sustainability of service delivery.** The WBG aims to support the transformation of the electricity and water utility, ONEE (*Office National de l'Electricité et de l'Eau Potable*) to become a regional leader in the water industry by improving its performance and financial sustainability, and its capacity to provide last-mile service delivery in lagging regions and rural areas.

75. **Last mile delivery requires securing of water sources and innovations in sanitation to protect the water sources.** In securing water sources, the WBG will support the implementation of Water Law 36-15, which mandates development of a dynamic national water information system (WIS) using disruptive technologies. A national WIS is a prerequisite for the adoption of a transparent, dynamic, and efficient allocation system that can optimize the new mix of water sources, including non-conventional sources.¹² The WBG will work on identifying the disruptive technology to support the design of this national WIS, which in turn will contribute to better water allocation, better management of the system by key water institutions, and more reliable supply of water for irrigation.

76. **Finally, the WBG will help Morocco to maximize private finance and efficiency gains in the sector** by strengthening private sector participation in, for example, modernizing irrigation systems, desalination systems, and wastewater treatment systems, including through performance contracts. IFC and MIGA will seek to play a key role in such interventions through support for PPPs, with a view of overall sustainability of the sector.

¹¹ The Nador West Med (NWM) port complex will provide a connectivity and competitiveness shock to North-Eastern Morocco and will drive the NE region's emergence if the necessary accompanying measures are put in place. These include (a) improving physical connectivity between NWM Port, Al Hoceima and their hinterlands; (b) developing the NWM industrial complex and urban ecosystem; and (c) promoting entrepreneurship, value chains and services that would develop skills and create jobs farther away from the port, including in the provinces of Guercif, Taourirt, Jerada and Figuig—a population basin of nearly 1.8 million inhabitants, 1.3 million of whom are of working age.

¹² Given its increasing water scarcity, Morocco needs to develop an allocation system that allows for the reallocation of water, in the medium to long-term, to higher economic value. The design of this allocation system needs to consider the country context, so it can be enforced for surface and ground water and respond to the increased challenge of making rapid decisions for the allocation of conventional and non-conventional water sources.

CPF Objective 10. Strengthen Adaptation to Climate Change and Resilience to Natural Disasters

77. **With the support of the WBG, Morocco has invested significantly in recent years to develop a disaster risk management program**, combining institutional reforms with investments in risk reduction, extending the coverage of disaster risks by the insurance markets, and providing mechanisms for basic compensation of uninsured households. Building on ongoing work, the Bank will continue supporting the implementation of Morocco's national disaster risk management program, scaling up disaster risk reduction, and improving disaster risk financing and insurance. The WBG will facilitate Morocco's access to emergency financing in the case of natural disasters.

78. **Support for increasing climate adaptation and resilience in sectors threatened by climate variability and change are embedded in the WBG pipeline** through a robust agenda of analytical work and investment operations. These include (a) integrated coastal management, to reduce the vulnerability of Morocco's shorelines; (b) support to the Government for implementation of its Nationally Determined Contribution (NDC) to the UNFCCC, with multi-sectoral solutions; (c) adapting water management and service delivery to the changing future; and (d) digital and climate-smart agriculture programs to reinforce the sector's adaptation to climate change.

Governance and Citizen Engagement Foundation

79. **Governance and citizen engagement are foundational elements of the WBG's program in Morocco.** *Effective governance* is the transparent, accountable and judicious management of public resources based on the principles of equity and rule of law and efficient evidence-based policymaking. It is essential for the country to achieve its development objectives, including modernizing the economy, adapting to climate change, improving the health and education systems, and strengthening social cohesion. *Citizen engagement* gives citizens a voice in government decision-making through established mechanisms, a means to monitor the actions of public officials, and a stake in the outcomes of government actions.

80. **The WBG will help the Government of Morocco to strengthen and reform its institutions to improve the transparency and efficiency of public expenditure.** Support for the transparent, efficient and inclusive governance of Morocco's public resources and administration will contribute to more equitable access to economic opportunities and social services for Moroccan citizens. Progress in these areas will lift constraints to inclusive development and contribute to social cohesion.

81. **Recognizing the importance of citizen engagement for development outcomes**, the Bank's 2018 Strategic Framework for Mainstreaming Citizen Engagement in Operations aims to mainstream citizen engagement in World Bank-supported policies, programs and advisory services and analytics to improve development results and contribute to building sustainable national systems.

CPF Objective 11. Improve the Efficiency of Public Spending

82. **To improve the efficiency of public spending, the Bank will support:**

- **digitalization of public financial management (PFM) systems and processes.** This technology will decrease the cost of transactions by about 12 percent and increase competition in procurement, resulting in estimated savings of 5 to 25 percent;

- **design and implementation of a coordinated framework** for managing public investment projects, to improve selectivity and monitoring and evaluation of a range of sector investment programs;
- **reform of the governance and control framework for SOEs**, both at the macro level and in specific sectors where SOEs deliver critical social services;
- **continued budget reform and the rollout of program-based budgeting**, building on the opportunity provided by the completion of the first cycle of program-based budgeting in 2020 to enhance its technical quality and increase the coherence and convergence of budget-related policies;
- **development and use of customized PFM tools** for public entities at the decentralized level;
- **further development of the e-Government procurement system** as a vehicle to promote transparency and accountability, generate cost and time savings, and facilitate the participation of SMEs in Morocco's public procurement market;
- **development of an integrated capacity building program** for stakeholders in the public procurement ecosystem.

83. **The Bank will also help to give citizens a voice in public spending by supporting** the strengthening and expansion of the electronic complaints management system, which promotes citizen engagement and learning by doing on the part of service providers.

84. **Finally, the Bank will foster broad state-citizen dialogue** on the management of public finances, notably tax reform, pension system reform and administration. This dialogue will help to address issues such as high levels of discretion in the tax system and efficiency and sustainability of the pension system. This will be done through the expansion of e-government and the use of GovTech in the public sector. Technologies can increase government efficiency, transparency, and quality, which in turn can improve citizen trust in government and citizen satisfaction. Pairing online administrative services with physical service delivery points would support equal and inclusive access to services.

CPF Objective 12. Improve Transparency and Develop the Building Blocks for Effective Citizen-State Engagement

85. **The lack of constructive state-citizen engagement must be addressed to achieve the intended results under the Governance Foundation.** Bank support will go beyond support for transparency and policy changes to focus on intensive capacity building and Technical Assistance to: (a) enhance legislative oversight and the establishment of mechanisms for public engagement with Parliament, such as petitions, to facilitate accountability and participation in the use of public resources and the delivery of public services; (b) leverage new opportunities to further engage citizens (Open Government Partnership); and (c) support line ministries and CSOs/NGOs to better understand, integrate and implement citizen engagement approaches and mechanisms to engage constructively in territorial development programs and service delivery, with a focus on sectors embedded in the World Bank portfolio (Box 5).

86. **Support under CPF objective 12 will be provided in three areas:** (a) Production of quality and timely statistics and coordination among various institutions (HCP and line ministries); (b) Access to statistics; and (c) Citizens' engagement in the use of data for commercial, non-commercial and monitoring purposes.

Box 5. A New Roadmap to Strengthening Citizen Engagement (CE) in the CPF

A CE Roadmap constitutes a shift¹³ from minimal “tick-the-box” compliance with CE in World Bank-financed Bank operations to improving the capacity of targeted country systems to solicit and account for citizen feedback and to promote greater accountability. This shift requires a multi-level intervention as outlined in Annex 7. As this is a dynamic change process, some flexibility will be embedded as new opportunities or country demands may arise. Three types of interventions are proposed: **(1) Foundational**, with focus on improving the enabling environment for civic engagement in terms of transparency, open data and open government, and implementation support for greater citizen voice national policy making via Parliament; **(2) Cross-cutting**, through effective accountability platforms and demonstration effects (thus creating greater confidence to increase constructive engagement both by Government and Citizens); and **(3) at the Portfolio level** through the Maghreb political economy filter to ensure continued vetting of Bank operations at entry, while strengthening the feedback loop and follow-through¹⁴ on implementation. CE entry points will be leveraged into shifts in sectoral approaches with greater country buy-in, and greater levels of institutionalization¹⁵ into country systems¹⁶. Opportunities to further strengthen participatory approaches both to monitoring and to addressing behavior change needed for climate change adaptation, mitigation and for better management of coastal resources will be explored in the context of new operations.

87. **Evidence-based policymaking will be strengthened by improved policy coordination and evaluation.** Morocco has developed ambitious sectoral policies and programs, yet misalignment across sectoral policies and coordination failures have hampered their implementation and limited their impact. The Bank will support the Government’s efforts to enhance the coherence and effectiveness of public action and investments by supporting budget and policy prioritization, coordination and evaluation efforts through innovative approaches such as the digitalization of processes, development of inter-ministerial coordination mechanisms, fostering a culture of ex-ante and ex-post evaluation in project cycles, and introduction of a change management process and collaborative leadership approach among key players in the Government and public administration (see Annex 10).

88. **The Bank will also ramp up its support to develop a national monitoring and evaluation (M&E) framework** that enables policymakers and the public to prioritize policies based on available evidence, collect relevant data, and monitor and evaluate their impact. Bank support will aim to improve the credibility of national statistics and their use to design and evaluate policies. It will help the HCP improve the quality and the timeliness of their statistical products and will support its efforts to improve data analysis and the use of data to inform evidence-based policy debate.

89. **Beyond robust data, there needs to be open access to information.** The Bank will take steps to support access to information and increased transparency in policymaking and service delivery. The country passed legislation on Access to Information (ATI) in February 2018 and joined the Open Government Partnership in July 2018. The World Bank will leverage these efforts to improve transparency by supporting the Government’s reform efforts at the central and local levels, including on budget

¹³ The recently released IEG report “Engaging Citizens for Better Development Results: An Independent Evaluation” highlights the need for the World Bank to support more in-depth “transformational” approaches to strengthened citizen voice, versus minimalist approaches that may have little long-term impact (such as project level grievance redress).

¹⁴ While Morocco had achieved 100% integration of a citizen engagement indicator at entry in all types of operations by FY18, using these mechanisms to create greater awareness of citizen voice and centrality in decision-making in projects lagged behind; as of the end of FY18, only one of four projects approved since FY14 that had a citizen engagement results indicator had reported back on that indicator by year 3 of project implementation.

¹⁵ Approximately 25 percent of projects approved between FY14 and FY17 had institutionalized citizen engagement mechanisms - defined as integration beyond the confines of the project. In FY18, 67 percent of FY18 projects included measures to improve citizen engagement in country systems (versus just within the confines of the project).

¹⁶ “Institutionalization” is an indicator monitored at the regional level in MENA as part of the MENA Regional Strategy; it is defined as embedding activities in the operation that strengthen the citizen engagement mechanism in country systems (versus within the confines of the project), and therefore which should provide benefits going beyond the project horizon.

transparency and expansion of the use of the **e-Government Procurement System** and on resolving procurement-related complaints within the timeframe specified in the regulations. Furthermore, to pursue the efforts already initiated by government through the Institutional Development Fund “Support to the Public Procurement Regulatory Commission,” the World Bank will support the development of a strong and reliable procurement complaint and grievance management system using electronic tools.

Cross-Cutting Theme: Gender – Empowering Women and Girls for Shared Prosperity

90. **The gender dimension of the CPF will be applied through a consistent gender focus in all ongoing and new operations and ASAs.** This will include: (i) use of gender filter at the inception of each operation¹⁷, (ii) systematic ASAs on explicit gender-related issues, such as understanding the weak female labor force participation and its sharp decrease over the past years, with a view to designing gender-specific interventions; and (iii) the systematic collection and use of gender-disaggregated performance indicators to assess project outcomes. **Under CPF Focus Area A**, support for youth employment will contribute to addressing the constraints young women face in accessing labor market and finance. The CPF objective related to access to finance will contribute to increasing women entrepreneurs’ access to financial services. For example, the FY19 Financial Inclusion and Digital Economy DPF has a specific prior action to make it mandatory for banks and mobile payment companies to report gender-disaggregated data. This will contribute to enhancing oversight of gender gaps in financial inclusion of women and female-owned enterprises, and to building gender data in the credit information system. **Under Focus Area B**, the gender focus will include the planned interventions in education and ICT, in business/entrepreneurial skills development, including in high value-added agricultural chains, and in regional and inclusion programs. **Under Focus Area C**, support for reducing territorial disparities will contribute to improving women’s mobility, health, and access to services that can reduce the burden of their work in the home.

91. IFC will also help to increase women’s access to finance through an Advisory and Investment package to help banks and financial institutions serve women clients sustainably; as well as advisory to companies to help them put in place measures for the recruitment and retention of women (e.g., child care solutions, safe transport).

¹⁷ The gender filter aims at improving the effectiveness of the WB portfolio in Morocco in three critical ways: 1) by capturing, generating and disseminating in-depth knowledge on political economy; and 2) by supporting the operationalization of the governance and gender agendas into project design and implementation.

Cross-Cutting Theme: Harnessing Digital Economy for Jobs and Faster Growth

Box 6. A Moonshot for the Middle East and North Africa



To accelerate growth and create jobs for millions of unemployed youth, MENA Countries cannot hope to pursue the traditional development path of reliance on manufacturing exports. Instead, they will have to develop a digital economy that takes advantage of its young and educated workforces. This will require, first and foremost, the adoption of modern technologies and even the provision of “digital public goods”.

A MENA moonshot would focus on two concrete and achievable goals by 2020. First, MENA countries must create a modern broadband internet that covers all regions, including those that are lagging economically. In those lagging areas, the India model could be followed where internet access is offered free for a while to enhance its beneficial economic and job-creating effects. Second, countries must develop an infrastructure and regulatory apparatus that supports money transfer digitally through mobile devices and the internet. The money transfer infrastructure could be provided by telecom companies, banks, and other operators.

Source: MNA Economic Monitor: A New Economy for the Middle East and North Africa.

92. The transformative ambition of the CPF is to help the Government implement a technology-informed strategy that harnesses the transformation potential of digital technologies across the different strategic areas of focus. Consistent with the Moonshot approach for the MENA Region (Box 6), the CPF will focus on creating enabling conditions for improved access to digital technologies by unlocking the contestability and disrupting the existing status quo among incumbent players and bringing in the dynamic constituency—the youth—who continuously ask for more change. The development of digital platforms, both government platforms like digital ID, and private sector platforms, also known as Multi Sided Platforms (MSP), enabled by internet connectivity and a digital payment infrastructure, can develop opportunities for jobs, increase the contestability of local markets, such as tourism and local transport, and generate both economy-wide positive spillovers and increase the inclusion of assets and resources previously unused or underutilized.

93. Three ambitious targets are set for 2021: (a) 5G for telecom; (b) Mobile payment (including in interior regions); and (c) e-Government Procurement (see Results Framework for metrics).

94. **WBG support to the Government will focus on two complementary dimensions:** (1) strengthening digitization and the foundations of digital infrastructure and (2) mainstreaming the use of digital technologies in each of the CPF focus areas.

Dimension 1. Strengthening digitization and the foundations of digital infrastructure

95. **The country's transformation and growth are being blocked by limited connectivity and access and outdated ICT business models.** Constraints to overcoming these challenges include (a) the low level of competition in the broadband sector; (b) incomplete and ineffective sector regulation; and (c) lack of investment in the sector, including underuse and poor management of the Universal Service Fund for Telecommunications. Building on strong policy dialogue over the past few years, the WBG will tackle these constraints through DPF operations aimed at creating an enabling digital policy and regulatory environment. These operations will focus on increasing competition in the ICT sector, incentivizing private investment in digital infrastructure, and creating PPP opportunities to extend digital services to remote and underserved areas.

Dimension 2. Mainstreaming the use of digital technologies in each of the CPF focus areas

96. **Under Strategic Focus Area A,** the WBG will carry out interventions aimed at (a) facilitating firm creation and operations through the digitalization of administrative and tax procedures; (b) improving the connectivity of SMEs and promoting the emergence of connectivity-based service providers; (c) supporting the launch of the national mobile payments system; (d) attracting venture capital to the tech start-up market; and (e) developing a best practices legal framework for digitally based economic activity.

97. **Under Strategic Focus Area B,** the WBG will support the use of digital technologies to improve outcomes in the education and social protection sectors. *In the education sector,* interventions will aim at (a) strengthening the connectivity of educational institutions to enable the expansion of the existing MASSAR digital educational service used by schools and students, and (b) supporting programs to train teachers in digital and computer skills. *In the social protection sector,* the WBG will build on the ongoing digital ID project and use digital technology to better identify and target beneficiaries and enhance the traceability and transparency of benefit mechanisms.

98. **Under Strategic Focus Area C,** the WBG will support the expansion of digital infrastructure, including through PPPs, to improve management of the urban environment (through the ongoing Smart City initiative), as well as the connectivity of secondary cities and rural areas, where digital technologies will improve water resources management, provide market and climate information to farmers, and help foster the development of agricultural value chains. In addition, digital technologies will improve access to consolidated e-government services (which currently are fragmented) and enable citizens in remote and rural areas to participate in and monitor government decision-making, both individually and collectively. Feedback from these mechanisms will help to support inclusive and evidence-based policymaking.

Implementing the CPF

99. **Financial Envelope.** Country demand for borrowing during the CPF period is estimated at up to US\$1.3 billion a year for the next six years. As noted above, the CPF proposes an indicative WBG program only for the first three years of implementation at up to US\$5 billion for the WBG including up to US\$ 1.2 billion for IFC. IBRD lending is estimated to be up to US\$1.35 billion for FY19, US\$1.4 billion for FY20 and US\$1.2 billion for FY21. Actual investment volumes for FY19-FY21 as well as future lending volumes for FY22-FY24 will depend on the country's performance and reform implementation, improvements in the investment climate and investor sentiment, IBRD's lending capacity, demand by other IBRD borrowers, and global economic developments. In the outer years of the CPF, it is expected that a higher portion of

IBRD lending will be provided in the form of Development Policy Loans and Program-for-Results financing to address critical reforms and focus on results.

100. **The new CPF program builds extensively on the existing lending program** (Table 4) and carries over many of the activities in the areas of private sector job creation, development of human capital, and territorial development. In addition, the new program significantly advances the Government’s digital and youth agendas and includes a new operation, under the Governance and Citizen Engagement Foundation, aimed at enhancing the efficiency, transparency and accountability of public sector performance. The first three years of the CPF have been largely programmed (Tables 5 and 6), but the CPF program remains flexible for the outer years.

Table 4. Ongoing IBRD Program

IBRD Operations	Closing Date	Program Focus
FOCUS AREA A: PROMOTING JOB CREATION BY THE PRIVATE SECTOR		
Strengthening Agri-Food Value Chains (PforR)	09/30/2023	Increase volume of value-added products commercialized in agri-food value chains (also part of Focus Area C)
Financing Innovative SMEs (IPF)	12/31/2023	Facilitate increase of early seed and private equity finance for innovative startups and MSMEs
FOCUS AREA B: STRENGTHENING HUMAN CAPITAL		
Health, Nutrition & Population (PforR)	09/30/2023	Expand access to primary health care in rural areas
Identity and Targeting for SP (IPF)	12/31/2023	Expand ID coverage and improve targeting of safety nets
FOCUS AREA C: PROMOTING INCLUSIVE AND RESILIENT TERRITORIAL DEVELOPMENT		
Casablanca Municipal Support (PforR)	09/30/2022	Improve business environment and enhance access to basic services in Casablanca
Urban Transport (PforR)	06/30/2020	Strengthen capacity of urban transport institutions; improve quality of urban transport
Rural Water Supply (IPF)	09/30/2021	Provide safe & reliable drinking water in rural communities
Large-scale Irrigation Modernization	12/31/2022	provide improved water service and irrigation technologies to farmers
Integrated Disaster Risk Management and Resilience	12/31/2021	Improve institutional framework to finance disaster risk reduction activities and strengthen the population’s financial resilience to natural disasters
Noor Quarzazate Solar Power (IPF)	12/31/2022	Increase solar power generation in Morocco
Clean and Efficient Energy (IPF)	11/30/2020	Improve capacity of ONEE to supply and dispatch clean electricity and meet demand more efficiently

Table 5. Indicative WBG Program for FY19-21 (US\$ million)

INDICATIVE PROGRAMS	IBRD	IFC	PROGRAM FOCUS
FOCUS AREA A: PROMOTING JOB CREATION BY THE PRIVATE SECTOR			
Financial Inclusion and Digital Economy (DPF)	700 FY 19	Up to 300	Improve financial inclusion for Moroccan individuals and SMEs; strengthen digital platforms; and enhance early stage equity financing for digital startups and entrepreneurs. IFC investment in financial inclusion, MSME finance, Fintech and capital market enabled by new reforms.
	400 FY21		
Youth Inclusion and SMEs (IPF)	50 FY 19		Increase access to economic opportunities for youth starting in FY19 in the Marrakech-Safi region of Morocco and expanding to other regions in FY21.
	200 FY 21		
MFD in Infrastructure (DPF)	400 FY 20	Up to 400	Maximize infrastructure funding and explore all available options for mobilizing non-state (including private) finance to free up the already limited resources of the public budget. IFC and MIGA flagship PPP and mobilization of private sector in key sectors such as transport and ICT enabled by new reforms.
Total	1750	Up to 700	
FOCUS AREA B: STRENGTHENING HUMAN CAPITAL			
Education Support (PforR)	400 FY 19	Up to 100	Support the Government of Morocco in strengthening the foundations for learning in pre-primary and basic education. IFC investment in disruptive private sector solutions for employability enabled by new reforms.
Social Protection Phase II (IPF)	200 FY 21		Build on successes of and expand current project's activities.
Human Development Program (health and nutrition) (PforR/IPF)	200 FY21		Support the Government of Morocco in strengthening the foundations and the environment for learning in pre-primary and basic education.
Total	800	Up to 100	
FOCUS AREA C: PROMOTING INCLUSIVE AND RESILIENT TERRITORIAL DEVELOPMENT			
CAT DDO (DPF)	200 FY19		Support the Government of Morocco in (i) strengthening the country's fiscal capacity to manage the negative impact of disasters and climate-related risks, and (ii) strengthen the institutional framework for disaster risk management in Morocco.
Municipal Development (PforR)	300 FY20	Up to 200	Improve the institutional performance of participating municipal Governments; and strengthen inter-municipal coordination for local service delivery in selected urban agglomerations. IFC investment to bring a new model for municipal finance leveraging the private sector enabled by reforms.
Smart Agriculture (IPF)	200 FY 20	Up to 50	Leveraging digital and climate smart technologies to increase the efficiency, equity, and environmental sustainability of agri-food value chains. IFC investment in smart agriculture solutions enabled by reforms.
Economic Corridor Nador West Med (IPF)	200 FY 20		Improve transport and communications connectivity and promote private sector development in the immediate and expanded hinterland of the maritime gateway and logistics complex of Nador West Med.
Water Support and Sanitation (IPF)	200 FY 21	Up to 150	Support the government's efforts to improve water security, productivity and sustainability of service delivery, IFC investment to

			scale up water production and reuse through private sector participation enabled by reforms.
Total	1100	Up to 400	
FOUNDATION: GOVERNANCE AND CITIZEN ENGAGEMENT			
Morocco Public Sector Performance (ENNAJAA) Program (PforR/IPF)	300 FY 20		Enhance public sector performance through improved transparency, evidence-based policymaking and efficient public expenditures.
Total	300		
Total General	3950	Up to 1200	

Table 6. Selected WBG Advisory and Analytics, FY19-FY21

CPF Focus Areas	FY19	FY20
Focus Area A: Promoting Job Creation by the Private Sector	Country Private Sector Diagnosis (CPSD)	Strengthen the capacity of the competition council
	JCAP Capital Market Development (IFC and World Bank)	Support to National Committee for Business Environment (IFC)
	Emerging Digi-tech	Business Services for exporting MSMEs
	Improving Connectivity	Improved e-procurement system to facilitate SME access to public procurement
	Automotive, Aerospace and Textile Industry Review	Entrepreneurship Climate (IFC)
	National Financial Inclusion Strategy	Supply Chain Finance (IFC)
	Promote payment innovations	National Register of Secured Transactions (IFC)
Focus Area B: Strengthening Human Capital	Policy Dialogue on Human Capital Projects	Study of PPP Models for Education and Student Financing
	Grant for Policy Development and Human Resources (PHRD)	Policy Analysis and Strategies for the Development of skills for the Future (cont.)
	Support the Design of INDH3	Support for the development of policies and foundations of social protection (cont.)
	Policy Analysis and Strategies for the Development of skills for the Future	Policy Dialogue on Human Capital Project (cont.)
	Support for the development of policies and foundations of social protection	
Focus Area C: Promoting Inclusive and Resilient Territorial Development	Transportation and Jobs	Evaluation of Water Sector Policy and Management
	Financing Urbanization	Sustainable Development of the Blue Economy and Integrated management of Coastal Zones
	Land Management Support	Adaptation of Agriculture in Africa (AAA)
	Infrastructure Diagnostic in Morocco	
	Agricultural Sector - Post 2020 (Adaptation and Digital)	

Table 6. Selected WBG Advisory and Analytics, FY19-FY21 (Continued)

CPF Focus Areas	FY19	FY20
Foundation: Governance and Citizen Engagement	Governance in the Maghreb and Political Economy Filter	Reform of PPP - Compact with Africa
	Reform of Public Investment Management	IFC Corporate Governance Framework
	Financial Risks' Measurement and Management	Diagnostic Assessment Tool for Tax Administration
	2nd phase of the Pension Reform	Strengthening the Framework and Practices of Public Procurement
	Technical Assistance for Citizen Engagement	

101. **Flexibility and scope for adjustments.** In recognition of Morocco's uncertain social and economic environment, the CPF will be a living strategy that incorporates learning by doing and constantly adapts to unforeseen or changing country circumstances and emerging Government priorities. Table 7 below describes the shift from the current way of doing business in Morocco to a Learning and Adaptive CPF.

Table 7. The Shift to a Learning and Adaptive CPF

From	To
CPF as a document	CPF as a living strategy that needs adjustments
Overly ambitious project design that does not get implemented	Experimental design that learns early and incorporates lessons as it scales
Linear log-frames and causal chains	Recognition that the WBG works on complex problems in complex systems
Measure what is known	Measure what is important
Supply-driven, sector-focused interventions	Multi-sectoral programmatic approaches
Focus on project design	Focus on implementation and implementation support
Reputational risk as a key driver for decisions	Learning mindset to achieve results and generate capacity by doing

102. **The manner of engaging under this CPF will also be qualitatively different, to achieve a greater impact.** The WBG will work more effectively with the Government to establish coordinated policies and build linkages and synergies across government entities whenever possible. The WBG itself will draw more effectively on the synergies among IBRD, IFC and MIGA to maximize financing for development to solve key country problems (see Box 7 and Annexes 8 and 9). As mentioned above, more emphasis will be given to helping Morocco take advantage of disruptive technology and improve its ecosystem, to enable it to become the leading start-up nation in Africa. The WBG will also increase its dialogue with other development finance institutions (DFIs) to improve coordination for bigger impact and effectiveness.

Box 7. Maximizing Finance for Development

Priority Sectors:

To help maximize finance for development in Morocco, the WBG has identified three areas for priority application of the cascade approach: (a) shifting Morocco's model for infrastructure investments; (b) positioning Morocco as a leader in capital markets for Africa; and (c) setting up a model for municipal finance:

Mobilizing private investors for infrastructure finance. To finance the growing need for new and improved infrastructure, the Government is shifting its strategy to mobilize private investors for infrastructure finance. The IBRD, IFC, and MIGA are well placed to support this strategy by working together to identify reforms needed to create an enabling environment for flagship PPP opportunities in key sectors (water, transportation, education) that require upstream reforms and IFC and MIGA's de-risking instruments to bring in the private sector. The WBG's recent Maghreb Infrastructure Diagnostic (MID), a joint analytical report, identifies areas where the cascade approach in infrastructure can be implemented and needed reforms to that end. The MID will be used to initiate a policy dialogue in Morocco on ways to maximize private financing and access capital markets for Infrastructure delivery. The dialogue would support policy reforms towards efficiency and sustainability of Infrastructure delivery in priority sectors such as ICT, water and transport. IFC would support the development of flagship PPP transactions. Upstream reform areas would include: Public and private investment planning and prioritization; PPP legal framework; Sector regulation, financial viability and tariff adjustment; SOE reforms and privatization, PPP guarantees and risk allocation.

Leader in capital markets. The Government aims to position Morocco as a leading capital market center for Africa. The WBG is helping the Government to put in place a new wave of capital market reforms, and new instruments to provide long-term finance to the economy—which would maximize results through the combined efforts of the IBRD, IFC and MIGA. To support these efforts, the WBG is implementing the Joint Capital Market Development Initiative (JCAP) to deepen Morocco's capital market and position Morocco as the leading capital market center in Africa. At the same time, MIGA is exploring ways to support the growth and outward investment of Moroccan financial institutions across Africa and in other emerging regions.

Decentralization and support to regions. Morocco's growing spatial inequality is leading to growing discontent among the population and impacting efforts to achieve sustainable and inclusive growth. To reduce regional disparities, the Government has an ambitious decentralization plan to provide more autonomy to regions. The IBRD is well positioned to support the decentralization process, while IFC can help set up a new model for municipal finance by leveraging private sector finance, potentially supported by MIGA political risk and credit enhancement products. These efforts could allow for more targeted investments that will support growth in selected regions.

A One WBG Approach: Leveraging the International Centre for the Settlement of Investment Disputes' comparative advantage:

To continue to promote an atmosphere of mutual confidence and stimulating a larger flow of private international capital into member countries, thus contributing to the WBG's efforts to maximize finance for development, the International Centre for the Settlement of Investment Disputes (ICSID) co-organized and participated in a series of arbitration-related events with the Casablanca International Mediation and Arbitration Centre (CIMAC) in the context of the Casablanca Arbitration Days in November 2018. ICSID and CIMAC signed an Institutional Cooperation Agreement (ICA) designed to provide the possibility of holding ICSID hearings at CIMAC facilities (and vice versa), thus reinforcing ICSID's presence and services around the globe and in Africa and Morocco in particular. The ICA also encourages knowledge sharing between ICSID and CIMAC and exchange of information and publications, and where appropriate coordination of joint events in the field of arbitration, conciliation, and other methods of dispute resolution.

103. **To ensure maximum development impact during CPF implementation**, the World Bank Group will (a) strengthen its internal knowledge of how governance and political economy issues shape policy reform prospects, project implementation and development results; and (b) identify key factors of the Moroccan context that are likely to have an impact on risks to the Bank portfolio and the effectiveness of operations. This will be done through the **Maghreb Governance and Political-Economy Filter** (Box 8). For new operations, greater attention will be paid during the design phase to the identification of formal and informal stakeholders, political economy, and institutional challenges to ensure that solutions are not only technically feasible but also politically and institutionally appropriate. During implementation, the

operations will benefit from feedback loops with citizens and M&E arrangements to allow enough flexibility to adapt and make corrections as needed.

Box 8. Maghreb Governance and Political Economy Filter

There is overwhelming evidence that many technically sound development reforms and projects can fail to achieve their objectives because of institutional and political constraints (WDR 2017). The political economy (PE) approach unpacks how power and resources are distributed and contested among interest groups and the implications of those dynamics for the feasibility of a reform or project (DFID 2009). The post-Arab Spring Maghreb region faces several such challenges. Moreover, World Bank task teams often lack the granular knowledge of how political economy specifically matters for a given policy reform, sector, operation or tier of governance, and how to respond best. As noted by the Independent Evaluation Group, “*an understanding of the political economy is critical for the organization’s [Bank’s] effectiveness... [it] broadens the World Bank’s operational considerations beyond technical analysis and considers the significance of power relations, vested interests, and social divisions*” (IEG 2016).

In response to the need for more granular knowledge of the region, the innovative Maghreb Governance and Political Economy Filter was designed to: (a) improve the effectiveness of the Maghreb development portfolio by identifying and helping address governance and political economy constraints and opportunities in selected operations; and (b) strengthen World Bank knowledge of how political economy issues shape policy reform prospects, project implementation and development results. The filter work has two main components: (a) providing hands-on operational support to strategic, selected operations; and (b) deepening and sharing knowledge and analysis on relevant issues.

104. **In addition to the Governance and PE filter, the WBG will develop a new Citizen Engagement Roadmap** to guide more systematic engagement with citizens, help build trust, and develop more feedback loops on WBG program implementation. Finally, the WBG will put greater focus on implementation and results and less on approval of legal texts and other measures that may have little real impact.

Country Procurement and Financial Management Systems

105. **The country procurement regulatory framework has seen a substantial shift towards consolidation.** While ministries, central public agencies, local governments and some SOEs are subject to the Public-Private Dialogue, other SOEs, because of their specificity, have their own procurement rules, which are overall in line with the Public Procurement Decree. The procurement reform (effective in 2014) is ongoing, with the development of standard contractual documents—*Cahier des Clauses Administratives Générales* (CCAG) and *Cahier des Clauses Administratives Particulières* (CCAP) for several types of procurement—and modernization of the electronic procurement platform for greater use of e-tendering and reverse auction. The integrity dimension of the public procurement has also undergone substantial changes, notably the creation of the public procurement authority (CNCP), responsible for drafting policies and regulations, issuing standards documents for public procurement, coordination and oversight of procurement training, and management of complaints. The CNCP has set up an electronic complaints management tool that is accessible to all complainants and procuring entities. Complaints can also be addressed directly to CNCP.

106. **There is a need to improve the efficiency of the procurement system.** Except for a few SOEs and ministries, most of public procuring entities are inefficient because of (a) unqualified procurement staff, (b) cumbersome control mechanisms (ex-ante control being the rule and ex-post control, the exception), (c) inadequate capacity of buyers; and (d) still limited use of e-procurement, which limits access of SMEs public procurement opportunities. Local governments, particularly rural municipalities, are the most affected by these issues, both in the management of procurement contracts and the management of delegated services contracts.

107. **The World Bank's new procurement framework (NPF) provides more flexibility for effective implementation of Bank-financed projects.** The adjustment clauses in national competitive bidding are now minimized and the thresholds for both procurement methods and prior reviews have been substantially raised. The NPF puts emphasis on the strategic dimension in project preparation—the choice of the most suitable methods and procedures to achieve the development objectives—taking into consideration the capacities of the market and the risks related to the project. Several training sessions on the NPF and Systematic Tracking of Exchanges in Procurement (STEP) were conducted by the Bank during FY17-19 and will continue. In addition to procurement in investment projects, the Bank team has assisted in improving procurement systems through PforR and DPF operations. The procurement reform work has been very dynamic over the past few years, and the new CPF provides several opportunities (regulations, institutions, tools, practices, integrity) to help improve the overall system.

108. **Implementation of the CPF program relies extensively on country financial management systems, which are deemed adequate.** Morocco's financial management framework is grounded in the 2011 Constitution and guided by central and decentralized government policies and regulations which have evolved over the years. Overall, as per the recent national Public Expenditure and Financial Accountability (PEFA) report, the main conditions of fiscal and financial disciplines are met, as evidenced by the credibility of the budget and achievement of the planned stability objectives. Budget execution benefits from an acceptable information management system as well as robust internal and external controls. The Treasury is under control and the Treasury Single Accounting arrangement is operational. Aspects of public financial management, such as the multi-year dimension of the budget, internal controls, as well as revenue collection and annual financial statements, are still perfectible and are included in the country reform agenda.

109. **Against this background, the implementation of WBG and other donor-funded projects through the country financial management systems could be enhanced if some residual fiduciary challenges identified in the portfolio reviews carried out under the previous CPS and the deep dive (joint WB-Government portfolio monitoring exercise) are addressed.** While the WBG's disbursement targets have been met over the last three fiscal years, there are still bottlenecks in the budget management and several ex-ante controls in the expenditure chain. In addition, the delay in the production of project financial reports affects the timely submission of external audit reports.

110. **The WBG will support further strengthening of PFM policies, systems, and capacity through technical assistance and lending operations.** These will include: (a) the close monitoring of problem projects; (b) training of PFM actors involved in project management (clinics on budgeting, planning, management/disbursement/financial reporting/external audit); (c) introduction of the risk-based approach in ex-ante control; (d) piloting of Rapid Results Initiatives and Collaborative Leadership; and (e) the deployment of the new Client Connection platform.

Portfolio Monitoring and Evaluation: Learning from Implementation

111. **The CPF will build on and continue the deep dive approach,** which proved to be very effective in addressing systemic and institutional issues that hamper disbursements and results on the ground¹⁸. Specifically, the Implementation support team (IST) and the readiness filter will be institutionalized.

¹⁸ See CLR Annex 4 (attached) for a description of the deep dive exercise.

Partnerships and Development Partner Coordination

112. **In support of the Government's agenda, the WBG will continue to collaborate with multilateral and bilateral development organizations, the private sector, national universities and other stakeholders in the strategic areas of analytics and program financing.** Close donor coordination has been especially relevant for DPFs and programs-for-results. While very few investment lending operations in Morocco use co-financing, parallel financing and close coordination among donors will continue to apply wherever possible, including with the IMF when it comes to planning DPF support.

113. **The World Bank, the African Development Bank (AfDB) and the UN Coordination Office have taken the lead in reinstating formal donor coordination mechanisms in Morocco and have convened regular meetings with the heads of all main bilateral and multilateral agencies working in the country.** Acknowledging that donors have a limited role to play in a lower middle-income country, the new formal donor group has agreed to focus its coordination efforts on the most pressing and critical issues of jobs, value chains, and decentralization that the Government will need to address in the coming years.

IV. MANAGING RISKS TO THE CPF PROGRAM

114. **The overall risk rating for implementing the CPF is Moderate** (Table 8). The four categories of risks that are more likely to materialize are: (a) Political and governance; (b) Macroeconomic; (c) Institutional Capacity for Implementation and Sustainability; and (d) Social.

115. **Political and governance risks.** The erosion of public trust in government and state institutions could undermine the Government's ability to implement its development agenda, which would, in turn, seriously threaten implementation of the CPF. The continuing delay in effecting key constitutional reforms, service delivery improvements, and promised development programs has already eroded public trust in government. The 2017 political stalemate provoked by a lack of consensus on the composition of a coalition government further weakened the credibility of the state. The population is also frustrated with the impunity of business elites. If this does not lead to improvements in competition and transparency, it could spill over into economic disruption and discourage private investment, threatening job creation, the MFD approach in infrastructure and the digital agenda, with implications for Morocco becoming a digital hub. This risk will be mitigated to the extent possible through the Governance Foundation and all aspects of citizen engagement interventions.

116. **Macroeconomic risks.** Macroeconomic risks to the program center on (a) reversal of the gains from previous fiscal reforms; for example, if higher oil prices are not passed through to consumer prices, thus reducing fiscal space; and (b) delays in implementing key structural reforms needed to boost growth. Mitigation of these risks ultimately derives from the Government's commitment to increasing social cohesion, and its recognition that reversal of reforms would compound the challenge of job creation and private sector development. Faced with macroeconomic and socio-economic shocks in the wake of the Arab Spring, the Government clearly demonstrated its capacity to make policy adjustments, and since then, buffers have been put in place to absorb new shocks; these include exchange rate flexibility, subsidy and pension reform, bond market access, and official support on concessional terms. In addition, reforms articulated in the WBG strategy aim to support economic diversification, improve competitiveness, and introduce some additional safeguards against externalities, which would help mitigate macroeconomic risks. The new Precautionary and Liquidity Line (PLL) agreed with the IMF provides a strong framework for resilient fiscal policy and growth-friendly reforms.

117. **Institutional Capacity for Implementation and Sustainability risks:** Lack of adequate coordination across Morocco’s public-sector entities, could lead to either blockages or incoherent public policies. Morocco has experienced both aspects of weak coordination, which constitutes a risk to CPF implementation. To mitigate this risk, the WBG will: (a) work upstream with the highest level of leadership, building on the good practice examples such as the Tanger-Med and Noor Ouarzazate projects, which have strong horizontal coordination mechanisms and adequate support from the Parliament; (b) implement the collaborative leadership approach (see Annex 10); and (c) use technology to disrupt the traditional silos in public policy design and implementation.

118. **Social risks.** Social discontent is mounting, as evidenced by the Rif movement and the more recent boycott of politically connected firms. Both reflect public dissatisfaction with cronyism, political elite capture and limited purchasing power. Prison sentences for the Rif protest leaders and dismissive ministerial reaction to the boycott have aggravated the situation. In the short term, continued discontent could culminate in a major disruption to CPF implementation. The WGB has a limited ability to mitigate this risk except with a greater focus on citizen engagement and governance measures in its program and dialogue with relevant officials. The CE Roadmap will help foster an innovative approach to social risk mitigation while encouraging monitoring and supervision among counterparts and beneficiaries. This approach will build a stronger demand for accountability and open the path to greater participation and social inclusion while anchoring these processes into the country systems through enhanced governance. Also, the political economy filter can be used to assess whether this risk has been addressed before the next half of the CPF program is defined.

Table 8. Systematic Operations Risk-Rating Tool

Risk Category	Rating (H, S, M or L)
Political and governance	M
Macroeconomic	M
Sector strategies and policies	M
Technical design	M
Institutional capacity for implementation and sustainability	M
Fiduciary	M
Environment and social	M
Stakeholders	M
Overall	M

Annex 1. Morocco CPF (FY19-24) Results Framework

Notes: Gender and digital economy indicators are highlighted in bold.

FOCUS AREA A: PROMOTE JOB CREATION BY THE PRIVATE SECTOR

Morocco's development model of high infrastructure investment by SOEs and high FDIs by Multinational Corporations did not translate into growth and jobs, thus contributing to weakening social cohesion. The country's private sector is heavily stratified, with dominance of large corporates. A more dynamic private sector is critical to drive country's transition toward a sustainable and inclusive growth model. This focus area would contribute to reviving growth and its job intensity, by freeing up private business initiatives, promoting export-led growth and enabling disruptive technologies where private sector can play a key role to the future transformation of the economy toward higher productivity sectors. This is articulated around three objectives:

- More efficient environment for business and competitiveness
- Increase opportunities for private sector growth with a focus on MSMEs and youth employability
- Increase access to finance

A renewed focus on digitization across the three objectives would help catalyze job creation, expose rent-seeking and bring about greater efficiency in the allocation of resources. The WB, IFC and MIGA will continue to collaborate in potential MFD opportunities and emphasize women's economic empowerment and gender equity where applicable through the above objectives.

Link between Focus Area and WBG Corporate Goals: SCD recommends three priority areas such as strengthening fair competition, scaling up the promotion of innovation and encouraging cultural change to unlock competitive and innovative drive and get closer to efficiency frontier. The CPF will support SCD priorities of improving market allocation of resources across firms and sectors and improving the efficiency of public policies including with a view to crowding in the private sector.

Country Development Goals: The Government's program is supporting reforms to strengthen competitiveness and improve business environment including with the aim of Morocco's Doing Business (DB) Ranking among the top 50 by 2021. The Government is working on implementing a dedicated tax incentive regime for new industrial companies, large export industries and start-up SMEs. It also plans to implement the Morocco 2020 digital strategy and simplification of legal framework of the public-private partnership. This focus area has an impact on the Government's efforts to achieve some of SDG goals such as *SDGs 1 (No poverty)*, *SDGs 8 (Decent Work and Economic Growth)*; *SDGs 9 (Industry, Innovation and Infrastructure)* and *SDGs 12 (Responsible Production and Consumption)*.

CPF objective 1. More efficient environment for business and competitiveness

Intervention Logic: Morocco's development model rested largely on SOE-driven infrastructure investment—often financed on concessional terms, and MNC FDI—often with targeted incentives. Morocco has invested more than 30% of GDP per year in infrastructure since 2008¹⁹. These levels of investment, if allocated at the SCD efficient frontier, should deliver growth of 6-7% per capita, in turn generating many more jobs. Instead, jobs in the industry, construction and agriculture sectors reduced since 2011 and services were the sole job creator over the past decade. Morocco's economy is exposed to Europe, but the disconnect between investment and growth also suggests a suboptimal allocation of large quantum of investment. The share of non-public investment in the total was 43% (the rest being SOEs, central and local governments), and within that special incentives drove investments in real estate and agriculture. In general, given the pull of public investment, there is a clear sense that pure private investment concentrated on non-tradable. This model has reached its limits: i) a sovereign debt level of 82% of GDP, when including state guarantees to SOE debt; ii) prudential limits on banks' exposures to SOEs and iii) pressure to allocate fiscal resources to human capital spending. The Government wants to maximize finance for development and encourage more private solutions for infrastructure, higher education or MSME development.

While Morocco has significantly improved its Doing Business ranking and overall business environment, the challenge is to translate more headline reforms into tangible realities, by closing enforcement and implementation gaps. Vested interests might also delay reforms enabling fairer competition. The country needs to continue improving the regulatory environment for increased participation of private sector, particularly access to public procurement markets by MSMEs and maximizing finance for the development of infrastructure. Greater private sector participation in infrastructure will help Morocco build and maintain competitive infrastructures, most urgently digital infrastructure.

WBG Support: The WBG will contribute to support the deepening business regulatory reforms with a focus on SMEs and strengthening the competition framework so that the new entrants can more easily challenge incumbents, the wider private sector can invest more confidently across a diversity of sectors and compete more effectively with SOEs and other incumbents. A combination of lending, advisory and analytical engagements across IFC and World Bank will seek to facilitate second generation business regulatory reforms to reduce further the cost of doing business, support the digitization of business services, enable fairer competition, support contestability and strengthen implementation capacity of policy making. These engagements will be further informed by the Country Private Sector Diagnostic both at cross cutting and sector level (e.g. telecoms, digital). On enabling fair competition, the WBG will support the competition council in enforcing competition rules and regulations through capacity development and will promote stronger contestability in selected sectors (e.g. digital). On business environment, the WBG will continue its long-standing engagement with CNEA (National Committee for Business Environment) to support the country's objective to integrate the DB top 50 and will support reform and capacity building both at national and subnational level. This will be complemented through indicative DPF Operation and findings from Morocco Infrastructure Diagnostic by supporting government's policy reforms to maximize finance for development related to regulation framework, investment planning, cost reduction and fiscal impacts, SOE efficiency in infrastructure, guarantee and risks mitigation. The WBG will help the Government develop competitive infrastructure for business

¹⁹ (2011-17 average: 33% GDP).

that will mobilize private funding through upstream and capital market reforms to fund infrastructure in key sectors (e.g. energy, ICT and transport). It will relaunch the PPP agenda, including through targeted SOE reforms and the financing of their capital expenditure. It will pay close attention on strengthening the capacity to implement business reforms, particularly in relation to MFD and disruptive technology.

CPF Objective Indicators	Supplementary Progress Indicator	WBG Program
<p>1.1. Value of private infrastructure investments facilitated by JCAP / MFD²⁰ <i>Baseline: 0 (2018);</i> <i>Target: \$2 billion (2024)</i></p> <p>1.2. Number of anti-competitive practices detected/sanctioned²¹ <i>Baseline: 0 (2018);</i> <i>Target: 5 (cumulative) (2024)</i></p> <p>1.3. Average internet speed – fixed broadband- compared to global average²² <i>Baseline: 20% (2018);</i> <i>Target: 100% (2024)</i></p>	<p>1.1.1. Dematerialization of planning permission and issuance of commercial licenses in the Commune of Casablanca²³ <i>Baseline: no (2018);</i> <i>Target: yes (2022)</i></p> <p>1.1.2. Competition Council: Ratio of decisions rendered to referrals²⁴ <i>Baseline: 0% (2018);</i> <i>Target: 80% (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Zalagh Agribusiness (IFC) - Casablanca Municipal Support (PforR) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Financial Inclusion and Digital Economy DPF - DPF MFD in Infrastructure <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Country Private Sector Diagnostic (CPSD) - Morocco Infrastructure Diagnostic - Infrastructure Sector Assessment Program/SOE reform (ONCF) - Emerging Digitech - JCAP Capital Market Development <p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Strengthen the capacity of competition council - Competition and Markets TA (follow up on CPSD) - Support to National Committee for Business Environment (IFC) - Compact with Africa: business framework - Morocco PPP Business Development (IFC)

²⁰ IFC JCAP Capital Market Development

²¹ Competition and Markets TA and Country Private Sector Diagnostic.

²² Financial Inclusion and Digital Economy DPL. Data source ookla.com

²³ Casablanca Municipal Support Project (PforR)

²⁴ Source: Competition Council

CPF objective 2. Increase opportunities for private sector growth with a focus on MSMEs and youth employability

Intervention Logic: While there has been steady increase in enterprise creation since 2011, more needs to be done to increase the contribution of MSMEs' growth in Morocco. These firms are constrained by the strong role of State in economic activities, limited use of technology that facilitates market linkages, low education achievements and limited innovative capacity. In addition, economic activity has been driven mostly by existing firms rather than new firms and is mostly in a limited number of non-tradable sectors (construction, real estate and small business) with low potential in terms of creation of quality jobs and value addition. There is acute supply-demand mismatch of vis a vis youth employment which poses a major recruitment problem for recruiters. The quality of employment is low, as most jobs are informal, low skilled and without social protection. Accelerating job creation in Morocco will highly depend on the increase of entrepreneurial drive and improving MSMEs (95 percent firms) capacity to expand both in domestic and export markets. This will require removing barriers to SMEs development, including (i) internal barriers such as MSME's capacities for business development, innovation, adoption and access to markets and (ii) constraints in specific value chains.

WBG Support: The WBG will seek to expand the growth opportunities of MSMEs, develop their capabilities to adopt and adapt disruptive technology to local contexts, open new markets, access key value chains, and deepen trade links including trade in services with partners both in EU and Africa. At the same time, the CPF will focus on creating better opportunities for existing MSMEs and start-ups, leveraging digital solutions, supporting market access, developing business and enhancing the quality of business development services. The WBG will design activities and operations aiming at strengthening the ecosystem support to entrepreneurs especially for youth, through the development of business support services as well as increased technical and grant support to entrepreneurs particularly in lagging regions. Supporting micro enterprises in rural areas will create more permanent jobs and improve income opportunities. The WBG will also support removing bottlenecks of targeted value chains (e.g. agri-business, clean technologies, specific manufacturing subsectors) as well as services. In addition, support to MSMEs development will particularly focus on specific economic corridors and areas through interventions at subnational level, leveraging the country's investments in infrastructure and connectivity.

CPF Objective Indicator	Supplementary Progress Indicators	WBG Program
<p>2.1. Percentage of startups that survived two years after investment by innovinvest fund²⁵ <i>Baseline: 0% (2018);</i> <i>Target: 50% (2024)</i></p> <p>2.2 Number of youth that received support and obtained job within 12 months²⁶ <i>Baseline: 0 (2018);</i> <i>Target: 18,492 (o/w women 50%) (2024)</i></p>	<p>2.1.1. Number of MSMEs benefitting through WBG intervention²⁷ <i>Baseline: 0 (2018);</i> <i>Target: 2,700 (o/w 20% women led) (2024)</i></p> <p>2.1.2. Cumulative number of start-ups receiving services through Morocco Climate Innovation Center (MCIC)²⁸ <i>Baseline: 44 (o/w women 10) (2018);</i> <i>Target: 160 (o/w women 60) (2024)</i></p> <p>2.1.3. Percentage of public contracts awarded to MSMEs <i>Baseline: 10% (2018);</i> <i>Target: 20% (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Strengthening Agri. Value Chains (PforR) - Financing Startups and Innovative MSMEs (IPF) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Youth Inclusion (IPF) - IFC potential co-investment with Moroccan companies in SSA - JSDF Grant on rural roads and micro enterprises <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Country Private Sector Diagnostic - Review of auto, aero and textile industries - Improving connectivity <p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Improved e-procurement system to facilitate SME access to public procurement - Entrepreneurship Climate (IFC)
CPF Objective 3: Increase access to finance		
<p>Intervention Logic: While Morocco’s financial institutions are expanding geographically across Africa, the country ranks last in terms of financial inclusion in the region according to 2018 Findex²⁹. A large segment of the population remains excluded, mostly female and poor living in the rural areas. Significant proportion of MSMEs identify access to finance as a key constraint to businesses. Only one third of MSME investments are financed by banks and 91 percent of the loans to MSMEs require collateral. Young innovative firms with high growth potential find it difficult to get loans in accessible terms. In addition, long-term financing instruments, equity finance and capital markets are underdeveloped which impacts not only MSMEs but also large farms who are not immune to financing constraints. The development of digital product and services has become hampered by legacy and incumbency factors. This undermines the diffusion of general-purpose technology and blocks the type of adaptation and evolution that underpins a vibrant private sector.</p>		

²⁵ Caisse Centrale de Garantie (CCG); Financing Startups and Innovative MSME

²⁶ Youth Economic Inclusion Project

²⁷ Youth Economic Inclusion Project

²⁸ IFC Climate Entrepreneurship Program

²⁹ adult access to account: 29% compared to 44% MENA (source findex 2018); adult female access 17%, compared to 35% MENA (findex 2018)

WBG Support: The CPF will support Morocco’s policy initiatives on financing MSMEs and support its wider financial inclusion agenda with a view to foster economic formalization which will contribute to social and economic inclusion of disadvantaged youth, women and rural populations. Planned IBRD operation will support the implementation of government’s new financial inclusion strategy to address the need of underserved populations, leveraging technologies for the diffusion of digital financial services and investing in financial literacy. The WBG will provide technical assistance in strengthening the legal and institutional frameworks for secured transactions to facilitate greater access to finance. Leveraging of digital technologies for financial inclusion will require commitment from telecom sector regulatory framework and investment in digital infrastructure which the WBG will support. The WBG will also facilitate the diversification of financing solutions to MSMEs through the development of new and innovative instruments to improve risk management for bank and non-bank. IBRD and IFC through Joint Capital Market Initiative (JCAP) and other ASA will also promote the development of local capital markets to fund the Long-Term financing needs of the economy. The goal is to position Casablanca as an attractive market place for Africa through a combination of reforms and innovative transactions to open new markets.

CPF Objective Indicators	Supplementary Indicators	WBG Program
<p>3.1 Gross loan portfolio of the micro financial sector³⁰ <i>Baseline: MAD 6.7 billion (o/w women 45%) (2018)</i> <i>Target: MAD 8.5 billion (o/w women 55%) (2024)</i></p> <p>3.2 Percentage of adults (ages 15 and over) with access to financial services³¹ <i>Baseline: 29% (o/w 17% women) (2018);</i> <i>Target: 50% (o/w women 29% and youth <35 27%) (2024)</i></p>	<p>3.1.1 Number of agents of non-bank providers of payment services <i>Baseline: 0 (2018);</i> <i>Target: 25,000 (2024)</i></p> <p>3.1.2 Number of micro-credits with public guarantee³³ <i>Baseline: 0 (2018);</i> <i>Target: 26,000 (2024)</i></p> <p>3.1.3 Number of capital market transactions benefitting MSMEs³⁴ <i>Baseline: 0 (2018);</i> <i>Target: 5 (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - BANQUE CENTRALE POPULAIRE SA(BCP) IFC - Fondation Albaraka IFC - Attawfiq Micro-Finance (FBPMC) IFC <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Financial Inclusion and Digital Economy DPF <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - National Financial Inclusion Strategy - Enabling Payment Innovations - JCAP Capital Market Development (IFC) - Credit Reporting – Morocco (IFC) - Morocco Secured Lending Project (IFC) - Fondation Banque Populaire pour le Micro-Crédit (IFC) - Leasing Company for Rural Value Chains (IFC) <p>ASA: Pipeline</p>

³⁰ Source: WBG project: Financial Inclusion DPL and data source BAM for loan portfolio and MEF for gender monitoring data

³¹ Source: National Strategy for Financial Inclusion (SNIF)/Ministry of Economy and Finance (MEF)/Global Findex Survey

³³ Source: Bank Al-Maghrib

³⁴ Source: FICCG

<p>3.3 % of adults who either received or made a digital payment during the course of a year³². <i>Baseline: 17% (2018);</i> <i>Target: 36% (2024)</i></p>	<p>3.1.4 Percentage of population covered by credit bureau³⁵ <i>Baseline: 25% (2018);</i> <i>Target: 29% (2022)</i></p>	<ul style="list-style-type: none"> - Joint capital market development initiative - Supply Chain Finance (IFC) - Digital Collateral Registry (IFC) - National Register of Secured Transactions (IFC)
--	---	---

FOCUS AREA B: STRENGTHENING HUMAN CAPITAL

Strengthening Morocco’s human capital and boosting its return is widely seen as an imperative to accelerate growth and convergence as well as to contribute to social cohesion. The WBG will deepen support to Morocco’s human capital with a stronger focus on promoting quality and efficiency in the delivery of education and health services, the establishment of a robust cutting-edge social protection system to support and empower poor and vulnerable households towards investing in children and realizing the returns to human capital in the market; along with improving the effectiveness of early childhood development. Given the significant gaps in gender and geographic location in achieving human development outcomes, the CPF will aim to achieve greater inclusion for women, youth and vulnerable. Under this focus area the WBG will seek to:

- Improve access to quality early childhood development services
- Improve the quality and effectiveness of education systems
- Improve the efficiency of health care delivery systems
- Strengthen social protection for the poor and vulnerable

The above CPF objectives are synchronized with Focus Area A through interventions supporting human capital development which will have greatest impacts on country’s labor force, private sector development and jobs.

Link between Focus Area and WBG Corporate Goals: The SCD recommends that Morocco needs to push its efficiency frontier by investing in early childhood development and significantly raising the quality of primary, secondary and tertiary education to create the productivity gains and better paid jobs. This focus area contributes to ending extreme poverty and promoting shared prosperity in a sustainable manner. Through

³² Source: Morocco Findex Survey; Tracking: National Financial Inclusion Strategy; WBG operation: Financial Inclusion and Digital Economy
Definition: “the percentage of respondents who report using mobile money, a debit or credit card, or a mobile phone to make a payment from an account, or report using the internet to pay bills or to buy something online, in the past 12 months. It also includes respondents who report paying bills, sending or receiving remittances, receiving payments for agricultural products, receiving government transfers, receiving wages, or receiving a public-sector pension directly from or into a financial institution account or through a mobile money account in the past 12 months.

³⁵ Source: Doing Business

interventions supporting equal opportunities in human capital development especially in early childhood development and providing improved systems in the health and education institutions that will better equipped the poor and vulnerable to participate in the economy.

Country Development Goals: The government’s medium-term strategy emphasized on reforming the education system to improve its efficiency, quality and learning outcomes and improving access to quality health services. It also emphasized on reducing disparities in income to ensure social protection coverage. This focus area contributes to the government’s efforts to achieving few of Sustainable Development Goals: *SDGs 1 (No Poverty); SDGs 2 (Zero Hunger); SDGs 3 (Good Health and Well Being); SDGs 4(Quality Education); SDGs 5 (Gender Equality) and SDGs10 (Reduced Inequalities).*

CPF Objective 4: Improve access to quality early childhood development services

Intervention Logic: Morocco has made impressive progress in maternal and neo-natal health, but not enough attention has been paid in early childhood development. Infant mortality remains higher and above average for the MENA region, due to lack of postnatal care and uneven immunization coverage. SCD predicts children under 5 years old in the poorest segment of the country are more likely to die following preventable wounds or childhood illness. Majority of the children also suffer from malnutrition and micronutrient deficiencies and are consequently more vulnerable to cognitive deficits, serious health problems and lower productivity and lower earnings in adulthood. In addition, there appears to be little parental stimulation and care, vital factors for the child’s physical, social and cognitive development. SCD recommends, investment in early childhood care and education is key to raising economic efficiency and productivity, reduce exclusion and protecting children’s rights that originate in this period of life.

WBG Support: The WBG will support an integrated approach to improve access to high quality early childhood development services which is aligned with government priorities. The CPF program through multi-sector interventions will focus on nutrition, early childhood education, maternal health that will put children in a solid path toward maximizing their potential. In order to improve equity in early childhood services, the CPF program will reinforce the productive potential of the future generations by ensuring that children especially in poor and rural areas have access to better nutrition, health and education facilities to develop their full potential. This will be achieved through a multi-sectoral approach addressing both supply and demand constraints and focused on reducing the gender and location gaps in early childhood outcomes. IBRD’s new education program will support an ambitious government initiative of universal access to pre-primary education with a focus on ensuring quality of services is improved through effective rolling out of new a new curriculum, training of educators and implementation of norms and standards particularly in remote areas where innovative approaches are required. Further improvement in child and maternal health will be supported through the ongoing Health PforR operation which supports an expansion of access to primary healthcare in rural areas, particularly for children and mother. In addition, reduction in stunting is seen as “flagship” indicator which IBRD will support through an integrated program of multi-sectoral interventions in health, education and social protection in targeted regions which is in aligned with the government’s Community Nutrition Program. Mothers who are the primary beneficiaries of these interventions will be integrated through community engagements as agents of change within their communities who can become “mother leaders” who promote children’s nutrition, early stimulation and education among their peers. Finally, targeted approaches, using the improved social protection system, will enhance the efficiency of ECD interventions as well as facilitate the necessary private investments in ECD that need to take place at household level. The

ongoing Identity and Targeting for SP operation and its proposed Phase II SP Operation will support the improved targeting and effectiveness of ECD interventions and will empower households to better invest in their children.

CPF Objective Indicators	Supplementary Indicators	WBG Program
<p>4.1 Number of additional children (age 4-5) enrolled in modern preschool³⁶ in targeted rural areas <i>Baseline: 35.2% (2018);</i> <i>Target: 50% (o/w girls 50%) (2024)</i></p> <p>4.2 Percentage of stunted children under 5 years of age³⁷ <i>Rural: Baseline: 20.5% (2018);</i> <i>Target: 12% (o/w girls 50%) (2024)</i> <i>Urban: Baseline: 10.4% (2018);</i> <i>Target: 8% (o/w girls 50%) (2024)</i></p>	<p>4.1.1. Number of pre-school teacher trained on the new curriculum³⁸ <i>Baseline: 0 (2018);</i> <i>Target: 37,355 (o/w women 28,016) (2024)</i></p> <p>4.1.2. System to assess the quality of learning environment in preschool established³⁹ <i>Baseline: 0 (2018);</i> <i>Target: a system including tools and protocols, is established and piloted in several preschools (2024).</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Health Sector Support (PforR) - Identity and Targeting for Social Protection (IPF) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Education Support Program (PforR) - Human Development Program - Social Protection Phase II <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Human Capital Project Policy Dialogue <p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Support to Human Capital for Vulnerable Children - Skills for the Future

CPF Objective 5: Improve the quality and effectiveness of education systems

Intervention Logic: Due to substantial public investments over the past twenty years, access to education has progressed steadily at all levels in Morocco. The country almost achieved universal primary education and made significant progress in promoting gender parity. However, access to equity, high levels of drop out and repetition rates remain key constraints to country's low education outcomes which is below international standards. Retention remains an issue for girls in rural areas and boys in urban areas. The government's effort to improve access to education continue to be undermined by high levels of drop outs. The overall quality of education outcomes is below standards with substantial equity and efficiency challenges. Results from various tests reveal a picture of an average student not reaching any of the country's benchmarks or international standards in math, science, and basic languages at any of the key cycles of basic education. The 2016 national standardized assessment shows that 10th grade students in upper secondary school have not acquired basic knowledge as intended in the primary and lower secondary school national curricula. Poor learning outcomes are due to several factors including gaps in the curriculum and pedagogy with sufficient emphasis on acquiring reading skills in early grades of primary education. In addition, quality of teachers in terms of

³⁶ Curriculum adopted in 2018. WBG operation: Education Support Program.

³⁷ Human Development Program. Source Ministry of Health

³⁸ Curriculum adopted in 2018. WBG operation: Education Support Program.

³⁹ Human Development Program.

subject matter, pedagogy and practice is also a concern. This situation has aggravated by politically and socially motivated recruitments of unemployed graduates in a context of heightened social demands in the wake of the Arab Spring.

WBG Support: The CPF program will support Government’s Vision 2015-2030 with a focus on improving the efficacy and efficiency of the learning process with a view to improve the key determinants of learning outcomes. In addition to improving school readiness during the early years by developing access to pre-primary education, this will include in particular (i) the overhaul of the teacher management policies to ensure that teachers are recruited, allocated and trained in ways that promote the acquisition of basic skills such as literacy and numeracy with a focus on the early grades and (ii) improvements in the governance of the education system by building the capacity of the regional academics and providing support to school based management mechanisms. IBRD through PforR operation and various ASA activities (e.g. Human Capital Policy Dialogue, Vulnerable Children and Skills for Future) will support the government in strengthening the foundations and environment for learning in basic education. To increase teacher performance, the program will support defining education sector human resource (HR)management policy and strategy while strengthening the delivery of training components for teachers, principals and inspectors to provide pedagogical support to teachers. The PforR program will also support improvements in the governance of the education system by building the capacity of the regional academics and providing support to school-based management mechanisms. The program will also support the monitoring and accountability mechanisms along the service delivery chain through performance based contracting mechanisms from the central level to school level. Finally, the WBG will also explore opportunities to set up student financing instruments (e.g. lending and scholarships) program targeting low income student population. These interventions will be conducted in alignment with further improvements in the Labor Market Information System in Morocco and in collaboration with employers. The employability focus requires integrated approaches—such as vocational education programs developed and implemented in collaboration with employers—so as to effectively address the constraints and opportunities on the demand side. The proposed Second Phase of Social Protection operation will support the development of vocational skills in conjunction to supporting graduation and economic inclusion of poor and vulnerable youth. WBG will also promote establishment of a national survey of employability of graduates including both public and private tertiary institutions. IFC will roll out its Employability tool with relevant number of private and public tertiary institutions.

CPF Objective indicators	Supplementary Indicators	WBG Program
<p>5.1. Percentage of students who have reached a standard level of knowledge in 4th and 6th grades in the targeted disciplines <i>Baseline: National large scale standardized examination “PNEA” for grade 4 and 6: Arabic: 27% and</i></p>	<p>5.1.1 Number of new primary and secondary teachers completing the new initial training program <i>Baseline: 0 (2018); Target: 123,500 (o/w women 50%) (2024)⁴²</i></p>	<p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Education Support Program (PforR) - Higher Education Investment (IFC) <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Human Capital Project Policy <p>ASA: Pipeline</p>

⁴² Education Support Program (P4R)

<p>36%; French: 35% and 28%; Math 34% and 44%; Science: 39% and 46% (2008⁴⁰); Target: Arabic 50%; French 50%; Math and Science 60% (2024)</p> <p>5.2. Dropout rate in primary education⁴¹ Boys: Baseline: 12% (2018); Target: 3% (2024) Girls: Baseline: 8% (2018); Target: 3% (2024)</p>	<p>5.1.2 Regular implementation of the National large-scale standardized examination (PNEA) for grade 4 and 6 to assess student outcomes <i>Baseline: 2 PNEA implemented (2008 for grade 4 and 6; 2016 for grade 10);</i> <i>Target: 2 additional PNEA implemented for grade 4 and 6.</i></p> <p>5.1.3 Establishment of Performance Contracts between the Government/Academics (AREFs) and Academics/Provincial Directorates <i>Baseline: 0 (2018);</i> <i>Target: 7 (2024)</i></p> <p>5.1.4 National Employability Assessment Implemented⁴³ <i>Baseline: No (2018);</i> <i>Target: Yes (2024)</i></p>	<ul style="list-style-type: none"> - Support to Human Capital for Vulnerable Children - Skills for the Future - Study of PPP Models for Education and Student Financing - Support the Design of INDH3 - Employability Survey
--	--	---

⁴⁰ Most recent national learning assessment.

⁴¹ Education Support Program (P4R)

⁴³ IFC Intervention

CPF Objective 6: Improve the quality and efficiency of health delivery systems

Intervention Logic: Morocco has seen significant improvement in its health outcomes since the 1990s. However, healthcare supply is unevenly distributed. There are important disparities between urban and rural areas in terms of density of primary health care facilities and medical staff and as a result, inequalities in access to health services persist. The country is also undergoing socio-economic, demographic and epidemiologic transition with an increased share of non-communicable diseases (NCDs), accounting for 75 percent of the causes of death. The challenge for Morocco is to increase the coverage and improve the quality of services, especially for women and children while addressing systemic inefficiencies hampering the performance of the health system. The private sector can be leveraged to expand access, particularly to help address the NCD crisis, and bring innovation to the health system. This can be done through consolidation of fragmented sub-sectors and by developing more integrated models of care that promote value and quality. Successful health delivery models (including from other countries) can be expanded or replicated.

While per capita spending on health is low compared to other middle-income countries, there is room to improve allocative and technical efficiency in the use of resources. Human resources allocation, staff mix, training and supervision can be enhanced. Critical inputs such as medicines and health commodities are not always available at service delivery points due to weaknesses in planning, forecasting, supply chain, and storage. The overall management of the sector and of service delivery, particularly the public sector, is constrained by a lack of reliable data, underdeveloped health information, and disease surveillance systems.

WBG Support: This objective will build on supply side constraints of improving human capital which is complemented through the multi-sector interventions supported under objective 4. Building on the government's health sector Vision of 2025 and the goal of achieving Universal Health Coverage (UHC), the CPF program will support (i) enhancing health service delivery through strengthening human resources policy and expanding medical coverage, improving quality of health care services at different levels of health facilities, and continuing the support of primary health care with a focus on rural areas; (ii) strengthening governance and increasing transparency and accountability in the health sector, and (iii) improving health financing system toward expanding financial protection. While the ongoing IBRD Health Sector PforR operation is focusing on expanding and improving equitable access to primary healthcare in rural areas, the future operation and ASA activity will emphasize on improving service provision at health facilities through effective human resources policy, equitable medical coverage, improved national programs and better quality of care, including strengthening individual case management and referral system.

Furthermore, WBG will support governance of the health management system in addition to strengthening the function of Ministry of Health. The ongoing PforR will continue to support the government in putting in place an effective Grievance and Redress Mechanism (GRM), developing quality assessment tool and providing assistance to Health Management Information System (HMIS) through necessary groundwork. IBRD's future ASA and lending operation will look into possibility of further supporting with governance issues, including the HMIS component through necessary analytical and advisory work. Finally, the CPF will aim at supporting preparatory work to assess government's existing social health insurance policy and provide options that enable the government to identify appropriate measures needed to achieve inclusive and sustainable expansion in health coverage. The WBG will also explore IFC Healthcare Quality tool to improve quality of healthcare providers.

CPF Objective indicators	Supplementary Indicators	WBG Program
<p>6.1 Proportion of births attended by qualified health personnel⁴⁴ <i>Rural: Baseline: 74.2 (2018); Target (2024): 83 (2024)</i> <i>Urban: Baseline: 96.6 (2018); Target: 97(2024)</i></p> <p>6.2 Under-5 mortality rate⁴⁵ <i>National: Baseline: 22.2% (2018); Target: 15% (2024)</i> <i>Rural Baseline: 25.9% (2018); Target: 17.5 %(2024)</i> <i>Urban Baseline: 18.8% (2018); Target: 12.5% (2024)</i></p> <p>6.3 % of the population benefiting from universal health coverage⁴⁶ <i>Baseline: 62% (2018); Target: 90% (2021)</i></p>	<p>6.1.1 Number of Level 2 health centers that participated in accreditation <i>Baseline: 0 (2018); Target: 10 (2024)</i></p> <p>6.1.2 Health professional ratio per 10,000 population⁴⁷ <i>Rural: Baseline: 1.72 (2018); Target: 2.0 (2024)</i> <i>Urban: Baseline: 8.62 (2018); Target: 9.8(2024)</i></p>	<p>Financing: Ongoing - Health Sector Support (PforR)</p> <p>Financing: Pipeline - Human Development Program (Health and Nutrition)</p> <p>ASA: Ongoing - Health PHRD Grant</p> <p>ASA: Pipeline - Support to Human Capital for Vulnerable Children - Human Capital Project Policy Dialogue - Health Policy Dialogue - Support the Design of INDH3</p>
<p>CPF Objective 7: Strengthen social protection for the poor and vulnerable</p> <p>Intervention Logic: Social protection plays a key role in supporting the formation of human capital in poor and vulnerable households, and in aligning human capital formation with the needs in the labor market and thus enhancing returns to human capital in the economy and society. Despite some progress,⁴⁸ the social protection system remains highly polarized: a modern social insurance system services the upper middle-income households, and a fragmented and patched social safety net for the poor and vulnerable. On one side, the contributory system insures members against a wide range of social risks but has modest coverage.⁴⁹ On the other side, the large informal sector is weakly protected by</p>		

⁴⁴ Source: National Population and Family Health Survey. WB operation: Health Sector Support (PforR) and Human Development Program.

⁴⁵ Source: National Population and Family Health Survey.

⁴⁶ source leadership of the Government

⁴⁷ (Source Ministry of Health - Directorate of Human Resources) WB ongoing Health PHRD Grant.

⁴⁸ Morocco eliminated all energy subsidy except LPG during 2014/2015, taking advantage of a period of low prices, reducing the subsidy bill from 4.2% to about 1.4% of GDP in 2016. The reduction in subsidies was carried out with a good communication strategy but without compensation for the poor or vulnerable.

⁴⁹ It serves less than 20% of working age population (public employees and those of large enterprises) and offers pensions to about 10% of elderly 60 years and older.

fragmented, inefficient, and regressive social assistance system. While overall SSN spending is close to international average (1.8% in 2016), most of the spending goes on regressive subsidies, and the plethora of other programs do not weave a tight safety net. There are gaps in coverage for large groups of vulnerable populations, such as young children in poor/vulnerable households; poor/vulnerable elderly; persons with disabilities; orphans, widows, and divorced women. The need to reform the remaining subsidies has been widely recognized by the head of Government and ministers.

WBG Support: The WBG will continue to support government’s initiative in modernizing the social protection system by operationalizing national population registry (NPR) and social registry (SR) and in improving the effectiveness of social programs. The NPR and SR will help simplify access to SP programs (e.g. biometric authentication), harmonize intake (social registry enrollment), improve targeting, as well as improve outreach and reduce error. The NPR and SR would allow Morocco to offer a single port of entry for beneficiary, serve multiple programs with a single robust business infrastructure, improve targeting, reduce administrative cost and improve service delivery. The CPF will also assist in consolidating SP programs and strengthening their positive human capital impact, particularly: (i) improving the use of conditionality across social programs to facilitate human capital investments in poor and vulnerable households improved financial inclusion for the poor; (ii) further transitioning from untargeted subsidies to improved and expanded targeted social programs; (iii) developing demand-side approaches for social housing; and (iv) gradually moving towards SSN programs with graduation and economic inclusion elements, especially by building on top of the well-targeted cash transfer programs a layer of social services for remedial education, skills development and recognition (including for informal sector), and employment and entrepreneurship support programs. Mainstreaming the digital authentication will improve support goals beyond SP such as modern/secure government payment systems, digital lockers for jobs and revenue mobilization.

CPF Objective indicators	Supplementary Indicators	WBG Program
<p>7.1 Proportion of vulnerable populations (at the first consumption quintile) benefiting from social programs (RAMED, Tayssir)⁵⁰ <i>Baseline: 28% (o/w women 28%)(RAMED); 48% (o/w women 48%)(Tayssir) (2018)</i> <i>Target: 40% (o/w women 40%)(RAMED); 65% (o/w women 65%) Tayssir (2024)</i></p>	<p>7.1.1 Proportion of recipients of RAMED, Tayssir, DAAM programs in the Social Registry <i>Baseline: 28% (RAMED) and 0% (Tayssir)</i> <i>Target: 65% (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Identity and Targeting for Social Protection (IPF) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Social Protection Phase II <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Maghreb SP Policy Dialogue - Human Capital Policy Dialogue <p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Maghreb Policy Dialogue - Human Capital Project Policy Dialogue - Policy Analysis and Strategies for the Development of skills for the Future

⁵⁰ Identity and Targeting for Social Protection.

		- Support for the Development of policies and foundations of social protection
--	--	--

FOCUS AREA C: PROMOTING INCLUSIVE AND RESILIENT TERRITORIAL DEVELOPMENT

Inclusive and resilient territorial development, reducing spatial disparities in basic standards of living and improving economic outcomes in a sustainable manner is critical and urgent for Morocco. The country has nearly 34 million inhabitants, 60% of whom live in urban areas that generate 75% of the national GDP. The city of Casablanca alone, has 5 million inhabitants (15% of the national population) and contributes up to 29% to the national GDP. On the other hand, the rural population dropped relatively but increased in absolute terms (to 13.6 million in 2014 from 11.4 million in 1980) and agriculture accounts for 15 percent of GDP and 44 percent of total employment and it is the only source of employment and income for 80 percent of the rural labor force. Through its impact on food prices, the agri-food sector also critically influences the cost and standard of living in urban areas, especially for majority of the population with incomes near or below the median. The country also remains vulnerable to a number of exogenous shocks, including from natural disasters.

This focus area contributes to promote inclusive and resilient territorial development through:

- Improve performance of key infrastructure service delivery of cities and agglomerations
- Improve access to sustainable water resources
- Enhance adaptation to climate change and resilience to natural disasters

The above objectives will also complement Focus Area A by improving key infrastructure services in the cities where there are growth opportunities including jobs. In addition, adapting to climate change and improving country's capacity to manage natural disasters will also help the future work force and well-being of people which is integrated in Focus Area B.

Link between the Focus Area and the WBG Corporate Goals: While growth in recent decades has reduced poverty and boosted shared prosperity, if climate change and natural hazards shocks are not well managed, they can threaten progress towards the twin goals. To reduce the vulnerability of the economy and population to climate change, the CPF will focus on adaptation, including in agriculture, water and coastal zone. It is also important to reduce disparities between rural territories and cities by considering the complementarities between the two territories and develop the economic potential of the agricultural and non-agricultural activities of the rural areas while taking into consideration the need to preserve natural capital. Urban planning and city performance are essential to connect people, industries and markets effectively to drive productivity growth and job creation to ensure that positive spillovers from urbanization for disadvantaged areas are not left behind.

Country Development Goals: Morocco's Strategy for Sustainable Development 2030⁵¹ calls for a transition toward a green and inclusive growth. The strategy relies on four pillars: (i) a sustainable and competitive economy, the development of its cultural heritage, a cohesive and inclusive social structure and the protection of its environment. It also recognizes the need to build resilience to limit the impact of climate change. In addition, the government's priority to National Determined Contribution (NDC) is to ensure that the country is more resilient to climate change while ensuring a rapid transition to a low carbon economy. This focus area contributes to the government's efforts to achieve *SDGs 1 (No Poverty); SDGs 11 (Sustainable Cities and Communities), SDGs 13 (Climate Action), SDGs 14 (Life Below Water) and SDGs 15 (Life on Land)*.

CPF Objective 8: Improve performance of key infrastructure delivery services of cities and agglomerations

Intervention Logic: Based on the SCD's findings in terms of territorial sustainability, urbanization is not generating the expected growth and structural transformation benefits. Morocco's cities are not benefiting from the full potential of labor productivity and formal employment. Spatial disparities in living standards between rural and urban areas remain large and persistent. Cities are confronted with mounting challenges absorbing rural poverty through incoming migration which is also hampering their service delivery. Local service delivery is impaired by a sharp mismatch between municipal mandates and cities' technical and financial capacity with poor coordination between central and local agencies. While municipalities' autonomy increased through various reforms, they still face increased challenges of delivering the infrastructure needed to accommodate increased urban population.

The demand for urban mobility in Morocco's primary and secondary cities has increased as the cities are becoming more spread out of housing and business centers. Public urban transport is suffering from inadequate speed and reliability in large agglomerations. In addition, public transport coverage of poor neighborhoods is low due to their peripheral urban areas and poor-quality roads. Most women in major cities abstain from using public transport due to safety concerns which limit access to basic social services and labor force participation. Therefore, a network of well-functioning urban areas is critical to support Morocco's economic and social development. As Morocco rapidly urbanizes, it will be increasingly important to seek the full benefits of urbanization to increase productivity, growth, competitiveness and inclusiveness.

The government's Integrated Urban Development Plan aims at improving spatial connectivity, access to basic services, urban environment and social inclusion. Morocco's 2011 Constitution recognized the role of cities as the key interface between state and citizens. The 2015 Organic Law on Communes confirms cities primary role in local governance and service delivery.

WBG Support: Consistent with the government's priorities, the WBG will support Morocco in improving cities' performance and urban mobility to prepare the expected rapid urbanization over the coming decade which is imperative to address spatial disparities. In support of the urbanization process, the WBG's engagement through a combination of investment lending and ASA activities will focus on:
(i) strengthening institutional and financial capacity of local governments to deliver urban infrastructure, modernize business and citizen services and improve access to municipal services with special attention to underserved neighborhoods. This will benefit approximately 10,000 disadvantaged households particularly women with formal access to water supply, sanitation and electricity. Urban mobility and safety will be

⁵¹ Kingdom of Morocco (2017) National Strategy for Sustainable Development 2030 (SNDD).

enhanced in selected public spaces through upgrading and rehabilitation of infrastructures. The ongoing World Bank program will continue to support digitization of administrative procedures for the issuance of business licenses and the authorization related to urban planning- this is expected to improve business environment and reduced time required to process transactions and increased transparency.

(ii) improving urban mobility and transport systems by strengthening technical capacity at the local level to plan, implement and monitor urban transport and developing urban service corridors of improved access of citizens to economic opportunities. This will help improve reduction of travel time and traffic injuries. In additions, population from the selected agglomerations will benefit from enhanced transparency and accountability through strengthening the urban transport fund and (iii) building capacity for mobilizing and managing increased revenues, land management, local governance, public procurement (including contract execution), management of delegated service contracts, and public and private investment for urban infrastructure. The CPF activities will also support national and sub-national governments to maximize the impacts of Nador West Med (NWM) port to improve economic development of North Eastern Morocco and the nearby provinces of Riff and Oriental. IFC will help set up a new model for municipality finance leveraging the private sector and will work with national and sub-national governments on structuring public-private partnerships transactions for efficient infrastructure delivery. The World Bank will also support municipalities towards the improvement and development of e-government platforms for citizen engagement to strengthen access to information as well as monitoring user satisfaction pertaining to municipalities utilities. MIGA will seek opportunities to support urban infrastructure with a focus on transport and service delivery under PPPs.

CPF Objective indicators	Supplementary Indicators	WBG Program
<p>8.1. Reduction in transit time in selected transport corridors⁵² <i>Baseline: 0 (2018); Target: 10% (2023)</i></p> <p>8.2. Population with access to basic services in targeted underserved territories/neighborhoods⁵³ <i>Baseline: 0(2018); Target: 40,000 (of which female 20,000) (2023)</i></p>	<p>8.1.1. Percentage of selected Corridors completed and open to traffic⁵⁵ <i>Baseline: 0% (2018); Target: 30 % (2021)</i></p> <p>8.1.2. Number of municipalities with improved municipal performance (as measured by an annual performance assessment)⁵⁶ <i>Baseline: 0 (2018); Target: 40 (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Casablanca Municipal Support (PforR) - Urban Transport (PforR) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Municipal Development Program - MFD in Infrastructure DPF (IFC-WB) - Economic Corridor Nador West Med - Urban Transport -AF - IFC- Non-Sovereign Financial Support to Municipalities and Regions - JSDF grant on rural road micro enterprises <p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Transport and Jobs

⁵² Urban Transport Project P4R.

⁵³ Casablanca Municipal Support program. Access to basic services area water supply, sanitation or electricity.

⁵⁵ Urban Transport Project P4R

⁵⁶ This is measured by an annual performance assessment. WB- Municipal Performance Program.

<p>8.3. Percentage increase in targeted municipal revenues (excluding transfer)⁵⁴ (%) <i>Baseline: 0% (2018);</i> <i>Target: 25% (2023)</i></p>	<p>8.1.3. Mobilization of private and non-sovereign capital for financing urban infrastructure⁵⁷ <i>Baseline: 0 (2018);</i> <i>Target: MAD 900 million (2024)</i></p> <p>8.1.4. Number of cities with a complaints and grievances mechanism⁵⁸ <i>Baseline: 1 (2018);</i> <i>Target: 40 (2024)</i></p>	<ul style="list-style-type: none"> - Financing Urbanization - Land Management Support - Nador West Med Study - Infrastructure Diagnostic in Morocco - Rural Development Policy Note - Regional affordable housing (continuation of ongoing work)
---	---	--

CPF Objective 9: Improve access to sustainable water resources

Intervention Logic: Water resources are projected to decline due to an increase in water scarcity and drought conditions. At the same time, water demand is expected to increase due to population growth, expanded irrigation schemes and a projected climate-induced rise in temperature, reduction in rainfall, and increased variability. This will lead to potentially severe water shortages by 2020, particularly in the south of the country. Any reduction in water supply could also impact the GDP and directly and indirectly eliminate job opportunities in agricultural and non-agricultural activities. The SCD identifies that the government needs to double its investment to improve water resource management, provide a sustainable water supply for the country and curb air pollution. The ability of irrigated agriculture to continue to drive shared prosperity in Morocco is threatened by increasing water scarcity. Reduced rainfall, increased rainfall variability, reduced run off, groundwater depletion, and degradation of water resources have reached alarming levels. In addition, in the rural areas access to water and sanitation coverage is uneven with limited access to household water connections. Insufficient attention to wastewater management (on-site sanitation) and hygiene promotion, a greater concern for house connections than for standpipe-service.

WBG Support: The WBG will provide a multi-pronged strategy to support government in adapting Water Resource Management (WRM) policies to the changing future approach with aim of improving water security and productivity and the sustainability of service delivery. The World Bank through policy dialogue, advisory and investment operation will engage to improve the governance, efficiency and sustainability of key water institutions in charge of water service delivery and irrigation including ONEE, ORMVA, and “Agence de bassins”. The CPF program will also facilitate to strengthen private sector participation in the sector- both as a provider of water services and as an investor, particularly to mobilize non-conventional water resources such as desalination and reuse of treated waste water. IFC will play a key role through support for

⁵⁴ Annual financial statements of targeted municipalities

⁵⁷ Targeted Municipalities

⁵⁸ Source: Ministry of Interior

PPPs and mobilizing resources of financing with a view of overall sustainability of the sector. MIGA will also consider eligible desalination projects under PPPs. Finally, the WBG will continue to promote access to safe drinking water and sanitation services in the underserved rural communities.

CPF Objective indicators	Supplementary Indicators	WBG Program
<p>9.1 Population with access to drinking water in rural areas⁵⁹ <i>Baseline: 443,775(2018); Target: 1,061,200 (55% women) (2024)</i></p> <p>9.2 Water productivity (DT/ m³) of irrigation water service in target areas⁶⁰ <i>Baseline: 3.5 (2018); Target: 4.5 (2024)</i></p>	<p>9.1.1. Area of irrigated perimeters adopting efficient irrigation technologies (micro-irrigation) <i>Baseline: 0 ha (2018); Target: 16,500 (2024)</i></p> <p>9.1.2. National Information system on the modernized water resource (digital, access to information) <i>Baseline: No national information system (2018); Target: National Information system existing in selected indicators (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Rural Water Supply (IPF) - Large Scale Irrigation Modernization (IPF) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - MFD in Infrastructure DPF - Water Support and Sanitation <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - ONEE Support - Infra Diagnostic in Morocco <p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Morocco Water Sector Management - Nexus Water Energy-Agriculture - PPP engagement in Water Sector - Evaluation of Water Sector Policy and Management

CPF Objective 10: Enhance adaptation to climate change and resilience to natural disasters (NDC implementation)

Intervention Logic: Morocco is extremely vulnerable to natural hazards particularly floods and droughts all of which are being exacerbated by climate change. The coastal zone and the associated marine environment – the backbone of Morocco’s economy will experience disruption which could endanger food security, employment and economic development. Agriculture, fisheries and tourism have already been negatively affected and will continue to experience losses. Morocco is amongst the countries for which climate change will have the greatest impact on agricultural yields. With 40 percent of the Moroccan population depending on agriculture for their livelihoods (and 85 percent in rural areas), climate change directly threatens the achievement of the country’s SDGs. SCD identifies that Morocco needs to invest in adaptation to manage risks related to climate change.

⁵⁹ Rural Water Supply Project. Source: ONEE.

⁶⁰ Large scale Irrigation Modernization Project.

Morocco submitted its Nationally Determined Contribution (NDC) in 2016 with its vision to make the country more resilient to climate change while ensuring a rapid transition to a low carbon economy. Morocco's vision for adaptation involves quantified sectoral goals for 2020 and 2030 in agriculture, water, forests, fisheries and aquaculture. The country has invested significantly in recent years to better understand and quantify its exposure to natural hazards to better assess and manage risks. The government has adopted a series of green policies to conserve its natural resources and make agriculture more resilient. The government has been developing an integrated DRM reform program which combines elements of institutional reform with risk reduction investments and risk insurance to ensure that residential risks that cannot be cost effectively mitigated are efficiently financed.

WBG Support: The WBG will support Morocco's Nationally Determined Contribution (NDC) through an integrated approach to improve country's climate and disaster resilience. Building on current engagement the World Bank will continue supporting the implementation of country's national disaster risk management program, scaling up disaster risk reduction and improving disaster risk financing and insurance. The World Bank through technical assistance supported in developing a disaster related macroeconomic tool to capture long term impact of catastrophes on the national economy and specific sectors. This will also inform policy options for reducing the effects of disasters and will be used during the implementation of Morocco's catastrophic risk insurance program. The proposed CAT DDO will facilitate Morocco's access to emergency financing in the case of natural disasters. The existing IBRD DRM operation will also support in promoting institutional framework and capacity building to government's existing DRM structure. The WBG's future operations and robust analytics will support climate adaptation and resilience in sectors such as (i) integrated coastal management to reduce the vulnerability of its shoreline, (ii) Adapting Water Resource Management to the Changing Future to increase efficiency of service delivery and foster water conservation; and (iii) adoption of climate smart and digital technologies in agriculture to strengthen the sectors adaptation to climate change and enhance its productivity. Finally, WBG future operations through the Citizen Engagement Roadmap will explore opportunities to further strengthen participatory approaches to monitoring and behavior change to climate change adaptation and mitigation.

CPF Objective indicators	Supplementary Indicators	WBG Program
<p>10.1 Population benefiting from risk reduction investment financed by the natural disaster fund⁶¹ <i>Baseline: 0 (2018); Target: 40,000 (o/w 20,000 women) (2024)</i></p> <p>10.2 Number of people in the targeted regions insured for bodily injuries against catastrophic events⁶² <i>Baseline: 0 (2018); Target: 5.85 million (o/w women 50%) (2024)</i></p> <p>10.3 Number of farmers adopting smart and digital climate farming practices <i>Baseline: 40,000 (2018); Target: 120,000 (o/w women 60,000) (2024)</i></p>	<p>10.1.1 Legislation for natural risk insurance⁶³ is effective <i>Baseline: No (2018); Target: Yes (2024)</i></p> <p>10.1.2 Percentage of losses covered by the FSEC arising from a 1-in-10-year event⁶⁴ <i>Baseline: 0 (2018); Target: 90% (2024)</i></p> <p>10.1.3 Percentage of coastal areas covered by Integrated Coastal Zone Management (ICZM) Planning <i>Baseline: 2% (2018); Target: 70% (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Integrated Disaster Risk Management and Resilience - Large Scale Irrigation Modernization - Social and Integrated Agriculture (GEF) - Strengthening Agri-Food Value Chains <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - CAT DDO - Smart Agriculture Program <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Urban Resilience - Adaptation of Agriculture in Africa - Partnership for Market Readiness <p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Agriculture Sector Insurance TA - Sustainable Development of the Blue Economy and Integrated Management of Coastal Zones - Adaption of Agriculture in Africa

GOVERNANCE AND CITIZEN PARTICIPATION FOUNDATION

This focus areas will help the government to strengthen and reform its institutions by improving transparency and efficiency of public expenditure. Support for the transparent, efficient and inclusive governance of country's public resources and administration will contribute to more equitable access to economic opportunities and social services for Moroccan citizens. This will lift constraints to inclusive development and contribute to social peace. The WBG will support Morocco's efforts to:

⁶¹ Source: Ministry of Interior.
⁶² Source: Ministry of Finance.
⁶³ Law 110-14. Source Ministry of Finance.
⁶⁴ Source: Ministry of Finance.

- Improve the efficiency of public spending
- Improving transparency and developing building blocks for enhanced citizen-state engagement

Link between the Focus Area and the WBG Corporate Goals: The SCD recommends that inclusive public governance through inclusive implementation of the rule of law, in the administration of the State and inclusion of access to delivery of public service. This focus area provides the foundations that support ending extreme poverty and promotion of shared prosperity in a sustainable manner. If the governance structure cannot meet the expectations of greater inclusion, good governance and receptivity to citizen’s needs, there is an increased risk of destabilization. This may lead to a relapse in poverty reduction and shared prosperity.

Country Development Goals: Morocco’s made some progress since 2011 in terms of economic governance and on the regulatory framework guiding citizen engagement. However, challenges remain in terms of implementation leading to gaps between the legislation, policies, programs and service-delivery. Moving forward, government intends to consolidate existing governance reforms. Governance and Citizen foundation is consistent with *SDGs 1 (No Poverty) and SDGs 16 (Peace, Justice and Strong Institutions)*.

CPF Objective 11. Improve the efficiency of public spending

Intervention Logic: The Moroccan public finance management system meets the objective of fiscal discipline objective but requires more attention to enhance the strategic allocation of resources and ensure the provision of quality public services. This is illustrated by the significant budget allocated to the education (in average 6.4 per cent of the GDP and 30 per cent of the annual state budget) with mixed impact of the sector outcomes evidencing substantial efficiency challenges. These challenges are particularly stark at lower levels of governance: the impact of the various initiatives to support the advanced regionalization agenda is affected by the delay in the operationalization of some critical PFM tools and processes that will give more flexibility and responsibility to the budget holders while increasing accountability. Without fundamental improvements in the efficiency of the public spending (capital and recurrent), at all levels (central government, decentralized, SOEs and parastatals), the quality of public services might remain stagnant. In that regard, strengthening e-government, at both the national and local levels, will be critical across all areas of economic and fiscal governance reform.

SOEs carry out the bulk of public investment and the value for money of public investment projects is affected by the increasing country debt ratio mainly driven by the significant stock of debt carried on the SOEs to finance infrastructure needs. Challenges to SOE governance underpin this situation: while, over the last decade, Morocco has undertaken an extensive reform program aimed at modernizing its legal and regulatory framework, some progress remains to be made including on the autonomy of SOE management, particularly to clarify the role of the state as a shareholder and strategic monitoring by sectoral ministries.

The Government of Morocco has adopted the program-based budget approach: several technical tools such as performance budgets associated with annual performance plan, annual performance report and performance indicators have been developed. Yet, these reforms have not been fully implemented, as actual day-to-day budget execution remains traditional, and technical improvements are needed, including in the conception of performance indicators.

WBG Support: The WBG will help strengthen the current public finance management (PFM) system to ensure allocative efficiency and a better performance of public finances, with a view to enhancing value for money in public expenditure. The World Bank's support will include: (i) reform to the PIM framework to ensure greater selectivity, monitoring and evaluation of public investments, notably through the Governance and Statistics operation in the pipeline and the ongoing ASA in Public Investment Management Reform, (ii) SOE governance reform with the Compact with Africa PPP/SOE reform ASA and the IFC Corporate Governance Framework ASA (in the pipeline); (iii) budget reform and the roll-out of program-based budgeting, including strengthening capacities and systems for budget oversight in Parliament under the Parliament Capacity Project (ongoing grant), and improving access to fiscal information and enhancing performance orientation in budget management under the Support for New Governance Program (ongoing grant); (iv) public procurement reform, including the e-digitalization of processes, the modernization of procurement procedures and the building of capacities to manage, coordinate and supervise complex procurement procedures, under the grant for Governance and Statistics and the ASA on Strengthening the framework and practices of public procurement, both in the pipeline; and (v) policy dialogue on pension and tax reforms through knowledge generation and technical assistance under ongoing ASAs, Measuring and managing fiscal risks and 2nd stage pension reform, and a planned ASA on Tax Administration Diagnostic Assessment Tool.

CPF Objective indicators	Supplementary Indicators	WBG Program
<p>11.1. Percentage of public investments that have been the subject of economic studies before their approval⁶⁵ <i>Baseline: 25% (2018); Target: 50% (2024)</i></p> <p>11.2. Percentage of bid submission through the e-government procurement platform for open competitive tenders⁶⁶ <i>Baseline: 14% (2018); Target: 100% (2024)</i></p>	<p>11.1.1 Legal and Regulatory Framework for Public Investment adopted⁶⁷ <i>Baseline: No (2018); Target: Yes (2024)</i></p> <p>11.1.2 Data bank on public investment projects developed⁶⁸ <i>Baseline: No (2018); Target: Yes (2024);</i></p> <p>11.1.3 Number of ministries using strategic planning (triennial budgeting, program budgeting) and</p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Support to the new governance framework (grant) - Parliament Capacity Building Project (grant) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Morocco Public Sector Performance Program <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Governance in the Maghreb and filter of political economy - Reform of public investment management - 2nd phase of the pension reform <p>ASA: Pipeline</p>

⁶⁵ PEFA Report and Ministry of Finance Budget Department, Annual Public Report on Public Investment. The WB project: Morocco Public Sector Performance Program.

⁶⁶ Treasury (*Trésorerie Générale du Royaume*). The WB project: Morocco Public Sector Performance Program.

⁶⁷ Ministry of Finance, Budget Department.

⁶⁸ Ministry of Finance Budget Department.

	<p>performance monitoring and evaluation systems⁶⁹ <i>Baseline: 0 (2018);</i> <i>Target: 70(2024)</i></p> <p>11.1.4 National Strategy Program for Capacity Building of Public Procurement Actors adopted with an action plan⁷⁰ <i>Baseline: 0 (2018);</i> <i>Target: 1 (2024)</i></p>	<ul style="list-style-type: none"> - Public Expenditure Review (PER) - TA – Main streaming Citizen Engagement - Reform of PPP / EP - Pact with Africa - IFC Corporate Governance Framework - Diagnostic Assessment Tool for Tax Administration - Strengthening the framework and practices of public procurement
--	---	--

CPF Objective 12: Improve transparency and develop the building blocks for effective citizen-state engagement

Intervention Logic: Morocco has made considerable progress in designing a legal framework around issues related to access to information, transparency and accountability. The country joined the Open Government Partnership in July 2018. The Constitution provides requirements that all citizens have the right to access to information “held by the public administration, elected institutions and public service bodies” and Morocco has passed legislation on Access to Information (ATI) in February 2018. Yet, the effectiveness of these innovative initiatives is hampered by an implementation gap, and by low level of trust in government. Active citizenship and state-citizen engagement continues to represent a cultural shift in Morocco, both for front-line government employees and for citizens themselves. The absence of opportunities for constructive interface can on the one hand lead to social tensions, particularly when combined with exclusionary policies, and on the other hand trigger a security response which can in turn further inflame tensions. In addition, Morocco has developed ambitious sectoral policies across a variety of strategic sectors such as agriculture or industrial development. Yet, misalignment across sectoral policies and coordination failures have hampered their implementation and limited their impact.

WBG Support: The WBG will continue to support the government’s efforts to increase access to legislative and budgetary information to strengthen legislative oversight and enhance citizen engagement in the legislative process through the ongoing grant for the Parliament capacity building Project. It will also strengthen public participation, including petitions, under the ongoing grant for Support for the New Governance Framework. These reforms will be further supported by an operation under preparation, which will focus on governance and statistics and are

⁶⁹ Ministry of Finance Budget Department- Annex to the annual budget law.

⁷⁰ The National Public Contracts Commission (Commission nationale de la commande publique – CNCP). WB ASA: Strengthening the Framework and Practices of Public Procurement

complemented by an ongoing ASA, the Maghreb Political Economy Filter, which will help address some of the political and institutional binding constraints to transparency and citizen engagement. Access to information and increased transparency in the political process and government programs are expected to provide an enabling foundation for citizen engagement in policy making. Engagement would also pursue support to a more accessible and Open Government and more trusted Parliament.

The CPF program will support the Government’s efforts to enhance the coherence and effectiveness of public action and investments by supporting budget and policy prioritization, coordination and evaluation efforts through innovative approaches such as the e-digitalization of processes, the development of inter-ministerial coordination mechanisms, the fostering of a culture of ex-ante and ex-post evaluation in project cycles and the introduction of a change management process, and collaborative leadership approach among key players of the government and public administration. The CPF activities will also foster an evidence-based approach to policy making that results in making public action both transparent to citizens and measurable in its impact through strategic use of data and statistics. Emphasis will be put on developing a national monitoring and evaluation (M&E) framework that enables policy makers to prioritize policies based on available evidence, collect relevant data and monitor and evaluate their impact.

CPF Objective Indicators	Supplementary Indicators	WBG Program
<p>12.1 Number of ministries using statistical and monitoring data and evidence-based assessments in their development, implementation, and evaluation⁷¹ <i>Baseline: 0 (2018);</i> <i>Target:4 (2024)</i></p>	<p>12.1.1 Number of national surveys carried out and published on time: Households (3 years)⁷⁴ <i>Baseline: Surveys every 7 years (2018);</i> <i>Target: 2 household budget surveys realized between now and 2024 (2024)</i></p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - Support to the new governance framework (grant) - Parliament Capacity Building Project (grant) <p>Financing: Pipeline</p> <ul style="list-style-type: none"> - Morocco Public Sector Performance Program <p>ASA: Ongoing</p> <ul style="list-style-type: none"> - Governance in the Maghreb and filter of political economy
<p>12.2 Percentage of citizen petitions processed in the e-petitions platform⁷² <i>Baseline: 1% (2018);</i> <i>Target: 100% (2024)</i></p>	<p>12.1.2 Key Sector Administrative Data Validation and Verification Framework developed and approved⁷⁵</p>	<p>ASA: Pipeline</p> <ul style="list-style-type: none"> - Reform of PPP / EP - Compact with Africa - IFC Corporate Governance Framework - Strengthening the framework and practices of public procurement

⁷¹ Ministry of General Affairs and Governance (MAGG) and World Bank White Paper “Assessment of the Statistical System of Morocco” (forthcoming).

⁷² This includes petitions addresses to the Head of Government & to local governments.

⁷⁴ Source: Haut-Commissariat au Plan.

⁷⁵ Morocco Public Sector Performance Program.

<p>12.3 Number of public services which information is available on public site⁷³ <i>Baseline: 170 (2018);</i> <i>Target: 300(2024);</i></p>	<p><i>Baseline: 0 (2018);</i> <i>Target: All administrative data published on Ministries websites gone through validation</i></p> <p>12.1.3 Number of civil servants and citizens trained on public petitions⁷⁶. <i>Baseline: 780 (2018);</i> <i>Target: 1200 (2024)</i></p> <p>12.1.4 Number of sectoral citizen feedback platforms put in place⁷⁷ <i>Baseline: 0 (2018);</i> <i>Target: 6 (2024)</i></p> <p>12.1.5 Percentage of procurement-related complaints resolved within the timeframes specified in the regulations⁷⁸ <i>Baseline: 50% (2018);</i> <i>Target: 100% (2024)</i></p> <p>12.1.6 Training program for public administration and citizens the right</p>	<p>- Mainstreaming Citizen Engagement TA.</p>
--	---	---

⁷³ Ministry in Charge of Civil Service and the Administrative Reform (<http://www.service-public.ma/>).

⁷⁶ Morocco Public Sector Performance Program.

⁷⁷ Ministry in Charge of Civil Service and the Administrative Reform (<http://www.service-public.ma/>) and application "IDARATI".

⁷⁸ ASA: Strengthening the framework and practices of public procurement. Data source: National Public Contracts Commission (CNCP).

	of access to information developed with an action plan⁷⁹ <i>Baseline: 0 (2018);</i> <i>Target:1 (2024)</i>	
--	--	--

⁷⁹ Source: Ministry of Administrative Reform and Civil Service/Open Government Partnership (OGP) Action Plan, Commitment No. 3.

Annex 2. Morocco FY14-17 CPS Completion and Learning Review

Date of CPS (FY2014–2017): April 1, 2014 (Report No. 86518-MA)

Date of CPS Performance and Learning Review: May 24, 2016 (Report No. 105894)

Period Covered by the Completion and Learning Review: FY14-FY17⁸⁰

I. INTRODUCTION AND CONTEXT

1. **This Completion and Learning Review (CLR) evaluates the performance of the World Bank Group’s (WBG)⁸¹ Country Partnership Strategy (CPS) for FY14-FY17.** The CPS end-period is FY17 but rather than extending the evaluation period to FY18, the current CLR includes on a case-by-case basis, additional and relevant evidence for some outcome indicators that has become available during FY18. A Performance and Learning Review (PLR) that took place in May 24, 2016 reaffirmed the validity of CPS strategic areas of *Promoting competitive and inclusive growth* (Result Area 1); *Building a green and resilient future* (Result Area 2); and *Strengthening governance and institutions for improved service delivery to all citizens* (Result Area 3). Promoting youth, gender and participation and voice, as well as transparency and access to information, were integral to these efforts. The CLR evaluates the achievements of CPS program outcomes as laid out in the revised results matrix during the 2016 PLR and assess the WBG’s program performance in designing and implementing the CPS program. It also discusses alignment with the MNA strategy and extracts lessons for the preparation of the forthcoming Country Partnership Framework (CPF).

2. **The CPS was aligned with the strategic priorities of the Moroccan Government’s program, which reflects the revised governance framework adopted in response to the Arab Spring.** This framework, enshrined in the Constitution of 2011, grants greater human and social rights, provides for a more open and decentralized system of governance, and promotes inclusive, equitable and sustainable development. Informed by previous CPS and lessons learned, the WBG’s program deepened its focus on governance and institutional accountability and incorporated youth, gender and participation and voice as cross-cutting themes in response to Morocco’s urgent need for more equitable and inclusive growth and increased citizen participation and voice. The CPS scaled up support for Morocco’s open governance and green growth agendas, including through innovative multi-sector approaches and a broad array of financial and technical instruments and services from IBRD and IFC.

3. **During the CPS period,** the country went through peaceful local and regional elections in September 2015, an important step toward a more open and decentralized government structure adopted in the 2011 Constitution. The country weathered the Arab Spring through a peaceful political transition and did not encounter the spillover effects such as violence, refugees or terrorism experienced by other Arab countries. While Morocco experienced economic and social advance high unemployment and lack of opportunities continue to remain a challenge for inclusive and sustainable growth in the country.

⁸⁰ The CLR end date was FY17; however, pending lending operations were delivered in FY18 due to the six-month delay in establishing a new Cabinet after the October 2016 election.

⁸¹ CPS was jointly prepared by IBRD, IFC and MIGA.

II. SUMMARY OF KEY FINDINGS

4. **The overall performance of the CPS outcome is rated Moderately Satisfactory.** The CPS program implementation achieved most of the expected outcomes: out of 12 objectives, 5 are rated as achieved, 5 as mostly achieved and 2 partially achieved; and 29 of the 35 indicators across the three results areas are either achieved or mostly achieved. The CPS supported ambitious policy reforms with significant impact beyond the CPS period. It was the right opportunity to be engaged in areas where the WBG had a comparative advantage and help the country make positive strides in several areas. Supporting the institutional and regulatory framework created a foundation for Morocco's growth and competitiveness in doing business, trade logistics and enhanced credit guarantees for MSMEs. The CPS program contributed to scaling up Morocco's renewable energy generation and reduction of transmission losses and strengthened capacity for disaster risk reduction and emergency preparedness. In addition, the CPS program also promoted synergies across the three results areas. For example, climate change adaptation supported similar goals under different results areas. Finally, Morocco made great strides in promoting key reforms such as Organic budget law and Access to Information which is a positive step towards an open and inclusive governance. However, the CPS program also faced challenges in reaching some objectives fully, particularly in the areas of improving high value agriculture, increasing agriculture water productivity, expanding access to basic services such as water and sanitation, and strengthening social protection and labor programs, especially for youth.

5. **The WBG performance in implementation of the CPS is rated Good.** The CPS design was well aligned with the Government's ambitious reform program and the WBG's twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner. Flexibility in the design of the strategy facilitated rapid response and strengthened linkages to the WBG's new MENA Strategy,⁸² particularly to its first pillar⁸³, which was also fully aligned with the Government's emerging new priorities. IBRD delivered a robust lending program of US\$3.7 billion and the pace of the lending was higher than originally expected. The strategy employs a range of instruments and formulated results that overall were appropriately ambitious and attributable to WBG activities. Implementation of the CPS program was underpinned by a strong portfolio, comprehensive Advisory Services and Analytics (ASA) and policy dialogue, which have been a key dimension of the WBG's partnership with Morocco⁸⁴. IFC program was aligned with the CPS program particularly in the areas of financial markets, agribusiness, energy and education services. MIGA explored possible cross sectoral investment's but did not provide any guarantees during the CPS period.

III. ASSESSMENTS OF CPS DEVELOPMENT OUTCOMES

6. **This section evaluates the overview of the CPS performance under the program's three strategic results areas that contained 12 outcomes.** Table 1 summarizes the CPS outcome and outcome indicator ratings while Attachment 1 contains the assessment of details of the outcome indicators. The CLR uses the updated PLR Results Framework to assess the program. While CLR evaluates progress till FY17, it includes relevant information which became available in FY18. These areas are: (i) IFC attracted four private firms to provide US\$50 million in private equity finance for innovative start-ups and SMEs (outcome 1.2); (ii) Electricity regulatory authority was appointed in August 2018 to operationalize the

⁸² Economic and Social Inclusion for Peace and Stability in the Middle East and North Africa: A New Strategy for the World Bank Group, January 2016.

⁸³ Renewing the social contract through jobs, quality services, and citizen engagement.

⁸⁴ Key analytic work such as Country Economic Memorandum, *Morocco 2040* which shaped the Systematic Country Diagnostic and had significant resonance in both public and private circles.

opening of the medium and low voltage segment of the market to private sector investment (outcome 2.2); (iii) access to information law was approved in 2018 which provides the foundation for improving citizen information (outcome 3.1) and (iv) programmatic budget is being used by the majority of the ministries for 2018 budget (outcome 3.2).

Table 1: Summary of CPS Development Outcome and Outcome Indicator Ratings

CPS Outcome	Overall outcome rating	Outcome Indicator Ratings			
		Achieved	Mostly Achieved	Partially Achieved	Not Achieved
Results Area 1: Promoting Competitive and Inclusive Growth - Moderately Satisfactory					
1.1 Enhanced Institutional Framework for Business Entry, Trade Facilitation and SME Development	Achieved	3			
1.2. Improved Access to Finance for MSMEs and Women	Achieved	3			
1.3. Increased Value-Added of the Agri-Food Sector	Mostly Achieved	1		1	
1.4. Increased Access of Youth to Skills and Vocational Training, Employment Services, Micro-entrepreneurship and Revenue Generation Opportunities	Achieved	5			
1.5. Improved access to and effectiveness of social protection and labor programs, especially for youth	Partially Achieved	1			1
Results Area 2: Building a Green and Resilient Future – Moderately Satisfactory					
2.1. Strengthened management of soil, coastal and water resources	Mostly Achieved	2		1	
2.2. Increased renewable energy generation and enhanced energy efficiency	Mostly Achieved	4			1
2.3. Improved prevention and mitigation mechanisms against natural disasters	Achieved	2			
Results Area 3: Strengthening Governance and Institutions for Improved Service Delivery to All Citizens- Moderately Satisfactory					
3.1. Enhanced open and inclusive governance	Partially Achieved		2		1
3.2. Improved accountability and transparency in the management of public resources	Achieved	2			
3.3. Improved capacity to plan, manage and assess the effective delivery of key services, especially at the local level	Mostly Achieved	1	1		
3.4. Expanded access to basic services	Mostly Achieved		2		1
Overall outcome rating – Moderately Satisfactory		24	5	2	4

Result Area 1: Promoting Competitive and Inclusive Growth – Moderately Satisfactory

The WBG’s program made good progress in supporting the government’s effort to create a more supportive institutional framework for business entry, promoting investment among youth entrepreneurs, improving financial inclusion and strengthening financial sector for improved financial inclusion (e.g.

Moroccan Capital Market Authority (AMMC), which became operational in March 2016). These actions had transformational effects on the business environment and on access to finance for entrepreneurs particularly youth and women, laying the foundation for faster, more equitable job creation for all Moroccans. Several achievements under outcome 1.1 and 1.2 went beyond what was envisaged in the CPS. While more efforts are needed to improve high value agriculture the government is taking regulatory measures to improve small farmers access to wholesale market and producers in selected value chain is expected to show improved results in the next CPF cycle.

Outcome 1.1. Enhanced Institutional Framework for Business Entry, Trade Facilitation and SME Development – Achieved

7. **Morocco simplified business regulations.** The WBG budget support, technical assistance and analytical studies helped the government set a strong institutional framework to promote the investment climate, jobs and competitiveness. Notable reforms include: the creation of the Common Business Identifier (CBI); modification of the Corporation law; operationalization of digital trade platform *Portnet*; implementation of trade laws and governance structure for the National Business Environment Commission (CNEA). These reforms helped to improve Morocco’s ranking in DB from 129th to 60th between 2010 to 2018. Trade logistics also improved with an average transit time for goods at Casablanca port significantly reduced from 10 days in 2013 to 6.1 days in July 2017 (target met). Other transformational changes included the adoption of a new Competition Law,⁸⁵ improvements in the way the Investment Commission grants incentives and the development of local capital markets. IFC also helped to facilitate US\$35 million in trade finance through its Global Trade Finance Program (GTFP) with Moroccan banks. As Morocco ramps up training of business users and communication toward investors, impact will strengthen further over time.

8. **The CPS supported the promotion of entrepreneurship and MSME development.** Key among them are: (i) formalization of entrepreneur status⁸⁶; (ii) strengthened governance structure for the National Business Climate Agency (CNEA); (iii) improved systems to monitor and evaluate MSME development⁸⁷; (iv) development of credit bureaus; (v) legal framework for a movable collateral to improve MSMEs’ access to bank loans backed by such collateral (IFC); and (vi) enhanced deployment of SME loan guarantee scheme. These initiatives helped smaller entrepreneurs to play a larger role in economic development.

Outcome 1.2. Improved Access to Finance for MSMEs and Women – Achieved

9. **The WBG engagement which supported government’s reform in enhancing an inclusive financial sector, particularly small enterprises including women, developed significantly during the CPS period.** The WBG supported these priorities through DPL series which focused: on strengthening the institutional and regulatory framework of the financial sector, extending the program of credit guarantees to MSMEs, and supporting microfinance capital market development. The World Bank’s support to Partial Risk Guarantees (PCG) enabled participating financial institutions (PFI) to mitigate their credit risks on loans to MSME’s. This has resulted in a significant increase in volume of MSME portfolio from MAD 78

⁸⁵ The Competition Council remain to be installed (a royal purview) and hence no enforcement has been issued.

⁸⁶ Statut de l’auto-entrepreneur”.

⁸⁷ See *Recueil Annuel des Instruments et Programmes Publics de Financement Destines aux Start-ups et TPMEs*, <https://www.le212.info/attachment/1014721/>. TPME is the French acronym for MSME.

million MAD in 2012 to 31 MAD billion in 2017 far surpassing the CPS target of MAD 94 million⁸⁸. The WBG's DPL series supported government's reforms for Universal Financial Access (UFA), specifically extending the scope of electronic payments through nonbank providers by expanding financial access points for rural unbanked and MSMEs.

10. **IFC's investment (US\$20 million) to *Fondation Banque Populaire pour le Micro-Crédit (BPMC)*, the second largest microfinance institution (MFI), helped to increase the number of microloans from 221,400 in 2012 to 703,386 in 2017 with 52 percent women beneficiaries. IFC also invested around \$20 million equity in Mediterranean Capital Partners II, a private equity fund that targets SMEs. IFC's investment of US\$112 million in *Banque Centrale Populaire (BCP)* Green Bond program is financing sustainable energy projects including by small local entrepreneurs. The Green Bonds, the first of its kind in the region⁸⁹, is providing financing for sustainable energy projects, including small projects by local entrepreneurs.**

11. **IFC's investments were complemented by advisory engagement, including with *Banque Centrale Populaire (BCP)*, to launch a new business offering for very small enterprises.** IFC also provided extensive support to BCP's microfinance subsidiary Attawfiq to strengthen governance, diversify product offerings and improve credit policy. IFC Advisory also supported the launch of the Women Banking Champion program with initial market research to identify potential partner banks.⁹⁰

12. **Morocco's local capital market was also developed.** The WBG programmatic DPL series supported reforms that established the capital market authority (AMMC), developing new market instruments that diversify the economy's financing away from banking, shoring up the sustainability of the civil service pension fund as a key institutional investor in capital market instruments. The government also created a public-private fund to co-invest equity in start-ups. Launched in late 2017 with WBG financing, it has attracted \$50 million from four private funds for a government contribution of \$50 million. A new round of fund raising launched in mid-2018 will further leverage the government's stake.

Outcome 1.3. Increased Value-Added of the Agri-Food Sector – Mostly Achieved

13. **The CPS supported government's agriculture strategy Plan Maroc Vert (PMV) and irrigation strategy (PNEEI) to improve agricultural water productivity and transform Morocco's agri-food sector into key source of economic growth for employment creation.** A combination of agricultural investments, systemic public-sector reforms, TA and targeted advisory work supported government's institutional and regulatory measures to improve the efficiency of the domestic markets through the development of modern management models for wholesale markets, improved the effectiveness of the agricultural innovation system, established effective food safety management systems for selected value-chain and linking small farmers to wholesalers and processors. About 76 percent of targeted small farmers benefitted from technical assistance to enhance their incomes through better techniques and skills in the context of water scarcity and climate change. IFC amplified the impacts of the WBG's PMV interventions by promoting private investment in agribusiness and provided advisory work to strengthen value chains, with the aim of maximizing outreach to farmers and increasing and diversifying rural incomes. This has resulted in an increase of 4100 farmers in the poultry, dairy, and cattle production. IFC also supported the

⁸⁸ With significantly increased lending supported by guarantees, many first-time borrowers could generate credit history which made it easier for them to obtain loans in the future.

⁸⁹ IFC first such investment in the region.

⁹⁰ The Swiss Secretariat for Economic Affairs (SECO) provided up to US\$5 million to support IFC Advisory's Women Banking Champions initiative in Egypt, Morocco and Tunisia.

expansion and employment generation of the vertically integrated industrial poultry producer Zalagh⁹¹. The World Bank prepared a follow up operation (PforR) to accelerate the implementation of PMV reforms with inclusive value-addition and value chain development in the Moroccan agri -food sector. However, this P4R project is in its early stages of implementation and results will be visible only during the next CPF period.

14. **The WBG supported the improvement of irrigation water services to small farmers in large scale irrigation perimeters, as a way to increase agricultural production and water productivity.** Land fragmentation and co-ownership characterizing smallholdings made the adoption of drip irrigation more time consuming than anticipated. Consequently, the area for high value crops under irrigation supported through the World Bank⁹² increased by only 72 percent, from 4,483 ha (2013 baseline) to 6,340 ha, compared to the CPS target of 8,966 ha. However, the government has improved procedures for access to subsidies for drip irrigation to small farmers and the process is solidly ongoing even after the close of the World Bank project.

Outcome 1.4. Increased Access of Youth to Skills and Vocational Training, Employment Services, Micro-entrepreneurship and Revenue Generation Opportunities – Achieved

15. **The WBG supported this multi-dimensional objective through the supply of skills produced by the vocational training and higher education systems, and the demand for skills in the labor market.** The World Bank's programmatic DPL series supported institutional reforms aimed at improving the quality and efficiency of service delivery in the TVET and higher education systems. As a result: (i) all public universities introduced processes for market relevant skills and to monitor internal efficiency; (ii) three new vocational institutes focusing on high demand skills were established; (iii) a pilot program with government financing of private sector managed training centers was tested; (iv) a draft legislation on governance and financing of on-the job training was prepared; and (v) a national agency for quality assurance of tertiary education programs was established. Active engagement of the private sector in the delivery of the training programs increased program participants. On the job vocational training reached more than 122,000 beneficiaries per year improving the internal rate of efficiency⁹³ (IRR) by 70 percent and exceeding the target of 68 percent. In addition, IFC investment in HEM helped train 1,971 youth (target 1500) on management skills.

16. **The effectiveness of employment services to more disadvantaged segments of the population also improved.** DPL series supported the government's new wage subsidy program which aim to support labor market insertion of hard to place unemployed youth. This initiative helped intermediary services, such as ANAPEC's national presence, by increasing the local offices from 50 in 2010 to 77 in 2015; and in turn, the enrollments of registered unemployed reached 186,570 by 2015, far more than the target of 160,000 by 2017. Women comprised 41 percent and non-high school graduates comprised 20 percent of enrollees. In addition, ANAPEC developed a pilot program to provide employment services to low-skill beneficiaries that was rolled out⁹⁴ in 7 regions and benefited about 5,000 youth.

⁹¹ IFC invested US\$24 million in FY14.

⁹² Oum Er Rbia Basin Irrigated Agriculture Modernization Project (PROMER), Large-Scale Irrigation Modernization Project (PMG).

⁹³ Internal efficiency was measured as the proportion of vocational training programs entrants who successfully completed their training.

⁹⁴ with the support of the French Development Agency (AFD).

17. **Access to economic opportunities and promotion of youth micro-entrepreneurship broadly improved.** The World Bank's flagship PforR operation⁹⁵ supported income generating activities where 75 percent of viable activities were implemented by cooperatives, associations or MSMEs involving 78,930 people in sectors such as agriculture, livestock and handicrafts. To help diversify incomes among rural populations, the structural reforms instituted through the Inclusive Green Growth programmatic DPL helped increase investment to 21 aquaculture farms providing 367 full time jobs, of which 21 jobs for women. Micro-entrepreneurship training target was surpassed where 2,813 youth (of which 38% women) received post-creation support for 12 months.

Outcome 1.5 Improved access to and effectiveness of social protection and labor programs, especially for youth – Partially Achieved

18. **Key initiatives have been taken to improve access to and efficiency of social protection programs.** This CPS objective was partially achieved. The WBG supported government policy reform to facilitate reduction of all liquid fuel subsidies that resulted in complete elimination and liberalization of prices for these products. The total subsidy reduced from 3% of GDP in 2012 to 0% of GDP in 2017 which exceeded the CPS target. The fiscal space created by the subsidy reform enabled the expansion of the Social Cohesion Fund (FCS), which finances the main social safety nets programs: Tayssir (the education conditional cash transfer program), RAMED (the non-contributory health coverage scheme); and DAAM (the cash transfer programs for the poor and disabled and for poor widows). An additional benefit of eliminating the subsidies was the reduction in GHG emissions, which is expected to average 6.6 percent a year until 2030.

19. **During the mid-term review of the CPS, the World Bank enhanced its program to support Government's broad reform of increasing coverage and targeting of social safety net programs which was not originally envisaged.** Through TA and investment lending, the WBG initiated support to help the government develop a social registry as well as a biometric National Population Registry to improve targeting and eliminate ghost and duplicate beneficiaries. This dual approach has the potential of doubling the coverage of RAMED beneficiaries from the poorest quintile, promoting social and financial inclusion while reducing leakage of services to upper-income families. As the project became effective only in June 2017, the social registry (a CPS target) has not been built yet but is expected to be achieved under the new CPF. The World Bank's expanded activities are likely to generate a more transformational impact on safety nets than initially anticipated⁹⁶.

Result Area 2: Building a Green and Resilient Future – Moderately Satisfactory

The CPS supported the government's policies and measures to enhance the management of natural assets such as enactment of first Integrated Coastal Zone Management Law which is a significant milestone towards the protection of sustainable marine and coastal natural resources. This has resulted in an increase of 500 ha of coastal land under biodiversity protection using the bottom-up approach of strong community participation and ownership. The country's risk management practices have been strengthened through the 2017 Budget Law with a provision to setup the Fund to Combat the Effects of

⁹⁵ Second National Human Development Initiative (INDH2). The program initiated an innovative institutional approach to promote income-generating projects and ensuring the sustainability of the businesses that developed, building on the pioneering approach of INDH1.

⁹⁶ A World Bank team has organized a second South-South Exchange between Morocco and India to learn about the design, operational roll out, and successful use of cases of the Indian Aadhaar biometrically supported identification system.

Natural Disasters (FLCN) for local government to protect the poor and vulnerable population. Significant progress was made in enhancing energy efficiency through reduction of transmission losses and increasing installed capacity of solar energy to increase the share of renewables. These progresses had transformational impact in improving Morocco's power generation contributing to substantial decrease in energy cost.

Outcome 2.1 Strengthened management of soil, coastal and water resources – Mostly Achieved

20. **The CPS targets for strengthening management of soil, coastal and water resources have been mostly achieved.** The World Bank supported key measures under the Inclusive Green Growth and Plan Maroc Vert (PMV) DPL series, irrigation modernization and water supply investment lending operations, and the GEF funded projects have all contributed to more sustainable land and water management practices, reduced water resource pollution and increased use of climate change adaptation measures by small farmers. Among key achievements were that 180 ha (target 500 ha) of land area was brought under sustainable land management practices and 500 ha (target 20 ha) of coastal area was brought under biodiversity protection, with strong ownership and participation of beneficiaries communities. In addition, the World Bank supported the development of comprehensive legislative and planning tools for the protection and sustainable management of Morocco's 3,500 km-long coastal zone. The CPS also supported: (a) enactment of the country's first Integrated Coastal Zone Management Law (ICZM) which marked an important breakthrough in the protection and sustainable use of marine and coastal natural resources; and (b) the development of national and regional ICZM plans to guide national, regional, and local actions in an integrated and coordinated manner.

21. **The share of small farmers integrating climate change adaptations increased during the CPS period.** In support of *Plan Maroc Vert*, the GEF helped to strengthen the capacity of public and private implementing institutions to integrate climate change adaptation measures in government-financed projects targeting small farmers in five regions. The effort resulted in 43 percent of beneficiaries (9,891 out of 22,880 small farmers) integrating at least one climate change adaptation measure, far exceeding the target of 35 percent. The GEF grant also had positive spillover effects where 46 percent of all PMV projects in the five regions had integrated at least one climate change adaptation measure, well above the PMV target of 36 percent. The WB's agriculture projects promoted resilient agriculture practices in selected value chains through more efficient use of agricultural inputs, water, adoption of improved technologies and reduction of greenhouse gas emissions benefitting 2,305 farmers (o/w 230 women).

Outcome 2.2 Increased renewable energy generation and enhanced energy efficiency – Mostly Achieved

22. **Outcome indicators for renewable energy generation and enhanced energy efficiency were mostly achieved.** The WBG provided integrated support to Morocco's renewable energy program and to its energy efficiency strategy. IBRD and Clean Technology Fund (CTF) to the Noor-Ouarzazate solar power complex under a public-private partnership (PPP) scheme helped Morocco to reach the target of 168 MW of installed capacity of utility-scale solar energy⁹⁷, bringing the total share of renewables in the energy mix to 35 percent in 2017. At the global level, the Project has had a transformational effect by demonstrating the viability of CSP power generation in emerging economies and contributing to a significant drop in costs. Moreover, the overall outcome of the project was rated Highly Satisfactory. In 2018, larger additions of solar power generation capacity are being made through the commissioning of an additional 350 MW

⁹⁷ Excluding the already existing 20 MW of solar of the Hybrid Gas-Solar Ain Beni Mathar Project (financed by the World Bank/GEF).

at the Noor-Ouarzazate complex. The IFC supported the development of sustainable energy finance products through its investment in the BCP Green Bond. Morocco's energy efficiency objectives were further enhanced through World Bank's TA and Inclusive Green Growth DPL series which supported government's reform in phasing out subsidies to fossil fuels, making Morocco a pioneer in the MNA region.

23. **WBG also provided support for Morocco's National Strategy for Sustainable Development, including TA for the renewable energy legislative framework.** The framework was revised through a decree on decentralized medium-voltage renewable energy and a legal amendment that opened renewable energy solutions to low-voltage consumers. As implementation of the revised legislative framework has not attracted private sector investment in decentralized solar power so far, mainly because the electricity regulator was not yet operational, the CPS target of 10 MW of increased installed capacity for distributed renewable energy was not achieved. This indicator was supported through the Inclusive Green Growth DPL, which was instrumental in incentivizing the Government to adopt legislation to set up an electricity sector regulator, but there were delays in operationalizing it. In August 2018, the head of the regulatory authority was appointed, which will facilitate the opening of the medium and low voltage segment of the market to private sector investment.

24. **Progress has been made in promoting energy efficiency, i.e. reduction in transmission losses and unserved energy, but further progress is still needed for energy efficiency in buildings.** Transmission losses were substantially reduced to 6.5 percent, almost 25 percent more than the target of 8.5 percent. This is mainly due to the success of the Agadir-Chichaoua transmission line under the project. In addition, unserved energy, a measure of the quality of service to end-users, was reduced from 832 to 230 MWh, compared to a target of 400 MWh. Through advisory programs, IFC provided 14 comprehensive energy and water efficiency assessments to companies across sectors, including agribusiness which led to recommendations for cost reductions through efficiency measures related to energy and water. While improvements have been made in integrating a regulatory framework for efficient buildings and reduction of transmission losses, there have been delays in adopting a national energy efficiency strategy and associated investment plan. Approximately 3 million m² of new construction per year are compliant with the new energy efficiency rules,⁹⁸ which far exceeds the target of 400,000 m². This is attributed to a higher-than-expected construction rate. In addition, the WBG continues to provide support for energy efficiency in buildings as part of WB TA to NDC implementation.⁹⁹

Outcome 2.3 Improved prevention and mitigation mechanisms against natural disasters – Achieved

25. **The CPF promoted an integrated approach to improve resilience to natural disasters in Morocco where notable progress was achieved.** The WBG developed a comprehensive program to support the government's efforts to consolidate, modernize, and expand existing risk prevention initiatives into an integrated risk management strategy through TA, and an Integrated Disaster Risk Management Support PforR operation. Morocco's risk management practices have been reoriented where the 2017 Budget Law included provisions to set up a steering committee and ensure that local governments are able to benefit

⁹⁸ The assumptions on build rate, were taken from a variety of sources, including the NAMA Habitat analysis (which suggests for example more than 2 million new homes over the period 2011-2026) as well as in some cases historic build rates. The numbers correspond to the single year 2015. The model calculations are in 5-year steps, so the next year calculated is 2020; for 2016, it is proposed to duplicate the results for 2015.

Source: "Support the Government of Morocco in the implementation of its NDC in selected sectors (P159288).

⁹⁹ The NDC (Nationally Determined Contribution) is the amount of reduction of GHG emissions to which each country commits as part of the Paris Agreement on climate change.

from the Fund to Combat the Effects of Natural Disasters (FLCN). The FLCN was reformed to become a major disaster prevention and risk reduction institution and 40 projects have already been competitively selected. In addition, Disaster Risk Insurance Law was approved in August 2016 and the associated implementation decrees were prepared. The World Bank provided TA for the design and implementation of the Law's mechanism to compensate partially insured or uninsured residential dwellings, thereby helping more households qualify for mortgages. The World Bank under the new CPF is planning to prepare a Catastrophic Deferred Draw Down (CAT DDO) budget support operation which is an insurance mechanism to facilitate Morocco's access to emergency financing in case of disaster.

Result Area 3: Strengthening Governance and Institutions for Improved Service Delivery to All Citizens – Moderately Satisfactory

Under the CPS, the WBG promoted a more open and inclusive governance framework, more transparent and accountable management of public resources, and more effective and equitable delivery of quality basic services, as highlighted in the Renewing the Social Contract pillar of the MENA strategy. The adoption of the new Organic Budget Law introduced performance-based budgeting which lays the foundation for public financial management reform going forward. The implementation of this Law has spread across the central government and is ensuring that budgets are required to be linked to performance. This is a positive milestone that is transforming the way public resources are programmed and managed. Morocco has passed a legislation on Access to Information (ATI) in February 2018 and the effectiveness of this innovative initiative is expected to allow citizens to access public sector information. In addition, management and technical capacity of selected cities continues to improve to equip them with more proactive role in local development.

Outcome 3.1 Enhanced open and inclusive governance – Partially Achieved

26. **Through a combination of TA, MENA transition fund and programmatic DPL series (Hakama I and Hakama II), the World Bank supported the government's reform to increase fiscal transparency and public access to information.** The government adopted key laws allowing citizens to access public sector information, public petitions and a public consultations policy. This has improved Morocco's open government's partnership score on access to information to 3 out of 4 (target 4 out of 4) as a result of enactment of the Organic Budget Law, the Organic Petitions Law, and the Law on Access to Information (ATI). The Organic Budget Law¹⁰⁰, enacted in April 2015, introduced multi-annual performance-based budgeting. The Organic Petitions Law¹⁰¹ which established the conditions and modalities for citizens to petition the Government, was approved in August 2016, and the decree forming the Petition Commission was issued in July 2017. Due to the delay in forming a new Government after the September 2016 election, the parliament did not approve Law¹⁰² on Access to Information until February 2018. All these laws represent a major step forward for open and responsive governance in Morocco. Sixteen ministries have already started to implement the performance-based budgeting. This process will be supported under the new CPF. At the local level, inclusive governance was enhanced through social accountability mechanisms targeting women and youth. The share of women participating in Local Human Development Committees (CLDH) and Provincial Human Development Committees (CPDH) increased from 20 percent to 21 percent (target 22%) which is expected to be achieved in the next CPF cycle.

¹⁰⁰ Law No 44-14.

¹⁰¹ Law No. 44.14.

¹⁰² Law No. 31-13.

Outcome 3.2 Improved accountability and transparency in the management of public resources – Achieved

27. **Significant milestones have been achieved in the management of public resources through budget and procurement reforms.** The adoption of the New Organic Budget Law laid the foundation for public financial management reforms is going forward. All 42 ministries presented programmatic budget in 2018. It also improved country's public expenditure financial accountability (PEFA) rating from "D" to "B" surpassing the CPS target of "C". An integrated expenditure management information system (GID) to all municipalities provides real time information budget execution. A new Public Procurement Decree¹⁰³ extended the new procurement rules to local governments and SOEs resulting in that 3,589 procuring entities are now subject to the public procurement rules, meeting the CPS target. The decree also includes a mandate that 20 percent of the public contracts be allocated to SMEs and introduces e-government procurement. The government also adopted a second public procurement decree establishing an independent public procurement regulatory body, the *Commission Nationale de la Commande Publique* (CNCP) in January 2018. The CNCP is operational with 12 members which is a significant development in the advancement of a modern public procurement framework in Morocco.

Outcome 3.3. Improved capacity to plan, manage and assess the effective delivery of key services, especially at the local level – Mostly Achieved

28. **The WBG's support to improve local governance and urban services was mostly achieved.** Institutional and technical capacity at the local governments to plan, manage and assess key service delivery improved significantly. Through TA and Program for Results (PforR) operation, the World bank supported the operationalization of local government support program centers. During the CPS period, four support centers were established (Oriental, Souss Massa, Casablanca and Fes-Meknes) and provided on-demand technical assistance to local governments within their geographic areas on issues including project management, local public service delivery, urban transport, and solid waste management. The Casablanca center is providing on demand support on urban mobility through the local development company Casa Transport. In addition, the health sector P4R, supported the creation of a health management information system, which improved the capacity of target local governments to efficiently plan and manage health care delivery.

29. **The capacity of urban transport institutions has improved.** Two out of the three¹⁰⁴ targeted cities with more than 300,000 inhabitants have produced long-term multimodal master plans. In addition, Rabat, Casablanca and Marrakesh have established local government-owned holding companies with urban transport planning, and management authorities. This will significantly help to improve monitoring, planning and service delivery of urban infrastructure. To improve institutional coordination between municipalities at the agglomeration level, Casablanca and Agadir have created conurbation associations with clear legal, financial, governance, and staffing arrangements. In addition, Marrakech has recently opened its bus corridor, using electrical buses. While the bus corridor still needs quite a few improvements to become full-fledged Bus Rapid Transit (BRT) system with quality services, this is an important progress. Casablanca and Rabat are also moving forward with the implementation of their corridors.

¹⁰³ Decree No 1-12-349. It was issued in March 2013 and it is based on international standards.

¹⁰⁴ CPS baseline was 5 cities and target was 8 cities. Therefore, 2 additional cities (7 out of 8).

Outcome 3.4 Expanded access to basic services – Mostly Achieved

30. **Support to expand access to basic services has made moderate progress.** The World Bank support to the National Rural Roads program has yielded positive results with the increase of national rural road accessibility index from 77 to 79¹⁰⁵, compared to 80% target. The innovative monitoring system of the program measured the population served by improved access to an all-weather road rather than the kilometers of road constructed. Around 2.92 million rural inhabitants benefitted from better road access which is 22 percent of the country's rural population. On the other hand, the outcome under the water sector portfolio has been slow to materialize. Access to improved water sources in rural areas reached only 192,000 people in 2017 in the targeted rural areas compared to a target of 547,000. The target will not be achieved as the program to support this indicator is closed. Access to sanitation in urban areas reached 195,000 people as of 2017, close to the CPS target of 200,000 people. Complexities of land acquisition and compensation of affected people before the work could start delayed the Rural Water Supply and Sanitation program implementation and rendered the water access target unrealistic in the limited CPS period. These issues safeguards are being addressed at the portfolio level to improve results further in another ongoing program.

CROSS-CUTTING THEMES

Youth

31. **To promote youth participation, voice and economic empowerment** in Morocco, the WBG provided policy advice for preparation of the Government's National Integrated Youth Policy 2015-2030. The youth agenda was emphasized further with the MENA Strategy. To assist in implementing the youth agenda, the World Bank, through INDH2 program, continued to support youth representation and participation, which it began under INDH1, resulting in at least 15 percent youth representation on every INDH local governance committee by the end of the CPS period. The World Bank's support to the employment agenda has led to a substantial increase in the internal efficiency of vocational training programs during the CPS period. The IFC complemented this effort, through its Education for Employment (E4E) initiative, helped to strengthen the Government's capacity to set standards for youth training in the tourism sector. Approximately 500 youth were enrolled in market -relevant education programs in the tourism sector.

32. **The World Bank and IFC collaborated to support the entrepreneurship agenda** which made it possible for more than 1,971 young people to be trained in management skills and qualify for concrete job or career advancement opportunities. Nearly 2,813 youth micro-entrepreneurs also received follow-up support after creating their businesses. WBG efforts to enhance the business environment and improve access to finance benefited youth more than any other group.

¹⁰⁵ Substantial indirect outcomes have been achieved because of the Bank's longstanding support to the Second National Rural Roads program since 2005. Women have particularly benefitted according to various consultations held by the Bank. Increased access to all-weather road translated into a significant increase of visits by women to health facilities, a substantial increase in primary school enrollment in targeted rural areas, especially for girls, and a substantial reduction of tedious chores of collecting firewood as cooking butane gas is now delivered to their homes.

Gender

33. **To help advance gender equity in Morocco**, the WBG (a) systematically introduced gender-disaggregated indicators in key areas such as entrepreneurship, revenue-generating activities, access to finance, skills training, active labor market programs, and access to basic services; and (b) conducted a comprehensive country gender assessment to deepen understanding of the challenges facing women in Morocco and develop recommendations on how best to support them. In addition, a Hackathon EmpowerHer aimed at leveraging the talents of Morocco's tech-savvy youth was organized. It aimed at making the youth as part of the solution to empower women in accessing economic opportunities in the interior regions.

34. **These exercises early in the CPS period enabled the WBG to better address gender challenges through its programs and policy dialogue.** However, more remains to be done given the persistent territorial disparities. Many CPS outcome indicators reflect the WBGs efforts to mainstream gender into its program. As a result of World Bank's support: Women now comprise at least 20 percent of every INDH local governance committee; are implementing more than half of INDH2's income-generating activities; were 60 percent of the beneficiaries of the Youth Micro-entrepreneurship Project; and comprised more than 40 percent of new ANAPEC enrollments. IFC's support contributed to the following result: Nearly half of the beneficiaries of the IFC's microfinance program were women; of the 900 students trained by IFC's Business Edge management training program, 30 percent were women; the Women Banking Champion program began with market assessments and identification of banks interested in reaching more women-owned businesses and female entrepreneurs.

Voice and participation

35. **During the CPS period, the WBG provided national dialogue on how to guarantee citizens' rights** to access information, to be consulted on policy making and to petition the central and local governments, as enshrined in the Constitution. The dialogue enabled the participatory design of new legislation guaranteeing these rights. As further evidence of the Government's commitment to improved governance, in May 2018, the Ministry of Justice launched an 800 number that citizens can use to report suspected corrupt behavior. The Government has also scaled up efforts toward fiscal transparency and is developing an e-participation platform aimed at facilitating and strengthening the voice and participation across the country. Further, a platform to receive and respond to petitions is expected to be operationalized under the new CPF.

36. **The CPS focus on improving voice** was in line with the World Bank-wide target of achieving citizen engagement (CE) and mainstreaming beneficiary feedback into operations at entry by FY18.¹⁰⁶ The portfolio progressed from low levels of mainstreaming to full compliance at entry by FY15, ahead of the FY18 World Bank-wide target.

Citizen Engagement

37. **During the CPS period, approximately 25 percent of projects had or adopted institutionalized citizen engagement mechanisms**, defined as integration beyond the confines of the project. Specific projects advanced the use of grievance redress mechanisms to increase citizen engagement, (the Morocco

106 The corporate target requires that all IPFs and P4Rs include at least one results indicator with beneficiary feedback or citizen engagement. From FY19 onwards, all projects with three years since the Board date, are to report on the citizen/beneficiary indicator in the results section of the ISR.

Oum Er Rbia Sanitation Project), while others were able to pilot innovative approaches to engaging citizens in solving problems, as in education (Global Partnership for Social Accountability, GPSA-funded education TA), in the health sector (Health P4R) with its support to the *Chikaya Santé* system, and in agriculture through the ASIMA GEF-financed project. The Casablanca Municipality P4R has also planned to include those mechanisms. Looking forward, it will be important to leverage these entry points into broader sector-wide approaches, and to scale them up considering current challenges.

IV. WORLD BANK GROUP PERFORMANCE

38. **The World Bank Group’s overall performance for the FY14-17 CPS is rated Good.** The proposed lending program was aligned with government’s development plan and the number of projects increased by 40 percent. IBRD delivered a robust lending program of US\$3.7 billion slightly lower than the target of US\$4 billion originally envisaged. IFC program was well aligned with the strategic objective of the CPS. MIGA explored opportunities to provide cross-border investments but did not provide any guarantees during the CPS period. With the government’s strong commitment to reform, the CPS program achieved substantive progress in areas that were identified as priorities by the government- particularly in skills training development, income generation, improving investment climate for entrepreneurs, financial inclusion, fiscal transparency, public financial reform, access to information, climate change adaptation and women’s economic empowerment. There were, however, mixed results in increasing agricultural production, improving operational efficiency of energy utility and increasing access to basic services particularly in the water sector. The WBG deployed innovative tools to enhance the quality and performance of the program.

A. Design of CPS:

39. **Relevance:** The CPS results areas and objectives remained highly relevant to Morocco’s development challenges and well-aligned with the Government’s program, which mirrored the objectives of the 2011 Constitution. The PLR offered the opportunity to respond to the Arab Spring uprisings by focusing more attention on the Government’s new priorities of youth unemployment, urban-rural disparities and the poor quality of education, all of which also fell under the Renewing the Social Contract pillar of the new MENA strategy. The WBG showed flexibility during program implementation and portfolio quality which led to improvement in portfolio quality.

40. **Design:** The CPS design focused on key constraints to Morocco’s development at a time when the new Constitution made it possible for the World Bank to maximize the impact of its support to critical reforms in the areas of governance, transparency and accountability. The CPS increased its focus on competitive growth to create job opportunities, while ensuring growth is sustainable, inclusive and responsive to WBG’s twin goals. The WBG program also scaled up its efforts for Morocco’s green growth agenda, supporting innovative multi-sector approaches to sustainable and environmentally sound development and reduce the country’s vulnerability to shocks.

41. **Instruments:** The WBG program saw a gradual shift in the composition of the portfolio toward more P4R operations, which are well adapted to the implementation of reforms. For example, the Integrated Disaster Risk Management P4R helped to transform the Fund to Combat the Effects of Natural Disasters (FLCN), which had initially been used in an ad hoc manner, into a major prevention instrument. This P4R, with contributions from OECD, is also supporting the Government’s efforts to design a risk management strategy.

42. **In the second half of the CPS, a governance filter in the Maghreb, including Morocco was developed,** to better identify challenges in the design of complex reforms and adjust the program/operations accordingly.

43. **Realism of Results:** The Results Framework had weaknesses in a few areas. Some of the CPS objectives were broadly formulated and had multi-dimensional objectives with narrow indicator which focused more on outputs rather than outcomes (e.g., entities created and numbers of trainees). In these cases, the assessment of the outcomes to attribute the WBG's contribution were difficult. As part of the Deep Dive exercise, the CMU conducted a thorough review of the results framework for each operation, jointly with the Global Practice teams to assess realism and progress. This review proved to be helpful in ISRs, mid-term reviews, and restructuring, and led to more realistic assessment of results.

44. **Risks.** Risks were identified correctly and remained relevant throughout the CPS period. The overall risk to the program was rated moderate. Among substantial risks, the CPS acknowledged (i) technical design of projects or programs and (ii) environment and social risks. Environment and social risks materialized due to the complex social safeguard and land acquisition issues in several operations. The water sector faced significant safeguards issues and was mitigated by a concerted approach between the World Bank and the government. As part of the Deep Dive Exercise, a joint task force reviewed the social compensation procedures and designed an action plan to monitor more closely the compensation process. As a result, all payments were made, and contracts were fully implemented albeit with some delay.

B. Implementation:

45. **New IBRD lending reached US\$3.7 billion relative to a target of US\$4 billion (an average of US\$1 billion a year except for FY17).** The number of projects increased by 40 percent and the financing amount by 60 percent, and the pace and volume of IBRD lending was slightly higher than expected except for the last year of implementation. The delays in setting up the new Cabinet until five months after the election led to a slowdown of new lending, resulting in the FY17 target being missed by half. However, the affected operations were satisfactorily delivered in FY18, a transition year to the new CPF. The WBG adapted well to changing circumstances during program implementation, took advantage of new opportunities as they arose, and addressed project implementation issues proactively. Portfolio quality improved considerably with focused attention on underlying problems.

46. **During the CPS period, IBRD approved nine DPLs, eight investment project loans, and three P4R operations.** The portfolio of grant-financed operations almost doubled over the period. At the beginning of the CPS period, the World Bank portfolio performance experienced some deterioration, mostly in terms of disbursement ratio and riskiness. The government and the World Bank made significant joint efforts to address portfolio performance issues through the Maghreb Portfolio Deep Dive Exercise mentioned above.

47. **As part of the World Bank's effort to improve portfolio performance and increase disbursements for faster impact,** the Country Management Unit, along with the Global Practices and the Government of Morocco, held regular Deep Dive sessions starting in 2016 (annex 4). Close supervision and coordination with related ministries on procurement, financial management and disbursement helped improve project disbursements. As a result, the disbursement ratio reached 20 percent per year

over the last three years of the CPS. Portfolio performance was broadly satisfactory, with 85% of projects rated satisfactory or moderately satisfactory at the end of the CPS (FY17) and proactivity index at 100%.

48. **IEG evaluations of World Bank projects during the CPS period has been insightful.** 12 out of 15 projects (80%) evaluated by IEG have been rated either highly satisfactory, satisfactory or moderately satisfactory¹⁰⁷. IEG assessment confirmed some of the key lessons drawn from the ICRs such as: (i) government ownership at all levels is essential to ensure effective implementation of policy reforms; (ii) in depth knowledge of the country and sectors is a key factor for ensuring adequate design of an operation and its successful implementation; (iii) commitment and ownership at the community level in the design of the project is essential; (iv) implementation of land acquisition and compensation should be dealt earlier to smooth implementation; (v) project design should adequately reflect political economy factors and reality on the ground and (vi) institutional development support requires an agile approach that can adapt to changing circumstances to ensure ownership.

49. **Fiduciary and Safeguards.** The World Bank portfolio faced delays in implementation due to projects funds disbursement were linked to complex financial management system that is directly linked to the government budget. Close supervision and coordination with related ministries on procurement, financial management and disbursement helped improve fiduciary performance and disbursements. The World Bank portfolio was compliant with safeguards policies. Several projects faced complex safeguards and land acquisition issues. The land acquisition issues were addressed during the annual portfolio review and ongoing supervision through risk-based safeguards oversight mechanism which was rolled out by the World Bank with close partnership with the government.

50. **IFC's committed portfolio as of end-FY17 stood at US\$286 million across 14 companies in diversified sectors, including financial markets, private equity funds, agribusiness, power, and education services.** Almost 72 percent of the portfolio was concentrated in the financial sector, as easing access to finance for MSMEs was an area of strategic focus. During the CPF period, IFC's financial sector engagements helped to introduce innovative new programs such as Green Bond for investment in sustainable energy projects and Women in Banking program. In addition, IFC investments in private equity funds targeted high-growth SMEs that helped to support job creation and entrepreneurship. IFC carried out advisory work in microfinance and in private sector development, with engagements that enhanced financial infrastructure and led to the licensing of a second private credit bureau to improve access to finance¹⁰⁸. IFC also continued its flagship Corporate Governance program, which strengthened the capacity of the IMA (*Institut Marocain des Administrateurs*) and more than 250 company board members. IFC Advisory also focused on improving the overall business environment through a subnational competitiveness framework, and on supporting development of the transport sector. IFC's portfolio held up well, with no non-performing loans (NPLs) as of end-FY17 and strong equity returns from financial sector projects.

51. **MIGA explored opportunities to support cross-border investments into Morocco through both its political risk insurance guarantees and credit enhancements but issued no guarantees during the CPS period.** Specifically, MIGA explored the possibility of providing credit enhancements to eligible state-owned enterprises under its non-honoring of sovereign financial obligations for SOEs product. Although none of the potential projects materialized, MIGA's interest triggered strong TA by the National Railways Office (ONCF) to prepare the rail company for international financing. MIGA is also exploring opportunities

¹⁰⁷ One project highly satisfactory, four projects satisfactory and seven moderately satisfactory.

¹⁰⁸ Morocco is the first country in MENA with two private credit bureaus.

to support Moroccan companies seeking to invest in other developing countries, including in Sub-Saharan Africa.

52. **The strong ASA program helped to broaden and deepen the knowledge base in areas such as public finance management, capital market development, ICT and service delivery, which are critical to the long-term success of the Government’s transformational reform program.** The ASA program informed the design and implementation of sector reform programs and the preparation of Development Policy Loans (DPLs) and investment programs across the CPS portfolio. The ASA program also served as a vehicle for effective advocacy on the critical issues of youth exclusion, social protection reform, poverty, governance, competitiveness, labor market dynamics, and innovative service delivery approaches such as conditional cash transfers. In addition, strong ASA underpinned broad country dialogue (for the 2017 Country Economic Memorandum) and advocacy in many sectors, leading to DPLs or investment financing once sector reform programs were designed, costed, and ready to be monitored based on agreed indicators.

53. **Close donor coordination was especially relevant for budget support operations and results-based lending programs.**¹⁰⁹ The WBG was instrumental in reviving the Donor Group, which meets bi-monthly to ensure better coordination of interventions, through better information and knowledge sharing. Examples of positive and efficient donor coordination include: the Hakama Program where World Bank, the European Union, and the African Development Bank worked together on a joint reform program; and the Water Project co-financed by the African Development Bank, and the French Agency for Development.

V. ALIGNMENT WITH CORPORATE AND REGIONAL GOALS

54. **The WBG program was aligned with the corporate goals of eliminating extreme poverty and increasing shared prosperity in a sustainable manner.** These goals are directly relevant for Morocco, align well with the Government’s program, and are well reflected in the CPS and the activities undertaken by the WBG in FY14-17.¹¹⁰ The result area 1 focused on removing the binding constraints to growth by creating institutional framework in the business environment, financial inclusion, access to market relevant skills and employment opportunities and strengthening social safety net systems to boost economic activity and create opportunities among young entrepreneurs. The WBG’s social protection program aimed to ensure that social protection reaches the most vulnerable to reduce poverty. The second result area program helped ensure that natural resources are used in a more sustainable manner. Finally, the third result area is contributing to improve service delivery by strengthening institutions for a more transparent and accountable government. Access to basic public services is central to sustained poverty reduction and promoting shared prosperity as the poorest segments of the population are particularly dependent on these services for their social and economic well-being. The CPS also integrated the corporate priorities of gender, citizen engagement and climate change.

55. **The WBG program was also aligned with the MNA Strategy on renewing the social contract which contributed to the overall twin goals.** As a result, a few areas received increased attention over the last years of the CPS period: (a) the jobs agenda (both demand and supply side), with particular attention given to youth, which represent the largest group of unemployed; (b) addressing inequalities,

¹⁰⁹ While very few investment operations in Morocco use co-financing, parallel financing and close coordination among donors was applied wherever possible, including with the IMF for planning the Development Policy Financing (DPF) report.

¹¹⁰ The Bank’s POVNET will generate in September 2018 poverty and income projections based on the 2014 household survey.

to reduce existing significant vulnerability despite achievements recorded to date; and (c) advancing governance through the decentralization agenda, notably through strengthened local and regional development.

VI. LESSONS LEARNED

56. **The CLR confirms the main lessons that emerged in the PLR.** The implementation experience of the CPS provides important lessons which could be incorporated into the design of the next Country Partnership Framework (CPF). Some of the key lessons are summarized below.

57. **DPLs proved to be effective in strengthening Government cohesion on key reforms and providing a formal structure for committing to their implementation.** DPLs provide valuable financing, and their financial impact is magnified by the additional financing that these operations mobilize. The technical advice accompanying DPL operations can also be critical to the success of reforms in both the design and implementation phases, although in principle, such advisory services can be provided without an IBRD loan. A key feature of DPLs, which in many cases provides their largest impact, is their ability to generate a consensus on and commitment to reform specifics across ministries.

58. **Land acquisition if not properly conducted can delay implementation of projects.** Lessons from water and agriculture projects shows that land acquisition is one of the key factor behind slow implementation of some projects. The World Bank's social safeguard team worked closely with the government to find solutions at the portfolio level. As a result, an improved safeguard oversight mechanism is being rolled out in close partnership with the government. In addition, population settlement and acceptable arrangements for land purchase and compensation is a mandatory requirement in the "readiness filter" and should be tackled at an early stage of the project preparation phase.

59. **Going forward, effective implementation of reforms for more impact is a major challenge for Morocco, and the WBG will need to focus more on outcomes.** The CPS period saw notable changes in Moroccan legislation and regulations, which helped to put in place the necessary framework for fundamental institutional changes (e.g., the Organic Budget Law introduced performance-based budgeting), but effective implementation of the changes will require focused attention. The DPLs proved highly effective at generating consensus around the reforms and adoption of the necessary texts and will remain useful going forward. Greater use of P4R operations is one means of shifting the focus to outcomes.

60. **An increase in unrest (Rif Region), and the evolution of new social media tools point to the importance of deepening and scaling up work on citizen engagement.** As is true in other parts of the MENA region, levels of trust in government have decreased over time, suggesting the importance of confidence-building measures to begin to create a basis for citizens to engage. Involving front-line civil service and municipal staff in demonstrating how increased citizen engagement can lead to tangible improvements in service delivery will be key to closing the gap between intentions and outcomes. While legislation is necessary, on-the-ground TA and capacity building will be most important in creating such a shift.

61. **Realistic results framework is key to improve the success of WBG strategy.** The CPF should not include objectives for projects which are yet in the pipeline; though the results of those operations could be included as intermediate indicators. A focused and realistic results matrix facilitates the consolidation

of the WBG's financing and knowledge program for maximum impact. Going forward, there is scope for improving realism of the indicators to make it more practical tool for monitoring progress under the next CPF.

62. **The WBG's ASA remains one of the most important products for achieving results.** ASA interventions contributed to the policy dialogue and were utilized in the design and implementation of government programs. The technical advice and analytical work provided by the World Bank has been highly valued and seen as having greater impact than the financing itself. Going forward, WBG program could provide advisory services and analysis in areas without financing. However, for advisory services to be effective there would need to be a multi-year program rather than standalone activities.

63. **Future budget support operations need to have a greater balance between adopting reforms and implementing them in a way that have impact on citizens and businesses.** There is a widespread recognition that implementation rather than the adoption of reforms is the big challenge in Morocco. DPLs have proved to be effective in accelerating the adoption of reforms but not necessarily in implementing the resulting laws, policies and regulations. For example, Competitiveness DPL series that supported all the legal and regulatory changes to strengthen the Competition Council but in the end the President and members of the Council were never nominated, therefore the Council has had zero impact.

64. **Well-chosen South-South exchanges can be highly effective.**¹¹¹ The Government counterparts have benefited from the World Bank-supported study tours abroad and in-country with counterparts from Brazil, China, India, Korea, Mexico and Turkey, which strengthened their capacity and understanding in key areas. In addition, promoting South-South partnerships to support the expansion of Morocco's regional players is a critical aspect of IFC's strategy in Morocco and will remain a key element of IFC's program in Morocco. IFC's investment helped one of Morocco's largest banks to expand its Africa operations, while its US\$2.5 million advisory program helped the bank to increase SME lending in the region. Similarly, on the IBRD side, several African countries have benefited from Morocco's experience in such areas as renewable energy and governance.

¹¹¹ Moroccan delegations learned from (a) Mexico's success in improving urban transport; (b) Brazil's experience with road safety; (c) Korea's success in designing sound urbanization policies; (d) China's experience with integrated water resources management; Turkey's experience with the flagship reforms that led to universal health coverage; and (e) India's implementation of a unique identifier system to improve safety net targeting. Morocco also shared its positive experience, hosting a high-level delegation from the Egyptian railways to learn from Morocco's successful Bank-financed railway restructuring program.

Attachment 1: Summary CPS Program Evaluation

CPS Outcomes and Indicators	Status and Evaluation	Lessons Learned	WBG Program
Results Area 1: Promoting Competitive and Inclusive Growth			
Outcome 1.1: Enhanced institutional framework for business entry, trade facilitation, and Entrepreneurship and SME Development: Achieved			
<p><u>Business Entry</u> Key administrative business procedures simplified and standardized by CNEA (number) <i>Baseline: 20</i> <i>Target: 40</i></p> <p><u>Trade Facilitation</u> Reduction in average transit times for goods at Casablanca port <i>Baseline: 10 days (July 2013)</i> <i>Target: Fewer than 7 days (End 2015)</i> <i>Source: Statistics issued by Portnet system</i></p> <p><u>Entrepreneurship and SME Development</u> MSMEs receiving capacity building support through the corporate governance support tool (number) (IFC) <i>Baseline: 0</i> <i>Target: 20</i></p>	<p>Achieved: As of July 2017, 52 key administrative procedures were simplified (Source: CNEA/ Ministry of Modernization and Public Affairs.</p> <p>Achieved: Trade Facilitation: 6.12 days to clear goods at Casablanca port. (Source: Portnet). 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.</p> <p>Achieved: 25 MSMEs. Using global tools, an auto-assessment of CG practices for SMEs was delivered and workshops with the <i>Centre des Jeunes Dirigeants</i> (Young Entrepreneurs Association) and the CGEM (private sector confederation) were delivered. In addition, a workshop for corporate secretaries of SMEs was delivered in collaboration with the Moroccan Institute of Directors.</p>	<p>Satisfactory collaboration between private sector and government on the implementation of business environment reforms was a key factor in delivering result.</p> <p>The World Bank was able to act as a catalyst to harness a strong coordination of business environment reforms by providing upstream and downstream technical support.</p>	<p>Delivered & ongoing Financing</p> <ul style="list-style-type: none"> - MSME Development (IPF) - Economic Competitiveness 2(DPF) - IFC Investments in Financial Markets, Real Sector and SME Funds <p>Delivered & ongoing ASA</p> <ul style="list-style-type: none"> - First Study for the establishment of the Moroccan Investment Agency (TA) - Country Economic Memorandum (ESW) - Trade and Integration-EU (ESW) - Trade and Integration – Phase II (ESW) - IFC Advisory services to support Investment Climate reforms - IFC Maghreb Corporate Governance project - Broadband and eGov policy advice (TA)

			<ul style="list-style-type: none"> - Growth, Employment & Poverty PESW - Gender Assessment (ESW) - Wealth Accounting (TA) - RAS Establishing the Morocco Investment Authority (TA) <p>Planned ASA</p> <ul style="list-style-type: none"> - Morocco Trade and Competitiveness (ESW) - ICT –enabled BPO (TA) - Broadband and eGov policy advice
Outcome 1.2: Improved access to finance for MSMEs and women –Achieved			
<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: 94372 MAD million (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><u>Capital Market Development</u> Number of new small or young enterprises reached</p>	<p>Achieved: MSME portfolio of PFIs from MAD 78,644 million in 2012 to MAD 31.7 billion in 2017. The CPS baseline of 78,644 MAD million was much lower than revised baseline number which was reported.</p> <p>Achieved: 703,386 loans outstanding as of Q1 2017, of which approximately 50% to women.</p> <p>Achieved: Number of MSMEs loans to start ups and small firms reached 13,786.</p>	<p>Well- designed Credit Guarantee Schemes can support loans to beneficiaries both in the bottom of the pyramid SMEs with high growth potential. CCG has been able to serve both groups effectively and this is an excellent outcome.</p>	<p>Delivered & on-going Financing</p> <ul style="list-style-type: none"> - Capital Market Development and SME Finance 1 (DPF) - MSME Development (IPF) - IFC investments in Banks, Insurance, SME Funds and Microfinance - Microfinance Development (TF) - Youth Micro-Entrepreneurship (TF) <p>Planned New Financing</p> <ul style="list-style-type: none"> - Capital Market Development and SME Finance 2 (DPF) - Piloting Equity Financing for SMEs (IPF)

<p><i>Baseline: 1,572 (June 2013)</i> <i>Target: 3,000 (June 2016)</i></p>			<ul style="list-style-type: none"> - IFC Investments in Financial Markets Delivered & on-going ASA - IFC Access to Finance Advisory Program (A2F) - Enhancing Microfinance for Women and Youth (TA) - MSME Finance TA Facility - MA-Gender Assessment (ESW) - MA-Financial Capability Survey (TA) - MA-FSAP Update (ESW) - Enhancing Microfinance for Women and Youth (TA) - MSME Finance TA Facility - MA- Capital Market Legal (TA)
<p>Outcome 1.3: Increased value-added of the agri-food sector- Mostly Achieved</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> <p>Farmers involved in industrial poultry production, dairy and cattle reached by IFC investments <i>Baseline: 0 (2013)</i> <i>Target: 4,000 (2016)</i></p>	<p>Partially Achieved: Area with high value-added crops in Doukkala-Haouz-Tadla is currently 6,340 ha (71% of the target).</p> <p>Achieved: 4100 farmers reached, and 22,864 MT volume of poultry produced as of 2016 – through IFC investment in - Zalagh Holding (734029). In early 2016 Morocco was hit by an avian flu outbreak. Most of the Moroccan floc was affected. Zalar’s push towards modernization and use of</p>	<p>Road transport remains a key area of intervention to improve the productive capacity and market integration of farmers and to develop and diversify value added agriculture production.</p>	<p>Delivered & ongoing Financing</p> <ul style="list-style-type: none"> - Inclusive Green Growth 1 and 2 (DPF) - Modernization of Irrigation in Oum Er Rbia Basin (IPF) - Large Scale Irrigation Modernization (IPF) - IFC Investment in Agribusiness and Education - Integrated Coastal Zone Management (GEF)

	<p>scientifically formulated feed as well as stricter sanitary standards farms, allowed it to be less impacted by the flu than its peers in general. The destruction of a portion of the local floc by the flu led to a spike in prices.</p>		<p>Delivered & on-going ASA:</p> <ul style="list-style-type: none"> - IFC Advisory on irrigation PPP projects - Programmatic Agriculture Sector Dialog (ESW) <p>Planned ASA:</p> <ul style="list-style-type: none"> - Investment climate assessment in Agriculture (ESW)
<p>Outcome 1.4 Increased access of youth to skills and vocational training, employment services, micro-entrepreneurship and revenue-generation opportunities – Achieved</p>			
<p><u>Skills training:</u> Rate of internal efficiency of vocational training programs, (%) <i>Baseline:</i> 66% (2012) <i>Target:</i> >68% (2015)</p> <p>Youth are trained on management skills and reach jobs or career advancement opportunities. <i>Baseline:</i> 0 <i>Target:</i> 1500 youth trained (30% women)</p> <p><u>Micro-entrepreneurship</u> Youth micro-entrepreneurs who receive post-creation follow-up</p>	<p>Achieved: Rate was at 70 by project end. In addition, 10 University programs evaluated by the new evaluation agency on their adequacy for the job market. The National Qualifications Framework has been operationalized by the Ministry of National Education and Vocational Training by 2016.</p> <p>Achieved: 1,971 students reached in 2017 through IFC investment in HEM.</p> <p>Achieved. 2,813 youth entrepreneurs of which 38% women received post creation support for 12 months.</p>	<p>It is important to continue to foster policy dialogue in the areas of TVET and employment policy.</p> <p>Active participation of private sector is promising model to increase the quality and relevance of the skills training program as well as to reach vulnerable segments of the population, especially at the local level.</p>	<p>Delivered & ongoing Financing</p> <ul style="list-style-type: none"> - Skills& Employment 2 (DPF) - INDH2 (PforR) - Inclusive Green Growth 1 and 2 (DPF) - Youth Micro-Entrepreneurship (TF) <p>Planned New Financing</p> <ul style="list-style-type: none"> - Investing in Opportunities for Youth (PforR) <p>Delivered & ongoing ASA:</p> <ul style="list-style-type: none"> - Programmatic Employment (TA) - IFC Investments in Education <p>Planned ASA</p> <ul style="list-style-type: none"> - Support to the Vocational Training Strategy (TA)

<p>support for at least 12 months (number), of which female (%) <i>Baseline:</i> 0 <i>Target:</i> 1,800 (40% women)</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:</i> 25% (2012) <i>Target:</i> 40% (2015)</p> <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>Achieved: 75% beneficiaries are viable through income generating activities two years after from the program in 2015.</p> <p>Achieved: 186,570 new enrolments. 41% women and about 37,310 were non- graduated (20%).</p>		<ul style="list-style-type: none"> - Support to the University Evaluation Agency (TA) - Morocco Youth & Jobs capacity support (TA)
Outcome 1.5 Improved access to and effectiveness of social protection and labor programs, especially for youth – <i>Partially Achieved</i>			
<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> <2.5% (2017)</p> <p>A social registry including beneficiaries of the two largest</p>	<p>Not achieved. The Identity and Social Protection project which is expected to help government built social registry is in the process of implementation. The project became effective in June 2017 therefore too early to show any progress.</p> <p>Achieved. Social Registry for two largest social assistance program RAMED and TAYSIR is built.</p>		<p>Delivered and Ongoing Financing:</p> <ul style="list-style-type: none"> - Skills& Employment 2 (DPF) - INDH2 (PforR) - Inclusive Green Growth 1 and 2 (DPF) - Youth Micro-Entrepreneurship (TF) <p>Planned New Financing</p> <ul style="list-style-type: none"> - Investing in Opportunities for Youth (PforR)

<p>social assistance programs (RAMED and TAYSIR) is built <i>Baseline: No</i> <i>Target: Yes</i></p>			<p>Delivered & ongoing ASA:</p> <ul style="list-style-type: none"> - Programmatic Employment (TA) - IFC Investments in Education <p>Planned ASA:</p> <ul style="list-style-type: none"> - Support to the Vocational Training Strategy (TA) - Support to the University Evaluation Agency (TA) - Morocco Youth & Jobs capacity support (TA)
--	--	--	---

RESULTS AREA 2: BUILDING A GREEN AND RESILIENT FUTURE

Outcome 2.1. Strengthened management of soil, coastal and water resources – *Mostly Achieved*

<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: 0 (2013)</i> <i>Target: 500 (2017)</i></p> <p>Marine areas brought under biodiversity protection (ha) <i>Baseline: 0 (2013)</i> <i>Target: 20 (2017)</i></p> <p><u>Climate Change</u> Small farmers in the selected Plan Maroc Vert Pillar II projects</p>	<p>Partially Achieved: Only 180 ha were completed.</p> <p>Achieved. 500 Ha has been achieved under the GIZC project. Convinced by the project activity, the Government (ADA) is planning to plant 900 ha in 2018</p> <p>Achieved. 45% of projects integrating at least one climate change adaptation.</p>	<p>Integrated Coastal Zone Management (ICZM) is a process which must be cultivated and sustained from local consultation, participation and engagement to succeed.</p> <p>Selection of irrigation sectors should be done carefully accounting for the land tenure situation.</p> <p>Targeting small farmers calls for tailored procedures that can create economies of scale. The collective conversion envisaged under the Modernization of Irrigation in Oum Er Rbia Basin project allowed for contracting drip irrigation equipment on a consolidated</p>	<p>Delivered & ongoing Financing</p> <ul style="list-style-type: none"> - Inclusive Green Growth 1 and 2 (DPF) - Regional Potable Water Supply Systems (IPF) - Rural Water Supply and Sanitation (IPF) - Modernization of Irrigation in Oum Er Rbia Basin (IPF) - Large Scale Irrigation Modernization (IPF) - Social & Integrated Agriculture (GEF) - Integrated Coastal Zone Management (GEF)
--	--	--	---

<p>integrating at least one climate change adaptation (%) <i>Baseline : 0 (2011)</i> <i>Target : 35% (2015)</i></p>		<p>surface bringing down costs while ensuring oversight on quality of designs and materials.</p>	<ul style="list-style-type: none"> - Integrating CC in the PMV (GEF) - Oum Er Rbia Sanitation (IPF) <p>Delivered ASA:</p> <ul style="list-style-type: none"> - Water/Energy Distribution Restructuring (ESW) - Support to Artisanal Mining (TA) - Impacts of CC in WRM (TA) - IFC Advisory on Water PPP projects - Cost of Environmental Degradation (ESW) - Industrial Wastewater Management (TA) <p>Planned ASA:</p> <ul style="list-style-type: none"> - Support the preparation of COP22 (TA)
<p>Outcome 2.2 Increased renewable energy generation and enhanced energy efficiency –Mostly Achieved</p>			
<p><u>Renewable Energy</u> Installed capacity for utility-scale solar energy <i>Baseline: 20 MW (2013)</i> <i>Target: 180 MW installed</i></p> <p>Installed capacity for distributed renewable energy <i>Baseline: 0 MW (2013)</i> <i>Target: 10 MW (2017)</i></p>	<p>Achieved. Additional 168 MW from the baseline of 20MW was installed capacity for utility-scale.</p> <p>Not Achieved. Installed capacity for distributed renewable energy: 0 MW (2017, Morocco Inclusive Green Growth DPL). The target was not achieved due to implementing legislation to open electricity</p>	<p>Strong government commitment to the increased role of renewables in the country’s energy mix, and its support to the implementing agency, MASEN provided a right institutional basis for Noor 2 program. The government support was being maintained for the subsequent Noor II and III program.</p>	<p>Delivered and Ongoing Financing</p> <ul style="list-style-type: none"> - Noor-Ouarzazate I Concentrated Solar Power (IPF) - Noor-Ouarzazate II/III Concentrated Solar Power (IPF) - Inclusive Green Growth 1 and 2 (DPF) - Clean and Efficient Energy Project (IPF)

<p><u>Energy Efficiency</u> Total area of new buildings integrating legal EE requirements (in m2) <i>Baseline: 0 (2013)</i> <i>Target: 400,000 (2017)</i></p> <p>Electric transmission losses South of Chechakoes (%) <i>Baseline: 11% (2013)</i> <i>Target: 8.50 % (2015)</i></p> <p>Reduction of unserved energy (MWh) <i>Baseline: 832.7 (2007)</i> <i>Target: 400 (2015)</i></p>	<p>production to renewable energy at low and medium voltage has not been approved by the government. In August 2018, the head of the regulatory authority was appointed, and it is expected to operationalize the implementation of the legislation in the next CPF cycle.</p> <p>Achieved. As of September 2017, 3,403,165 m2 of new building integrating energy efficiency requirements</p> <p>Achieved. Electric transmission losses South of chihuahua is now 6.5%.</p> <p>Achieved. Unserved energy (MWh) a measure of the quality of service to end users was reduced from 832 to 230 MWh (2017)</p>		<p>Planned New Financing - IFC Investments in Wind and Solar Energy</p> <p>Delivered ASA: - Partnership for Market Readiness (CF) - Clean Energy (Phase 2) (TA) - IFC Advisory on resource efficiency/clean technologies - Water and Energy Nexus – Thirsty Energy (TA, KP)</p> <p>Planned ASA: - City Energy Efficiency (TA) - Energy Policy MRV (TA)</p>
<p>Outcome 2.3. Improved prevention and mitigation mechanisms against natural disasters- <i>Achieved</i></p>			
<p>Reorientation of Morocco’s risk management practices towards prevention and risk reductions: <i>Baseline: no (2015)</i> <i>Target: 2017 budget law includes provisions that specifically earmark a share of FLCN to prevention and risk reduction</i></p> <p>Launch of Morocco’s disaster risk insurance and financing program</p>	<p>Achieved. 2017 budget law includes provisions that specifically earmark a share of FLCN to prevention and risk reduction</p> <p>Achieved. The catastrophic risk insurance law (law No. 110-14) was</p>		<p>Delivered and Ongoing Financing - Integrating CC in the PMV (GEF) - Integrated Disaster Risk Management and Resilience Program (PforR)</p> <p>Delivered & ongoing ASA:</p>

<p><i>Baseline: no (2015)</i> <i>Target: yes (2017)</i></p>	<p>approved by the parliament in August 2016.</p>		<ul style="list-style-type: none"> - Climate Change Adaptation & Mitigation Strategy (ESW) - El Niño Impacts in Agriculture (KP) - Climate Change Adaptation for Roads - Planned ASA: - Support the preparation of COP22 (TA)
RESULTS AREA 3: STRENGTHENING GOVERNANCE AND INSTITUTIONS FOR IMPROVED SERVICE DELIVERY TO ALL CITIZENS			
Outcome 3.1. Enhanced open and inclusive governance- <i>Partially Achieved</i>			
<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>¹¹²</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 (2016)</i></p> <p>Women within local governance bodies (CLDH &CPDH) (%) <i>Baseline: 20%</i></p>	<p>Not Achieved: Open Budget Index (OBI) from the International Budget Partnership (IBP): Dropped as an indicator for the Transparency and Accountability 2 (FPF) as indicator was not available. So, this indicator was not monitored during the period covered by the CPF.</p> <p>Mostly Achieved. Morocco's score on "access to information" (ATI) in the Open Government Partnerships (OGP) scorecard is at 3 short of the target of 4. The ATI law was passed by the Parliament in February 2018 reflecting both delays in the formation of the coalition government following the 2016 elections and resistance to the ATI concept from the Moroccan polity.</p>	<p>The Arab Spring and ratification of a new Constitution in 2011 created opportunity to front load reform program which was transformative to promote accountability and transparency in the management of public resources and to foster open governance.</p> <p>Continued strong policy dialog between the World Bank and the Government is important to ensure sustainability of reforms. After an initial surge of foundational reforms, it is necessary to nurture the process of reform through country dialog, so that reforms are implemented on and citizens can benefit. The continued country dialog follow-up on Hakama has</p>	<p>Delivered & ongoing Financing</p> <ul style="list-style-type: none"> - Transparency and Accountability 1 and 2 (DPF) - INDH2 (PforR) - Rural Water Supply (IPF) - Urban Transport (PforR) - Inclusive Green Growth 1 and 2 (DPF) - Large Scale Irrigation Modernization (IPF) <p>Delivered & ongoing ASA:</p> <ul style="list-style-type: none"> - Support New Governance Framework (TF) - MA-Country Economic Memorandum (ESW)

¹¹² The OBI assessment methodology has substantially changed in 2015, affecting the score and its comparison with the 2012 assessment.

<i>Target: 22%</i>	Mostly Achieved. 21% women and 17% youth are within local governance bodies.	produced important achievements including continued progress on grievances and petitions, and appointment of the CNCP members.	
Outcome 3.2. Improved accountability and transparency in the management of public resources- <i>Achieved</i>			
PEFA ¹¹³ assessment and indicators (PI) related to performance information (n°8), <i>Baseline: D in 2012</i> <i>Target: C in 2016</i> <i>Source: PEFA Diagnostic</i> Procuring entities subject to the new procurement rules (number) <i>Baseline: 1,571 (2012)</i> <i>Target: 3,345 (2015)</i>	Achieved. PI related to performance indicator is rated as B based on the 2016 PEFA. Achieved: 3,589 procuring entities were subject to the new procurement rules (2016) The New Public Procurement Decree was issued in 2013 based on international best standards. In January 2018, Public Procurement Regulatory body the <i>Commission Nationale de la Commande Publique</i> (CNCP). It is operational with 12 members.		Delivered & ongoing Financing - Transparency and Accountability 1 and 2 (DPF) Delivered & ongoing ASA: - Support New Governance Framework (TF) - PEFA diagnostic (with EU and AfDB) (ESW) - Subsidy Reform and Cash Transfer Program (TA)
Outcome 3.3. Improved capacity to plan, manage and assess the effective delivery of key services, especially at the local level- <i>Mostly Achieved</i>			
Cities with over 300,000 inhabitants with multimodal urban transport master plan <i>Baseline: 5 cities (Casablanca, Tangiers, Tetouan, Marrakesh, and Rabat) (2013)</i> <i>Target: 8 cities (2017)</i>	Mostly Achieved. Two additional cities (7 out of 8) with over 300,000 inhabitants have finished their multimodal urban transport master plan. Two other mid-sized to large cities (Fès and Kénitra) are in the last stages of urban transport master plan preparation and validation.		Delivered & ongoing Financing - Inclusive Green Growth 1 and 2 (DPF) - ONEE Support AF(IPF) - Modernization of Irrigation in OER (IPF)

¹¹³ PEFA is a multi-donor diagnostic instrument with 30 high level performance indicators measuring a country's public financial management. An upgraded PEFA framework was released in 2015 and is being tested in Morocco to inform the Hakama results framework. Indicators are ranked from A to D, D being the lowest score.

<p>Local Government Support Program (PACT) operational with at least two support centers <i>Baseline:</i> No (2013) <i>Target:</i> Yes (2017)</p>	<p>Achieved: Four regional support centers (Centre Regional d’Appui a la Maitrise d’Ouvrage, CRAMO) have been established in the regions of Oriental, Souss Massa, Casablanca-Settat and Fes-Meknes</p>		<ul style="list-style-type: none"> - Large Scale Irrigation Modernization (IPF) - Social & Integrated Agriculture (GEF) - Integrated Coastal Zone Management (GEF) - IFC Investment in Agribusiness and Education - Solid Waste Sector 4 (DPF) - Urban Transport (PforR) <p>Planned New Financing</p> <ul style="list-style-type: none"> - Decentralization and Municipal Support Program (PforR) <p>Delivered & ongoing ASA:</p> <ul style="list-style-type: none"> - Tourism Development (TA) - Water & Energy Nexus– Thirsty Energy (TA, KP) - IFC Advisory on irrigation PPP projects - IFC E4E advisory in Logistics and Tourism - MA-Road Public and Institutional Review (ESW) - Economic Analysis: Water Supply-Demand (TA) - MA-Urban Logistics (TA)
---	--	--	---

			<ul style="list-style-type: none"> - Morocco Performance Based Maintenance(TA) <p>Planned ASA:</p> <ul style="list-style-type: none"> - MA-Int. Urban Water Mgmt Strategic Sup (TA) - Morocco Urbanization Review (TA)
Outcome 3.4. Expanded access to basic services- Mostly Achieved			
<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: 547,000 (2017)</i></p> <p>People in urban areas provided with access to Improved Sanitation (number) <i>Baseline: 0 (2013)</i> <i>Target: 200,000 (2017).</i></p>	<p>Mostly Achieved. The national rural road accessibility index is now 79.3% versus an objective of 80%.</p> <p>Not Achieved. Only 192,000 people are provided with access to improved Water Sources</p> <p>Mostly Achieved. 195,000 people are provided with access to Improved Sanitation</p>	<p>A participatory and decentralized approach is important for rural road development and sustainability</p>	<p>Delivered & ongoing Financing</p> <ul style="list-style-type: none"> - Rural Roads 2 (IPF) - Rural Roads 2 AF (IPF) - Rural Water Supply and Sanitation (IPF) - Regional Potable Water Supply Systems (IPF) - Oum Er Rbia Sanitation (IPF) - INDH2 (PforR) - Urban Transport (PforR) - Rural Water Supply (IPF) - Health Sector Support (PforR) <p>Planned New Financing</p> <ul style="list-style-type: none"> - Education Support (IPF) <p>Delivered & ongoing ASA:</p> <ul style="list-style-type: none"> - Promoting Accessibility of PLM (PHRD) - Education Support (TA)

			<ul style="list-style-type: none"> - Morocco Systems Approach for Better Education - (SABER) Workforce Development and School Autonomy and Accountability (TA) - improving the governance of provision of social services (ESW) - Public Expenditure Review: Health and Education (ESW) - Climate Resilience for Roads(ESW) - MA-SIEF Impact Evaluation Primary School(ESW) - MA-GAC in Moroccan Health MIS (TA) - MA-Health Coverage (TA)
--	--	--	--

Attachment 2: Morocco Planned and Actual Lending (FY14-17)

FY	CPS PLANNED	IBRD (US\$ MIL)	ACTUAL	IBRD (US\$ MIL)
FY14	Accountability and Transparency -1 (DPL)	200	P130903 -Accountability and Transparency DPL	200
	Green Growth 1(DPL)	300	P127956 -Inclusive Green Growth DPL	300
	Capital Market and SME Finance 1 (DPL)	300	P147257 - Capital Market Development & SME Finance DPL	300
	Skills and Employment 2 (DPL)	100	Move to FY15 (P144185)	
	ONEE Support AF	40	ONE Support Project AF	40
	Rural Roads II AF	95	P148003 - Second Rural Roads Project - AF2	95
	Rural Water Supply	150	P145529 - Rural Water Supply	158.60
FY15	Economic Competitiveness 2 (DPL)	120	P128869 - Second Competitiveness DPL	200
	Solid Waste 4	130	P148642 - Solid Waste Sector DPL4	130
	Urban Transport (PforR)	200	Moved to FY16	
	Health Sector Modernization (PforR)	100	P148017 - Health Sector Support	100
	Integrated Risk Management (PforR)	75	Moved to FY16	
	Noor CSP 2-3	150	P131256 - Noor Ouarzazate Concentrated Solar Power Project	400
	Clean and Efficient Energy	125	P143689 - Clean and Efficient Energy Project	125
	QER Irrigation AF	180	P150930 - Large Scale Irrigation Modernization Project	180
	Early Stage Entrepreneurship	50	Moved to FY17 (P150928)	
	Non-Revenue Water	100	Dropped	
		P144185 - Second Skills and Employment DPL	100	
FY16	Inclusive Green Growth 2 (DPL)	1,585	P149747 - Morocco Inclusive Green Growth DPL2	300
	Transparency and Accountability DPL 2 & 3		P154041 - Transparency and Accountability DPL2 (Hakama II)	200
	Gender			
	Energy Efficiency		Approved FY15 - P143689	
	Agriculture Modernization		P150930 - Large Scale Irrigation Modernization Project	150
	Support to ORDAR Creation		Dropped	
	Support to Peri urban WSS Service Extension		Dropped	
	INDH3		Dropped	
	Local Government Institutional Capacity		Moved to FY18 - P149995 - Casablanca Municipal Support Program	
	Social Protection Reform		Dropped	

FY	CPS PLANNED	IBRD (US\$ MIL)	ACTUAL	IBRD (US\$ MIL)
FY16	Judiciary Reform Implementation		Dropped	
	Rural Development Program		Dropped	
	Education Support		Dropped	
	Youth and Employment Support		Moved to FY19 - P151169 -Supporting the economic inclusion of youth	
	Rural Road 3		Dropped	
	Water and Sanitation		Dropped	
	Tourism Development		Dropped	
	ICT Development		Dropped	
				P149653 - Morocco Urban Transport Project	200
		P144539 - Integrated Disaster Risk Management and Resilience Program	200	
FY17	2 nd Capital Market and SME Finance DPL	450	P153603 - MA-Second Capital Market Development and SME Finance DPL	350
	Investing in Opportunities for Youth	50	Moved to FY19 - 151169 - Supporting the economic inclusion of youth	
	Decentralization and Municipal Support Program	250	Moved to FY18 - P149995	
	Improving Social Protection Service Delivery	100	P155198 - Identity and Targeting for Social Protection Project	100
	Education Support	200	Moved to FY19	
	Public Equity Financing for SMEs	50	P150928 - Financing Innovative Startups & SMEs	50

Attachment 3: Morocco Planned and Actual Analytical Services and Advisory (ASA) (Fy14-17)

FY	Planned ASA	Actual ASA
FY14-17	<ul style="list-style-type: none"> - First Study for the establishment of the Moroccan Investment Agency (TA) - Country Economic Memorandum - Trade and Integration-EU - Trade and Integration – Phase II - IFC Advisory services to support Investment Climate reforms - IFC Maghreb Corporate Governance project - IFC Access to Finance Advisory Program (A2F) - IFC Access to Credit and Secured Transactions - Enhancing Microfinance for Women and Youth (TA) - MSME Finance TA Facility - MA-Gender Assessment - MA-Financial Capability Survey (TA) - MA-FSAP Update (ESW) - Enhancing Microfinance for Women and Youth (TA) - MSME Finance TA Facility - MA- Capital Market Legal (TA) - IFC Advisory on irrigation PPP projects - Programmatic Agriculture Sector Dialog - Tourism Development (TA) - IFC E4E Advisory in Logistics and Tourism - IFC Advisory on Transport PPP projects - Water and Energy Nexus-Thirsty Energy - Programmatic Employment TA - ICT-Enabled Micro-Work - Support to Vocational Training Strategy (TA) - Support to the University Evaluation Strategy (TA) - E4E in Logistics and Tourism - IFC E4E Advisory in Logistics and Tourism - E4E Training Programs - Subsidy Reform and Cash Transfer Program 	<p><u>FY14:</u></p> <p>P107148 - MA PER Health-Education -EW P116714 - MA-TFGov of Service Delivery to Citizens – EW P128429 - MA-Trade and Integration-EU - EW P113768 - MA-PESW Climate Change - EW P127139 - MA-Community-Based Disaster Risk Mgt(TF) – TA P114412 - MA-GFDRR TA Risk Prevention and Mgmt - TA P129990 - Morocco#10085 Strat – TA P123550 - Morocco #10007 Intro to Covered Bonds – TA P132539 - MA-SABER WfD – TA</p> <p><u>FY15 :</u></p> <p>P109306 - MA-Spanish Impact Evaluation – IE P127927 - Morocco Poverty PESW – EW P130087 - Programmatic Employment – TA P144621 - Morocco Gender Assessment - EW P146288 - Broadband and eGov policy advice - TA P143889 - Morocco financial capability survey – TA P148358 - Tourism Development – TA</p> <p><u>FY16:</u></p> <p>P133498 - Subsidy Reform and Cash Transfer Program – TA P146654 - First study for the establishment of the Moroccan Investment – TA P147795 - MA-Country Economic Memorandum – EW P148344 - Oversight and regulation of non-bank payments – TA P148409 - GAC in Moroccan Health MIS – TA P148926 - Trade and Competitiveness – EW</p>

<ul style="list-style-type: none"> - Morocco Poverty - Morocco Gender Assessment - Water/Energy Distribution Restructuring - Support to Artisanal Mining - Impacts of CC in WRM - Non-Revenue Water Assessment - IFC Advisory on Water PPP - Partnership for Market Readiness (CF) - Clean Energy (Phase 2) (TA) - IFC Advisory on Resource efficiency/clean tech - IFC Advisory on Resource efficiency/clean tech - Climate Change Adaptation and Mitigation Strategy - Climate Change Adaptation in the road sector (TA) - Support New Governance Framework (TF) - PEFA Diagnostic - Promoting Accessibility of PLM (PHRD) - Education Support (TA) - Morocco Systems approach for better education results - Workforce Development (TA) - Improving the governance of provision of social services - Public Expenditure Review: Health and Education 	<p>P149407 - Capital Markets Legal & Regulatory – TA P149570 - Adaptation of Roads to Climate Risk and Climate Change – TA P150718 - Morocco Performance Based Maintenance – TE P151991 - PEFA Diagnostic – EW P152111 - Morocco FSAP Update – EW P152499 - Morocco Road Sector Public Expenditure and Institutional Rev – EW P152969 - Health Coverage – TA P153362 - Wealth Accounting – TA P157648 - PA IUWM - Economic Analysis – TA P157649 - Industrial Wastewater Management – TA</p> <p><u>FY17:</u></p> <p>P132884 - Morocco MSME Development Facility -AAA P149408 - Supervision & Regulation of Financial Conglome – TA P151545 - Broadband & ICT Sector Development Policy Advise – TA P151952 - Urban Logistics - TA P153448 - Morocco Cost of Environmental Degradation – EW P157316 - Programmatic Agriculture Sector Dialogue -EW P157495 - Improving Service Delivery for Social Protection in Morocco – TA P158999 - Morocco Urbanization Review – TA P161894 - promoting Regional Development through INDH mechanism – AA P162988 - Issues and Options for Promoting Rural Development in Morocco - AA</p>
--	--

Attachment 4: Enhancing the Quality of Operations and Portfolio Performance

Governance Filter

1. In the second half of the CPS, the Governance team helped develop a governance filter in the Maghreb, including Morocco, to better identify challenges in the design of complex reforms and adjust the program/operations accordingly. The filter work on Morocco started in FY18 and focused on: (i) the Casablanca P4R; (ii) SDC Background Paper applying the 2017 WDR on Governance & the Law to the Moroccan context; (iii) Establishing an Education P4R Advisory Panel (iv) the provision of political-economy type comments on the additional financing for the Noor-Ouarzazate Project; and (v) a contribution to the Youth Project currently under preparation. Finally, the Governance team also prepared an internal note on policy coordination to inform the CPF under preparation and a future Governance operation.

Deep Dive

2. The World Bank portfolio faced delay in implementation due to projects funds disbursement was linked to complex financial management system that is directly linked to the government budget. Close supervision and coordination with related ministries on procurement, financial management and disbursement helped improve project disbursements. As part of the World Bank's effort to improve portfolio performance and increase disbursements for faster impact, the Country Management Unit, along with the Global Practices and the Government of Morocco, held regular Deep Dive sessions starting in 2016. A joint Government-World Bank team focused on portfolio bottlenecks and reasons for the low disbursement ratio, and recommended time-bound and monitorable actions to address the problems. The Deep Dive exercise identified the following critical issues: (a) an underperforming grant-financed portfolio; (b) a relatively fragmented array of projects; (c) coordination problems inherent in multi-sectoral and multi-level government operations; (d) a challenging land acquisition process, including land titling issues and a lengthy compensation payment procedure; and (e) a lack of readiness of some operations.

3. A detailed action plan of concrete remediation measures to improve portfolio performance was implemented during the second half of the CPS period. It includes applying a readiness filter to all new operations, increased alignment with government budget procedures, and enhanced monitoring and implementation support. In addition, as indicated above, an Implementation Support Team (IST) was constituted in the WB office to provide concrete recommendations on how to reconcile Government regulations with World Bank operational procedures including social safeguards. The IST is working closely with a task force set up by the Government to tackle issues as they arise. These measures had a positive impact on portfolio performance, as reflected in the increased disbursement ratio. As a result, the disbursement ratio reached 20 percent per year over the last three years of the CPS. Portfolio performance was broadly satisfactory, with 85% of projects rated satisfactory or moderately satisfactory at the end of the CPS (FY17) and proactivity index at 100%.

Table 1. Selected IBRD Portfolio Indicators for Morocco (FY14- FY18)

	FY14	FY15	FY16	FY17	FY18
Number of Active Projects	14	15	15	13	11
Net Commitments (US\$ ml)	2,459.6	2,296.0	2,249.1	1,996.6	1,883.6
Disbursement Ratio (investment)	16.3	12.6	19.4	20.0	20.0
Proactivity Index	100	50	100	100	100
% Projects at Risk	14	13	13	15	9
% Commitments at Risk	7.8	10.7	7.7	13.0	6.6
% Problem Projects	14	13	13	15	9

Annex 3. Selected Indicators of Bank Portfolio Performance and Management

CAS Annex B2

Selected Indicators* of Bank Portfolio Performance and Management

As of Date 09/20/2018

Indicator	FY16	FY17	FY18	FY19
Portfolio Assessment				
Number of Projects Under Implementation ^a	17.0	15.0	12.0	12.0
Average Implementation Period (years) ^b	3.0	3.0	2.6	2.8
Percent of Problem Projects by Number ^{a,c}	17.6	20.0	8.3	8.3
Percent of Problem Projects by Amount ^{a,c}	7.9	13.2	6.3	6.3
Percent of Projects at Risk by Number ^{a,d}	17.6	20.0	8.3	8.3
Percent of Projects at Risk by Amount ^{a,d}	7.9	13.2	6.3	6.3
Disbursement Ratio (%) ^e	19.5	20.1	20.4	0.5
Portfolio Management				
Deep Dive during the year (yes/no)	Yes	Yes	Yes	Yes
Supervision Resources (total US\$)	3,327	3,234	3,554	3,252
Average Supervision (US\$/project)	196	216	296	271

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by IEG by Number	154	12
Proj Eval by IEG by Amt (US\$ millions)	10,907.9	1,297.2
% of IEG Projects Rated U or HU by Number	24.0	25.0
% of IEG Projects Rated U or HU by Amt	20.7	12.0

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.

*FY18 actual expenses from all funds (BB+TF)

*FY19 plan data only

Annex 4. Operations Portfolio (IBRD/IDA and Grants)

CAS Annex B8

Operations Portfolio (IBRD/IDA and Grants)

As of Date: 08/31/2018

Closed Projects **185**

IBRD/IDA*

Total Disbursed (Active)	760.63
of which has been repaid (1)	0.00
Total Disbursed (Closed)	6,108.30
of which has been repaid	3,913.62
Total Disbursed (Active + Closed)	6,868.93
of which has been repaid	3,913.62
Total Undisbursed (Active)	1,198.25
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	1,198.25

Active Projects

**Difference Between
Expected and Actual**

Project ID	Project Name	<u>Last PSR</u>		Fiscal Year	<u>Original Amount in US\$ Millions</u>				Undisb.	<u>Disbursements^a/</u>	
		<u>Supervision Rating</u>			IBRD	IDA	Grants	Cancel.		Orig.	Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>								
P149995	Casablanca Municipal Support Program	S	S	2018	200.0	0.0		0.0	131.5	-67.5	0.0
P155198	Identity and Targeting for SP	S	S	2017	100.0	0.0		0.0	65.2	13.4	0.0
P143689	MA-Clean and Efficient Energy	MS	MU	2015	125.0	0.0		0.0	50.1	35.0	9.6
P150928	MA: Financing Innovative Startups & SMEs	MS	MS	2017	50.0	0.0		0.0	14.7	7.2	-7.3
P129774	MA- GEF Social & Integrated Agriculture	MS	MS	2013	0.0	0.0	6.4	0.0	1.0	0.0	0.3
P148017	MA-Health Sector Support	MS	MS	2015	100.0	0.0		0.0	48.5	29.5	0.0
P144539	MA-Integrated Risk Management Program	S	S	2016	200.0	0.0		0.0	66.9	-133.1	0.0
P150930	MA-Large Scale Irrigation Modernisation	S	MS	2016	150.0	0.0		0.0	120.1	35.3	0.0
P131256	MA-Noor Ouarzazate Concent. Solar Power	S	S	2015	500.0	0.0		0.0	368.5	-113.2	10.2
P145529	MA-Rural Water Supply	MS	MS	2014	158.6	0.0		0.0	93.9	15.6	30.7
P149653	MA: Urban Transport (P4R)	S	S	2016	200.0	0.0		0.0	95.8	0.0	0.0
P158346	Strengthening Agri-Food Value-Chains	S	S	2018	200.0	0.0		0.0	142.2	-53.4	0.0
Overall Result					1,983.6	0.0	6.4	0.0	1,198.3	-231.2	43.4

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

Annex 5. Statement of IFC Held and Disbursed Portfolio

CAS Annex B3 IFC Investment Operations Program

Data as of Date: 9/20/2018

<u>Original Commitments (US\$m)</u>	FY16	FY17	FY18	FY19
IFC and Participants	0.00	151.13	0.40	0.00
IFC's Own Accounts Only	0.00	112.13	0.40	0.00
<u>Original Commitments by Sector (%) - IFC Accounts only</u>				
FINANCE & INSURANCE	0.00	100.00	100.00	0.00
Total	0	100	100	0
<u>Original Commitments by Investment Instrument (%) - IFC Accounts only</u>				
LOAN	0.00	100.00	0.00	0.00
RISK PRODUCT	0.00	0.00	100.00	0.00
Total	0	100	100	0

Annex 6. MIGA Guarantee Portfolio

MIGA Guarantee Portfolio (FY 2012 - FY 2019 YTD)

Fiscal Year	Project	Effective date	Expiration date	Investor Country	Business Sector	Gross Issuance at inception (US\$)	Description
FY12	Soroa Peinieres, S.A.R.L.	Mar-12	Dec-17	Spain	Agribusiness	2,660,203	The guarantee covered an investment in Soroa, a company dedicated to the production of potted flowers and ornamental potted plants for distribution in the Moroccan market.
FY12	JP Industrie	Mar-12	Dec-17	Spain	Manufacturing	3,483,567	The guarantee covered an investment in JPI, a company specialized in manufacturing, marketing, and installing aluminum and PVC building supplies for the construction and home improvement markets in Morocco.

MIGA has insured projects in agribusiness, manufacturing and banking, although currently MIGA has no outstanding exposure. Morocco is currently eligible for both MIGA's political risk insurance and credit enhancement products.

Annex 7. Roadmap Toward Citizen-State Interface in Morocco

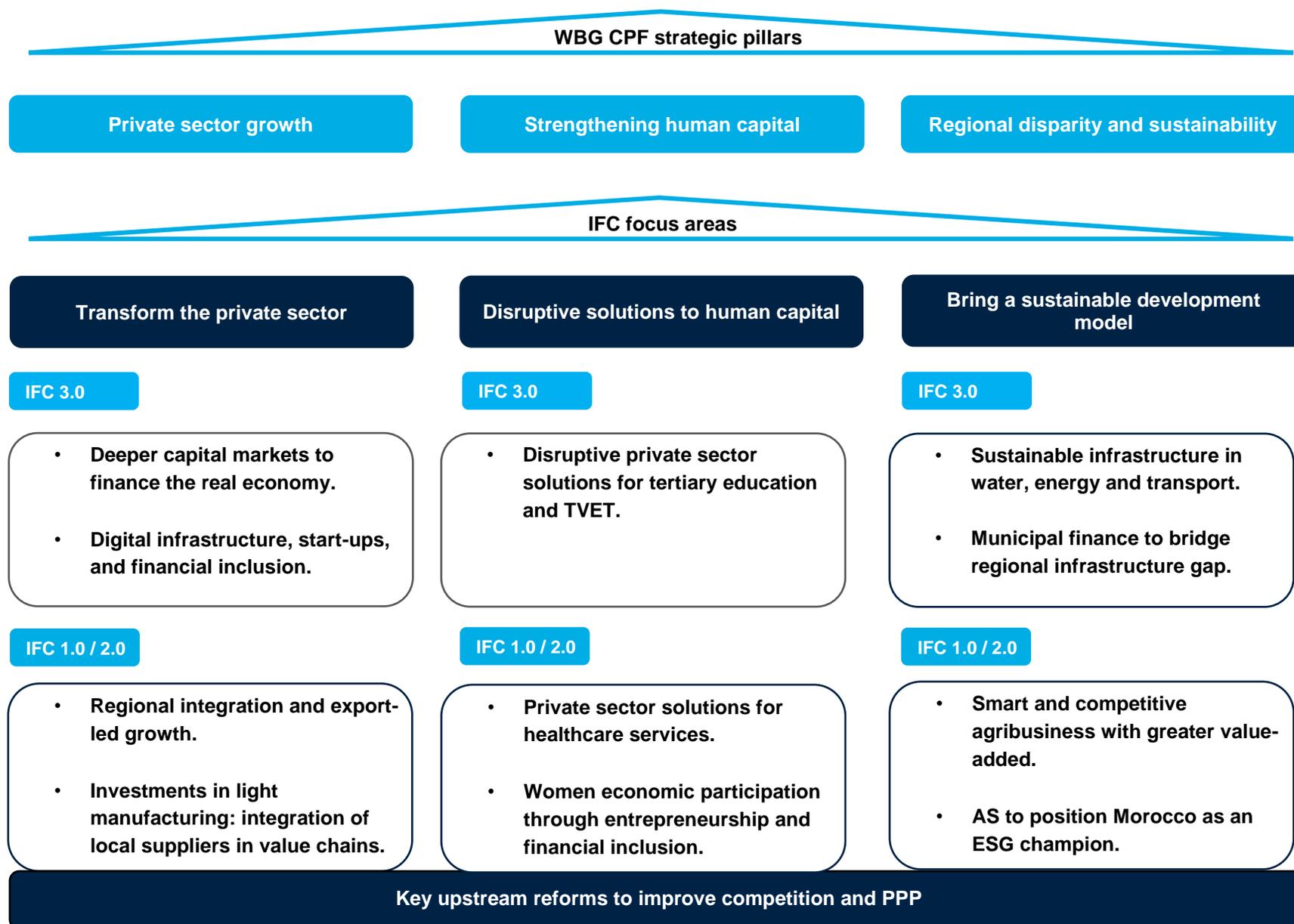
<p>TA: (Portfolio) Maghreb Governance, Political-Economy and Citizen Engagement filter (ongoing)</p>	<p>Enhanced CE in Service Delivery</p>	<p>CE in Territorial Development</p>	<p>Enabling Environment for CE (Governance Foundation)</p>	<p>TA: (Client) CE Capacity Enhancement to Government and Civil Society (Proposed)</p>
	<ul style="list-style-type: none"> Improving Systematic Citizen feedback and Satisfaction, Accountability and Transparency Promoting digital platforms for engagement and accountability where appropriate 	<ul style="list-style-type: none"> Support for digital citizen platforms in Casablanca (with knowledge exchange to other cities) Mainstreaming of effective grievance redress at the municipal level 	<ul style="list-style-type: none"> Support for transparency including budget transparency in the context of the Open Budget Partnership Support enhanced legislative oversight and the establishment of mechanisms for public engagement with Parliament 	
	<p><u>Pipeline</u> Education support Program (PforR) Health Operations Rural Water Supply Program to Improve Water and Sanitation System Performance</p>	<p><u>Ongoing</u> Casablanca Municipal Support Program <u>Pipeline</u> Local Government P4R</p>	<p><u>Ongoing</u> Parliament Capacity Project Support for new governance framework (grant) <u>Pipeline</u></p>	

Indicators:

(1) Number of sectoral platforms for citizen engagement put in place

(2) Number of World Bank Operations supporting institutionalization of Citizen Engagement in country Systems

Annex 8. IFC Strategy Rooted in CPF Strategy



Annex 9. IFC Key Areas of Focus for MFD and WBG Collaboration

	Private sector growth	Strengthening human capital	Regional disparity and sustainability		
	IF				THEN IFC INV
	 Deeper Capital Markets (CM)	 Digital Economy and Financial inclusion	 Education	 Sustainable Infrastructure	
If Low reform case		<ul style="list-style-type: none"> ▪ Interoperable digital payment platform. 	<ul style="list-style-type: none"> ▪ Ease accreditation process for private schools. 	<ul style="list-style-type: none"> ▪ New PPP law. 	\$235 Mn
If High reform case	<ul style="list-style-type: none"> ▪ Upgrade regulatory and prudential framework for institutional investors. ▪ New instruments (project bonds) and improve market infrastructure and policies. ▪ Revised commercial code with focus on NPL to allow for DARP. 	<ul style="list-style-type: none"> ▪ Introduce competition in fixed broadband across the network and promote infrastructure sharing. ▪ Implementation of financial inclusion strategy with new microfinance law allowing for transformation. 	<ul style="list-style-type: none"> ▪ Improved regulatory framework for mid-level private education providers. ▪ Holistic reform for TVET. 	<ul style="list-style-type: none"> ▪ Transport: create independent regulator, reform SOE, monetize profitable airports. ▪ Water: implement law 3615, structure bankable PS projects. ▪ Municipal finance: reform FEC to leverage private sector and strengthen capacity of sub nationals. 	Up to \$1.2 billion Including mobilization
IBRD & IFC Joint Work to support reform	<ul style="list-style-type: none"> ▪ Joint implementation of the J- CAP program starting in Jan. 2019. ▪ IBRD TA on NPL and insolvency regime enabling an IFC project to open NPL market. 	<ul style="list-style-type: none"> ▪ Joint preparation of IBRD's digital economy and financial inclusion DPA that support key upstream reforms (FY19). 	<ul style="list-style-type: none"> ▪ Joint preparation of an education support P4R, FY 19. 	<ul style="list-style-type: none"> ▪ Joint TA to generate a program of flagship PPPs. ▪ Joint preparation of a municipal finance P4R (FY 19) and DPF MFD in Infrastructure (FY 20). 	
IFC 3.0 focus	<ul style="list-style-type: none"> ▪ Catalyze new CM transaction and open market with a view to support SME and infrastructure finance 	<ul style="list-style-type: none"> ▪ Invest in digital infrastructure, financial inclusion, and start ups 	<ul style="list-style-type: none"> ▪ Invest in tertiary education and TVET, support innovative student lending schemes 	<ul style="list-style-type: none"> ▪ Support flagship PPP and infrastructure investments in key sectors such as transport, water and renewable energy ▪ Invest in sub nationals and mobilize private sector to support regional development 	

Annex 10 . Change Management and Collaborative Leadership

1. **The success of the FY19-23 CPF will depend on its ability to achieve incremental progress in governance in the face of social challenges.** WBG support for reform will need to identify windows of opportunity which may involve experimental interventions that focus on the soft, rather than technical, side of reforms including change management and collaborative leadership.
2. **Change management and collaborative leadership build on the premise that organizational transformation, regardless of how complex or significant, must start at the top.** Change management aims to facilitate the change process: it is about making change initiatives efficient, implementing change in a series of manageable steps. It sets the order, timelines and budget of these steps, to integrate change into the status quo. Change leadership, on the other hand, aims to empower leaders to innovate and take actions to allow change to take off. It is collaborative and seeks to inspire and to initiate change on a large scale, often in response to an urgent need for change.
3. **Change management and collaborative leadership can smooth the operationalization of difficult governance reforms.** In Morocco, under the grant for a New Governance Framework, the Bank has supported the introduction of change management to facilitate the operationalization of the e-petition platform and the budget and Public Investment Management (PIM) reforms and has fostered collaborative leadership between the players of the expenditure chain to consolidate the achievements of the reforms.
4. **Change management and collaborative leadership can also support policy coordination and performance at the macro-, portfolio level.** Experiments with these approaches in the framework of the portfolio management of Bank operations in Morocco have demonstrated their positive effects on the coordination and performance of operations.

Annex 11. Morocco CPF Consultations – Outcomes and main messages

1. The Morocco CPF team conducted two separate tracks of consultations to gather feedback on the Country Partnership Framework, both through an online and face-to-face consultations.
2. The results of the online survey, carried out via the WB's website and Facebook, had good participation. The online survey reached an audience of 432,700 people across Morocco and engaged 40,473 of them. Most of the respondents are aged 15 to 24, showing the level of interest from youth audiences in WBG's activities. Engagement from Internet users from Southern Morocco was the highest at 40%.
3. According to online respondents, enhancing accountability and governance are critical and transversal conditions for Morocco's sound development. Under each sector and theme included in the survey (including, education, health, regionalization agenda, job creation, support to private sector, etc.), respondents considered that public policies' impact, budget efficiency and sectors' performance can only be achieved with stronger rules of good governance.
4. Recurrent suggestions related to: a) reducing anti-competitive practices, b) stimulating entrepreneurship, and (c) promoting an enabling environment for MSMEs' growth under the section related to "unleashing private sector development".
5. Respondents considered that the regionalization agenda can be a strong driver for territorial development if greater voice is given to citizens and fighting corruption and embezzlement becomes a priority.
6. Education was rated as the number one sector that can boost growth and social/economic inclusion. Respondents recommended greater WBG's engagement to enhance education sector's performance and promote education quality.
7. In parallel, face-to-face consultations with a cross-section of stakeholders took place to discuss the priority areas of the CPF and gather recommendations from constituencies.
8. As reported in the online survey, most stakeholders highlighted the importance of a strong governance framework for the roll out of development strategies and sector policies. They particularly emphasized the "implementation gap" of ambitious development programs that fail to have the tangible and effective expected impacts. General recommendations related to a greater WBG's role to embed monitoring and evaluation in flagship development programs in Morocco, to enhance the convergence and coherence of public policies and support a greater evidence-based policy making to avoid program failures and ineffective budget spending.
9. Education was again tagged as a priority sector where stakeholders would welcome a greater WBG's involvement namely in improving sector's performance, reducing fragmentation and gaps

between public and private sector and enhancing governance. Youth audiences emphasized the need to incorporate new values and competences within the education system to promote leadership, communication and risk taking, considered as critical competences needed for Moroccan youth to compete in the job market.

10. Creating jobs was thoroughly discussed across constituencies. Some recommended that the WBG should explore new horizons for inclusive development programs such as social entrepreneurship and support to cooperatives, especially as those sectors are particularly in-demand of female labor. Young “start-uppers” called for greater incentives for start-ups and small businesses, including:

- The development of alternative financing mechanisms for start-ups (such as those offered by the WB-supported project Innov Invest that aims to support innovative start-ups and business angels).
- The importance of making start-up programs more inclusive.
- The creation of business catalyzers within upper secondary schools and universities to encourage students to innovate and launch their own businesses.
- The reduction of tax barriers for young “start-uppers” which may become a driver for informality.
- The support for a smoother entry for start-ups and small businesses to allow them to earn a “First contract” (Action 1^{er} contrat).
- The strengthening of female labor participation by developing more secure transportation systems and affordable childcare services. There is a need to involve men in this endeavor considering their strong influence in the household’s decision-making processes.

11. Overall, civil society organizations called for a greater WBG’s engagement with civil society and academia to share experiences and update them on WBG’s ongoing or past development programs.

Annex 12. World Bank Group Team Composition

RESULTS TEAMS: WBG MULTISECTORAL TEAM FOR EACH CPF STRATEGIC FOCUS AREA

Country Director – Marie Françoise Marie-Nelly, IFC Director – Mouayed Makhoulouf, MIGA Director: Merli Baroudi

Task Team Leaders – Afef Haddad (World Bank); Xavier Reille (IFC); Mena Cammett (MIGA)

Program Leaders: Fadila Caillaud (HD); Jaafar Sadok Friaa (SD); Gabriel Sensenbrenner (EFI)

In-Country Focal Point: Khalid El Massnaoui

Chief Economist Office: Rabah Arezki; Daniel Lederman

Senior Advisor to CPF team: Theodore Ahlers

Results Framework Advisor: Mohamed Khatouri

Lead Economist: Emmanuel Pinto Moreira

Development Effectiveness Office: Sajjad Ali Shah, Zhanar Abdildina

Communications Officer: Ibtissam Alaoui

CMU team members: Bachir Abdajm; Soumia Driouch; Hend Irhiam; Patricia Ravelomanantsoa; Besma Saadi Refai; Alema Siddiky; Khadija Sebbata; Nabila Karhat; Asma Khouni, Soukaina Bachar

Strategic Focus Areas:

Strategic Focus Area A. Promoting Job Creation by the Private Sector: Lisa Michelle Choux, Hind Kadiri, Abdoulaye Keita, Khalid El Massnaoui, Ihsane Loudiyi, Mariem Malouche, Zeineb Partow, Peter McConaghy, Ana Paula Fialho Lopes, Houda Zinoun

Strategic Focus Area B. Strengthening Human Capital: Aissatou Diack, Fatima El Yamani, Johanne Buba, Emil Tesliuc, Lisa Michelle Choux, Hind Kadiri, Vasco Molini, Mariem Malouche, Zeinab Partow, Salah-Eddine Kandri, Alejandro S. Alvarez de la Campa, Anne-Lucie Lefevre, Lea Jeanne Marie Lungmann, Nasser Kadiri

Strategic Focus Area C. Promoting Inclusive and Resilient Territorial Development: Ayah Mahgoub, Augustin Maria, Aurelien Boyer, Lisa Michelle Choux, David Olivier Treguer, Vasco Molini, Daniel Camos, Ziad Nakat, Nabil Samir, Taoufiq Bennouna, Martin Heger, Hind Kadiri, Amal Talbi, Anne-Lucie Lefebvre, Moez Cherif, Manaf Touati, Julie Charles, Mohamed Medouar, Gero Verheyen

Foundation: Governance and Citizen Engagement: Anne-Lucie Lefebvre, Vasco Molini, Ousmane Maurice Megnan Kolie, Abdoulaye Keita, Laila Moudden, Sarah Keener, Najat Yamouri

Cross-Cutting Themes:

Gender: Lucia Hanmer, Sammar Essmat

Digital Economy: Carlo Maria Rossotto, Arthur Denis Pascal Foch, Ahmed Hassanein