Report Number : ICRR0021760

1. Project Data

Country
Morocco

Practice Area(Lead)
Finance, Competitiveness and Innovation

Programmatic DPL
Planned Operations: 0

Approved Operations: 0

Operation ID
P147257

Operation Name
MA Capital Market Develop. & SME Finance

L/C/TF Number(s)
IBRD-83630

Closing Date (Original)
31-Dec-2014

Total Financing (USD)
291,073,184.00

Bank Approval Date
29-Apr-2014

Closing Date (Actual)
31-Dec-2014

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	300,000,000.00	0.00
Actual	291,073,184.00	0.00

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Operation ID
P153603

Operation Name
MA-Second Capital Market Dev and SME DPL (P153603)

L/C/TF Number(s) IBRD-83630,IBRD-87560	**Closing Date (Original)** 30-Apr-2018	**Total Financing (USD)** 350,000,000.00
Bank Approval Date 16-May-2017	**Closing Date (Actual)** 30-Apr-2018	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	350,000,000.00	0.00
Revised Commitment	350,000,000.00	0.00
Actual	350,000,000.00	0.00

2. Program Objectives and Policy Areas

a. Objectives

The First (CMSME1) and Second (CMSME2) Capital Market Development and Small- and Medium-Enterprise Finance Development Policy Loans were a programmatic series of single-tranche development policy operations that promoted the development of an inclusive, diversified, and efficient financial system in the Kingdom of Morocco.

According to the Program Document (page 0), the program development objective (PDO) of CMSME1 was to: (a) deepen the capital markets by broadening the range of instruments and investors; (b) reform the pension system to ensure continued institutional demand for capital market securities; (c) foster solutions for the financing of small and young enterprises; and, (d) consolidate oversight to balance greater access with continued financial stability. According to the Program Document (page 1), the PDO for CMSME2 was to: (a) improve access to finance for small and young enterprises; (b) strengthen capital markets by improving the institutional framework and broadening the range of instruments; (c) improve the financial sustainability of the Caisse Marocaine des Retraites (CMR), the Mandatory Pension Fund for Civil and Military Services; and, (d) strengthen oversight of the banking sector.

The PDOs of the first and second operation are essentially the same. The language of the PDO in CMSME2 is used for this ICR Review.

b. Pillars/Policy Areas

The programmatic series had four policy areas.

Access to Finance for Micro, Small, and Medium Enterprises (MSMEs) aimed to improve access to finance --- the access to and use of credit, savings, insurance and payment services --- for MSMEs by: (a) expanding the guarantee operations of the Caisse Centrale de Garantie (CCG), the Government Credit Guarantee Agency, including for women-owned MSMEs and for MSMEs in under-served regions, and expanding the CCG's co-financing operations with private banks to cover the financial restructuring of distressed MSMEs; (b) addressing the working capital requirements of MSMEs through tax, monetary, and other instruments; (c) introducing credit scoring for MSMEs to help build their credit and repayment records; and, (d) licensing non-bank providers of payment services to broaden the access to basic financial services for MSMEs and for the unbanked, particularly those in rural areas.

Capital Market Development supported the deepening and strengthening of capital markets by: (a) strengthening the newly independent Autorité Marocaine du Marche des Capitaux, (AMMC), Capital Markets Authority, including its functions to license and certify finance professionals and ensure business conduct and investor protection that were in line with international standards; (b) introducing legislation to strengthen the governance structure of the stock exchange; (c) implementing the securities lending framework to ensure continuous prices quotes for key securities and thereby facilitate the pricing of new corporate debt; and, (d) developing new capital market instruments including real estate investment trusts (REITs), that would also help finance business offices for small and medium enterprises (SMEs).

Pension Reform supported the parametric reform of the CMR, both to ensure the financial sustainability of the defined benefit pension system for the public sector and to foster robust institutional demand for capital market securities. Parametric reform of the CMR --- changes to the contribution parameters, benefits parameters, and eligibility conditions to ensure the sustainability of the pension system --- would constitute the first of three phases of pension reform announced in 2014 (the second phase, outside of the scope of the DPL, would merge the CMR with the Regime Collectif d'Allocation des Retraites (RCAR), the mandatory pension fund for state-owned enterprises, and continue with a second parametric reform program; and, the third phase, also outside the scope of the DPL, would merge the Caisse Nationale de Securite Sociale (CNSS), the mandatory pension fund for salaried employees of the private sector, with the Caisse Interprofessionnelle Moracaine de Retriates (CIMR), the voluntary pension fund for the private sector).

Oversight of the Banking Sector aimed to strengthen the regulatory and supervisory oversight of banking by: amending the old Banking Law of 2006; launching the work of a systemic risk council of financial regulators; broadening the scope of financial regulation to cover financial conglomerates, microcredit institutions and nonbank providers of payment services; strengthening prudential requirements (prudential regulation requires financial firms to control risks as defined by capital requirements, liquidity requirements, concentration risk limits, and reporting and public disclosure rules); and, creating a framework for bank resolution including developing recovery and resolution plans for systemics banks that were also part of financial conglomerates.

c. Comments on Program Cost, Financing, and Dates

Program Cost: The programmatic series was estimated to cost US$650 million: US$300 million for CMSME1 and US$350 million for CMSME2.

Financing: CMSME1 was financed with a EUR217.6 million (US$300 million equivalent at appraisal, US$291 million equivalent at program closing) DPL, and CMSME2, with a US$350 million DPL, both of which were fully disbursed.

Dates: CMSME1 was approved on April 29, 2014, became effective on July 30, 2014, and closed as scheduled on December 31, 2014. CMSME2 was approved May 16, 2017, became effective on April 30, 2018, and closed as scheduled on April 30, 2018.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The program objectives were relevant to the development priorities adopted by Morocco at the time of program appraisal of CMSME1 in 2014 and CMSME2 in 2017. Le Programme Gouvernemental 2012-2016 (The Government Program for 2012-2016) sought to address three development challenges: (a) strengthening governance and institutions for better public interventions; (b) accelerating and sustaining economic growth; and, (c) addressing social and economic exclusion. According to the Program Documents (PDs) for CMSME1 (pages 11-14) and for CMSME2 (pages 9-10), the government recognized the crucial role of finance for economic growth and economic inclusion. The financial system had grown rapidly in the preceding decade and had performed well in mobilizing savings as evidence by the sizable assets of the banks, the pension funds, and the insurance companies. However, the system had not allocated capital efficiently and a more robust, diverse and inclusive financial system --- one that provided access to finance for young and small enterprises, including enterprises owned by women, and enterprises located in lagging regions and that performed financial intermediation efficiently through the capital markets in addition to banks --- would promote economic competitiveness and financial stability. A financial sector structural reform program focused on the institutional, legal and regulatory framework for MSME finance, capital markets, pension reform, and oversight of the financial system would support these goals.

The program objectives were relevant to the development priorities adopted by Morocco at the time of program closing in 2018. Le Programme Gouvernemental 2016-2021 (The Government Program for 2016-2021) advanced five pillars: (a) supporting the choice of democracy and the principles of rule of law and advanced regionalization; (b) strengthening integrity, reforming the administration, and anchoring good governance; (c) upgrading the economic model, employment promotion, and sustainable development; (d) strengthening human development and social and territorial cohesion; and, (e) deepening Morocco's relations with other African countries and organizations. The program objectives, with their focus on MSME finance and financial access, were relevant to the third and fourth pillars of the Government Program.

The program objectives were aligned with the Bank Group strategy in Morocco at the time of program appraisal of CMSME1 in 2014 and CMSME2 in 2017. The "Country Partnership Strategy (CPS) for the Kingdom of Morocco for the Period FY2014-2017" committed Bank Group support for Morocco's development program organized around three "results areas": (a) promoting competitive and inclusive growth; (b) building a green and resilient future; and (c) strengthening governance and institutions for improved service delivery to all citizens. The objectives of the DPL series were aligned with the first results area, specifically with the strategic outcome "to improve access to finance with a particular focus on low-income households; micro, small and young firms; and, youth and women." In 2016, the "Performance and Lending Review (PLR) of the Country Partnership Strategy (CPS) for the Kingdom of Morocco for the Period FY2014-2017" reinforced the alignment of the program objectives with the CPS: "Morocco's financial system performs well in mobilizing savings for capital formation, but the functions of financing and monitoring capital could be strengthened. Market-based finance would ... supplement banks in developing new solutions for financing small and young enterprises."

The program objectives were also aligned with the Bank group strategy in Morocco at the time of program closing in 2018. The "Country Partnership Framework for the Kingdom of Morocco for FY19-FY24" committed Bank Group support for Morocco's development program organized around three "strategic focus areas": (a) promoting job creation by the private sector; (b) strengthening human capital; and (c) promoting inclusive and resilient territorial development." The objectives of the DPL series were aligned with the first results area, specifically with the objectives "to increase opportunities for private sector growth with a focus on MSMEs" and "to increase access to finance."

Rating
High

b. Relevance of Design

The theory of change was sound. The policy areas were consistent with the program objectives.

- Access to Finance for MSMEs would foster the financing of MSMEs --- although Morocco had led the Middle East and North Africa region in access to finance for MSMEs (MSMEs accounted for 24 percent of bank loans in 2011), access to finance remained a major business constraint among MSMEs, according to the Enterprise Survey of 2014, with a particular concern on financial inclusion for MSMEs owned and operated by women and MSMEs located in lagging regions of the country.
- Capital Market Development would broaden the sources of financing for borrowers --- bank credit to the private sector had plateaued and large borrowers were turning to the local debt market to replace traditional bank finance, but the capital market infrastructure was under-developed with the equity market downgraded from emerging to frontier status in 2013 and the debt market unable to efficiently price new debt issues in the absence of price information on benchmark government securities.
- Pension Reform would address financial sustainability issues with the CMR --- with assets under management at 8 percent of GDP, the mandatory pay-as-you-go scheme for the public sector faced looming financial sustainability problems, with high accrual and high net income replacement rates, rising dependency ratios (of beneficiaries to contributors), negative cashflow operations in 2014, and a prospective dependency on the government budget to cover deficits.

- Oversight of the Banking Sector would strengthen regulation and supervision of the banking system to help safeguard financial stability --- the joint Bank-IMF Financial Sector Assessment Program (FSAP) of 2016 had recommended: an extension of supervision over systemic banks that were part of conglomerates; the creation of a framework for recovery and resolution planning for the banks; the design rules and procedures for the operation of a deposit insurance corporation independent of the central bank; and, the creation of a framework for crisis management.

And the prior actions were supportive of the policy areas. Many of the prior actions for CMSME1 and triggers and prior actions for CMSME2 provided the legal and regulatory framework for policy and institutional reforms.

- To improve MSMEs' access to finance, the prior actions included: (a) the adoption by the CCG of a strategic plan for 2013-16 expanding bank guarantees and creating new financing solutions for SMEs; (b) the organization by the Bank of Morocco, the CCG, and the Groupement Professionnel des Banques du Maroc (GPBM), the Association of Moroccan Banks, of a co-financing arrangement supporting the financial restructuring of SMEs; (c) the determination by the government of the conditions for paying VAT credits to MSMEs; (d) the selection by the Bank of Morocco of a commercial entity to act as a second credit bureau and the issuance of a license for the second credit bureau, with requirements to offer MSME credit scoring; (e) the adoption by the Council of Government of the draft Law No. 18-14 on capital investment mutual funds modernizing the legal framework for private equity and venture capital and providing for their investment in SMEs; and, (f) the publication of the regulations implementing Law No. 103-12 on Credit Institutions and Other Businesses (the new Banking Law) governing nonbank providers of payment services.
- To strengthen capital markets, the prior actions included: (a) the adoption of the Council of Government of Organic Law No. 12-14 on the higher civil service --- a requisite step for the appointment of the chairman of the board of the new AMMC; (b) the appointment by the board of the AMMC of the members of the College of Sanction (the independent body in charge of enforcement); (c) the adoption by Minister of Finance of the rules of the AMMC; (d) the publication of Law No. 19-14 on the stock exchange and on investment advice --- to enable the AMMC to license and regulate investment advisors; (e) the transmittal by the Ministry of Economy and Finance of draft agreements with six primary dealers regarding the provision of continuous quotes of tradable prices for a panel of Treasury securities and the conclusion of one such agreement; (f) the issuance by the Ministry of Economy and Finance of a master agreement for securities lending following Law No. 45-12; and, (g) the publication of Law No. 70-14 on real estate investment trusts (REITs) and the issuance of Decree No. 2-16-1011 exempting REITs from the corporate income tax.
- To improve the financial sustainability of the CMR, the prior actions included: (a) the publication of the government's plan for the reform of the CMR together with the transmittal of the 2014 Budget Law to Parliament; and (b) the publication of laws setting the pension system parameters of the CMR, including Law No. 71-14 (amending Law No. 11-71) establishing the civil service pension fund, and Law No. 72-14 (amending Law No. 12- 71) setting the mandatory retirement age for the civil and military services.

- To strengthen the oversight of the banking sector, the prior actions included: (a) the adoption by the Council of Government of draft Law No. 103-12 establishing the oversight regime for financial conglomerates and giving the Bank of Morocco licensing authority over microcredit institutions; and, (b) the transmittal by the Bank of Morocco to banks of the draft regulations on recovery planning for systemic banks belonging to financial conglomerates, following Law No. 103-12.

The choice of lending instrument was appropriate. A DPL provides an IBRD loan and guarantees budget support to governments "for a program of policy and institutional actions to help achieve sustainable, shared growth and poverty reduction". The programmatic approach allowed the government to stage a first set of policy and institutional reforms in the financial sector under CMSME1 and to advance and deepen the reforms under CMSME2.

The macro-fiscal framework was adequate. The IMF Article IV consultation with Morocco in 2014 determined that "sound economic fundamentals and strong policy implementation had helped stabilize the economy", with GDP growth expected to reach 3 percent in 2014 and 4.5 percent in 2015, the fiscal deficit expected to shrink from 6.8 percent of GDP 2012 to 4.3 percent of GDP in 2015, and the current account deficit expected to narrow from 9.8 percent of GDP in 2012 to 6 percent of GDP in 2014. The IMF also stated that: the financial system was sound overall; the adoption of new banking and central bank laws was expected to help strengthen the financial sector; the reform of the pension system was urgent to maintain its viability; and, the efforts of the central bank to strengthen supervision were sound. The IMF Article IV consultation in 2017 reported that GDP growth had picked up from the sharp economic slowdown in 2016 and was expected to recover to 4.4 percent in 2017. On the financial sector, the IMF concluded that: risks to financial stability were limited; banks were well capitalized; nonperforming loans were large but adequately provisioned; and efforts to increase supervisory capacity were well-advised, including more risk-based and forward-looking supervision and tighter provisioning requirements. The IMF also stated that stronger medium-term growth would hinge on continued implementation of comprehensive reforms, including, among others, promoting access to finance.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
To improve access to finance for small and young enterprises.

Rationale

The degree of achievement of the objective to improve access to finance for small and young enterprises is assessed as substantial.

Expanding the CCG Credit Guarantee Program for SMSEs. The CCG expanded its guarantee program in support of MSMEs, and achieved the four results targets set at appraisal.

- The target for financing for eligible micro-, small- and medium-enterprises (MSMEs) to reach MAD 6 billion was achieved by end-2017, half-a-year ahead of the target date.
- The target to increase MSME loans with guarantees from the CCG from MAD 4.6 billion in the baseline (mid-2013) to MAD 18 billion was achieved. The volume of loans guaranteed by the CCG was MAD 20.5 billion in 2018.
- The target to increase MSME loans with CCG guarantees for majority female-owned MSMEs from MAD 420 million in the baseline (mid-2013) to MAD 1.8 billion was achieved. The volume of loans extended to majority female-owned MSMEs guaranteed by the CCG was MAD 2.3 billion in 2018.
- The target to increase MSME loans with CCG guarantees for the under-served Marrakesh and Oriental regions from MAD 555 million in the baseline (mid-2013) to MAD 1.5 billion was achieved. The volume of loans MEME loans to the Marrakesh and Oriental regions guaranteed by the CCG guarantees was MAD 2.2 billion in 2018.

The CCG also expanded its co-financing program with private banks, and met three of the four targets defined at appraisal. The CCG, the Morocco Banks Association, and the Bank of Morocco established a co-financing program supporting the financial restructuring of MSMEs --- participating banks would extend credit lines to eligible MSMEs, in exchange for long-term low-interest rate subordinated loans from the CCG.

- The target for the CCG to raise co-financing with private banks from MAD 130 million in the baseline (mid-2013) to MAD 400 million by mid-2016 was exceeded. Co-financing by the CCG with banks reached MAD 1.1 billion in 2016; it topped MAD 1.2 billion in 2017 and MAD 1 billion in 2018.
- The target to increase the number of new or young enterprises from 1,572 in the baseline (the period June 2010 to June 2013) to 3,000 in the period from June 2013 to June 2016 cannot be assessed. There is no readily available data on the age of firms served by the CCG.
- The target to increase the number of new CCG outlets in the regions from 2 in the baseline (mid-2013) to 6 by mid-2016 was achieved. The CCG had 8 operational business centers in 8 regions in 2016: Tangier (Tanger-Tetouan-Al Hoceima region), Agadir (Souss-Massa region), Marrakech (Marrakesh-Safi region), Oujda (Oriental region), Casablanca (Casablanca-Settat region), Fez (Fes-Meknes region), Laayoune (Laayoune-Sakia El Hamra region), and Rabat (Rabat-Sale-Kinitra region).
- The target to create a centralized electronic registry for movable collateral was dropped because adoption of the law on secured transactions, for which this target was associated, was dropped in CMSME2.

Reducing the Working Capital Needs of MSMEs. The DPL series aimed to help reduce the working capital needs of MSMEs through various policy measures. The Ministry of Economy and Finance met the results target for the payment of VAT tax credits to MSMEs.

- The target to pay MAD 250 million of MSME VAT credits was achieved. The amount of MSME VAT credits paid was MAD 623.7 million in end-2017 to enterprises with a turnover below MAD 50 million, and another MAD 42.8 million in end-March 2018, from MAD 0 in the baseline (mid-2013). Breaks in chains of VAT rates generate credits for enterprises that pay higher VAT to suppliers than the VAT they collect from buyers. VAT credits may only be used to extinguish future VAT debits, according to Morocco's tax code, except that in 2013 the government agreed to a one-time exception and recognized VAT credits accumulated in 2004-13 as debt which it would pay out. The payment of VAT credits helped reduce the working capital needs of MSMEs.
- Following payment of VAT credits to MSMEs, the government has since decided to reimburse other VAT credits using a factoring scheme --- banks would advance VAT credits to MSMEs with turnover above MAD 50 million at a discount rate of 3 percent, and the Treasury would pay the advance over three years. Moreover, the government has revised the tax code to prevent future VAT credit accumulation.
- In addition to paying VAT credits, the government also took other measures to help ease the working capital needs of MSMEs. The Bank of Morocco: (a) extended the maturity of its funding-for-facility, which refinances bank MSME loans at the policy rate, to 12 months, in January 2014 (banks typically tap the facility to lend more to MSMEs); (b) tightened its "large exposure" regulation, limiting the extent to which banks lend to large firms, thereby allowing more lending to MSMEs; and (c) gave MSMEs access to its database of bounced checks and payment defaults, enabling MSMEs to monitor the financial standing of existing customers and to screen new ones.

Credit Scoring for MSMEs. After the Bank of Morocco selected a second credit bureau in March 2014, the credit reporting business in Morocco faced challenges when: (a) the first credit bureau, operating in the country since 2009, decided to leave the Moroccan market, and (b) the firm selected as the second credit bureau withdrew its application for a license. Another international credit reporting agency eventually acquired the first credit bureau's Morocco operation in July 2015, and the central bank subsequently selected and licensed a second credit bureau, which started operations in November 2017. While both bureaus have committed to provide credit scoring form MSMEs, the achievement of the results target defined at appraisal cannot be ascertained.

- The achievement of the target for 40,000 MSMEs to have credit scores by mid-2018 cannot be assessed because the current credit bureau information system: (a) distinguishes only between individuals and legal entities; and, (b) among legal entities, there is no distinction made between large companies and MSMEs. Moreover, credit scores had been traditionally offered by the first credit bureau only upon request by an enterprise.
- According to the ICR (pages 29-30), the target may have been achieved following the opening of a second credit bureau, which would have increased the coverage of enterprises (90 percent of all

enterprises in Morocco are SMEs). However, from the available data --- some 449,395 individuals and 8,180 legal entities received credit scores as of July 2017 --- it is difficult to prove this contention.

- Following the licensing of the second credit bureau, the Bank of Morocco is planning to revamp the Public Credit Registry, according to the ICR (page 30). Credit bureaus and credit registries are the two principal types of credit reporting institutions. While credit bureaus are typically privately-owned and -operated commercial enterprises that cater to the information requirements of commercial lenders, credit registries tend to be public entities that support the state's role as a supervisor of financial institutions and whose data are geared towards policymakers and regulators. Improvements with the Public Credit Registry will help the Bank of Morocco better manage systemic risk in the financial system.

Non-Bank Providers of Payment Services: Following the issuance of two regulations to implement the provisions of Law No. 103-12 on non-bank providers of payment services, the program met the results target defined at appraisal for licensing non-bank providers of payment services.

- The target to have four non-bank financial services providers licensed by mid-2018 was exceeded. There were five non-bank financial services providers licensed by February 2018; there had been no licensed non-bank providers in the baseline (mid-2013). Broadening the payments system as authorized under the new Banking Law would expand the access to finance for MSMEs and for the unbanked population particularly in the rural areas.
- In addition to licensing nonbank payments service providers, the government has taken other steps, outside the scope of the DPL series, to modernize the payments system and broaden financial inclusion: (a) the government issued a decree in April 2016 allowing the use of electronic money for payments to the Treasury; (b) the Ministry of Economy and Finance started crafting a national strategy for financial inclusion, with assistance from the Bank; and, (c) the Bank of Morocco is coordinating a privately-financed project aimed at reducing the use of cash in the payments system, and is implementing a national financial literacy program.

Rating
Substantial

Objective 2
Objective
To strengthen capital markets by improving the institutional framework and broadening the range of instruments.

Rationale
The degree of achievement of the objective to strengthen capital markets by improving the institutional framework and broadening the range of instruments is assessed as substantial.

Supporting the Newly Independent Capital Market Authority. Although the DPL series supported strengthening the AMMC, created as the successor to the Conseil Deontologique des Valeurs Mobileries (CDVM) and made independent with the passage of Law No. 42-13, the AMMC did not achieve the results target defined at appraisal to evidence its ability to regulate investment advisors by the program closing date.

- The target for the AMMC to certify 50 percent of finance professionals engaged in trading, compliance, asset management, and financial analysis who were required to register under Law 42-13, was not achieved --- there were no finance professionals certified by the AMMC by the program closing date on April 2018. The AMMC was not able to launch the accreditation process in time, although no reasons are cited for the delay. Regulation of advisors is important to ensure that the investment management business is conducted in line with professional technical and fiduciary standards.
- However, the target may yet be achieved before the end of 2019, according to the ICR (page 6). The AMMC officially launched the accreditation process for market professionals in April 2019 and is in the process of reviewing all applications for certifications. An initial review of the applications identified 400 finance professionals as certification-eligible, and clearance rounds were scheduled for June, September, October, and December 2019. The professionals covered by the accreditation process are reportedly preparing their training plans, though their professional associations, based on the AMMC syllabus.
- Overall, the institutional capacity of the AMMC had been supported under the DPL series with: the installation of the AMMC board; the appointment of members of the College of Sanction; the adoption of the AMMC rules and regulations (and the review by the Bank of the AMMC rulebook though a parallel technical assistance project); and, the creation of the AMMC advisory committee.

Strengthening the Stock Market. The Bank supported measures to improve the functioning of the Casablanca Stock Exchange (the seventh largest in the Middle East and North Africa region by market capitalization in 2014) through a Financial Sector Reform and Strengthening Initiative (FIRST) technical assistance project to help prepare a law on the stock exchange and investment advice. The DPL series supported the passage of Law No. 19-14, published in March 2017, aiming to modernize the stock exchange by, among others: strengthening the governance structure of the exchange; creating new market segments for principal and alternative listings; creating dedicated listing and oversight requirements for SMEs; and, creating a capital market commission presided by the Minister of Finance. No results targets were associated with this activity.

Strengthening the Government Debt Market and Implementing the Securities Lending Framework. The results targets for strengthening the government debt market and implementing the securities lending framework were achieved. Morocco's government debt market was fairly developed but could be improved with: a cleaner yield curve, less fragmentation, greater liquidity with key bonds including in the secondary market, an electronic trading platform, and a securities lending facility.

- The target to have continuous prices posted on Bloomberg for key government securities --- less than 1-year residual maturity, less than 2-year residual maturity, more than 10-year residual maturity, 5-year benchmark, 10-year benchmark, more than 10 years residual maturity --- was achieved by mid-2018. There had been no Moroccan page on Bloomberg in the baseline (mid-2013). CDG Capital S.A., a Moroccan investment bank, signed the first agreement to quote prices in March 2013 and 15 other primary dealers followed in January 2015. Continuous quotes are posted daily by the banks in Bloomberg's "E-bond Morocco" platform. End-of-day quotes are also available at the website of the Ministry of Economy and Finance. Continuous posting of prices facilitates the pricing of new corporate debt as well as of interest rate and foreign exchange swaps.
- The target to reduce the number of separately-identified securities from 77 in the baseline (mid-2013) to 66 was nearly achieved; there were 69 separately-identified securities by end-2018. Narrowing the number of separately-identified securities would reduce fragmentation of the debt market.
- The target to have securities lending contracts regulated and recorded in a central depository was achieved in end-2108, with the recording of securities lending contracts centralized at the AMMC. Following the recommendations of the FSAP of 2015, the recording of securities lending contracts was assigned to the AMMC rather than the central depository and settlement system for securities, as originally proposed. In the baseline (mid-2013), securities lending contracts were neither regulated nor recorded in a central depository. Securities lending --- the transaction in which an owner of shares or bonds transfers the securities temporarily to a borrower in exchange for a borrowing fee and the transfer of other shares, bonds or cash to the lender as collateral --- is a core foundational element for completing capital markets: market participants borrow a security temporarily for trading (taking risk for profit), arbitrage (making riskless profit from unjustified price differences), and hedging (reducing risk). Until 2013, Morocco had lacked an effective securities lending framework that ensured informative prices.
- Additionally, it is noteworthy that the master agreement for securities lending prepared by the Ministry of Economy and Finance addressed two issues earlier flagged as important to the operation of the securities lending market: the participation of large non-resident investors in securities lending; and, temporary limits on short-selling in cases of systemic distress. The Ministry of Economy and Finance had received technical assistance from FIRST to prepare regulations to implement Law No. 45-12 on Securities Lending.
- The target to have all derivatives traded on a regulated market and cleared and settled through a central clearing counterparty was dropped with CMSME2, after the FSAP of 2015 recommended that the Law on Derivatives of 2012 not be implemented because it did not incorporate recent international standards on central clearing counterparties.

Launching a New Capital Market Instrument. Although the program supported the formation of REITs with the passage of Law 70-14 on Real Estate Collective Investment Schemes (OPCI Law) in 2016, the target to have two real estate investment trust (REIT) managers licensed was not achieved by the program closing date on April 2018.

- The ICR (page 32), however, reports that the target may likely be achieved before the end of 2019. Following publication by the Ministry of Economy and Finance in April 2019 of Decree No. 3149.18 approving AMMC Circular No. 12/18 on management companies for REITs, the AMMC has launched the process for licensing REIT managers and is reportedly evaluating licensing applications. REITs are investment funds that own industrial and commercial real estate; they offer institutional investors assets yielding steady rental income. Some REIT industrial and commercial real estate are also leased to SMEs, thereby also helping with SME finances.

Rating
Substantial

Objective 3

Objective
To improve the financial sustainability of the CMR.

Rationale
The degree of achievement of the objective to improve the financial sustainability of the CMR is assessed as substantial.

Implementing the Parametric Reform of the CMR. The program achieved the results target set at appraisal for actuarial calculations to project 2028 as year in which the CMR would deplete its reserves following reforms to the pension system, compared to 2022 without the reforms.

- In its Annual Report for 2017, the CMR announced that the new actuarial forecast for reserve depletion was revised from the year 2022 to 2027.
- The actuarial calculations were based on the following changes to the pension parameters submitted by the government to Parliament in January 2016 as part of the pension reform program: (a) the age at which civil servants would retire without penalties would be raised from 60 to 63 years; (b) the contribution rates for the employee and employer would gradually increase from 20 to 28 percent of salary; (c) the base for computing pensions would be changed from the last year to the last eight years of a retiree's salary; (d) the accrual rate (the rate of benefit per year of pensionable service in a defined benefit scheme) would be decreased from 2.5 percent to 2 percent of salary; (e) the minimum pension would be raised from Moroccan Dirham (MAD) 1,000 (US$103 equivalent) to MAD 1,500 (US$155 equivalent) per month to protect the least well-off retirees and employees; and, (f) there would be no change to pension rights accrued before the reforms came into effect.
- Moreover, although the next two phases of pension reform lay outside the scope of this DPL, according to the PD for CMSME2 (page 27), the government was ready for the second phase of the reform plan with a second set of proposed parametric reforms for a merged CMR-RCAR system: (a) a replacement rate of

preretirement income of about 40 percent for the defined benefit pillar; (b) an accrual rate in the low 1 percent; (c) retirement age at 65 years; (d) contribution rate in the low teens; and, (e) the lifetime averaging of salary. The second phase would close the gap between public and private pension rights, homogenizing pension contributions.

Rating
Substantial

Objective 4

Objective
To strengthen oversight of the banking sector.

Rationale
The degree of achievement of the objective to strengthen oversight of the banking sector is assessed as substantial.

Strengthening Oversight of the Banking Sector. The program met the results target set at appraisal for strengthening oversight of the banking sector.

- Parliament passed Law No. 103-12 in December 2014, following the adoption earlier by Council of Government of the draft legislation in January 2014. Among its key provisions, the new Banking Law: created a systemic risk council of financial regulators; established a deposit insurance corporation independent of the central bank; introduced a new bank resolution framework including the use of direct intervention and resolution tools; broadened the supervisory regime to cover financial conglomerates, microcredit institutions, and nonbank providers of payment services; and strengthened prudential requirements.
- Following passage of the law, the Bank of Morocco adopted three sets of implementing regulations, including Circular Number 4/W/2017 governing crisis recovery planning by banks following consultations by the central bank with financial firms in September 2016. The new Banking Law and the implementing rules incorporated key recommendations advanced by the Joint Bank-IMF FSAP of 2015.
- Financial conglomerates reported to supervisors their internal arrangements for the identification and management of risks, by end-2016, meeting the results target set at appraisal. The achievement of this target provides supervisors with the information needed to verify that solvency and liquidity buffers for the banking parts of conglomerates are not tunneled out. In theory, supervisors should be able to use the information to mandate support by parent companies to financial affiliates.
- The AMMC submitted to the Bank, as part of the FSAP process, its assessment of the implementation of International Organization of Securities Commissions (IOSCO) Principles and Objectives, in March 2015, meeting the target set at appraisal for the AMMC to comply with IOSCO Principle 6 (which states

that a "regulator should have or contribute to a process to monitor, mitigate and manage systemic risk, appropriate to its mandate") and Principle 7 (which states that a "regulator should have or contribute to a process to review the perimeter of regulation regularly").

- Three banks that were designated by the central bank as systemically important in 2016 --- the three banks accounted for 65 percent of the country's total banking assets and belonged to conglomerates also active in insurance and asset management --- filed recovery plans in mid-2018, meeting the results target. A recovery plan identifies triggers and options for responding to a wide range of severe but plausible internal and external stress scenarios with the goal of restoring a bank to financial strength and viability in a timely manner.
- Based on the recovery plans, the central bank was able to develop resolution plans for the systemic banks, according to the ICR (page 34). Commonly known as a living will, a resolution plan describes the strategies for the rapid and orderly resolution of the banks in the event of failure or material financial distress.
- A technical assistance activity funded by FIRST assisted the authorities to develop the resolution plans, which included: (a) decision tree for when emergency liquidity assistance became solvency support; (b) a definition of the roles of the Ministry of Economy and Finance and the Bank of Morocco when the line was crossed; and, (c) provisions for coordination with the other regulators.

Rating
Substantial

5. Outcome

The outcome of the DPL series is rated as satisfactory.

The program objectives were highly relevant to the development priorities articulated in the Government Program for 2012-2016 and 2016-2021 and were highly aligned with Bank Group strategy in Morocco contained in the Country Partnership Strategy for FY14-17 and the Country Partnership Framework for FY18-24. The program design was substantially relevant, with the four policy areas consistent with the program objectives, the prior actions supportive of the policy areas, the choice of lending instrument appropriate, and the macroeconomic framework adequate. The degree of achievement of the four program objectives --- to improve access to finance for small and young enterprises (with 8 of 10 results targets met); to strengthen capital markets by improving the institutional framework and broadening the range of instruments (with 4 of the 5 results targets met in 2018, and the fifth expected to be met in 2019); to improve the financial sustainability of the CMR (with the single results target met); and, to strengthen oversight of the banking sector (with all 3 results targets met) --- were all substantial.

a. Outcome Rating

Satisfactory

6. Rationale for Risk to Development Outcome Rating

The risk to the sustainability of the development outcomes is assessed as moderate.

Political risk. Government commitment to financial sector reform is strong: (a) Morocco had been modernizing its financial sector for decades before the DPL series; (b) the government successfully completed all 18 prior actions for CMSME1 and CMSME2, many of which involved the adoption by Council of Government of new draft legislation and the passage by Parliament of new laws (see Section 3.B); and, (c) the government took additional steps to broaden the reform plan beyond the requirements of the DPF series, including, among others, planning the revamp of the Public Credit Registry, drawing up a national strategy for financial inclusion; and, standing ready to launch the second phase of pension reform (see Section 4). Moreover, the government has: (a) actively pursued technical assistance projects with FIRST, in support of financial sector development and reform; (b) participated in the IFC-World Bank Joint Capital Markets Program --- Morocco was one of seven countries selected for a three-year advisory engagement focused on capital market development, including the creation of private markets for MSME financing through nonbank channels; and, (c) obtained approval of the Financial Inclusion and Digital Economy DPF --- the US$700 million operation supports the government's National Financial Inclusion Strategy.

Institutional capacity risk. The principal agencies implementing the program --- the CCG, the Bank of Morocco, the Ministry of Economy and Finance, the AMMC (the predecessor was the CVDM), and the CMR --- have had long operating histories and have demonstrated, with their performance in the DPF series, that they have institutional capacity to undertake structural reform measures. The Autorité de Contrôle des Assurances et de la Prévoyance Sociale (ACAPS), the Independent Insurance and Pension Fund Supervisory Authority, created in 2016 to supervise insurance companies and pension funds (replacing the Department of Insurance and Social Welfare of the Ministry of Economy and Finance), is a fairly new organization. The systemic risk council of financial regulators, created with the program, is also a new institution; but its membership consists of the leadership of the principal agencies, hence the institutional capacity risk is modest.

a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

The Bank's performance at entry is assessed as satisfactory.

The program design was underpinned by extensive analytic work. Reforms in the four policy areas were informed by: (a) the joint IMF-World Bank "Morocco: Financial System Stability Assessment (FSAP): Update" of October 2008; (b) the IFC's "Secured Transactions and Collateral Registries" report of January 2010; (c) the Bank's "Financial Access and Stability: A Road Map for the Middle East and North Africa" report of September 2011; (d) the IFC's "Credit Reporting Knowledge Guide" of 2012; (e) the Bank's "Modeling Pension Reform: the Pension Reform Options Simulation Toolkit" of 2013; (f) the Bank's "Project Appraisal Document for the Morocco Microfinance Development Project" of June 2013; (g) the joint IMF-World Bank "Morocco: Financial System Stability Assessment (FSAP)" of February 2016.

Preparation of the program was supported by comprehensive technical assistance. FIRST, the multi-donor grant facility that provides technical assistance to promote robust and diverse financial systems in low- and middle-income countries, delivered some 25 "advisory services and analytics" (ASAs) engagements under 9 technical assistance projects to Morocco on: (a) MSME finance and inclusion (7 ASAs); (b) capital market development (13 ASAs); (c) financial structure and credit information systems (2 ASAs); and, (d) financial stability (3 ASAs) (ICR, pages 48-49).

The program was aligned with other Bank projects and programs in support of Morocco's financial sector development and reform program. The programmatic series was linked with three other recent DPLs: (a) the MSME Development Project, approved in June 2012; (c) the First Economic Competitiveness Support Program DPL, approved in March 2013; (c) the Second Economic Competitiveness Support Program DPL, approved in March 2015; and, (d) the Financing Innovative Startups and SMEs Project, approved in March 2017.

The Bank coordinated the design and preparation of the program with the IMF. In 2016, the joint IMF-World Bank FSAP found that: (a) lack of financial access was still a constraint for MSMEs, which represented 90 percent of total firms; (b) financial market infrastructure needed upgrading; and, (c) rising nonperforming loans and concentration risks in banking needed monitoring. The FSAP advanced 22 major recommendations that laid the basis for many of the prior actions included in the programmatic series. Overlapping with the DPL series, the IMF approved: (a) a two-year precautionary and liquidity line (PLL) arrangement for Morocco for US$5 billion in July 2014; (b) another PPL for US$3.5 billion in July 2016; and, (c) a third PLL for US$2.97 billion In December 2018. The PPLs encouraged continuing action with financial sector reforms. In 2019, the IMF concluded an Article IV Consultation with Morocco which cited the authorities for: progress with fiscal management; the diversification of the economy; and, the implementation of the 2016 FSAP recommendations.

The Bank secured adequate government commitment to the objectives of the program. Policy presentations made by the Minister of Finance, the Governor of the Bank of Morocco, and the heads of financial regulatory agencies as well as budget laws drafted by the government reflected and reinforced the strategic thrusts of the program: (a) introducing new solutions for the financing of MSMEs; (b) changing the mix of bank and market financing; (c) reforming the pension system; and, (d) safeguarding financial stability. The authorities also articulated financial sector policies that were aligned with many of the reform elements supported by the program, including: the establishment of an independent capital market authority; regulating the provision of investment advice; demutualizing the stock exchange; bringing key market infrastructure under the roof of one holding company; making the insurance and pension authority independent; separating the deposit insurance function from the central banking by creating a dedicated deposit insurance corporation; creating a bank resolution authority; and forming a systemic risk council.

The scale and scope of the program was aligned with the government's regulatory architecture and implementation capacity. The Ministry of Finance oversees financial sector policy while regulation and supervision is devolved to three dedicated agencies --- the Bank of Morocco for credit institutions (banking, leasing, and microfinance); the AMMC for capital market institutions; and, the ACAPS, for insurance and pensions. The Ministry of Economy and Finance is staffed with skilled technical personnel who are experienced in the design and implementation of Bank operations and, according to the ICR, their ownership of the reform program, knowledge, and leadership were critical to the success of the programmatic operation.

The Bank clearly identified the risks to achieving the program objectives and advanced mitigation measures. The PDs for CMSME1 (page 35) and CMSME2 (page 37) identified three risks: (a) pension reform could cost political capital, particularly with labor unions, and be delayed; (b) capital market development could challenge the dominance of banks in the financial system and be difficult to implement; and, (c) financial stability issues were complex. The PDs observed that the Bank had taken these risks into consideration and designed the program to help mitigate the risks: (a) extensive dialogue with stakeholders had built consensus with the merits of parametric reform, while grand-fathering pension promises would protect the welfare of current retirees; (b) capital market development was carefully phased; and, (c) there would be close collaboration with the IMF on financial stability measures.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The quality of the Bank's supervision is assessed as moderately satisfactory.

There were no formal Bank supervision missions solely for CMSME1 or CMSME2. However, the program was effectively supervised and monitored, according to the ICR (page 37), as there were regular supervision missions for the technical assistance activities supported by FIRST and related to the policy areas and prior actions of the programmatic series. The task team leader was based in Rabat for implementation of CMSME2 and ensured the Bank's presence in the field during the period. Through daily continuous contact and coordination with the government, the Bank was able to guide the government in meeting the overall program objectives.

However, there were deficiencies with formal reporting on progress with the program. Bank procedures require an Implementation Status and Results Report (ISR) for a programmatic series in which the Board approval dates between successive operations exceeded 12 months. Following the procedure, the Bank produced two ISRs for CMSME1 and one for CMSME2. However, according to the ICR (page 37), the two CMSME1 ISRs contained minimal information about government actions, progress on outcomes and results, and issues requiring management attention. Moreover, the ISR for CMSME2 was never validated nor formally submitted to management because it was produced at program closing in April 30, 2018 (CMSME2 became effective and closed on April 30, 2018). The draft ISR was simply deposited in the project files. The Bank ICR team had to collect its own data for the ICR.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The government's performance is assessed as satisfactory.

The government's commitment to the program was strong. The Government's ownership of the financial sector structural reforms was strong during both the design and implementation phases of the DPF series. The Council of Government adopted all draft legislation required as prior actions for CMSME1 and CMSME2. Parliament subsequently approved the proposed laws (see Section 3.B and Section 4).

The government crafted and adopted the national plans to advance the reform objectives: (a) the CCG strategic plan for 2013-16 to expand credit guarantees and co-financing operations; (b) the long-term three-phase pension reform plan; and, (c) the national financial inclusion strategy (see Section 4).

The government consulted widely with stakeholders on the financial sector development and reform plans. According to the ICR (pages 31-31), the government consulted with stakeholders and the International Labor Organization on the pension reform plans; (b) with capital market participants on the secured transactions law; and, (c) with a "strategic committee of stakeholders" at the Ministry of Economy and Finance on the financial sector infrastructure and capital market reforms. The consultations ensured that the reform plans were well vetted.

Government Performance Rating

Satisfactory

b. Implementing Agency Performance

The Ministry of Economy and Finance was designated as the implementing agency of the DPF series and signed the letter of development policy, although four other agencies --- the Bank of Morocco, the CCG, the AMMC, and the CMR --- implemented the structural reforms supported by the DPF series.

The Ministry of Economy and Finance completed all its actions for the program including: concluding agreements for the continuous quotes of key government securities; paying VAT credits to MSMEs; and, drawing the master agreement for securities lending. The implementation of the reform plans by the other agencies reflect the effectiveness of the Ministry's policy coordination role. However, the ICR (page 26) faults the Ministry for not delivering on a formal and regular reporting system for all the reform actions.

Implementing Agency Performance Rating

Moderately Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E plan identified 21 specific results indicators to evidence the achievement of the program. The results indicators were relevant to the objectives; measurable, with available baseline values; and, time-bound, with targets set for the closing date of the program, if not the closing date of the first operation. However, the M&E design failed to ensure that the information and reporting systems of at least two agencies --- those of the first private credit bureau and of the CCG --- produced data for two indicators --- the size of enterprises requesting and receiving credit reports from the credit bureau and the age of enterprises benefitting from the credit guarantee and co-financing operations of the CCG.

The Ministry of Economy and Finance was tasked with leading the implementation of the M&E. It was understood that the agencies implementing the program activities --- the CCG (MSME credit guarantee and MSME co-financing), the Bank of Morocco (bank resolution planning), the credit bureaus (credit scoring), the Ministry of Economy and Finance itself (VAT credits), the AMMC (advisor certification), and the CMR (pension fund parametric reform) --- would produce the M&E data. The PDs for CMSME1 and CMSME2 also stated that the Ministry of Economy and Finance and the other agencies would coordinate closely with the Bank to conduct periodic reviews of the program.

b. M&E Implementation

M&E implementation lacked regularity and formality, according to the ICR (page 26). The Ministry of Economy and Finance did not track the results indicators continuously. In part, the lack of Bank supervision missions for CMSME1 and CMSME2 may have led to some slack in program reporting. However, the ICR also claims that this did not impact program performance. The Bank team received program performance data collected by the technical assistance missions fielded by FIRST.

c. M&E Utilization

The M&E data were used to assess achievement of the program objectives. They were also reported in the Bank's Morocco Country Economic Memorandum for 2017, "Morocco 2040 - Emerging by Investing in Intangible Capital", Chapter 3, "Investing in Market Support Institutions".
A Modest M&E rating combined with a Mod Sat (or above) rating of Outcome would normally raise a red flag, as a Modest M&E rating would suggest that there might be insufficient evidence for a substantial efficacy rating, but in this case it is clear that sufficient evidence was collected by the TTL/bank team and by the ICR team despite the poorly designed and implemented M&E system.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

Environmental Safeguards: According to the PDs for CMSME1 (page 33) and CMSME2 (pages 34-35 and 73-75), structural reform initiatives supported by the DPF series were not expected to have material environmental impacts. MSME investment and business activities arising from greater access to finance would not likely have negative environmental effects; moreover, any potential environmental risk would be managed through: (a) the application of the country's environmental laws and associated systems for risk mitigation --- which were sound and largely improved over the last decade; (b) the adherence by private banks to environmental and social safeguards --- following training received from the Bank's MSME Development Project (implemented in 2012-17); and, (c) the use of the IFC's environmental impact screening and mitigation procedures (the IFC had worked closely with Morocco's private banks on SME finance) --- which included environmental sustainability assessment during a project's due diligence phase, and action planning and regular monitoring during a project's implementation phase. The ICR did not report any adverse environmental impact from the implementation of the program.

Social Effects: The reforms supported by the DPF series were expected to have positive poverty, social and distributional effects, according to the PDs for CMSEME1 (pages 32-33) and CMSME2 (pages 33-34 and 73-75). Greater access to finance for MSMEs and the unbanked would generate positive social effects from: (a) increased investment, income-producing activities, and job creation by MSMEs; (b) job protection, with the financial restructuring of distressed MSMEs; and, (c) financial inclusion for the unbanked. Pension reform would generate positive social effects by: (a) raising the minimum pensions of the least well-off employees; (b) protecting the pensions of current retirees; and, (c) safeguarding survivorship pensions --- 99 percent of survivorship beneficiaries were women. The ICR did not report on any of these social effects from the implementation of the program.

b. Fiduciary Compliance

Financial Management: According to the PDs for CMSME1 (page 34) and CMSME2 (pages 35-36), the operations would follow standard Bank disbursement procedures for DPFs: the loan proceeds would be deposited in a government account at the central bank, and the equivalent funds in local currency would be transferred to the treasury department's current account. The PDs reported that: (a) the IMF's safeguards assessment in 2013 found the central bank to have a robust financial management framework with strong controls; and, (b) the Bank's public expenditure and financial accountability assessments in 2009 and 2017 found the government's public financial management framework to be sound and supportive of fiscal discipline. The ICR (page 38) reports that fiduciary performance was rated satisfactory, with no shortcomings with financial management covenants.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

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

Two lessons are drawn from the ICR (pages 38-39), with some adaptation, and a third is added by this ICR Review.

Government commitment to reform objectives are crucial to the success of structural reform programs. In this programmatic development policy operation, the government of Morocco went beyond completing the 18 prior actions for the series to proactively plan for, as well as to undertake, more measures that would advance its reform objectives. The government had a long history of commitment to the development of its financial sector dating back to the creation of the credit guarantee agency in 1949 and the financial market regulator in 1993. Following this DPF series, the government has continued to engage FIRST with technical assistance projects, the IFC with a capital market development program, and the Bank with a financial inclusion DPL.

Policy and structural reform programs in the financial sector can benefit from the provision of technical assistance both for program design and program implementation. The implementation of this programmatic development policy operation was supported by 25 "advisory services and analytics" activities under 9 technical assistance projects supported by FIRST, in areas including: MSME finance; capital market laws, rules, and regulations; credit information systems; financial inclusion, and financial stability frameworks. The "advisory services and analytics" supplied valuable technical inputs to the reform measures, including knowledge about international standards and practices. Moreover, according to the ICR, the technical assistance, which was well integrated into the operation, helped ensure its success by: supporting the implementation of the prior actions, and strengthening the capacity of the implementing ministries and agencies.

In designing M&E plans, it is important for governments and the Bank to ensure that public or private information systems can supply the data required for reporting on results indicators. In this programmatic development policy operation, the private credit bureau's information system did not report the size of enterprises --- large, medium, small and micro enterprises --- that requested and received credit reports. Thus, the attainment of the target to have 40,000 MSMEs covered by credit reports could not be ascertained. Similarly, the credit guarantee agency's information system did not report on the age of enterprises --- new or young --- covered by its guarantee and co-financing operations. Thus, the attainment of the target to raise the number of new or young enterprises from 1,572 to 3,000 could not be ascertained either.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The assessment of the program's results is evidence-based. The ICR (pages 29-33): (a) uses the indicators defined in the results framework to rate the degree of achievement of the program objectives in four policy areas; (b) explains that prior actions that required the adoption by the Council of Government of draft legislation were quickly followed up with the approval by Parliament of the proposed laws; and, (c) cites other actions taken by the Ministry of Economy and Finance and the Bank of Morocco to advance the program objectives beyond the original requirements of the DPF series.

The analysis of the project results is candid. The ICR: (a) cites two cases where the attainment of the results targets could not be ascertained, because the government and the Bank had not ensured that the agency information and reporting systems actually produced the data required; (b) lists two cases where the target, while not achieved at the program closing date in April 2018, are likely to be achieved by end-2019; (c) mentions gaps with the Ministry of Economy and Finance's reporting system for the reform program; and, (d) identifies deficiencies with the three ISRs produced by the Bank.

The ICR produced a fairly good record of the composition of the structural reform program. Because the operation was a programmatic series, with changes in the transition from CMSME1 to CMSME2, the ICR tracked the program revisions fairly well: (a) Table 2 (page 17) keeps tab of the policy areas; (b) Table 3 (pages 17-21) records the changes to the prior actions, relative to the indicative triggers, for CMSME2; (c) Table 5 (pages 21-22) and Table 6 (pages 22-23) reports on the status of the prior actions; and, (d) Table 1 (pages 15-16) lays out the results indicators for each operation, for each policy area. A narrative of the program results, including actions taken by the government in addition to the DPF requirements, is presented in the "Achievement of Program Development Objectives" section (pages 29-34). The ICR team also quickly supplied the Results Table for CMSME1, which had not been included in the original ICR submission.

a. Quality of ICR Rating

Substantial