



Report Number : ICRR0020666

## 1. Project Data

**Country**  
Morocco

**Practice Area(Lead)**  
Social Protection & Labor

**Programmatic DPL**  
**Planned Operations:** 2

**Approved Operations:** 2

**Operation ID**  
P120566

**Operation Name**  
MA- First Skills and Employment DPL

**L/C/TF Number(s)**  
IBRD-81720

**Closing Date (Original)**  
31-Dec-2012

**Total Financing (USD)**  
100,000,000.00

**Bank Approval Date**  
12-Jun-2012

**Closing Date (Actual)**  
31-Dec-2012

**IBRD/IDA (USD)**

**Co-financing (USD)**

Original Commitment

100,000,000.00

0.00

Revised Commitment

100,000,000.00

0.00

Actual

97,004,191.70

0.00

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**Operation ID**  
P144185

**Operation Name**  
MA-Second Skills and Employment DPL ( P144185 )



<b>L/C/TF Number(s)</b> IBRD-81720,IBRD-84180	<b>Closing Date (Original)</b> 31-Dec-2015	<b>Total Financing (USD)</b> 100,000,000.00
<b>Bank Approval Date</b> 26-Aug-2014	<b>Closing Date (Actual)</b> 31-Dec-2015	
	<b>IBRD/IDA (USD)</b>	<b>Co-financing (USD)</b>
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	93,020,494.57	0.00

## 2. Program Objectives and Policy Areas

### a. Objectives

The Skills and Employment Development Policy Loan (SEDPL) was a programmatic series of two loans – SEDP1 and SEDP2.

According to the Program Document (PD1) for SEDP1, the objective of the series was to support the Government of Morocco to implement its program of improving skills, productivity and quality of employment (PD1, page 34). The Loan Agreement does not contain a statement of objectives.

### Revisions

The objective and the policy actions were revised for SEDPL2 to more accurately describe the reforms supported by the series. The revisions were as follows:

- The original program development objective (PDO) was replaced by the following one (PD, page 13): to (a) improve efficiency and relevance to labor market needs of skills development programs; (b) improve the effectiveness of intermediation services; (c) promote the formalization of micro-enterprises; and (d) strengthen the labor market information system.
- The four objectives of the new PDO are modifications of the Policy Areas for the series.



- The revisions introduced no substantive changes into the SEDPL, and the focus of the series on improving skills, productivity and quality of employment remained. IEG will therefore apply the PDO for SEDPL1 as an overarching objective relevant to both SEDPLs.

The objective in SEDPL2 will serve as specific series objectives for the purposes of this ICR review.

## **b. Pillars/Policy Areas**

**(i) Matching skills developed within the vocational training and higher education systems to the needs of the labor market.** Here, the expected outcome was to be an improved flow of students through higher education and vocational training to graduation and into employment; determined by changes in the number of students in professionally-oriented (especially science and technology) programs, graduation rates, and job placement.

**(ii) Improving the effectiveness of intermediation services, including active labor market programs.** Here, the expected outcome was to be higher insertion rates of unemployed workers and first time job seekers into the labor market by expanding the network of intermediation services.

**(iii) Improving job quality.** Here, the expected outcome was to be increased formalization of the labor market; as determined by the number of formalizing (tax-paying) micro-enterprises responding to government incentives, and consequently an increase in informal sector workers covered by the social security system.

**(iv) Strengthening the labor market information system.** Here, the creation of a labor market information system was to result in information-based employment policies and programs.

## **c. Comments on Program Cost, Financing, and Dates**

The original Bank commitment for SEDPL1 was US\$ 100 million, and the disbursed amount was US\$ 97 million. The original Bank commitment for SEDPL2 was US\$ 100 million, and the disbursed amount was US\$ 93.02 million. The differences result from front-end fees paid by the Government.

There was no Borrower contribution.

SEDPL1 was approved on June 12, 2012, became effective on August 30, 2012 and closed on December 31, 2012. SEDPL2 was approved on August 26, 2014, became effective on October 15, 2014 and closed on December 31, 2015.



### 3. Relevance of Objectives & Design

#### a. Relevance of Objectives

The PDO was relevant to Morocco's development priorities at appraisal of SEDPL1 and SEDPL2, and it continues to be so. While the country had seen robust economic growth following the international economic downturn starting in 2008, unemployment remained a major challenge to improved well-being, especially among skilled workers and new entrants seeking jobs. This reflected inefficiencies in training systems and labor market intermediation mechanisms, resulting in a difficult school-to-work transition into formal jobs, high youth unemployment, and high informality of jobs.

The series builds on a strong momentum for labor market reform. Government policy, reflected in its 2012-2016 program, focused on creating a competitive and employment generating economy, and on the provision of basic social services. Its employment strategy had been developed in collaboration with the Bank, and was based on a comprehensive approach to macro-economic, investment, labor market, education and social policies (the MILES framework). The Bank's strategy, as set out in the latest Country Partnership Strategy (2012-2016), pursued the MILES strategy, and included the SEDPL series.

**Rating**  
High

#### b. Relevance of Design

The series covered four policy areas, all of which were directly relevant to the PDO. The causal chain described in the policy matrix linked the policy areas to specific reform actions that were to facilitate achievement of the PDO, i.e., result in better entry into jobs and improved conditions of employment. The causal chain was consistent, the theory of change convincing, and reform actions in most instances had sufficient institutional depth to be credibly sustainable and support the intended outcomes. But in some instances they still remain in abeyance; the ICR page 15 draws attention to four prior actions that remain in draft form, albeit action plans for their completion are in place.

While the series focused on key supply-side factors in the labor market that addressed work readiness, it did leave aside some other aspects that influence supply-side incentives: the tax wedge (the difference between labor costs and take-home pay) is high in Morocco, and labor market regulations are relatively rigid. The former is likely to influence formalization of jobs, possibly dampening the effects of the SEDPLs. The project team argues that such issues are more easily pursued once better information is available, generated through a better functioning labor market information system (developed under SEDPL). The argument is reasonable, as discussions on labor costs and labor market regulations tend to be difficult when the analytical basis for such discussions is insufficient.

Likewise, while a key element of the series is job placement, the project falls short of addressing results: Was



entry in fact facilitated? Was job search shortened? Did entry into formal work increase? The design addresses the right process issues, but the series could have offered more guidance on these underlying questions. The team notes that the time between series implementation and closing was too short to allow for robust answers to these questions. This may be true to the extent that some cohorts were still being processed through the system as the series closed, but at that time a significant number of individuals had already passed through the training and education systems, and received support from the employment services to set some, if even only tentative, indicators of job placement.

The macro-economic framework was suitable for supporting a DPL series. It included fiscal stability, prudent monetary policies and flexible exchange rate management, all features that would be maintained throughout implementation. Macro-economic stability was further underpinned by precautionary and liquidity support from the International Monetary Fund (IMF).

### **Rating**

Substantial

## **4. Achievement of Objectives (Efficacy)**

### **Objective 1** **Objective**

Improved efficiency and relevance to labor market needs of skills development programs.

### **Rationale**

The series supported the Government's efforts to achieve a better alignment between the supply of skills produced by the vocational training and higher education systems, and the demand for skills in the labor market.

### **Outputs**

All public universities introduced processes that emphasize skills relevant to employer needs, and monitor internal efficiency (progress, graduation); three new vocational training institutes focusing on high-demand skills were established; a pilot program with government financing of private sector-managed training centers was tested; and non-governmental organizations (NGOs) were contracted to provide training for out-of-school youth from disadvantaged backgrounds. In order to further increase efficiency in the transition from school to work, a Government commission was established to oversee the national job classification system for graduates from vocational and tertiary education facilities. Draft legislation was prepared on governance and financing of on-the-job training; and on the establishment of a national agency for quality assurance of tertiary education programs.



### Outcomes

As a result, graduation rates in vocational training programs have increased from 60 percent in 2012 to 70 percent in 2015, against a target of 68 percent; the university graduation rate has increased from 51 percent in 2010 to 56 percent in 2015, achieving the overall target of 56%. (The university graduation rate for women increased from 52% to 56%, against a target of 57%.) The number of beneficiaries of job-related vocational training has increased from 122,000 in 2013 to 123,600 in 2015, against a target of 134,000. This below-target outcome reflects low labor demand as a result of slower economic growth. The number of disadvantaged youth benefiting from NGO-offered training programs increased from 3,300 in 2012 to 4,900 in 2015, against a target of 3,700.

Outcomes show an upward trend in terms of internal efficiency in both vocational training and university programs. And while job-related training did not perform as expected (reflecting cyclical economic trends, ICR page vii), opportunities for such training increased. The two laws mentioned in the output section remain in draft form. This may reflect inertia in the legislative process – the ICR points to regulatory complexity that appears not to have been anticipated at the design phase of the series (ICR, page 20). There are no indicators of how successful actual entry into jobs has been as a result of the reforms introduced under through the series. This may well reflect the absence of robust information on placement. As noted below under Objective 4, a survey instrument to that effect was introduced, but the time-frame for actually drawing meaningful policy-level results may have been too short.

### **Rating**

Substantial

## **Objective 2**

### **Objective**

Improving the effectiveness of intermediation services

### **Rationale**

The series supported the Government's efforts to achieve increased insertion rates into jobs through more efficient and effective employment services and active labor market programs.

### Outputs

The network of employment services was expanded from 50 in 2009 to 77; services were extended on a pilot basis to non-graduate job seekers; and a wage subsidy program targeting hard-to-place unemployed was introduced.



## Outcomes

- the number of new job seekers registered with the employment services rose from 130,000 to 186,600 between July 2014 and December 2015; 37,000 were non-graduates (no target was specified).
- 75 percent of participants (hard-to-place workers) in the wage subsidy program received a first employment contract in 2015, compared to a target of 100 percent.
- 123,600 individuals had benefited from on-the-job vocational training by end-2015, compared to 122,000 in 2013, and a target of 134,000. 15,000 hard-to-place beneficiaries received complementary training under the wage subsidy program compared to an initial target of 18,000. This is believed to have resulted from a requirement that firms give participants open-ended contracts.
- The number of beneficiaries of the State-funded social insurance coverage program (Prise en Charge par l'Etat de la Couverture Sociale) increased by 2,343, of which 62 percent were women, exceeding the targets of 1,000 and 50 percent respectively.
- Targets related to the National Agency for Promotion of Employment and Skills (Agence Nationale de Promotion de l'Emploi et des Compétences) -- number of local offices, and number of new enrollments -- were both achieved.

Network expansion resulted in an increase in registrations, but there are no indicators of placement. The wage subsidy program was less successful than anticipated. This may reflect challenges of design – contracts were open-ended, which may have made potential employers reluctant to hire workers even with wage subsidies; and economic factors, as demand for labor slowed as a result of slower economic growth over the period of the series.

## **Rating**



Modest

### **Objective 3**

#### **Objective**

Promoting the formalization of micro-enterprises

#### **Rationale**

The series sought to increase the formalization of firms and jobs

#### Outputs

The series supported the Government's program of providing incentives to encourage small informal sector firms to formalize, mainly through income tax reductions and tax amnesties; and its draft legislation providing legal status and defining rights of self-entrepreneurship.

#### Outcomes

- 21,000 firms, previously operating in the informal sector, had registered for the professional tax by end-2015, against a target of 28,000
- 13,000 self-employed entrepreneurs also were formalized.
- The target for number of non-salaried workers registered with the National Social Security Fund was not achieved.

While the small-business community appears to have responded positively to the Government's initiatives, the response was not as strong as initially had been expected. The project team points out that achievement rates could have been higher with a stronger effort to provide information on the incentives, and a simpler registration process. Moreover, while the law on self-entrepreneurship has been adopted, follow-up decrees on its implementation have not yet been finalized.

#### **Rating**

Modest



## **Objective 4**

### **Objective**

Strengthening the labor market information system

### **Rationale**

The series supported the Government's efforts to build its capacity to better monitor, evaluate, plan and manage the labor market and labor market policies

### Outputs

The series supported introduction of a labor market tracking mechanism of vocational and tertiary system graduates; and an inter-agency agreement on the exchange of labor force data

### Outcomes

- A program of surveys and studies is underway; two programs on wage subsidies and first-time entry into work have been completed; others are ongoing, including on minimum wages, labor force mobility, wage subsidies and remedial training.
- 15 monthly bulletins on the analysis of the labor market have been issued between 2013 and end-2015, exceeding the target of 2.
- The targets of completing evaluations of training and retraining (*Teahil*) and first employment contract (Contrat Integration Professionnelle) programs were partially achieved; the former is near completion, while the latter has not yet been conducted.

### **Rating**

High



## 5. Outcome

The relevance of the PDO is rated **high**, as it addresses the country conditions and responds to both Government and Bank priorities for the country. Relevance of design is rated **substantial**: while the design represented a focused approach, a stronger focus on labor market rigidities may have been warranted. Efficacy for *skills-labor market needs* is rated **substantial** – while achievement of targets was mixed, and placement into jobs unclear, internal efficiency in the revised system was adequate. Efficacy for *intermediation services* is rated **modest** – here, too, while the mechanisms for exit into jobs appears strong, it does suffer from design weaknesses, and actual placement into jobs is also unclear. Efficacy for *job quality* is **modest**: the focus was on key elements to facilitate formalization; however, results fell short of expectations. Efficacy for *the labor market system* is **high** with a sound set of initiatives for mapping labor market and employment developments.

### a. Outcome Rating

Moderately Satisfactory

## 6. Rationale for Risk to Development Outcome Rating

Political risks appear low. Job creation – facilitating access to quality jobs – is a key element of political stability, and a central theme in the Government’s reform agenda. The policy areas tackled under the SEDPL series provide a strong supply-side basis for expanding job opportunities. While some initiatives remain open-ended (neither legislation nor regulations completed under the series), Government commitment and action plans worked out by the Government and the Bank to bring them to completion make it appear likely that they will be implemented. Indicators of successful job creation are still few as noted in Section 4, so policies may be adjusted over the short to medium term to offer stronger incentives, with such actions facilitated by an improved labor market information system. That would further lower risk to development outcomes. Risks that may arise in the future concern economic fluctuations and macro stability, as well as progress in key demand-side areas – notably in investment activity, the business environment, and financial market regulation.

### a. Risk to Development Outcome Rating

Modest

## 7. Assessment of Bank Performance

### a. Quality-at-Entry

The series was designed to focus on key supply-side issues in job creation (Sections 3b and 4). In doing so, it drew on the MILES framework and recognized complementarity with other Bank and donor analysis and operations supporting demand elements and institution-building. Monitoring and evaluation arrangements were adequate for monitoring series’ implementation. The risk assessment included country-specific risks,



vulnerabilities to external shocks, and program-specific risks. In the latter case, the team may have underestimated the regulatory complexity and contending views of social partners (private sector, labor unions) on some reforms, leading to delays in the passage and implementation of some initiatives, leaving their application open-ended (Section 4). Preparation also fell short in the development of the causal framework, substantively in not sufficiently addressing outcomes, as noted in Section 3b; and more editorial ones, leading to revisions in the formulation of the objective for SEDLP2,

**Quality-at-Entry Rating**  
Moderately Satisfactory

**b. Quality of supervision**

Formal supervision activities were regularly undertaken, and the supervision team was active in working with relevant agencies when issues arose. This was in particular the case when delays were encountered in operationalizing selected laws and regulations. While these efforts in some cases did not lead to closure, the team was able to agree with the Government on action plans for completion after the series had closed. Where laws and regulations were not expected to be completed over the period of the SEDPL series, action plans for their completion were developed. The team also worked successfully with development partners to support the reforms.

**Quality of Supervision Rating**  
Satisfactory

**Overall Bank Performance Rating**  
Moderately Satisfactory

**8. Assessment of Borrower Performance**

**a. Government Performance**

The Borrower's continued commitment to reform and its stakeholder focus appear to have been important factors in moving the agenda forward – despite regulatory complexity and conflicting interests among social partners (employers, unions) that generated the previously signaled delays, progress nevertheless was achieved in key areas. At last some of the credit of the strong collaboration with development partners is likely to have been due to the joint efforts of the Government and key implementation agencies – the Ministry of Labor and the Employment Services – to ensure that reforms were being initiated and put into place. At that level, implementation capacity had been seen as a risk at the start of the project, but the receptiveness of the national agencies to absorb necessary technical assistance appears significantly to have reduced that risk.



### **Government Performance Rating**

Satisfactory

### **b. Implementing Agency Performance**

Not applicable.

### **Implementing Agency Performance Rating**

Not Rated

### **Overall Borrower Performance Rating**

Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The policy matrices and results frameworks for the SEDPLs presented prior actions and triggers for each of the two operations; and they included altogether 14 outcome indicators and target values for each year, and baselines where appropriate. The policy matrices and results frameworks and related indicators were revised before each operation. The indicators and target values were taken from the Government's multi-year education program, and information was drawn from available administrative data. This was sufficient to assess progress and determine program participants. They did not measure actual placement outcomes.

### **b. M&E Implementation**

Monitoring was carried out by the Bank and implementing ministries, drawing on regular reporting from the latter. In addition, annual reports and other publications issued by the Education Council were used to complement the information.

### **c. M&E Utilization**

The reporting information was used by the Government and the Bank team to monitor progress and adjust indicators and targets as the series advanced. Delays signaled through data collection led to the organization of meetings with relevant ministries and development of action plans to come to closure on lagging reforms (e.g. initiatives that have not been fully completed and still await the passing of legislation and the putting in place of regulations).



## **M&E Quality Rating**

Substantial

## **10. Other Issues**

### **a. Environmental and Social Effects**

The PDs for SEDPL note that while the environmental requirements of OP/BP 8.60 apply, the policies supported by the series are not expected to have significant effects on the environment. The ICR does not discuss safeguards.

The main social effects were to be shorter periods of unemployment for graduates from vocational and tertiary institutions as a result of more relevant training, and from the currently unemployed through labor market intermediation. No specific increase in employment was targeted in the results framework, nor given in the ICR.

### **b. Fiduciary Compliance**

A public expenditure and financial accountability assessment was undertaken in 2009, concluding that the Morocco's public finance management system was adequate to support the SEDP series.

The IMF conducted no safeguards assessment of Morocco's Central Bank prior to SEDP1. One was done in February 2013, when the IMF found that the Central Bank had a robust framework with strong internal and external controls, supported by good governance practices (PD SEDPL2, page 32).

### **c. Unintended impacts (Positive or Negative)**

None noted in the ICR.

### **d. Other**

None noted in the ICR.

## **11. Ratings**



Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		Substantial	---

**Note**

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006. The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

**12. Lessons**

Lessons learned are derived from the ICR:

*While preparing Prior Actions and developing targets, the institutional capacity of relevant ministries to implement reforms needs to be well assessed to the extent possible.* In particular, a number of PDO indicators formulated during project design were too optimistic whereby they did not take into account unanticipated macroeconomic changes. This was particularly relevant for setting target results for programs that involve the participation and take-up of the private sector.

*Collaboration with other development agencies can be a positive enabler for the success of labor market reforms.* For SEDPL2, for instance, the financial and technical assistance of the French Development Agency (Agence Française de Développement) and the German Development Agency/German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit) helped to accelerate the implementation of some reforms that would otherwise have taken longer to implement.

*A more active involvement of the private sector (federations, training providers, and NGOs) is a promising model to increase the quality and relevance of programs as well as to reach vulnerable segments of the population, especially at the local level.*

**13. Assessment Recommended?**

No



## **14. Comments on Quality of ICR**

The ICR provides an adequate basis for assessing the series – the analysis and the evidence is sufficient. That said, it could have been more articulate in discussing the revisions in objectives between SEDPL1 and SEDPL2, even if the adjustments to some extent were self-explanatory. Lessons are based on the experience of implementing the series. The document was internally consistent, and it follows OPCS guidelines.

### **a. Quality of ICR Rating** Substantial