Morocco - Country Assistance Strategy

The 1997 CAS presents an honest and realistic appraisal of the challenges facing Morocco and a sensible strategy for assisting Morocco in achieving its potential. I applaud the high quality of both the CAS and the CAR. I commend the Bank for its straightforward and honest assessment of its program in Morocco, including the discussion of the failures of past World Bank performance. OED’s recently completed Country Assistance Review (CAR) of Morocco noted that the 1993 CAS did not provide a realistic assessment of economic and social conditions and failed in designing an appropriate and relevant Bank assistance strategy. In fact, many of the concerns expressed by EDs during the 1993 CAS discussion regarding the economic and social challenges facing Morocco still ring true today. The 1997 CAS is different. It was developed through an extensive process of public debate. It fully integrates the recommendations and lessons learned of the CAR.

Morocco is at a critical point in its development. The economic progress achieved in the mid- to late 1980s was not sustained in the 1990s, partly because of droughts and a less favorable external environment, but also because of a lack of progress in structural reform. There is a need to move forward vigorously on the reform agenda. We agree with the Bank’s assessment that improvements in public sector management and trade reform are critical to long term growth and development. We are also pleased that the CAS notes the problem of excessive spending on defense, that drains needed resources from social sector spending. Social indicators, particularly in the rural areas, continue to rank well below those of other countries at similar economic levels.

The policy goals outlined in the CAS strike a reasonable balance between macroeconomic stabilization and economic competitiveness on the one hand and social/rural development and poverty alleviation on the other. I am pleased that the 1994 Poverty Assessment appears to have been used extensively in the development of this CAS. The emphasis on gender issues and the plan to integrate women in all economic and sector work is to be commended. I am encouraged that one-third of the investment program will be targeted exclusively for social and rural investments, and adjustment lending will be conditioned on progress towards agreed social objectives. These are all positive aspects of the Bank’s new lending approach in Morocco.
Nonetheless, failures under the previous strategy for Morocco raise a number of concerns:

1) The CAS admits that the previous strategy had unrealistic lending objectives, but does not explain why the Bank failed to adjust lending to Morocco until well after the reform effort had derailed. Setting out a low-base-high case scenario, triggered by specific policy measures, may help in adjusting the program when there are certain changes in performance. However, while the CAS makes clear that the Bank has already reduced its exposure in Morocco, it is not clear that the higher scenario levels of funding would provide a return far beyond that which could be obtained through efficient management of existing levels. We hope that the Bank will retain the flexibility to use its judgment in adjusting the program to changing circumstances.

2) One of the more puzzling questions in the CAS is why OED found higher than average project completion rates but lower than average rates of sustainability. Getting policy reform back on track and improving Morocco’s absorptive capacity should help, but will that solve the problem? Are there Bank procedures, such as monitoring and evaluation, that need adjustment? Is it possible that improved utilization of ESW could have had an impact on these sustainability rates? Will sustainability rates improve with a World Bank presence, such as the resident mission under consideration?

3) The CAS proposes overcoming some of the past loan problems by implementing most future investment loans through “local communities and autonomous agencies”. It does not, however, discuss how this would be carried out, whether community groups exist that could accept this burden, and how the creation of such groups and their role could be facilitated. This seems a major omission given the role envisioned for local groups.

In addition to the above points, three issues that I believe have not been adequately addressed in the CAS are: (1) the potential impact of drought on the economy and the Bank’s future strategy and measures that need to be taken to improve Morocco’s ability to cope with it; (2) the danger of an excessive reliance on agriculture as the engine of growth in a water-scarce environment; and (3) the impact of population growth on Morocco’s development and efforts of other donors in this area. I hope that these issues can be addressed during the Board discussion.

We endorse what the Bank has said about the need for more work on structural reforms. The three key issues appear to be: 1) import protection; 2) excess wage bill in the public sector; and 3) the need for more public sector restructuring and privatization. These issues are critical for growth and the basis of any anti-poverty program.

Private sector development is appropriately highlighted as a priority in the CAS. Emphasis on the private sector can only benefit the longer-term interests of Morocco and is consistent with the strategic preoccupations of most key donors. As a matter of principle, the Bank should do its best to drive home the fact that, in the longer term, donor assistance will need to be replaced by private (particularly foreign) investment. By creating the right policy environment (including import liberalization), Morocco will be able to attract needed foreign capital.
The Bank's focus on health care financing is critical to the rational future development of this sector. No other donor is working on this issue, which is central to all other aspects of public health development in Morocco. It is here that the Bank offers its real comparative advantage over the rest of the donor community.

The emphasis in the CAS on natural resources and environmental management is critically important. The CAS notes that Morocco faces severe water shortages in the next 20 years and that price distortions are causing waste. The CAS's business compact, however, contains only a vague promise to "continue to improve water pricing." Does this square with the goal of expanding rural access to water? Have this and other elements of agricultural policy been fully integrated into rural development objectives? Water resource management will be key to the success of the rural development strategy. One area not addressed in the CAS is how the Bank coordinates with on-the-ground donors in this sector, particularly in the more generic water policy areas.

The CAS appropriately emphasizes the importance of careful coordination with other donors, especially the European Union. The Bank has done a good job in this area. For example, the Bank's focus on rural women and girls corresponds closely with the U.S. Agency for International Development's (USAID) newest area of strategic focus. The Bank's concentration on infrastructure projects in rural areas complement USAID's objectives regarding girls' primary enrollment and retention rates. Bank activities in the areas of microfinance and water resource management are also complementary. Coordination and collaboration with donors in these and other sectors should continue to be a focal point of the Bank's efforts.

The level of participation in the development of this CAS is very encouraging. An active policy dialogue has been pursued with Moroccan authorities. At the request of the King, policy notes were prepared by the Bank and subsequently released by the King to the press to foster a broad debate on sensitive issues. The CAS outline has been widely discussed in the country and there has been a broad consensus on the direction of the reform program. Broad ownership and commitment to the program are essential, particularly with regard to public sector management and social development reforms. It is vital that the Bank continue to engage the Moroccans on these issues.

The Morocco CAS has benefited greatly from the work of the CAR. I believe that there are important lessons to be learned from preparing these two documents simultaneously. We urge Management to evaluate the process used in the development of this CAS and examine its applicability to future CASs.