Country Strategy Paper

2017-2021

KINGDOM OF MOROCCO

Country Strategy Paper

2017 - 2021

KINGDOM OF MOROCCO

AFRICAN DEVELOPMENT BANK GROUP

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LIST OF ABREVIATIONS

AEO	African Economic Outlook
AFD	French Development Fund
AfDB	African Development Bank
AMU	Arab Maghreb Union
APA	Adaptation of African Agriculture
AREI	Africa Renewable Energy Initiative
BAM	Bank Al-Maghrib (the Central Bank)
CGEM	General Confederation of Enterprises in Morocco
CID	Centre for International Development
CODE	Committee on Development Effectiveness
COP 21	Paris Climate Change Conference (2015)
COP 22	Marrakesh Climate Change Conference (2016)
CPIA	Country Policy and Institutional Assessment
CPW	Construction and Public Works,
DAT	Directorate for Territorial Development
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
EUR billion	Billion Euros
ESW	Economic and sector work
FDI	Foreign direct investment
FFCO	Financial Control Department (AfDB)
GCI	Global Competitiveness Index
GDP	Gross domestic product
GEF	Global Environment Fund
GoM	Government of Morocco
GPP	Main Group of Partners
Ha.	hectare
HCP	High Commission for Planning
IBRD	International Bank for Reconstruction and Development
BDEV	Independent Development Evaluation of the African Development Bank
IMF	International Monetary Fund
Inh.	Inhabitant
IPCC	Intergovernmental Panel on Climate Change
IsDB	Islamic Development Bank
JICA	Japanese International Cooperation Agency
JYAS	Jobs for Youth in Africa Strategy
KfW	Kreditanstalt für Wiederaufbau
MAD	Moroccan Dirham
MAD billion	Billion Moroccan Dirhams
COMA	Morocco Field Office (of the AfDB)
MCC	Millennium Challenge Corporation
MEMEE	Ministry of Energy, Mines, Water Resources and Environment
ME	Ministry of Environment
MEAS	Ministry of Employment and Social Affairs
MEF	Ministry of Economy and Finance
MIC TAF	Middle-Income Country Technical Assistance Fund
MW	Mega Watt
OCP	Moroccan Phosphates Authority
OFSD	Financial Sector Development Department
OITC	Transport, Information and Communication Technologies and Urban Development Department
ONCF	National Railways Authority
ONEC	Energy, Environment and Climate Change Department
ONEE	National Electricity and Water Authority
ORPF	Procurements and Fiduciary Services Department
OSAN	Agriculture & Agro-industry Department
OSGE	Governance and Financial Management Department
OSHD	Human Development Department
OWAS	Water and Sanitation Department
PADESFI	Financial Sector Development Support Programme
PEFA	Public Expenditure and Financial Accountability
PPIP	Portfolio Performance Improvement Plan
PPP	Public-Private Partnerships
PSD	Country Strategy Paper

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QDF	Qatar Development Fund
SFD	Saudi Fund for Development
SME	Small and medium-sized enterprises
SNDD	National Sustainable Development Strategy
SNDR	National Rural Development Strategy
SNFP	National Vocational Training Strategy
TGR	General Treasury of the Kingdom
TGV	high speed train
UA billion	Billion units of account
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
UNFCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
UNTCAD	United Nations Conference on Trade and Development
USA	United States of America
USD	United States Dollars
USD billion	Billion US dollars
VSE	Very small enterprises
WB	World Bank
WEF	World Economic Forum
WFP	World Food Programme
WGI	World Governance Indicators
WTO	World Trade Organization

CURRENCY EQUIVALENTS

(January 2017)

UA 1 = MAD 13,5724

UA 1 = USD 1,34433

UA 1 = EUR 1,27534

FISCAL YEAR

1 January - 31 December

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Executive Summary

1. While several countries in North Africa are experiencing instability and security challenges, Morocco is making its transition by combining reforms with multiparty governance. The constitution was revised by referendum in July 2011 to consolidate multiparty democracy and individual freedoms. The parliamentary elections of October 2016 once again yielded victory for the Justice and Development Party, and even if there is a change in the ruling coalition, this victory should guarantee continuity in the work of the new Government.

2. Thanks to Government's fiscal consolidation efforts, Morocco significantly improved its macroeconomic situation during the 2013-2016 period. From the public finance standpoint, it recorded a net reduction in its budget deficit (from -7.3% of GDP in 2012 to -3.9% in 2016 and -3% in 2017). These efforts also led to a reduction in the current account deficit from -9.2% of GDP in 2012 to -3,8% in 2016 (-3,4% in 2017). Foreign exchange reserves rose from less than 4 months of imports in 2013 to over 7 months at the end of 2016.

3. However, certain persistent challenges make it difficult to achieve more resilient and inclusive growth. Accelerating the structural transformation of the economy remains predicated on continuous improvement of the business environment (institutional, regulatory and infrastructural frameworks), access to funding and the quality of human capital. There are still a number of outstanding challenges related to employment and social inequalities. With regard to employment, the youth, and especially young graduates, are most severely affected by unemployment. Rural employment is also less resilient and often affected by climate change. Furthermore, significant challenges exist in terms of sustainable development of the economic and social model in the energy and water sectors.

4. Since 2004, the priorities announced in the King's statements and in the Government programme have replaced the economic and social development plan, and serve as the policy framework. These priorities have been transformed into development pillars in subsequent finance laws and sector strategies. For instance, the 2017 finance law includes four development pillars, namely: (i) the acceleration of economic transformation through industrialization and exports; (ii) strengthening of competitiveness and promotion of private investment; (iii) improvement of human resources and the reduction of disparities; and (iv) institution-building and good governance.

6. Hence, the Kingdom has developed numerous detailed and quantified sector policies. For example, in the area of competitiveness and industrialization, Morocco launched the Logistics Acceleration Plan in 2014 and the National Industrial Acceleration Plan for 2014-2020. In terms of employment and human capital training, Morocco adopted the 2015-2025 Employment Strategy and the 2015-2021 National Vocational Training Strategy in 2015. The Green Morocco Plan, the National Rural Development Strategy and the Development Fund for Rural and Mountainous Areas are flagship mechanisms for reducing inequalities in rural and disadvantaged areas though job creation. Lastly, the Government's objective is to ensure that renewable energy accounts for 42% of the electricity output by 2020.

7. A founding member of the African Development Bank, the Kingdom of Morocco had the largest active portfolio of the Bank in 2016, comprising 35 operations for a total commitment of approximately UA 2 billion (USD 2.5 billion).

8. The Bank has prepared the completion report of its 2012-2016 strategy and its evaluation department (BDEV) has assessed the impact of Bank-funded operations during the 2004-2014 period. These activities yielded a number of lessons that would be factored into the design of a new intervention strategy. The lessons suggest the need to: (i) continue supporting the authorities in the transformation of the Moroccan economic model; (ii) match the budget support and investment projects under each pillar with a view to developing synergies between public policies and investment; (iii) promote a programmatic approach to budget support, which should be possible from 2018 following the adoption of the new Organic Law on the Finance Act; (iv) continue developing an investment programme and a logical framework for a three-year period as was the practice in the previous CSP; and (v) continue the sector assessment exercises initiated by the Bank (BDEV) to monitor the impact of reforms and investments. As regards instruments, the CSP 2012-2016 completion report and the BDEV evaluation specifically recommend the acceleration of support to non-sovereign projects.

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9. This country strategy paper covers the 2017-2021 period and is intended to help the country address its challenges through two intervention pillars: (i) support for green industrialization by SMEs and the export sector; and (ii) Improving the quality of life through jobs for youth, women and in rural areas. Under the first pillar, it is proposed that the focus be placed on operations that eliminate the constraints affecting the development of SMEs and the export sector, with a view to boosting industrialization. Meanwhile, industrialization should be made green by promoting the development of renewable energy. Under the second pillar, it is proposed that focus be placed on jobs for the most vulnerable groups, including the youth, women and in rural areas. This pillar will especially support entrepreneurship, adaptation of training to employment and sustainability of jobs created by the agricultural sector. Hence, there are very strong synergies in employment, between the first pillar, which will address supply through development of the industrial fabric and the second pillar, which will focus on satisfying the demand from young graduates and the development of self-employment and entrepreneurship.

10. The promotion of green growth is the crosscutting theme of this strategy. Under Pillar 1, green industrialization will be promoted through renewable energy development. Under Pillar II, green industries will be supported within the training system and through sustainable use of water resources in the agricultural system. Therefore, Pillar I will focus on climate change mitigation, paving the way for Pillar II to lay more emphasis on adaptation actions.

11. Furthermore, the Bank will seek to support the development of relations between Morocco and Africa. This will start with the acceleration of trade and investment, the financing of private sector projects and specific trade infrastructure. It will also entail sharing of the experiences and expertise that Morocco has been able to develop.

12. Hence, the new CSP 2017-2021 favours the principles of alignment on Government priorities, consolidation of the gains from previous operations, complementarity with other partners and the Bank's strategic framework. The CSP is structured around two of the Bank's High 5s: "Industrialize Africa" and "Improve the quality of life for the people of Africa" as its main intervention pillars. Nevertheless, the projects will also respond selectively to the other three priorities of the Bank ("Integrate Africa", "Light up and Power Africa" and "Feed Africa") by speeding up the attainment of objectives under the first two priorities. The Bank's actions will facilitate the attainment of two objectives of the Ten-Year Strategy (2013-2022) - inclusive and green growth - and one objective of the regional integration strategy for North Africa.

13. As regards instruments, the Bank will accelerate its support to non-sovereign projects by adopting innovative approaches in which it has greater additionality (SMEs and export sector). Furthermore, over the 2017-2021 period, the Bank will consider financing budget support as well as public and private investment operations, which will be accompanied by technical assistance and targeted economic and sector work.

I. Introduction

1.1 A founding member of the Bank, the Kingdom of Morocco has benefitted from AfDB's sustained support since 1970. In 2016, the Bank's portfolio in Morocco comprised 35 operations, worth a total commitment of approximately UA 2 billion (USD 2.5 billion).

1.2 CSP 2012-2016 was approved by the Board of Directors in April 2012 and helped to provide Morocco with UA 2.2 billion. It was the subject of a mid-term review in 2014 that confirmed and fine-tuned the relevance of the intervention pillars, namely: (i) governance; and (ii) infrastructure. The CSP completion report was drafted to guide the preparation of CSP 2017-2021 and was presented to CODE in September and November 2016. Two pillars were identified as potential intervention areas for the Bank: (i) support for green industrialization by SMEs and the export sector; and (ii) Improving the quality of life through jobs for youth, women and in rural areas.

1.3 This CSP, which covers the 2017-2021 period, is consistent with the Bank's top five priorities ("High 5s") and those of the Moroccan Government. Accelerating the industrialization of the Moroccan economy and improving the living conditions of Moroccans by facilitating their access to jobs are some of Government's priority actions and also constitute two of AfDB's High 5s.

1.4 While building on the previous strategy, this CSP takes account of the lessons drawn by BDEV following the analysis of the Bank's action during the 2004-2014 period and from the conclusions of the CSP 2012-2016 completion report. This CSP was prepared through a participatory process that involved the authorities, civil society, partners and the private sector.

1.5 The Country Strategy Paper comprises four sections. This introduction is followed by Section 2, which presents the country context. Section 3 analyses AfDB's strategic options, while Section 4 presents the conclusions and recommendations for senior management.

II. Country Context and Outlook[1]

2.1 POLITICAL, ECONOMIC AND SOCIAL CONTEXT

A) POLITICAL CONTEXT

2.1.1 While several countries in North Africa are experiencing instability and security challenges, Morocco is making its institutional, economic and social transition by combining reforms with multiparty governance. The constitution was revised by referendum in July 2011 to consolidate multiparty democracy and individual freedoms. The November 2011 legislative elections yielded victory for the Justice and Development Party, whose Secretary General was appointed to head the Government. A first coalition government was formed in January 2012 and a second in October 2013. The authorities were tasked with implementing the new provisions of the 2011 Constitution. The October 2016 parliamentary elections once again yielded victory for the Justice and Development Party, and even if there is a change in the ruling coalition, this victory should guarantee continuity in the work of the new Government (*PEA, 2016*).

2.1.2 The September 2015 regional and municipal elections were an important step towards implementation of the decentralisation process enshrined in the 2011 Constitution. These elections enshrine the new organic laws related to regions, prefectures and municipalities. These laws empower citizens to be more involved in the management of local affairs. The regions demarcated in March 2015 and other local government authorities are endowed with own financial resources and State allocations (*PEA, 2016*).

B) ECONOMIC CONTEXT

2.1.3 From 2005, the Kingdom of Morocco redesigned its development model and embarked on an ambitious reform programme. In 2005, the authorities launched the Emergency Plan, followed by the 2009-2015 National Emergency Plan for

[1] The quotations in parenthesis refer to the studies used to draft this document. The list of the studies is given as Annex 7.

Industrial Emergence. These industrial strategies aimed at developing new professions (aerospace and automotive sectors) while supporting traditional sectors such as textiles and agro-industry. They are expected to contribute to reducing the trade deficit by 50% and increasing the GDP by 1.6% per year. However, their implementation has been affected by global economic crises since 2007. From 2008 to 2012, Morocco implemented a counter-cyclical fiscal policy to: (i) revive the economy in a context of international financial crisis and high cost of raw materials (including energy); and (ii) address the social demands of 2011. This policy, which helped to sustain growth, resulted in the deterioration of macroeconomic indicators (budget deficit of -7.3% in 2012) and in fact reached its limits (AfDB, GoM, MCC, 2015).

- **Macroeconomic Developments**

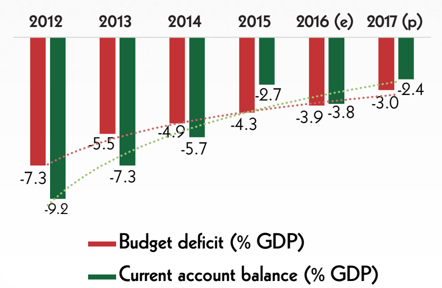
2.1.4 Consequently, since 2012, Morocco has embarked on a policy of correcting its macroeconomic balances. The Government set two objectives for the 2012-2017 period: (i) reduce operating costs and improve the efficiency of the State's social action in order to create the necessary fiscal space; and (ii) continue with key investments and reforms with a view to improving the business climate and triggering a transformation of the economic model.

2.1.5 During the 2013-2016 period, Morocco significantly improved its macroeconomic situation, thanks to Government's fiscal consolidation efforts (Figure 1). From the public finance standpoint, it recorded a net reduction of its budget deficit (from -7.3% of GDP in 2012 to -3.9% for 2016 & -3% in 2017) following cuts in public spending, including operating expenditure which declined from 29.9% to 26.4% of GDP in 2015. This stemmed from: (i) a reduction of the budget allocated to subsidies (particularly energy subsidies) from 6.2% of GDP in 2012 to 1.4% in 2015; (ii) the decline in wage costs by approximately 0.4% of GDP; and (iii) the cancellation of non-executed investments. These measures made it possible to raise additional revenue, streamline State spending and improve investment efficiency. Thanks to these efforts, the country received a second Precautionary and Liquidity Line from the IMF in 2014 and a third in 2016 (*IMF, 2016; IMF, 2015*).

2.1.6 These efforts also slashed the current account deficit from 9.2% of GDP in 2012 to -0.7% in 2016. This primarily stemmed from a decline in imports (-3.5%) as Morocco benefitted from the fall in oil prices. However, it also resulted from the export sector development policy. Foreign exchange reserves rose from less than 4 months of imports in 2013 to over 6.5

months at the end of 2015. This improvement also reflects substantial inflows arising from loans to public institutions and FDI.

Figure 1: Fiscal and External balances as % of GDP, 2012-2017 (MEF & authors)



2.1.7 The country recorded a 3.7% average annual growth rate over the 2012-2015 period but the projected growth rate for 2016 was only 1.8% (it is however expected to be 3,7% in 2017). This decline is attributable to a poor agricultural (cereal) harvest due to bad weather (agriculture remains a strategic sector for the Moroccan economy with value-added amounting to 15% of GDP in 2015) (Figure 2). This also highlights the need to boost the country's industrialization and agricultural sector resilience (*PEA, 2016*). In this regard, the Industrial Development Emergency Plan launched in 2008 (*GoM, 2008*) as well as the 2014 New Industrial Strategy [which seeks to increase the share of industry in GDP from 14% to 23% by 2020] (*GoM, 2014*) are beginning to bear fruit. The export sector experienced marked recovery in 2015 thanks to the new professions of Morocco (automobile, electronics, aerospace sectors). Accordingly, the automobile sector became the country's leading export sector with an export increase of 20.7% in 2015 (*MEF, 2016*). This trend is expected to continue, since several corporations have decided to establish or expand their presence in the country in recent years (*PEA, 2016*). However, acceleration of the structural transformation of the economy remains dependent on continuous improvement of the business climate, access to funding and the quality of human capital (*AfDB, GoM, MCC, 2015 - see 3.2*).

Figure 2: Contribution to the Growth of Key Sector of the Economy (MEF)

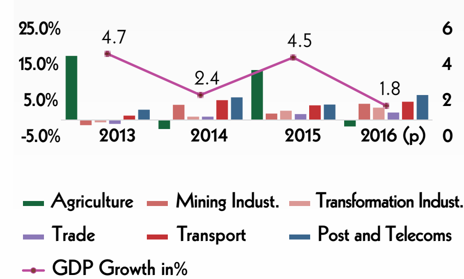
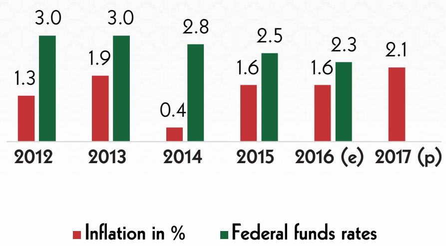


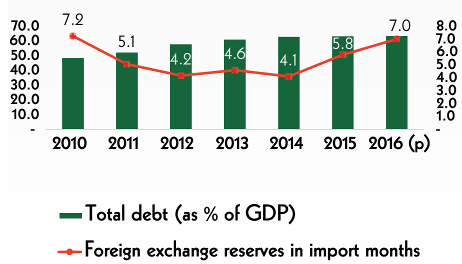
Figure 3: Inflation and Official Interest Rate in % 2012-2017 (MEF & authors)



2.1.8 Morocco has been implementing a cautious monetary policy since 2011. Over the 2012-2016 period, inflation remained low at 1.3% on average, despite the phasing out of energy subsidies in January 2014 (Figure 3). The Central Bank has sought to sustain demand, which is the main engine of economic growth. In a context characterized by low inflation, it decided on three occasions to lower its key lending rate from 3% to 2.25% (its lowest historical level) between 2014 and 2016 (*BAM, 2016; IMF 2016*).

2.1.9 Treasury debt amounted to 63.4% of GDP in 2016, but remains sustainable in the medium term (IMF Article IV, February 2016) (Figure 4 - Appendix 15). Although the debt has continued its upward trend begun in 2010 (63.2% of GDP in 2014, against 49% in 2010), it is expected to decline from 2017 (from 65.1% in 2016 to 62.1% in 2019) (*IMF, 2016*). The debt structure remains favourable because 75% of the debt stock is domestic and thus insensitive to external shocks. Besides, the efforts made in recent years in terms of fiscal consolidation and active debt management have yielded concrete results: the State has continued to finance itself at relatively low rates and to extend the maturity of the debt. The average cost of the debt has decreased (from 5.1% in 2010 to 4.4% in 2014), while its maturity has increased (from 5.7 to 6.5 years).

Figure 4: Debt and Foreign Exchange Reserves, 2010-2016 (BAM)



- **Gouvernance**

2.1.10 Morocco made significant progress in corruption control, governance efficiency and accountability between 2004 and 2014 (figure 5). In 2015, its overall CPIA score was 4.09, ranking it 13th on the Continent (and in the second quintile). According to the World Bank governance indicators, the country recorded a significant improvement in the efficiency of public action, with its score moving

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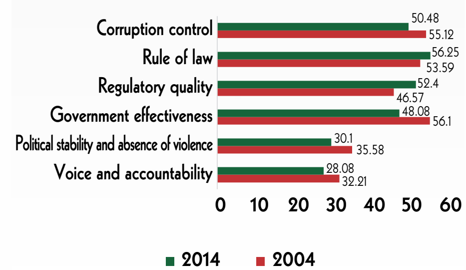
from 56 to 48 between 2004 and 2014 (*WB, 2015*). Similarly, according to the Global Integrity-2016 report, public management has been strengthened with a score of 63/100 (43 in 2013).

Figure 5: 2004 & 2014 Governance Indicators (WGI)

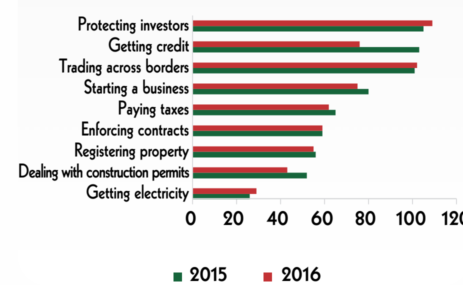


2.2.11 The decree on public procurement and the law governing free pricing and competition, approved in 2014, helped to improve convergence with international regulations on governance, simplification of procedures and dematerialization of the public procurement process. Besides, Morocco launched its corruption control strategy in May 2016, in addition to the initiatives established in recent years, including: (i) the establishment a toll-free number for reporting acts of corruption; (ii) presentation by the Court of Auditors, of records before the justice system, highlighting this practice; and (iii) the proposal of a new law governing the National Authority for Probity and Corruption Prevention and Control. The new Organic Law on the Finance Act, which became effective in 2016, will usher in better planning and transparency in the use of public resources. Lastly, a PEFA conducted in 2015-2016 with the support of the EU, AfDB and the World Bank, is being validated and will help to guide future reforms.

- **Business Environment and Competitiveness**

2.1.12 With regard to the business environment, Morocco recorded a significant improvement in its Doing Business ranking, from 130th in 2009 to 75th in 2016 (Figure 6). It made remarkable progress in: registering property; reducing the number of procedures for starting a business (from 6 to 4); and reducing the cost of these procedures as a percentage of income per capita (from 15.7% to 9%). However, efforts still have to be made as regards: (i) getting credit (109th); and (ii) protecting minority investors (105th) (*WB, 2015b*).

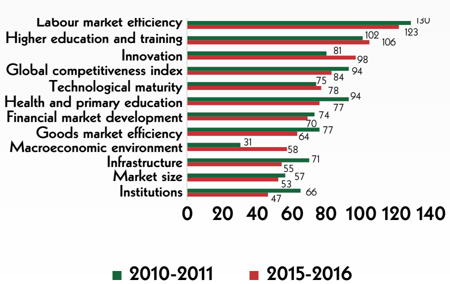
Figure 6: Business Environment: Comparative Ranking of 183 Countries *(Doing Business)*



2.1.13 Morocco improved its global competitiveness rankings by 14 spots between 2011 and 2016, moving from the 98th to 84th position (figure 7). It made remarkable progress particularly in the quality of public institutions (from 66th to 47th), infra-structure (from 71th to 55th), and health and primary education (from 94th to 77th) (WEF, 2015a). Labour market effectiveness, higher education and training remain areas in which Morocco continues to have low rankings (*AfDB, 2014a*).

2.1.14 Morocco's attractiveness in terms of FDI has improved. In turn, this has led to an improvement in the current account balance. In 2014, FDI flows declined throughout the North African region but increased by 9% in Morocco. These flows came from France (leading investor in Morocco with 37% of total FDI), United Arab Emirates (8.6%), Switzerland (7%) and United Kingdom (6.5%) (*UNCTAD, 2015*).

Figure 7: GCI 2010-2011and 2015-2016 Ranking



- **Financial Sector**

2.1.15 Since the 2000s, Morocco has achieved significant progress in modernizing its financial sector. Its ranking improved by 21 spots, in the area of financial market development within a decade, to 70th in 2016 (*WEF, 2015*). The legal and institutional framework governing the financial environment benefitted from greater sector liberalization thanks to AfDB reform support, among others.

2.1.16 The Moroccan banking sector is one of the best in Africa and plans to be a continental leader, with three of its largest banks established in over 20 African countries (*I*MF, 2015b; IMF, 2015c, AfDB, 2013). In 2015, the banking sector reported a net result of MAD 1.103 billion or 119 % of GDP. It represents 2/3 of the financial system and is dominated by five banks that hold 79.5% of all sector assets. The financial base of Moroccan banks continued to be strengthened in 2015, showing an average solvency ratio of 13.9% and a capital ratio of 11.5%, calculated for the first time according to Basel-3 rules. The return on equity amounted to 10.2%, while the return on assets stood at 1% in 2015. Due to the economic downturn stemming from a sluggish international economy especially in sectors like real estate, outstanding debts continued to rise to stand at 7.4% by end-2015. However, provisions have remained adequate.

- **Trade and Regional Integration**

2.1.17 In terms economic integration, Morocco continued its policy of economic openness and liberalization (*AfDB, 2016a*). Accordingly, the authorities have promoted exports and liberalized imports by eliminating the lists of prohibited or restricted goods, and reducing customs duties. Furthermore, Morocco is a founding member of WTO and has ratified multiple free trade agreements (*AfDB, 2016*). This policy of openness has enabled the country to improve its trade facilitation index ranking from 75th in 2010 to 44th in 2014 (*UNCTAD, 2016*). Moreover, Morocco's economic openness rate rose from 51.2% in 2000 to 62.1% in 2014.

2.1.18 Although it is very commercially anchored to the EU, Morocco has strengthened its economic and trade cooperation with the rest of Africa. This strategy is reflected in the Royal tours of 2014, 2015 and 2016, and the full commitment of the entire private sector. To support this partnership, economic relations between Morocco and other African countries are governed by more than 500 cooperation agreements (*AfDB, 2016 b*). Morocco is the second African investor on the continent with EUR 1.5 billion invested over the last 5 years. Even more, the share of Moroccan exports to sub-Saharan Africa rose from 3% in 2008 to 8% in 2014. In comparison, exports to the AMU remain low (3% in 2014) (*AfDB, 2016b; AfDB - AMU, 2016*).

C) SOCIAL SITUATION

- **Poverty and Access to Basic Services**

2.1.19 Morocco has made major efforts to address its social challenges (AfDB, 2016c). In particular, major actions were conducted to ensure greater access to basic services in all regions of the country (*AfDB, 2014b*). Basic medical coverage and primary education have been generalized. Moreover, the drinking water access rate increased from 81% in 2006 to 100% in urban areas and 94.5% in rural areas. The electrification rate increased from 18% in 1996 to 99% in 2015 (97% in rural areas).

2.1.20 Thanks to these efforts, Morocco has made significant progress in poverty reduction. It is one of the countries that made the most progress in attaining the MDGs (annex 14). The national poverty rate dropped sharply from 15.3% to 4.2% in 2014 (*HCP, 2015a*). However, some spatial disparities in access to basic services persist. Rural women do not receive the same assistance in childbirth as women living in urban areas (55% compared to 91%). Access to drinking water and education also remains unequal in the country.

- **Unemployment, Education and Gender**

2.1.21 However, there are still some persistent challenges related to employ-ment and social inequality. With regard to

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employment, the youth, and especially young graduates, are most severely affected by unemployment. In 2016, the unemployment rate among the youth aged 15-24 years reached 23% compared to 21% in 2015, and that of young higher education graduates was 24% compared to 22% in 2015 (*HCP, 2016*).

2.1.22 The authorities have kept up their commitment to implement reforms to improve the quality of human capital and make labour market regulations more flexible. In 2015, Morocco launched higher education and vocational training strategies, respectively referred to as the 2030 Education Vision and the 2015-2021 Vocational Training Strategy. Moreover, the net primary enrolment ratio rose from 90.1% to 99.6% between 2008 and 2013. In rural areas, it grew from 84.5% to 97.9%.

2.1.23 As regards gender inequality, the new 2011 Moroccan Constitution "undertakes to combat and banish all discrimination against anyone based on gender". According to the Africa Gender Equality Index (*AfDB, 2015-b*), the country has made efforts in terms of human development (education of the girl child, maternal mortality) and is ranked third in Africa. Under the "*Ikram*" *Gender Equality Programme (2012-2016)*, the Government is committed to bridging the gap between men and women. Indicators reflect the efforts made, with the net school enrolment ratio for girls rising from 88% to 99.1%. The implementation of gender-sensitive budgeting by the Ministry of Finance is a key step in this process (*UN-women, 2016*).

2.1.24 Notable progress has been made in women's employment. For example, the proportion of women in public administration increased by 21% between 2007 and 2013, to stand at 38.5%. However, women are mainly employed in certain ministries such as health and women's affairs where they constitute over 50% of the staff.

2.1.25 However, much remains to be done (see paragraph 2.2.9). Gender disparities remain glaring within the legislation. According to the report "*Women, Business and the Law 2016*" (*WB, 2016*), Morocco is one of the 155 countries (out of 173) that have at least a law that prevents women from working freely. The report notes that married women cannot be family heads, which is discriminatory to them in terms of tax provisions.

2.2 STRATEGIC OPTIONS

A) COUNTRY STRATEGIC FRAMEWORK

2.2.1 Since 2004, the priorities announced in the King's statements and in the Government programme have replaced the economic and social development plan, and serve as the policy framework. These priorities have been transformed into development pillars within the finance laws. In January 2012, the Government elected in 2011 adopted four main pillars related to: (i) performance of the State's social action; (ii) education, vocational training and research; (iii) agricultural sector modernization; and (iv) economic and financial governance. During the October 2013 formation of the second government, special emphasis was laid on improvement of the business environment and the competitiveness of the national industrial fabric. The 2017 finance bill includes four development pillars, namely: (i) acceleration of economic transformation through industrialization and exports; (ii) strengthening of competitiveness and promotion of private investments; (iii) improvement of human resources and reduction of disparities; and (iv) institution building and good governance.

2.2.2 To address these priorities, the Kingdom has implemented many detailed and quantified sector policies (Annex 6).

- **With regard to competitiveness and industrialization,** Morocco in 2014 launched the Logistics Acceleration *Plan and the National Industrial Acceleration Plan for 2014-2020* to replace the National *Pact for Industrial Emergence launched* in 2008, which enabled the country to develop new industries such as aeronautics or car manufacturing, referred to as "the new global professions of Morocco". The implementation of these strategies is underpinned by the search for new partners. In this regard, Morocco aspires to become a hub for trade with the rest of Africa. Investment planning and performance targets are defined within programme contracts formulated between the State and public corporations (ONEE for water and electricity, ONCF for rail transport), unions and professional sectors. For the agricultural sector, boosting competitiveness is at the heart of the *Green Morocco Plan*. A national strategy to develop the food industry was launched and recently completed.

- **As regards employment and training of human capital,** Morocco adopted the 2015-2025 *Employment Strategy and the 2015-2021 National Vocational Training Strategy in 2015*. The employment strategy is aimed at increasing the labour force by 17% and slashing unemployment to 3.9% by 2025. Furthermore, the higher education strategy (called Education Vision 2030) is being developed. These strategies must address the issues of matching training to employment, entrepreneurship and combating inequities in skills development. On the social front, a State social action strategy is being developed.

- **As regards territorial development,** the Green Morocco Plan, the National Rural Development Strategy and the

Development Fund for Rural and Mountainous Areas are the flagship mechanisms for reducing inequalities in rural and disadvantaged areas

B) CHALLENGES AND WEAKNESSES

▶ **Reduce Disparities Related to Employment**

2.2.3 As indicated above, the youth unemployment rate is particularly high (20.8% in 2015 within the 15-24 years' age bracket), especially among higher education graduates (24.4%). Although total unemployment grew from 8.7% to 9.7% between 2012 and 2015, it remains relatively low. Even more problematic is the fact that while the overall unemployment rate declined steadily from 2000 to 2011, youth unemployment started spiking again after 2003, despite the implementation of several programmes (Idmaj-Insertion, Moukawalati-My Business, Ta'hil-Qualification). The growth diagnostic identified human capital as one of the two major constraints to more robust and job-creating growth (*AfDB, GoM, MCC, 2015*). In terms of quality of education and training, 38% of major corporations cite the lack of sufficiently skilled labour as a major constraint to their development. In addition to the shortage of human capital, the diagnosic reveals that the mismatch between the skills developed by the education and training system, and the needs of businesses (especially SMEs) is one of the factors that negatively affect economic growth and the employability of young graduates. However, the relatively high rate of integration in some sectors (80% integration rate in the construction sector) shows that vocational training could satisfy the demand of investors if it is well targeted.

2.2.4 Access to employment and economic opportunities for women is also a major challenge, with less than one out of four women in the labour force actively employed. Women are employed in sectors that rely on low-skilled labour (agriculture, textiles) and / or offer low wages (hotels). Their work is characterized by vulnerability: mainly in the informal sector, without social security coverage and often without remuneration (*CESE, 2014*). In rural areas, for example, 74% of employed women in 2012 were unpaid. This primarily stems from women's historically limited access to primary education and limited women's entrepreneurship. Moreover, in rural areas, 73.2% of women are in underage employment (under 15 years) and have no access to secondary education (only 23.6% of rural girls currently attend secondary school). Furthermore, of the 36.7% of the population classified as illiterate, 64.7% are rural women. In addition, the percentage of self-employed persons within the labour force is 33.4% for men but only 14.5% for women (*HCP, 2014*). Apart from socio-cultural factors that hinder the development of women's entrepreneurship, limited access to finance and inadequate support to women entrepreneurs constitute major obstacles (*AfDB, 2015c*).

2.2.5 Although major efforts are being deployed, spatial inequality in terms of access to quality employment remains one of Morocco's weaknesses. Notwithstanding the higher labour force participation ratio in rural areas (56.8% in 2015) compared to urban areas (41.5%), rural employment is fragile and often remunerated poorly or not at all. This applies to 40% of rural jobs in 2013 compared to 4.1% of urban jobs (*MEAS, 2014*). Thus, poverty remains a rural phenomenon with a rate of 8.9% compared to 1.1% in urban areas (*HCP, 2015 b*). Moreover, rural employment is also highly dependent on the weather. Since agriculture employs more than 75% of the labour force in the rural area, the rural unemployment rate depends directly on sector performance. For instance, the particularly arid climatic conditions of 2016 resulted in the loss of 154 000 rural jobs (*MEF, 2016*). The authorities have deployed considerable efforts to improve agricultural sector productivity, mainly through the Green Morocco Plan to develop better quality jobs in the rural area. This plan increased agricultural GDP significantly by 49% between 2008 and 2013. Thanks to the National Irrigation Water Savings Programme, over 51% of additional value-added created by the crop sub-sectors since 2008 comes from irrigation farming areas. Although the proportion of the irrigated surface area remains low (less than 18% of utilized agricultural land), it was able to yield good performance and preserve jobs in a context of poor rainfall in 2016. Sustainable water resources development is essential to the improvement of rural living conditions.

2.2.6 Reducing the vulnerability of self-employed and/or informal sector workers must remain a priority. Self-employment and entrepreneurship develop mainly in the informal sector, with 80% of workers not covered by a social security scheme. In 2012, 10% of workers were poor, 64% were working without a contract, especially in the private sector (70%), and 53% were working over 48 hours per week (*ME, 2014*). Approximately 38% of the population is not yet covered by basic medical insurance, particularly people who work in the informal sector, the liberal professions and the self-employed. The Government is stepping up its efforts to extend social security coverage to self-employed workers. However, the best organized socio-professional categories will be integrated first, thus creating pockets of fragility within the ranks of the self-employed. The adoption of a job loss allowance is one of the attempts made to reduce workers' vulnerability. However, this reform does not yet constitute unemployment insurance per se and only benefits a small number of workers. Furthermore, only one third of the workforce contributes to a pension system.

▶ **Accelerate Transformation of the Economic Model through Industrialization**

2.2.7 Morocco's economic growth creates very few jobs (*HCP, 2005; AfDB, GoM, MCC, 2015*). The elasticity of employment to growth is less than 0.5, which makes it difficult to absorb the flow of young job seekers entering the labour market. The low correlation between the employment rate trends of young graduates and economic growth stems from the predominance of sectors within the economy, such as agriculture and trade, which mainly employ low-skill workers. Hence, the low level of industrialization (which, like agriculture, contributes 14% of GDP) limits job creation for young graduates (*AfDB, 2014*).

2.2.8 Morocco's low structural transformation is mostly attributable to the modest ripple effect of the private sector on the economy (HCP, 2005; AfDB, GoM, MCC, 2015). SMEs, which account for over 95% of the productive fabric, are struggling to develop. In terms of jobs, the probability that a company with less than 10 workers would increase its staff strength to over 100 after 5 years is negligible (0.4%). In terms of value-added, it is becoming difficult to establish integrated value chains. An analysis of Morocco's position in terms of production shows a lack of connection between the industrial sectors. This reduces synergies and undermines the development of the industrial fabric based on SMEs (*AfDB, GoM, MCC, 2015*). However, this situation is evolving in the automotive sector, where the value chains have been improving over the past four years, with over 40% of the value-added for cars created nationally. Moreover, Moroccan exports do not sufficiently play the role of anchoring economic growth to a large and promising market. Although it has improved markedly in recent years thanks to Morocco's global business lines, export sector performance remained modest at 17% of GDP in 2016, compared to 30% for imports. Furthermore, these exports are mainly concentrated in the EU (85% of agricultural exports in 2016). This performance affects the trade balance deficit estimated at 13% in 2016. Therefore, Morocco must continue with the progress made in ensuring the diversification and sophistication of its exports (CID, 2016 - Annex 17). In addition to human capital, the 2016 growth diagnostic and global competitiveness report identified several aspects of the business climate that authorities should continue to improve to facilitate business creation and development, boost exports and strengthen innovation. These include taxation, bureaucracy and land tenure. Access to funding also seems to be an issue since it is regularly cited as a major constraint by SMEs (*BM & WEF, 2016*). Trade procedures must also be strengthened, as the Doing Business classification ranks the country 122nd in terms of traceability and 124th for efficiency of customs clearance procedures (*WB, 2016*).

2.2.9 The desire to transform Morocco into a production and trade hub should be driven by the need to continue implementing an investment programme focused on transport and logistical infrastructure (*AfDB, 2016 b; AfDB - AMU, 2016*). According to the Doing Business report, Morocco was ranked 102nd in the World in 2016, in terms of cross-border trade. In particular, the costs and export time limits remain high compared to the average in the MENA and OECD regions. Moreover, despite its quality infrastructure, the country declined by 24 spots between 2014 and 2016 as regards logistical performance, falling to 86th position in global rankings (*WB, 2016*). Morocco is ranked 90th and 91st in terms of transport and logistical infrastructure. Developing such infrastructure requires substantial resources. For example, the authorities estimate that Morocco needs USD 10 billion to position itself strategically in the port sector.

▶ **Reduce Energy Dependence**

2.2.10 Energy supply and the reduction of energy dependence are major challenges for Morocco. While demand is growing at a 6% annual rate, the country has a high dependency rate (96% between 2004 and 2011), with oil accounting for 27% of imports in 2014 (*MdEMEE, 2013*). The drastic reduction of energy subsidies between 2013 and 2014 significantly reduced the impact of such dependence on the State budget, which fluctuated depending on international oil price trends. However, the fact remains that such dependence affects the balance of payments and industrial sector competitiveness.

2.2.11 To reduce this dependence, the authorities are implementing a renewable energy investment programme that requires significant investments. The objective is to ensure that renewable energy accounts for 42% of electricity production by 2020. The solar programme requires a total investment of USD 9 billion, while wind energy requires USD 3.7 billion to develop a capacity of 4000 MW by 2020. Solar and wind energy programmes are being developed through industrial integration to strengthen the green sub-sectors.

▶ **Preserve Water Resources**

2.2.12 The water resource situation in Morocco is disturbing. The renewable water resource rate is less than 600 m^3/person/year (the critical threshold being 1000 m^3/person/year) (*FAO, 2016*). Even though drinking water production increased fivefold over the past three decades, the 145 dams have a storage capacity that is below the population's annual water consumption. According to the IPCC, climate trends in the sub-region are particularly disturbing due to declining rainfall, estimated at 30% by 2050. Furthermore, the significant efforts made to

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develop water management infrastructure have led to the development of large-scale irrigation, thus aggravating the pressure on water. The current irrigated surface area is nearly 1.5 million hectares, of which two-thirds have been equipped by the authorities. In response, Morocco initiated the exploitation of abundant resources such as seawater or wastewater, using new technologies (e.g. desalination plants). The development of infrastructure and an integrated approach to ensure the sustainability of water resources are essential for developing the type of agriculture that creates jobs and is sustainable.

C) STRENGTHS AND OPPORTUNITIES

▶ A Clear Industrial Strategy and a Strong Desire to Improve the Business Environment

2.2.13 The year 2014 was marked by the adoption of a new industrial strategy (2014-2020), which continues the promotion of new sectors: automobile, electronics, aerospace, and 'offshoring'. In 2015, automobile (+26.2%), electronics (26%) and aerospace exports (+1.8%) increased remarkably (*MEF, 2016*). The authorities also pay special attention to agro-industry, which benefits from the achievements of the Green Morocco Plan in terms of improving production downstream. These sectors were identified by the AfDB as being most capable of creating jobs and wealth (*AfDB, 2012*). This strategy draws from the multiple free trade agreements signed with the EU, USA, Turkey and several Arab and African countries (*AfDB, 2016*), and supplemented by the search for new partners. In this regard, Morocco aspires to become a hub for trade with the rest of Africa *(AfDB, 2016b)*.

2.2.14 Morocco also embarked on an ambitious reform process to improve the business climate. The establishment of the National Business Environment Committee contributed to the adoption of a consultative and integrative approach to reforms. The reforms specifically aim at developing entrepreneurship and SMEs (*AfDB, 2016e; AfDB, 2015c*). Furthermore, major investments are being made to provide investors with the infrastructure needed for their development. For example, the Nador and Kenitra ports or the TGV (high speed train) line were built in 2015-2016.

▶ A New Constitution (2011) that Promotes Access to Education and Labour

2.2.15 Morocco has continued its major reform drive to ensure that its regulatory and institutional frameworks are consistent with the requirements of the 2011 Constitution. Article 31 of the Constitution provides for citizens' access to conditions that enable them to enjoy economic and social rights, including the right to education and work. Firstly, this is reflected in the accelerated implementation of the 2015-2025 Employment Strategy and Education Vision 2030. Secondly, the State has continued its commitment to improving the functioning of and access to public services nationwide.

2.2.16 The improvement of living conditions through equal access to economic opportunities is indeed central to many policies on which the Bank's intervention framework can rely to support reforms and investments. The Green Morocco Plan, the National Rural Development Strategy and the Development Fund for Rural and Mountain Areas are central to this from a territorial standpoint (*DAT, 2011*). The SNDR seeks to: (i) improve the quality and attractiveness of rural life; (ii) improve the competitiveness and diversity of the rural economy; and (iii) create the conditions for environmental sustainability. The Fund is particularly solicited to reduce the human development deficit and guarantee access to education in remote areas.

▶ An Agricultural Sector with High Potential

2.2.17 The agricultural sector holds enormous opportunities in terms of development and job creation through the structuring of value chains and product quality improvement (ADB, 2016f). The sector employs 40% of the labour force at the national level and 75% in rural areas (*MEF, 2015*).

2.2.18 Competitiveness gains are possible because the agricultural value chains remain barely developed and fragmented. Agricultural production is characterized by the coexistence of a large number of small-sized farms (70% of the 1.5 million farms have a surface area of less than 5 ha), the low quality of their output, very limited market integration and a limited number of large farms with high value-added, whose output is mainly exported. Actually, the 1.5 million farms only account for 4% of exports while the agro-industry sector, which is less labour-intensive (60,000 workers), accounts for 2%. Paradoxically, the coverage rate has declined since 1990, indicating a deficit in agricultural products.

2.2.19 Sector competitiveness had improved, thanks to the Green Morocco Plan. Since 2008, the plan has led to: (i) an increase of 137,000 ha in the irrigated surface area; and (ii) a 70% increase in fruit and vegetable production. Exports of agri-food products surged to over MAD 32.5 billion in 2013, or an increase of 123% since 2001. Despite growing competition, especially from countries of the Mediterranean basin, Morocco is ranked among the world's five leading exporters of several products.

A Strong Commitment to Combating Climate Change and Preserving Resources

2.2.20 Moroccan authorities have made great efforts in terms of public policy and operational initiatives to protect the environment. The 2011 Constitution recognizes access to a healthy environment as a fundamental right of citizens. The National Environment and Sustainable Development Charter adopted in 2014, establishes an environmental taxation system composed of green taxes levied on activities that have a significant impact on natural resources. This drive led to the publication of the National Strategy for Sustainable Development 2015-2020 (*ME, 2015*).

2.2.21 The Kingdom also played a major role on the international scene by undertaking to reduce its greenhouse gas emissions under COP 21 and organizing COP 22 in 2016, during which it introduced the issue of water resources into the discussions. During COP 21, Morocco undertook to reduce greenhouse gas emissions by 13% before 2030. This effort could be increased to 32% if international funds are mobilized (estimated at USD 45 billion). As regards climate change mitigation, 50% of the projects focus on energy. They include: (i) a determination to increase the share of renewable energy within the installed electricity capacity to 42% by 2020 (34% in 2015); and (ii) the improvement of energy efficiency. As regards adaptation, the programme includes: (i) the substitution of overexploited groundwater with surface water; and (ii) the acceleration of desalination programmes, construction of dams and recycling of wastewater by 2030. Concerning drinking water, an estimated water savings potential of 120 Mm3/year is possible through recourse to appropriate technologies and greater efficiency in its usage (*UNECA, 2016; WB, 2013; UNFCC, 2015*).

2.3 AID COORDINATION/ HARMONIZATION AND BANK'S POSITIONING

2.3.1 The AfDB is a long-term privileged partner in the development of Morocco. The country has the Bank's largest portfolio, comprising 35 operations for a total commitment of UA 2 billion (Annex 16). The portfolio covers seven areas: energy (38.7%), transport (24.8%), water and sanitation (14.5%), agriculture (6.8%), the social sector (4.9%), non-sovereign operations (0.6%) as well as multi-sector operations (9.8%). The portfolio is concentrated on infrastructure (85% of commitments) especially in the energy and transport sectors in which the Bank has a real comparative advantage. However, it is worth noting that this portfolio mainly reflects the Bank's investment projects and that 39% of allocations over the 2012-2015 period (UA 1.85 billion) are provided as budget support to the State. These operations have supported reforms to promote the private sector, industrialization (competitiveness, financial sector, agriculture) and employment (matching training to employment, protection of workers), these being sectors in which the Bank has recognized expertise.

2.3.2 The Bank, together with the WB, KfW AFD and EU (and its institutions), is one of Morocco's leading donors. The support of the Gulf countries (Qatar and Saudi Arabia) is also significant (UA 1.5 billion) and is provided in the form of grants (Table 1). Analysis of the portfolio of institutions with a similar level of commitment as the Bank (Annex 5) yields three conclusions on identification of the Bank's interventions for the 2017-2021 period. Firstly, these institutions have similar strategies, involving the implementation of broad crosscutting approaches with very strong synergies between partners; this approach should be consolidated in the new strategy. The broad crosscutting approach also enables the leading partners to address major development challenges in an integrated and concerted manner, especially as these challenges are highly inter-dependent in emerging economies. This approach also makes it possible to diversify risk when dealing with large portfolios and to sustain their disbursement performance. Secondly, there are strategic sectors in which Morocco's major partners are systematically committed. Such joint commitment builds substantial leverage in areas where financial and technical assistance needs are significant. These sectors include energy [with WB, IsDB and KfW], agriculture [with AFD, WB and JICA] and water [with the WB and the AFD]. However, the partners develop certain specificities in such operations. For instance, renewable energy, irrigation and development agricultural value chains, and integrated water resource management are areas in which AfDB is one of the lead donors. Thirdly, the leading partners have also developed some very specific skills, for instance in urban development (AFD), or waste management (WB). AfDB's specificities include: (i) its ability to conduct reform programmes aimed at boosting the competitiveness of the economy and reducing social inequality through employment, while mobilizing partners (*EU, WB and JICA*) and developing synergies with its investment programmes; (ii) its longstanding competence in developing large-scale infrastructure (transport and logistics, energy, water and sanitation, while mobilizing the AFD, EIB or EBRD), and in infrastructure used to stimulate economic development and create employment. Intervention pillars are identified around these complementarities and AfDB's specific competencies.

2.3.3 The AfDB Field Office in Morocco (COMA) plays a key role in consolidating dialogue with the government and other development partners. Regular dialogue between COMA and the authorities helps to identify problems and priority actions that need to be taken to improve project execution. The close assistance provided by COMA highlights all the advantages of decentralization and of the Bank´s physical presence on the ground.

Table 1 : Development Support (Partners and Sectors) (Min end-March 2016)

Partners	UA billion
IBRD	1.9
AfDB	1.9
France	1.9
KfW	1.8
EIB	1.5
UE	1.3
IsDB	0.8
QDF	0.8
SFD	0.7
EBRD	0.6
Japan	0.4

Sectors	%
Transport	39.7%
Water and Sanitation	22.4%
Agriculture	9.7%
Energy	12.8%
Health	6.3%
Education	4.5%
Gouv. & NGOs	2.4%
Others	2.2%

Current portfolio (loans and grants)

2.3.4 Coordination among partners is conducted by the Moroccan Government. However, there is fluid exchange of information, thanks to the existence of thematic groups. These groups are chaired either by the partners or by the Government. Through COMA, the Bank chairs the Civil Society Thematic Group. COMA participates in all Social Sector Thematic Groups (health, youth, migration, social protection). The water sector group, created in 2002 by EU member states, has been open to other donors since 2005. Since 2016, AfDB, WB, AFD and the delegated ministry in charge of water resources co-chair this group, which serves as a forum for sector dialogue twice a year. The Agricultural Sector Group, established in 2010, coordinates the activities of the Green Morocco Plan with the Government and partners.

2.3.5 Furthermore, the Bank actively contributed to strengthening multi-sector cooperation among donors. On the initiative of COMA and in collaboration with the World Bank and UNDP, a Main Group of Partners (GPP) was formed. The group meets regularly to share information on results and operational approaches. Accordingly, the leverage effects are significant. AfDB window resources made it possible to raise UA 4.2 billion between 2012 and mid-2016.

2.3.6 Furthermore, to strengthen the anchoring of the Bank's new Development and Business Delivery Model, a number of initiative will be implemented. Firstly, a system for coordinating non-sovereign funding will be developed to work with Africa50, the African Investment Forum and Morocco's private sector institutions (Pillar I). Forums will also be established for coordinating civil society, the youth and women, in order to fine-tune the relevance of Bank action (Pillar II).

2.3.7 In accordance with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, Morocco's national procurement system became the first ever to be used by the Bank starting 2014. Moreover, one of the conclusions of the CSP 2012-2016 completion report is that from 2020 it would be feasible to adopt the country system in its entirety for project implementation (with utilization of the public expenditure circuit). The TGR would be able to adopt commercial-type accounting (general and cost accounting) to produce the balance sheet and income statement of the Moroccan State from 2018, under the new Organic Law on the Appropriation Act. In parallel, the Court of Auditors will be ready to certify capital accounts in 2020. This should enable the Kingdom of Moroccan to raise funds on the financial markets, from 2020. The Bank will accompany the country in achieving these objectives. Concrete examples include: support in the conduct of PEFA in 2016 and support to the Court of Auditors (*MIC TAF grant*) scheduled for 2016-2018.

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III. BANK GROUP STRATEGY

3.1 RATIONALE FOR BANK'S INVOLVEMENT

- **Methodology Adopted for CSP Preparation**

3.1.1 The thrust areas of CSP 2017-2021 were selected following an analysis conducted during the preparation of this report (Section II), the conduct of Economic & Sector Works (Annex 7) and especially the findings of the growth diagnostic carried out by AfDB, the authorities and MCC. More specifically, the selection of these thrusts was guided by the following six criteria (Annex 1): (i) an integrated approach to Bank's High 5s; (ii) an integrated approach to Government priorities, the lessons learned from the CSP 2012-2016 completion report and the recommendations of the BDEV report; (iii) an approach adapted to middle-income countries; (iv) high selectivity within the pillars; (v) Bank positioning as key dialogue player with a comparative advantage; (vi) risk absorption and diversification capacity; and (vii) building on the Moroccan experience in the rest of Africa.

3.1.2 The Bank's involvement is justified by the huge amounts of financing needed by the country to implement projects and reforms to enable it to meet the challenges above mentioned. The Treasury's financing needs for 2016 and 2017 stand respectively at MAD 42.6 billion and MAD 32.8 billion, that is USD 4.4 billion and USD 3.6 billion. These needs will be covered by Morocco's own resources and external resources. The Appropriation Act is prepared in a manner that incorporates relevant development plans and sector strategies into the annual investment plan, and anticipates financing under discussion with partners. This alignment is clarified in the Appropriation Acts adopted and published by the authorities.

3.1.3 The CSP was prepared using a participatory approach involving the authorities, civil society, partners and the private sector. Dialogue missions were fielded in March, July and September 2016 (Annex 11). These missions helped to take stock of Bank activities since 2012 and to identify the areas that needed to be reinforced during the next CSP. The mission conducted by the Bank President in July 2016 enabled discussions with the highest authorities, the private sector and civil society to confirm the alignment of planned pillars on Morocco's and Bank priorities. An action matrix was prepared following the mission to accelerate the implementation of the future CSP (Annex13). The potential operations and cooperation frameworks identified were incorporated into the CSP. The September 2016 two-week mission helped to finalize dialogue with all stakeholders and operationalize the pillars identified. In addition to bilateral meetings, discussion workshops were organized throughout the process with the authorities, development partners, civil society and the private sector to foster dialogue. Moreover, it was agreed that workshops for civil society should be organized at each project preparation phase in order to increasingly involve civil society actors in Bank operations, and that regular meetings should be held with CGEM and local banks to facilitate support to the private sector and the financing of non-sovereign operations.

3.1.4 The pillars were deemed relevant by the stakeholders and the recommendations made during this consultative process were incorporated into CSP 2017-2021. Specifically, the following lessons were learned during this dialogue on CSP 2012-2016 implementation: (i) continue to support the authorities in transforming the Moroccan economic model; (ii) incorporate budget support and investment projects into each pillar to develop synergies between public policies and investment; (iii) encourage a programme-based approach for budget support operations. This should be possible from 2018 with the adoption of the new Organic Law on the Appropriation Act; (iv) prepare an investment programme and a logical framework for the first three years as it was done in the previous CSP; and (v) continue the sector evaluation undertaken by the Bank (BDEV) to monitor the impact of reforms and investments.

- **Overall Objective, Alignment and Instruments**

3.1.5 The analysis carried out in Section II stresses that there are still challenges, especially concerning the structural transformation of the economy and the reduction of spatial and social inequalities, particularly in the area of employment. The environmental issue is also fundamental. However, there has been remarkable progress on which investment and reform programmes can be based. Such progress includes: the restoration of macro-economic balances, the good performance of Morocco's new global trades, the development of a sustainable economy and the strong political will to implement reforms to improve the business climate and facilitate access to employment.

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3.1.6 In this regard, the overall objective of the CSP is to support the country in accelerating the transformation of its economy and building its resilience through targeted support to develop the private sector and reduce employment-related disparities (age and gender). To achieve this objective, the CSP will comprise two pillars: (I) Promote Green Industrialization through SMEs and the Export Sector; and (II) Improve Living Conditions through Jobs for Youths and Women and in Rural Areas.

3.1.7 The new CSP 2017-2021 prioritizes the principles of alignment on Government priorities, consolidation of the achievements of previous operations (Table 2), and complementarity with other partners (Annex 5) and the Bank's strategic framework. In particular, the CSP will be hinged on two of the Bank's top five priorities ("Industrialize Africa" and "Improve the Quality of Life for the People of Africa") as key thrust areas. However, the projects will also help to selectively address the other three top priorities ("Integrate Africa", "Light up and Power Africa" and "Feed Africa") to accelerate and catalyse the achievement of the objectives of the first two priorities. Bank actions will help to achieve the two objectives of the 2013-2022 Ten-year Strategy (inclusive and green growth) and a projected objective of the Regional Integration Strategy for North Africa (being drafted).

3.1.8 Promoting green growth is the crosscutting theme of this strategy. Under Pillar 1, green industrialization will be promoted as decided during the 2016 AfDB Annual Meetings. This action will be supported through green infrastructure development by scaling up operations on renewable energy and sustainable means of transport. Under Pillar II, green sub-sectors will be promoted within the training system and through the sustainable use of resources by the agricultural system. Water resource preservation will be central under this pillar. Therefore, Pillar I will focus mainly on climate change mitigation actions, while Pillar II will lay more emphasis on adaptation actions.

3.1.9 Furthermore, the Bank will strive to support the development of relations between Morocco and the rest of Africa. This will require support for the acceleration of trade and investments through targeted counselling (3.1.16), and financing of private sector projects and specific trade facilities (3.1.13). This will also require sharing Morocco's experience and expertise (3.1.15).

3.1.10 In terms of instrument, the CSP 2012-2016 completion report particularly recommends the acceleration of Bank support to non-sovereign projects. The Bank will step up dialogue with the private sector during the period 2017-2021 using innovative approaches where it has strong additionality (SME and export sector). In addition and taking into account the constraints identified in providing financing in local currency to the private sector, emphasis will be laid on the financing of investment programmes and projects that generate foreign exchange for the country and on which the Bank could position itself with financial additionality. In this regard, the provision of support for the development of value chains between Morocco and the rest of Africa must be continued and should help to strengthen support to Maroc Export. Special attention will be paid to certain sectors (fertilizers and the pharmaceutical sector, for example). Moreover, ongoing support for the development of PPPs will be consolidated in terms of technical assistance and projects.

3.1.11 Over the period 2017-2021, the Bank will consider the financing of budget support and public and private investment operations that will be supported through technical assistance and targeted economic and sector work. The 2016 Portfolio Performance Report, PEFA and the fiduciary assessment note the very good performance of operations implemented by the Bank, which allows for the use of the entire range of instruments. Moreover, the CSP 2012-2016 completion report underscores the need to develop synergies between budget support and investment programmes.

3.1.12 The lending programme will be developed in a manner that will: (i) facilitate the incrementality of AfDB financing; and (ii) accelerate resource mobilization while preserving the Bank's prudential financial ratios. The annual allocation for CSP 2017-2021 is estimated at UA 350 – 400 million if all the parameters remain unchanged. Resources will be allocated by operation in such a way as to mobilize maximum additional resources (therefore, the crowding out of other partners will be avoided). Hence, co-financing is projected at UA 4 billion (see Annex 3 for potential financing). Moreover, to mobilize additional resources: (i) share subscription during the identification of non-sovereign operations will be prioritized; (ii) regional projects will be sought; (iii) the active management of Morocco's sovereign debt owed AfDB will be promoted; and (Iv) investment funds will be approached such as the Ithmar Al Mawarid sovereign fund for the development of activities between Morocco and the rest of Africa.

Table 2: Rationale for the Bank's Intervention Framework 2017-2021

Development Issue Challenges & Constraints	Progress by CSP 2012-2016 Strengths & Opportunities	State Intervention Framework (2.2.2) Appropriation Act 2017	State Intervention Framework (2.2.2) Sector Strategies	Pillars 2017-2021	Continuity of Bank Action Pillar 2012-2016
Accelerate the transformation of the economic model through industrialization •SMEs have difficulty in developing •Difficulties in establishing value chains •Business climate improvement to be continued •Costly logistics development programme	Stability conducive to emergence •Political stability Macro-economic consolidation A clear industrial strategy •New sectors being developed •Improvement of governance •Improvement of the business climate •Development of export logistics and infrastructure	(i) Industrialization and export (ii) Competitiveness, private investment promotion	•National Industrial Acceleration Plan •Logistics Acceleration Plan •Morocco as a hub for Africa •Programme contracts (ONCF, ONEE, etc.)	Pillar I Promote Green Industrialization through SMEs and the Export Sector	Pillar I Governance: Governance: Improve Public Finance Management, Competitiveness and the Business Climate Pillar II Infrastructure: Improve the Business Environment and Competitiveness
Reduce energy dependence •Vulnerability of the competitiveness of enterprises to international energy prices •Costly energy development programme	An ambitious renewable energy development programme •Great potential •Industrial value chains to be established •COP22		•New National Energy Strategy •National Sustainable Development Strategy		
Reduce employment-related dispUnemployment among youths and women, rural job insecurity, inadequate social security •Training/job mismatch •Problem of financing women entrepreneurs •Vulnerability of rural jobs to climate hazards	A new Constitution (2011) which promotes free access to education and work	iii) Improvement of human resources and reduction of disparities	•Employment Strategy 2025 •Education Vision 2030 •National Vocational Training Strategy 15-21	Pillar II Improve Living Conditions through jobs for Youths and Women and in Rural Areas	Pillar I Governance: Improve the State's Social Action Pillar II Infrastructure: Reduce Regional Disparities
	An agricultural sector with great potential		•Green Morocco Plan •National Rural Development Strategy •Rural and Mountain Area Development Fund •NHDI Programme		
Preserve water resources (development of sustainable employment in rural areas through agriculture)	Strong commitment to respond to climate change and for resource preservation		• National Sustainable Development Strategy •Water Law – 36.15		

- **Intervention Pillar for 2017-2021**

Pillar I: Green Industrialization through SMEs and the Export Sector

3.1.13 Under this pillar, Bank activities will aim at supporting the sustainable development of Morocco's industrial fabric by: (i) removing obstacles to the development of SMEs and the export sector (emphasis will be laid on agri-business and Morocco's new global trades); and (ii) promoting the development of renewable energy (which, by itself, is a strategic industrial sub-sector for Morocco).

3.1.14 Operationally, the Bank will first strive to support Morocco to remove the regulatory and financing constraints on SMEs and the export sector as identified in the growth diagnostic. These actions will seek to: (i) expand the industrial fabric through SMEs in strategic sectors (agro-industry; global trades); (ii) ensure the growth and establishment of value chains through SMEs to increase the share of value added created locally and in goods and services exported; and (iii) create jobs and promote innovation and entrepreneurship. Budget support operations will strive to continue (through a programme-based approach) Bank support to priority thrust areas of the authorities' reform programme, namely: (a) Improve the Business Climate and Competitiveness of the Industrial Fabric; and (b) Strengthen Access to Financing by SMEs. In that connection, women's capacity to integrate the private sector dynamics will be built through support for active policies. The Bank will also provide direct and indirect support for the improvement of SME and export sector financing by mobilizing the entire spectrum of non-sovereign financing instruments, including: (1) direct financing of industrial units; (2) financing of investment funds for SMEs; and (3) establishment of lines of credit. The Bank will systematically consider projects that help to develop trade relations with the rest of Africa and PPPs, and support their development. Moreover, investment projects will be financed to support infrastructure development in order to make export value chains (agri-business, new trades, energy sector, etc.) more competitive. These projects will seek to promote Morocco's economic integration into world markets (particularly with the rest of Africa) and support better connection between the hinterland and export infrastructure to accelerate national economic inclusion. Technical assistance will be provided to projects that support Morocco's industrialization and export sector.

3.1.15 Furthermore, to support sustainable industrial development, the Bank will finance activities that help to reduce the ecological footprint of industrialization, in accordance with the National Sustainable Development Strategy (NSDS). Besides promoting sustainable means of transport (railway), the Bank will seek to encourage

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green industrial processes and waste recycling under the projects. In addition, the financing of renewable energy projects will help to sustainably support increased energy demand resulting from industrialization. These projects will enable the country to: (i) reduce its energy dependence and supply electricity to industrial units at competitive rates; (ii) develop new industrial sub-sectors through strong local integration of projects; and (iii) honour the commitments made by Morocco during COP 21 and COP 22. The Bank will also provide technical assistance for the promotion of energy efficiency and the sharing of experience in renewable energy between Morocco and the rest of Africa.

3.1.16 Lastly, the Bank will seek to fill the knowledge gaps it has identified. In particular, it will strive to support the authorities and the private sector in identifying opportunities (sectors) and constraints (tariff and non-tariff barriers), in order to accelerate trade between Morocco and the rest of Africa. Moreover, the Bank will continue economic and sector work to support the development of PPPs (especially budget sustainability).

3.1.17 Regarding the High 5s, these actions will contribute to implementing the five programmes of the Industrialization Strategy for Africa 2016-2025, namely: (i) Promote Successful Industrial Policies; (ii) Mobilize Financing for Projects Targeted at Infrastructure and Industry; (iii) Grow Liquid and Efficient Financial Markets; (iv) Promote and Steer Business Development; and (v) Promote Strategic Partnerships in Africa. Concerning agro-industry, these actions will support the Strategy for Agricultural Transformation in Africa 2016-2025 through two facilitation roles: (a) establishing a better agro-industrial environment; and (b) mobilizing more agricultural financing flows. Lastly, this pillar will support the implementation of the New Deal for Energy in Africa 2016-2025 through the flagship programme “Developing Renewable Energy”.

Pillar II: Improve Living Conditions through Jobs for Youths and Women and in Rural Areas

3.1.18 Under this pillar, the Bank’s intervention will focus on reducing unemployment among youths and women, and improving employment quality and sustainability in rural areas. Bank actions will contribute to a harmonious and sustainable development of Morocco, ensuring that the entire population is involved in economic development and enjoys the benefits of Pillar I.

3.1.19 The Bank’s intervention will prioritize the promotion of employability, entrepreneurship and training-to-employment transition. It will strive to support Morocco in removing the constraints identified in the growth diagnostic related to human capital in general, and education in particular. This support will require the financing of budget support operations for reforms using a programmatic approach. Under such budget support operations, the Bank will support policies that help to improve: (i) youth skills to facilitate their integration into active life; (ii) the effectiveness of mechanisms for regulating training based on the needs of the economy; (iii) training-to-employment transition to reduce the unemployment rate, which increases as the level of qualification rises; (iv) the mobility and protection of young workers; and (v) access to education by girls, especially in rural areas. To strengthen point (v) and promote women’s economic integration, the Bank will support women entrepreneurship through the establishment of funds to supplement efforts made in this regard under the previous Strategy 2012-2016 (ILYAKI Guarantee, PADESFI III). Provision will be made for technical assistance to support Bank actions in promoting employability and vocational training-to-employment transition.

3.1.20 Moreover, Bank support will seek to enhance rural employment quality and self-employment, and entrench the job creation in the regions. Budget support and public investment projects will be designed in synergy and reinforced by the outcomes of non-sovereign agro-industrial projects financed under Pillar I. These support projects will seek to reinforce: (i) employment resilience to insufficient rainfall and the decrease in ground water resources; and (ii) income in rural areas by developing agricultural value chains. This will translate into support for public policies that help to develop agricultural value chains, smallholdings and integrated water resource management. These reforms will be supported by investments to develop agricultural value chains for high value added export products (olive, almond tree, etc.). Such investments will enable the establishment of a conducive environment for agricultural product development and processing units, the organization of farmers for the marketing of products and the establishment of incubators for young agricultural entrepreneurs. Access to financing for all small agricultural enterprises will be facilitated to enhance their resilience. The issue of water in rural areas will be resolved through the establishment of institutional frameworks for integrated water resource management, the development of agricultural insurance products, the roll out of technologies for better water resource development by the agricultural sector and the construction of water transfer infrastructure to restore resource balance between the regions. Technical assistance will be provided for the development of agricultural value chains (identification of products and markets) and the mainstreaming of the gender dimension into water resource planning and use.

3.1.21 Furthermore, the Bank will seek to fill the knowledge gaps it identified under this pillar. In particular, this will entail continuing studies in the area of public-private partnerships, especially in the social field. Partnerships with other agencies will be strengthened by establishing a Youth Employment Group that will help to conduct an analysis and establish a concerted approach (with WB, UNDP, AFD, MCC, GIZ, among others).

3.1.22 Regarding the High 5s, these actions will help to implement the Jobs for Youth in Africa (JfYA) Strategy through innovation and entrepreneurship programmes for youths and women, and the agricultural employment component. Concerning the Strategy for Agricultural Transformation in Africa 2016-2025, the operations will help to implement two facilitation roles: (i) achieving the value of increased production; and (ii) increasing investment in hard and soft infrastructure.

3.2 EXPECTED OUTCOMES AND TARGETS

3.2.1 The CSP results monitoring framework matrix was prepared based on the operations selected for the period 2017-2019, taking into account the stakeholders' implementation, monitoring and evaluation capacity (Annex 2). During project design, special attention will be paid to the formulation of logical frameworks in line with monitoring and evaluation capacity of beneficiary entities, and on the basis of which the achievement of the High 5s will be measured in a quantifiable and objective manner. Where monitoring and evaluation capacity weaknesses are identified, a specific component will be designed under the project to build the capacity of the beneficiary entities. Annual (or bi-annual) supervision missions will systematically take stock of the outcomes contained in the logical framework and the achievement of the High 5s. A mid-term evaluation report will be prepared in 2019 to: (i) take stock of the achievement of these outcomes; (ii) confirm the relevance of the pillars adopted so far; and (iii) define Bank operations for the remaining CSP period (2019-2021). Moreover, the Ministry of Finance has requested assistance to strengthen project monitoring and implementation, which would be based on development partners' GIS (accessible on ***line).***

3.2.2 Two key outcomes are expected under Pillar I.

► ***The first outcome will consist in contributing to raising the share of industry in Morocco's GDP from 14% to 23% in 2020, which is the main objective of the country's Industrial Acceleration Plan 2014-2020.*** The outcomes of Bank-funded operations will also support the authorities to gain ten spots in the Doing Business annual ranking, and increase FDI by 25% by 2021. These objectives will be achieved through Bank support to reform programmes, especially the *Programme to Accelerate Industrialization through SMEs and the Export Sector (Phases I, II and III)*, which will improve the rules governing economic activities with the establishment of a more conducive environment for private sector development. In particular, this programme will help to: (i) improve the business legal and regulatory framework and the system of one-stop shops through the adoption of the project to reform the Investment Code and the legal framework governing business domiciliation; (ii) dematerialize procedures and modernize the business framework by operationalizing the SME Observatory and the national platform for posting administrative procedures that are binding on the Administration; and (iii) provide 500 ha of accessible rental land at competitive prices. These support operations will help to considerably improve access by businesses to financing, notably through the establishment of an industrial fund. Industrialization will be accelerated through flagship non-sovereign operations with ripple effects on SME ecosystems. Concerning agro-industry, the *Agro-Industry Development Fund* should enable the financing of some twenty agricultural product industrial processing units. The manufacturing and export sectors will be supported directly (*Project on Industrial Units for the Production of Manufactured Goods for Export – 3 projects already identified*) and indirectly through lines of credit (*line of credit: Industry and Export Businesses Involved in Global Value Chains*) and equity participation (*Investment Fund for Manufacturing Industries*). Moreover, these projects will systematically strengthen trade and investment between Morocco and the rest of Africa. Another expected outcome under this pillar will be the building of infrastructure needed to accelerate Morocco's industrialization by reducing the cost of transportation of goods from the interior of the country to export areas. The Bank will support the development of: (a) port infrastructure with high impact on FDI and a ripple effect on SMEs (*the Kenitra Atlantique Port* will support start-ups in the automobile and grain sectors); (b) logistic platforms for export units (*Logistics Strategy Support Project)*; and (c) infrastructure to connect logistic platforms to production areas. (*Nador Port Connection – Logistics Multi-modality Development Project*). These actions will be provided technical assistance, including: (1) support for the National Committee on Business Environment; and (2) the study on the assessment of the impact of ports and port service costing on competitiveness.

► ***The second outcome will be the improvement of industrial competitiveness through the sustainable enhancement of energy supply resilience.*** The *Noor-Midelt and Noor-Tata Solar Energy projects, and the Project to Integrate Green Energy into the Network* will enable the country to cover 8% of annual energy demand and contribute to achieving the objective of generating 42% of energy from renewable sources by 2020 and 52% by 2030. These projects will also support the development of new industrial sub-sectors with a local industrial integration rate of 40%. Moreover, under each private sector operation, innovative technologies will be used to mitigate the impact of industrial activities on the environment.

3.2.3 Two main outcomes are expected under Pillar II

▶ ***The first outcome will be the enhancement of access to employment by women and youths, thereby improving their living conditions.*** In this regard, the *Programme to Support Youth and Women's Employability and Employment (Phases I & II)* will: (i) increase by at least 10% the employment rate among graduates three years after the end of their studies; (ii) increase from 42% to 80% the number of bachelor's and master's degree students in vocational fields; (iii) ensure the insertion into active life of 75% of graduates by 2021. The *Investment Fund for Women's Entrepreneurship (Afawa)* will enable the establishment of 90 women's enterprises. Provision will also be made to provide technical assistance on using PPPs in vocational training to improve access to secondary education by rural girls and to establish an investment fund for women.

▶ ***The Bank will support agricultural sub-sectors, which are the country's primary job-creating sub-sectors, through*** the *Sustainable Agricultural Sub-sector Reform Support Programme*, investment projects for the *promotion of value chains and agricultural entrepreneurship* and the *development of agricultural sub-sectors in irrigation areas*. The Bank will ensure private sector involvement in this process through the establishment of *a line of credit for smallholdings and the rural economy*, which should help to finance 2000 VSEs and SMEs, and create 4 000 jobs. These activities will support the creation of 1.5 million jobs by 2026, which is the overall objective set by the authorities in the Green Morocco Plan. They will support the modernization and improvement of agricultural sector productivity on more than 160 000 hectares of land, and more than MAD 3 billion of private investments through Sub-sector Programme Contracts by 2020, thus creating more than 3 million work days for youths and women. These outcomes will be reinforced under these projects through better water resource management (institutional framework and irrigation technologies) and the *Project to Transfer Water from the North to the Centre*, which will help to transfer 800 million m^3 of water annually between the northern regions (which have surplus resources) and the regions of the south (experiencing shortages). Eighty per cent of these resources will be used for agriculture.

3.3 COUNTRY DIALOGUE

3.3.1 Dialogue on economic integration and the reinforcement of Morocco's cooperation with the rest of Africa will be continued with the authorities to provide access to new markets. This dialogue will strengthen synergies between the Bank's operations in Morocco, the implementation of the Regional Integration Strategy in North Africa, and the Bank's activities on the African continent. In addition, the financing of major regional operations will help to mobilize new resources for the country.

3.3.2 Dialogue will also focus on the possibility for the Bank to address new themes in order to strengthen the achievements made under the two pillars. These themes will include: (i) ICT sector support through the identification of operations that can sustain and support the country's industrialization (for example, the Digital Morocco Plan Support Programme); (ii) decentralization reform support; and (iii) the development of internship programmes in project implementation units. Dialogue with the private sector will be strengthened to support these actors in an innovative manner (see paragraph 3.4.3).

3.3.3. Dialogue on the decisions adopted at the 22nd Conference of the Parties to the United Nations Framework Convention on Climate Change (COP22) held in Marrakech will be strengthened. The Bank has undertaken to support Morocco's chair particularly in: (i) promoting the issues proposed by Morocco at COP22 (strengthening adaptation support, mainstreaming issues related to water, climate justice, and access to financing); (ii) supporting the development of the Adaptation of African Agriculture (AAA) initiative; and (iii) implementing the Africa Renewable Energy Initiative (AREI). These actions will strengthen the outcomes of the CSP crosscutting objective of achieving green growth.

3.3.4 Dialogue will also focus on efforts to improve portfolio performance, particularly in keeping with the instructions contained in PD02-2015. Monthly meetings will continue to be held to examine the challenges facing projects and analyse the maturity of operations in the operations pipeline. Fiduciary clinics on key themes will continue to be organized.

3.4 RISKS AND MITIGATION MEASURES

- Volatile economic growth

3.4.1 The Kingdom's growth rate still depends on agricultural sector performance. The GDP growth rate fell from 4.5% in 2015 to a projected 1.8% in 2016. This drop is mainly attributable to bad crop harvests (see paragraph 2.1.8). To address this situation, the Bank will support Morocco in carrying out the structural transformation of its economy by implementing support operations to accelerate industrialization under Pillar I.

- **Fragile regional economic context**

3.4.2 Morocco's economic stability is strongly linked to growth in Europe. More than 75% of Morocco's exports are intended for the European Union (EU). In addition, most foreign direct investment (FDI) and tourist flows bound for Morocco also come from EU member countries. Aware of this heavy dependence on the EU, Moroccan authorities have made considerable efforts to access new markets, particularly in sub-Saharan Africa. In this respect, the Bank has provided technical assistance to support the Moroccan private sector in developing its activities in Africa.

- **Slow pace of reforms implementation**

3.4.3 The Kingdom's relative positive rating (investment grade) by rating agencies is dependent on sustained efforts to strengthen the budget and debt management, but also on the sustained pace of reform implementation. To avoid a relapse in reform implementation, the Bank will continue to implement budget support programmes during the 2017-2021 period by backing the implementation of comprehensive reforms.

- **Partial adaptation of non-sovereign operation instruments to the specific context of Morocco**

3.4.4 The financial sector in Morocco is vibrant and meets the demands of key private sector actors. However, a large segment of the SME ecosystem is still facing difficulties in gaining access to financing. The Bank will focus its operations in this area where it seems to have stronger additionality by mobilizing instruments such as equity participation and lines of credit for SMEs. In addition, it will hold regular meetings with the General Confederation of Moroccan Enterprises (CGEM) (employers) to seek innovative ways of proposing the financing of PPP projects and/or non-sovereign regional operations in the areas in which it has proven additionality.

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IV. Conclusions and recommendations

4.1 Morocco is in need of considerable financing to support its development and reform plan. As one of Morocco's leading donors, the Bank will continue to provide financial and technical support to the country during the 2017-2021 period through a major lending programme that seeks to preserve the Bank's prudential ratios.

4.2 The Bank's CSP for Morocco during the 2017-2021 period will comprise two pillars, namely: "Pillar I: Promote Green Industrialization through SMEs and the Export Sector" and "Pillar II: Improve Living Conditions through Jobs for Youths and Women and in Rural Areas".

4.3 The Board of Directors is requested to consider and approve the proposed Country Strategy Paper for the 2017 – 2021 period.

ANNEXES

Annex 1: Criteria for selecting country strategy paper (CSP) pillars and projects

i. ***An integrated approach to the Bank's top five priorities.*** This approach helps to develop synergies between operation priorities by building on the Bank's new organizational structure: Pillar 1: Vice-Presidency: Private Sector, Infrastructure and Industrialization and Vice-Presidency: Power, Energy, Climate and Green Growth; Pillar 2: Vice-Presidency: Agriculture and Human and Social Development.

ii. ***An integrated approach to Government's priorities, lessons learned from the CSP 2012-2016 completion report and the recommendations contained in BDEV's report.*** This approach helps to align the pillars of the Bank's operation on Government's Agenda for the 2017-2021 period, while taking into account: (i) lessons from the implementing the previous CSP; and (ii) recommendations contained in the report on the evaluation of Bank operations in Morocco for the 2004-2014 period prepared by BDEV in 2016 (Annex 12).

iii. ***An approach adapted to middle-income countries.*** As economies move up the development ladder, challenges become increasingly interrelated. The approach adopted enables the Bank to provide integrated support to Morocco. Thus, the synergies between the pillars are very strong: (a) the emphasis laid on education and training under Pillar II will help to develop the competencies needed to achieve Pillar I objectives; (b) agricultural activities will be implemented under Pillar II in an integrated manner, with the development of agro-industry under Pillar I.

iv. ***Rigorous selectivity within pillars.*** Projects were selected based on: (i) the Government's capacity and commitment to implement reforms in the sector under review. This capacity has been demonstrated in the areas of governance, agricultural financing and social sectors during the preparation of the 2012-216 CSP completion report; (ii) the relevance of the instrument used for achieving the set objective, depending on the constraints identified (by focusing on budget support in areas facing regulatory constraints and on investment in areas facing physical constraints); (iii) synergy between operations (this synergy is particularly visible in the agricultural sector where public policies will be backed by budget support operations; development of production and processing activities in regions through the implementation of investment operations, and consolidation of the private sector's role through the implementation of non-sovereign operations; and (iv) promotion of regional integration (particularly through trade with the rest of Africa).

v. ***The Bank's positioning as a key player in dialogue and comparative advantage.*** The Bank is one of Morocco's leading development partners and the themes selected are of the utmost importance to the country. The approach proposed is similar to the one adopted by other key partners (WB, AFD and EU) and helps to maintain the Bank as a key player in country dialogue and to strengthen achievements.

vi. ***Absorptive capacity and risk diversification.*** The volume of AfDB's annual commitments in Morocco is one of the largest in the institution. The proposed approach prioritizes the implementation of DP02/2015 by: (i) complying with the absorptive capacity of institutions; (ii) diversifying risks; and (iii) promoting the identification of non-sovereign projects (including PPPs).

vii. ***Building on Morocco's experience.*** Morocco is a source of inspiration on the continent in many respects and the country seeks to strengthen its integration with the rest of Africa. The approach adopted enables AfDB to use this experience for themes of importance to Africa.

Annex 2: Logical framework matrix

Strategic Objectives for Morocco	Strategic Challenges for Morocco	Problems Impeding the Achievement of the Strategic Objectives	EXPECTED OUTCOMES	FINAL OUTPUTS	AfDB Operations that can be Implemented during the CSP Period		
					High 5	Potential Studies and Technical Assistance	Potential Loans
Pillar 1: Promoting Green Industrialization through SMEs and the Export Sector							
Improve economic competitive-ness by developing SMEs and the export sector	Improve the business climate in order to promote the development of SMEs and the industrial export fabric	Legal and administrative constraints often limit the development of SMEs	The legal and regulatory business framework improved, to facilitate the setting up of SMEs (gain of 15 spots in the World Bank Doing Business ranking by 2021 – 75th position in 2016)	A new legal framework for movable property security adopted; the draft amendment of Book V of the Commercial Code related to distressed enterprises adopted; the draft amendment of the Investment Charter adopted; the framework for the domiciliation of enterprises adopted	**Industrialize Africa**	Provision of technical assistance (TA) to the National Business Environment Committee (CNEA) Conduct of economic and sector work (ESW) on the institutional framework of and opportunities for PPPs in Morocco ESW on budget sustainability of PPPs in Morocco	**BUDGET SUPPORT** Programme to Accelerate Industrialization through SMEs and the Export Sector Programmatic Approach (2017-2018-2019)
			The dematerialization of procedures and modernization of the business environment accelerated, to reduce indirect costs on SMEs and export competitiveness	The national platform for posting administrative procedures that are binding on the Government is operationalized; the National Pledge Register is operationalized; the SME Observatory is set up and operationalized; all import/export procedures dematerialized			
			The one-stop shop system improved, to reduce the costs of setting up SMEs (the cost of starting a business drops from 9% of GDP to 6% of GDP by 2021)	A solution for starting a business online worked out; general regulations on construction are operationalized			

	Increase the share of high value-added industrial product exports	Exports are undiversified and unrefined with regard to the country's level of development	Industrial sector exports increase by 15% Export turnover increases by MAD 5 billion over a 5-year period	Industrial ecosystems (emphasis on agribusiness and Morocco's new global trades) established			
	Increase the investor-reception capacity	Limited investor-reception capacity	FDIs increase by 25% by 2021	Land allocated and made accessible at competitive rental rates (500 hectares)			
	Improve conditions of access to finance by Moroccan SMEs	Limited industrial sector financing mechanisms	The share of the industrial sector in GDP increases by 6 points (20%) by 2021	An Industrial Development Fund (MAD 21 billion) established			
		A large proportion of SMEs/SMIs lack access to financing. Financial instruments do not meet their needs (export enterprises)	The share of private sector credit increases from 91% of GDP in 2015 to 94% of GDP in 2021; the share of credit to VSMEs increases from 36% of GDP in 2015 to 42% of GDP in 2021	The supply of guarantee products to meet the needs of export enterprises and SMEs/SMIs is diversified		TA: Development of new guarantee products to facilitate access to financing by SMEs (Central Guarantee Fund)	
		The investment capital potential for SMEs is not fully developed and its regulatory framework is unattractive	The investment capital penetration rate and the number of jobs created increase by more than 1% of GDP; at least 100 VSMEs have access to seed funding	New framework for investment capital established; a Public-Private Seed Fund established			

	Further develop financial markets to provide long-term financing to SMEs and anchor projects	Financial markets should be further developed to mobilize financing for SMEs and anchor projects	The stock market's contribution to the financing of the economy increases from 5% in 2015 to 7% in 2021; stock market capitalization increases from 52% of GDP in 2015 to 57% of GDP in 2021; financing instruments diversified	The number of SMEs participating in the ELITE programme increases from 12 to 40 with at least 10% of enterprises obtaining financing through the stock exchange, futures market and infrastructure, and green finance instruments (infrastructure and green bonds)			
	Strengthen financial sector governance to enable it to meet the financing needs of enterprises while ensuring its stability and resilience	Need to consolidate reforms to meet the highest international standards	The share of non-performing loans drops to less than 7%; the systematic monitoring and control of risks in the financial sector improved; the mainstreaming of the gender dimension into financial sector governance improved	The status of the Central Bank (BAM) strengthens its financial stability prerogatives regarding emergency liquidity; financial sector nomenclature harmonized; AMMC circular providing for the mainstreaming of the gender dimension into the annual reports of listed companies issued			
	Improve financial inclusion to support entrepreneurship	Difficulty in providing financing to project holders (particularly youths and women) and VSEs	The rate of access to banking facilities increases to 72%; the rate of financial inclusion improved	The National Financial Inclusion Strategy adopted; a suitable microcredit sector framework established; digital finance developed			
	Support the competitiveness of the export SMEs integrated into global value chains by providing adequate liquidity and financial instruments	Need to support SMEs integrated into Morocco's new industrial trades through long-term financing to implement their investment plans	Export SMEs integrated into global value chains have easy access to financing to enhance their competitiveness	A long-term line of credit devoted to SMEs that contribute to accelerating industrial development (emphasis laid on new trades in Morocco and related service sectors) established; 60 SMEs targeted – 500 jobs created	**Industrialize Africa**		**LINE OF CREDIT** Industries and export enterprises integrate into global value chains (2019)

	Accelerate the development of export-oriented industrial units	Need to improve the country's trade balance and support the setting up of enterprises outside the domestic market	Support provided to 2-3 industrial programmes to help develop sectors such as fertilizer and housing (materials and manufactured products)	Financing provided to 2-3 Moroccan investment projects and programmes exporting goods and services and/or seeking to expand their activities to sub-Saharan Africa	**Industrialize Africa**	ESW on tariff barriers on exports to Africa and promising sectors	**CORPORATE LOANS** to industrial groups (3 projects initially identified) (2017-2018)
	Strengthen the productivity and competitiveness of export SMEs in the agribusiness sector by facilitating access to financing through private capital investment	Capital investment for the agricultural and agribusiness sectors (AGRI/AGRO) remains very low	The financing of export SMEs in the agricultural and agribusiness (AGRI/AGRO) sector improved	Support given to an investment fund to finance some twenty agribusiness and agro-industrial projects	**Industrialize Africa** **Feed Africa**		**EQUITY PARTICIPATION** Agribusiness Development Investment Fund (2018)
	Enhance the competitiveness of export SMEs in the manufacturing sector by facilitating access to financing through private capital investment	Capital investment in the manufacturing sector is still limited	The financing of SMEs in the manufacturing sector improved – 100 direct jobs created	Support given to an investment fund to finance ten projects in the manufacturing sector – in Morocco (main investment), Algeria, Tunisia and West Africa	**Industrialize Africa**		**EQUITY PARTICIPATION** Manufacturing Industry Investment Fund (2019)
	Strengthen logistical and export infrastructure to make SMEs and the export sector more competitive (reduced input costs, more sensitive value	Need to strengthen the infrastructure capacity and improve transport services as well as logistics to meet the needs of economic operators	The capacity and performance of the port and the competitiveness of Gharb Region enhanced to attract automobile and agri-food sector SME	A deep sea port comprising a 2 660 metre-long dyke, a 765 metre-long secondary dyke, a 270 metre-long grain quay, and a 280 metre-long carrier quay constructed	**Industrialize Africa** **Integrate Africa**	TA/ESW: impact assessment of ports and port pricing policy on competitiveness	**INVESTMENT PROJECT** Construction of Kenitra Atlantic Port (2017)

	chains, reduced export costs)	(SMEs and export sector)	Goods flow management optimized (containers, grain, cars, petroleum products, construction materials, etc.); The skills of logistics sector actors (service providers and shippers) updated	Four logistical areas established (Casablanca, Rabat, Tangier and Fez) covering a total surface area of 236 hectares comprising: (i) developed land; and (ii) storage sheds/goods handling, management/training blocks, container storage areas, and truck parking lots		TA/ESW: Study on the development of logistical areas (2017) ESW: Identification of logistical constraints on SMEs	**INVESTMENT PROJECT** Logistics Strategy Support Project (2018)
			The connectivity of the Oriental Region to the global goods import/ export network improved; the transmission capacity improved; and the Oriental Region's competitiveness enhanced	A new 50 kilometre-long railway line created, i nvolving the construction of a platform; the supply and laying of rail tracks, the supply and installation of overhead lines, the supply and construction of the sub-station; the establishment of systems and security/ safety equipment; and the construction of railway stations			**INVESTMENT PROJECT** Connection of Nador West Med Port – Development of Multimodal Logistics (2019)
Improve the country's power supply security by developing renewable energy to strengthen industrial sector competitiveness (the share of renewable energy in the total installed power generation capacity increases to	Develop the solar power potential and a sector based on renewable energy	Dependency ratio of about 95% in 2014, significantly affecting the country's balance of payments and corporate competitiveness	The generation of 3 000 GWh of renewable energy, that is 8% of the average annual demand for electricity drawn from the power grid (34 413 GWh in 2015) increased; 40% industrial integration rate; six thousand temporary jobs and 600 permanent jobs (90 of them for women) created	(i) 500 MW capacity Noor Midelt Solar Complex with an annual power generation capacity of about 1 500 GWh; and (ii) 500 MW capacity Noor Tata Solar Complex with an annual power generation capacity of about 1 500 GWh	**Industrialize Africa** **Light up Africa**	TA to the Ministry of Energy to promote energy efficiency ESW: Development of industrial renewable energy sub-sectors	**INVESTMENT PROJECT** Midelt and Tata NOOR Solar Complex Project of (2017, 2020)
	Extend and strengthen the national interconnected power transmission grid to increase its transit capacity so as to channel	The existing power transmission network should be strengthened and extended to: (i) increase its transit capacity; and (ii)	The total installed capacity of the transit transmission grid increased by 6%	(i) 750 kilometre-long EHV/HV (400/225 kV) lines built (400 kV), representing about 3% of the total length of EHV/HV networks in 2015 (24 508 kilometres); (ii) 6 EHV/HV and HV/MV transformer			**PROJET D'INVESTISSEMENT** Renewable Energy Power Integration

42% in 2020 and 52% in 2030)	the additional power generated by the Noor Solar Energy Programme (2 000 MW), Integrated Wind Energy Programme (2 000 MW) and private power generators (Laws No. 13/09 and No. 58/15)	connect it to power grids and new power generation units within the framework of implementation of national renewable energy programmes (solar, wind and hydroelectricity)		stations constructed, representing 4% of the total number of VHV/HV and HV/MV stations in 2015 (148); (iii) 1 200 MVA of installed power, or 4.6% of the total installed power in 2015 (26 072 MVA)			Network Project (2018)
Pillar 2: Improving Living Conditions through Jobs for Youths and Women and in Rural Areas							
Reduce youth and women's unemployment	Improve the quality of the labour force by developing youth skills and employability	Low level of professionalization of universities	Training courses further diversified	The number of undergraduate and graduate students enrolled in vocational courses increases from 42% to 80%. Based on the 2017 integration survey, the rate of employment of graduates three years after studies increases by at least 10%	**Industrialize Africa** **Improve the quality of life for the people of Africa**	TA: Evaluation of the professionalization of university courses; Capitalization of experiences and PPP good practices, and contracting of vocational training to enable its expansion ESW: PPP in social sectors	**BUDGET SUPPORT** Youth and Women's Employability and Employment Support Programme; Programmatic Approach (2017 and 2019)
		Low autonomy of universities and vocational training centres	The autonomy of universities and vocational training centres increased	The number of institutions placed under the delegated management regime increases by at least 15%			
		Inadequate and low dynamism of research and innovation platforms in relation to	The number of career development centres in universities is increased	The number of career development centres in universities increases from 3 in 2016 to 9 in 2022			

		enterprises and poor linkage of the entrepreneurial culture in universities	Innovation complexes in universities (establishment clusters, start-ups, etc.) improved and extended	The number of career development centres in universities increases from 3 in 2016 to 9 in 2022			
	Improve the efficiency of the regulatory mechanisms of training services, depending on economic needs	Need to improve the quality and relevance of training to better meet labour market demand	The involvement of the private sector in the management and implementation of training consolidated through the improvement of PPP	PPPs concluded between the private sector and universities increase by 25%			
		Tools used to evaluate and qualify the integration of graduates are inefficient	The monitoring of the quality of education, training and integration improved	The number of vocational training institutions placed under delegated management regimes increase by at least 15% 55% of institutions use the quality vocational training (VT) assessment benchmark			
			A national system for monitoring students' knowledge established	The system for monitoring the integration of graduates of university and vocational training institutions generalized. A system for monitoring students' knowledge established			
	Facilitate transition from training to employment in order to reduce the unemployment rate, which increases with the level of qualification (4% among non-graduates, 24.4% among university graduates in 2015)	Low level of supervision of self-employed persons	Entrepreneurship and self-employment promoted through the implementation of active employment programmes in universities	The unemployment rate among university graduates reduces from 24.4% in 2015 to 18% in 2022 and among youths aged between 15 and 24 years who are holders of technical or primary school certificates (medium level) from 24.6% to 17%			

	Facilitate the mobility of and protect young workers	Limited number of workers covered by labour regula-tions (33%)	The legal protection of informal sector workers is broadened	The rate of workers covered by legal protection increase from 33% to 50%			
		Weak labour force social safety net	The social safety net is extended to informal sector workers	The labour force health insurance coverage rate increases from 18.1% to 40%			
	Facilitate women's access to employment by developing skills and entrepreneurship	Poor access by and limitation of rural girls to secondary and/or vocational education	The rate of transition from primary to secondary education and from secondary to vocational education for rural girls increased	The rate of transition for rural girls from primary to secondary education increases from 22% in 2016 to 32% in 2022 and from secondary to vocation education from 34% in 2016 to 44% in 2022		TA focused on the reform of school welfare services (boarding schools, canteens, school transportation, scholarships, school health, awareness campaigns, etc.) to improve the access of rural girls to education	
			The school welfare service system is strengthened on behalf of rural girls	The share of rural girls having access to school welfare services increases by at least 20% in 2022			
		Limited opportunities in women's vocational training	A vocational training system is established for rural girls and women	The number of youths and women aged between 15 and 25 years who drop out of school reduced from 200 000 to 150 000			
		Difficulties faced by women-headed VSMEs and SMEs in accessing investment capital financing	A tool that facilitates access to investment capital by projects promoted by women is developed; 90 projects promoted by women supported; 300 jobs created	The Investment Fund mainstreams the gender dimension		TA for the establishment of a Women's Entrepreneurship Investment Fund	**EQUITY PARTICIPA-TION** Women's Entrepreneur-ship Investment Fund (2017-2018)

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Develop permanent and high value added rural jobs	Develop sectors with a high potential to improve rural livelihoods and build the resilience of jobs created in the event of poor rainfall	Chaines Market gardening and arboriculture value chains are fragmented – poor quality and inadequate availability of products Need to improve the availability and sustainability of water, and the capacity of beneficiaries to adjust Low private sector participation in the agricultural sector. Need to strengthen public and private sector partnership	(i) An agriculture-oriented approach to the fight against poverty is developed; (ii) Increased farmers' income (capital gain MAD 13 000/ha); (iii) Jobs are created in rural areas (1.6 million work days/year)	Value chains are developed over a surface area of 55 000 hectares comprising: (i) olive trees: 52 600 hectares; (Ii) fig trees: 1 300 hectares; (iii) almond trees: 900 hectares; (iv) apple trees: 200 hectares; (v) product development and processing units are set up; (vi) producers are organized to market products; and (v) an incubator for young agricultural entrepreneurs is organized	**Improve the quality of life for the people of Africa** **Feed Africa**	TA for promoting youth and women's employment in rural areas through financial inclusion	**INVESTMENT PROJECT** Promotion of value chains and agricul-tural entre-preneurship (2018)
			(i) Agricultural production (profit of MAD 18 000/ha) is improved; (ii) high value added value chains are developed; (iii) irrigation water saving (80 million m3/year); (iv) jobs are created in rural areas (1.5 million work days during the construction phase and 0.25 million work days during the operation phase)	30 000 hectares of land are developed for localized irrigation: (i) development of pumping, irrigation piping filtration facilities; (ii) support for product development and marketing; (iii) building the capacity of producer organizations		TA to build the capacity of Agricultural Water Users Associations	**INVESTMENT PROJECT** Development of agricultural sectors in irrigated areas (2019)
		The agricultural sector is considered as risky, attracting less agricultural sector and agro-business credit compared to needs	Agricultural sector credit is improved and the sector's contribution to GDP increases from 4% in 2016 to 7% in 2025	2 000 VSMEs in the agricultural sector are financed; 4 000 direct and indirect jobs are created			**LINE OF CREDIT** For smallholdings and the rural economy (2017)
			Agropoles (logistics and agribusiness platforms) are developed; support is provided to strengthen	Two agropoles are functional; financing is provided for equipment in plots covering a			**BUDGET SUPPORT** Sustainable Agricultural

			the Agricultural Development Fund; the business environment in the agricultural sector is improved; law and i mplementing instruments (aggregation, water, agricultural land, polytechnic pole, youth incubators, etc.) are drafted	surface of 70 000 hectares; the agricultural register is established at the national level; support is provided for the implementation of the new Agribusiness Strategy			Sector Development Reform Support Programme (2018)
	Reduce the vulnerability of the rural economy to the availability of water in the medium and long term	Poor water resource efficiency and development Inadequate coordination of water resource-dependent sector actors	Decrees are drafted and adopted, and the implementing instruments of the new Law No. 36-15 governing water published in the Official Gazette in August 2016	Water boards are set up in watersheds; a legal framework for seawater desalination is established; water information systems are established in watersheds and at the national level; the gender approach is mainstreamed into water resource management; a sanitation regulatory framework is established; the water police is strengthened		TA to the National Wastewater Reuse Plan and the National Rural Sanitation Programme	
		Some water-sheds require external water inflow	Support given to the Ministry in charge of Water Resources at MEMEE to implement the National Water Sector Strategy, particularly the 2030 National Water Plan	An annual volume of about 800 million cubic metres of water is transferred from watersheds with water surplus in the North (Sebou, Loukos and Lao) to those with water deficit in the Centre (Bouregreg, Oum Er-Rbia and Tesift) over a distance of about 500 kilometres		TA for the implementation of additional engineering and support studies	**INVESTMENT PROJECT** Water Transfer Project (2019)

Annex 3: Pipeline of projects

Year	Project	Instrument	Type	Vice-Presidency	AfDB (UA million)	Potential Co-financing
2017	**Pillar I: Green industrialization through SMEs and the export sector**					
	Industrialization Acceleration Programme through SMEs and the Export Sector (I)	Budget support	Sovereign	Private sector, infrastructure and industrialization	70	
	Corporate Loan to Industrial Groups (manufacturing sector)	Corporate loan	Non-sovereign	Private sector, infrastructure and industrialization	70	
	Kenitra Atlantique Port (Support to the agribusiness export sector and Morocco's new global trades)	Investment project	Sovereign	Private sector, infrastructure and industrialization	50	EBRD
	Noor Midelt Solar Complex Project	Investment project	Sovereign	Energy, climate and green growth	65	kfW, WB, AfD, EIB
	Pillar II: Improve living conditions through jobs for youth, women and in the rural area					
	Youth and Women Employability and Employment Support Programme (I)	Budget support	Sovereign	Agriculture, human and social development	70	EU, AfD
	Line of Credit for Smallholdings and the Rural Economy	Line of credit	Non-sovereign	Agriculture, human and social development Private sector, infrastructure and industrialization	30	
	Investment Fund for Women's Entrepreneurship	Equity investment	Non-sovereign	Agriculture, human and social development Private sector, infrastructure and industrialization	15	
2018	**Pillar I: Green industrialization through SMEs and the export sector**					
	Industrialization Acceleration Programme through SMEs and the Export Sector (II)	Budget support	Sovereign		70	
	Investment Fund for Agro-industrial Development	Equity investment	Non-sovereign		15	
	Corporate Loan to Industrial Groups (manufacturing sector)	Corporate loan	Non-sovereign		65	
	Logistical Strategy Support Project	Investment project	Sovereign		40	
	Electricity Grid Project for the Integration of Renewable Energies	Investment project	Sovereign		50	kfW, WB, AfD, EIB

	Pillar II: Improve living conditions through jobs for youth, women and in the rural area					
2018	Reform Support Programme for the Development of Sustainable Agricultural Sub-sectors	Budget support	Sovereign	Agriculture, human and social development	70	JICA
	Promotion of Agricultural Value Chains and Entrepreneurship	Investment project	Sovereign	Agriculture, human and social development	50	JICA
	Pillar I: Green industrialization through SMEs and the export sector					
	Industrialization Acceleration Programme through SMEs and the export sector (III)	Budget support	Sovereign	Private sector, infrastructure and industrialization	70	
	Line of credit for industries and export enterprises integrating into global value chains	Line of credit	Non-sovereign	Private sector, infrastructure and industrialization	40	
	Investment fund for the manufacturing industry	Equity investment	Non-sovereign	Private sector, infrastructure and industrialization	40	
2019	Connection of the Nador West Med Port - Development of Logistical Multimodality	Investment project	Sovereign	Private sector, infrastructure and industrialization	60	EBRD
	Pillar II: Improve living conditions through jobs for youth, women and in the rural area					
	Youth and Women Employability and Employment Support Programme (II)	Budget support	Sovereign	Agriculture, human and social development	70	EU, AfD
	Development of Agricultural Sub-sectors in Irrigation Schemes	Investment project	Sovereign	Agriculture, human and social development	40	
	Project to Transfer Water from the North to the Centre	Investment project	Sovereign	Agriculture, human and social development	50	China

Annex 4: Technical assistance and economic and sector work programme

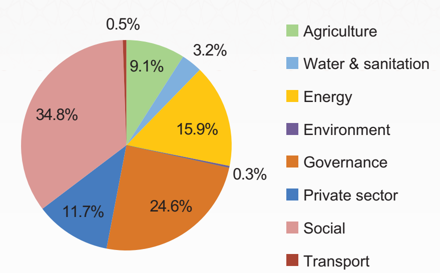
Instruments	Name/ Themes	Vice presidencies involved
Study	African Economic Outlook 2017-2018-2019	Regional development, regional integration and service provision Economic governance and knowledge management
	Pillar 1: Green industrialization through SMEs and the export sector	
Technical assistance	Support National Business Environment Committee (CNEA)*	Private sector, infrastructure and industrialization Economic governance and knowledge management
Study	Identification of regulatory constraints to SMEs	Regional development, regional integration and service provision Private sector, infrastructure and industrialization Economic governance and knowledge management
Study	Institutional framework and opportunities for PPPs in Morocco	Regional development, regional integration and service provision Private sector, infrastructure and industrialization Economic governance and knowledge management
Study	Budget sustainability analysis of PPPs in Morocco	Regional development, regional integration and service provision Economic governance and knowledge management
Study	Development of a financial model for PPPs in Morocco	Private sector, infrastructure and industrialization
Technical assistance	Development of new guarantee products facilitating access to financing for SMEs (Central guarantee fund)*	Private sector, infrastructure and industrialization
Study	Tariff policy impact on export competitiveness	Regional development, regional integration and service provision Economic governance and knowledge management
Study	Identification of export tariff barriers in Africa	Regional development, regional integration and service provision Economic governance and knowledge management
Study	Identification of growth sectors for increased trade with Africa	Regional development, regional integration and service provision Economic governance and knowledge management
TA/Study	Study to assess the impact of ports and the port tariffing policy on competitiveness*	Private sector, infrastructure and industrialization Economic governance and knowledge management
TA/Study	Studies for the establishment of logistics zones*	Private sector, infrastructure and industrialization
Study	Identification of logistical constraints to SMEs	Regional development, regional integration and service provision Private sector, infrastructure and industrialization
TA	Promotion of energy efficiency*	Energy, climate and green growth
Study	Development of industrial subsectors in renewable energies	Regional development, regional integration and service provision Energy, climate and green growth

Pillar 2: Improve living conditions through jobs for youth, women and in the rural area		
Technical assistance/ Study	Assessment of the professionalization of university subsectors* Capitalization of experiences and good practices of PPPs and contracting of vocational training with a view to their extension	Agriculture, human and social development Private sector, infrastructure and industrialization
Study	PPP model in social sectors	Regional development, regional integration and service provision Agriculture and human and social development Economic governance and knowledge management
Study/ Technical assistance	Identification of reforms in school welfare (boarding, canteens, school transport, bursaries, school health, awareness campaigns...) for better accessibility of the rural girl*	Regional development, regional integration and service provision Agriculture and human and social development
Technical assistance	Creation of a women's investment fund*	Agriculture, human and social development
Technical assistance	Promotion of youth and women's employment in the rural area through financial inclusion*	Private sector, infrastructure and industrialization Agriculture and human and social development
Study	Identification of constraints to agricultural subsector development*	-
Technical assistance	National Wastewater Reuse Plan, and National Rural Sanitation Programme *	Agriculture, human and social development
Technical assistance	Conduct of additional and support technical studies*	Agriculture, human and social development

** Subject to mobilization of financing*

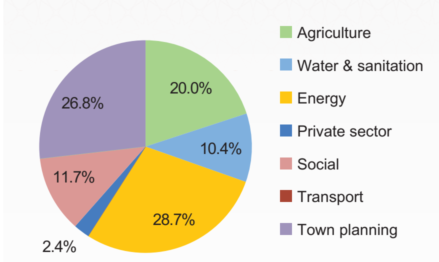
Annex 5: Sector distribution of partner support and synergies

European Union



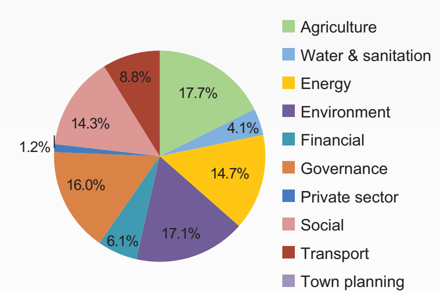
- **Annual commitment levels:** EUR 200 million (grant)
- **Thrusts:** Youth/Private sector/Development of investments
- **Sectors/project identified for possible co-financing;** Youth employment (social/education training employment component); Renewable energies

AfD



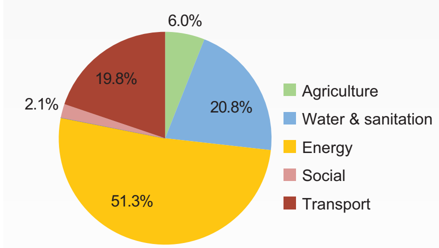
- **Annual commitment levels:** EUR 350 million
- **Thrusts:** Reduction of disparities/Economic sophistication
- **Sectors/project identified for possible co-financing:** Agricultural sector support (budget support); Renewable energies

World Bank



- **Annual commitment levels:** EUR 450 million
- **Thrusts:** Employment
- **Sectors/project identified for possible co-financing:** Youth employment; Renewable energies

IsDB



- **Annual commitment levels:** EUR 250 million
- **Thrusts:** Trade competitiveness/ Rural development/ Private sector/ South-South cooperation
- **Sectors/project identified for possible co-financing:** Support to the PPP programme and South-South cooperation

KfW

• **Annual commitment levels (2013-2016):** EUR 384 million
• **Thrusts:** Water / Energy / Sustainable development (microfinance, support for SMEs, job creation)
• **Sectors/project identified for possible co-financing:** co-financing of NOOR solar power plants; coordination in the water sector (projects with ONEE water branch)

EIB

• **Annual commitment levels:** EUR 350 million
• **Thrusts:** Strategic infrastructure/ Human capital/ Private sector/ Climate change
• **Sectors/project identified for possible co-financing:** Renewable energies

JICA

• **Annual commitment levels:** EUR 100 million
• **Thrusts:** Competitiveness/ Regional and social disparities/ South-South cooperation
• **Sectors/project identified for possible co-financing:** Agricultural sector support (water budget support component)

USAID

• **Annual commitment levels:** USD 20 000
• **Thrusts:** Education / Governance / Youth
• **Sectors/project identified for possible co-financing:** Education

FAO

• **Annual commitment levels:** -
• **Thrusts:** Green Morocco Plan/ Halieutis Plan/ South-South cooperation
• **Sectors/project identified for possible co-financing:** Agricultural sector support (water budget support component)

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Annex 6: Main objectives of Morocco's key strategies

Green Morocco plan	• Create 1.5 million jobs • Increase agriculture's share in GDP: reach MAD 100 billion by 2026. • Increase the value of exports: MAD 44 billion of foreign exchange.	**Logistical acceleration plan**	• Reduction of nuisance (reduction in the number of tonnes/ kilometres by 30% by 2015. • Reduction of CO2 emissions by 35% by 2015, decongestion of roads and towns).
Industrial Acceleration plan	• Increase industry's share in GDP by 9 points, from 14% to 23% in 2020. • Create 1.5 million jobs by 2020. • Improve SME competitiveness with the creation of an the Industrial Development Fund, endowed with a package of MAD 20 billion.	**Energy strategy 2030**	• Creation of 25 000 jobs by 2030. • Make fossil energy savings of 2.6 Mtoe/year, thanks to renewable energies. • Strengthen energy efficiency (2 874 kT of CO2 avoided in 2030). • Ensure solar energy growth by 2030 with 40 MW in concentrated solar; 400 MW in photovoltaic and 3 000 000 m2 in solar thermal.
National vocational training strategy	• Train 10 million citizens by 2021. • From 2021, train 21% of employees and 50% of trainees in the workplace. • Maximize the professional integration of graduates with an estimated rate of 75% by 2021.	**ONEE programme contract**	• Raise the rural electrification rate from 98.5% at the end of 2013 to 99.7% at the end of 2017 with the electrification of 109 500 homes in 3 850 villages, 4 500 schools, 210 dispensaries and 1 800 mosques. • Generalize access to drinking water in the rural area at a rate of 96.5% in 2017, for the benefit of an additional population of about 330 000 inhabitants. • Take charge of the management of the liquid sanitation service in 47 towns for the benefit of a population of 1.2 million inhabitants.
INDH Programme	• Combat social exclusion. • Reduce disparities in access to basic infrastructure, equipment and proximity services. • Strengthen women's and youth participation.	**ONCF Programme Contract**	• Make a qualitative leap in the railway system and its preparation to face future challenges related to mobility of persons and goods. • Improve the profitability, competitiveness and efficiency of production mechanisms. • Ensure passenger and freight transport in the best safety, service quality and cost conditions.

Education vision 2030	• Guarantee the right of access to education, teaching and training for people with disabilities and with special needs. • Guarantee continuous and sustainable learning to learners and the implementation of the staff and integration project. • Generalize pre-school education.	2012-2016 Health sector strategy	• Improve access to healthcare and the organization of services. • Strengthen mother and child health. • Improve governance in the health system. • Promote the health of people with special needs.
2015-2025 Employment strategy	• More sustainable job creation • Increase in the active population (13.7 million in 2025 against 11.7 million in 2013. • Increase in the employment rate (46.2 % in 2025 against 43.8 % in 2013). • Activity rate maintained at 48%. • Declining unemployment rate (3.9 % in 2025 against 9.2% in 2013) • Increase in productivity gains (3.6%).		

Annex 7: Economic and sector work used in drafting the CSP

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Annex 8: 2012-2016 CSP completion report and portefolio performance review (2015): findings and recommendations and GSP editorial team

LESSONS FOR THE BANK	LESSONS FOR THE GOVERNMENT
• Continuation of efforts to develop non-sovereign operations • The transformation of Morocco's economic model should continuously be supported by: (i) speeding up industrialization and the development of value chains; (ii) while reducing disparities and improving citizens' quality of life • Associate budget support and investment projects to develop synergies • For budget support, the new Organic Finance Law should allow for a programme-based approach by 2018 • During the previous CSP, the formulation of an investment programme and a detailed logical framework only for the first three years of the CSP proved relevant • The adoption in its entirety of the country system for the implementation of projects from 2020, is possible • The sector evaluation work undertaken by the Bank on the impact of reforms and investments must be continued	• Encourage projects that ensure accelerated disbursement and use advance contracting. • Set up a grant proposal Selection Committee. • Comply with deadlines for submission of project audit reports by executing agencies. • Organize monthly portfolio monitoring meetings between MEF, the Bank and executing agencies. • Include a procurement officer and a financial management officer in the teams of executing agencies during operations set-up. • Require regular project reporting, in compliance with timeframes and quality. • Participate actively in strengthening the results culture in projects.

Annex 9: Summary–Country financing parameters- Morocco (2015)

Item	Parameter	Remarks
Limits on cost sharing Share of project costs that the Bank can finance	Up to 100%	Portfolio analysis shows that the Bank's contribution to overall project cost financing remains below 50%. Nevertheless, current arrangements allow the Bank to adjust its contribution on a case-by-case basis to cover up to 100% of project costs. This makes it possible to meet specific financing needs and confers a real additionality to the Bank. In view of Morocco's good performance, it is recommended to continue this financing policy, while aligning on the new policy on expenditure eligible for Bank Group financing. It is possible for the AfDB to finance more than 50% of total project or programme costs. For any financing above 50%, the project design team should justify to the country team the adequacy of the percentage of total costs financed by the Bank based on the following criteria: (i) the country's commitment to implement its overall development programme; (ii) the financing allocated by the country to sectors targeted by Bank assistance; and (iii) the country's fiscal position and level of indebtedness. This approach will also serve to encourage the search for co-financing when designing projects in a context where the Bank's exposure to risk in North Africa has constrained its commitment in some countries of the region.
Recurrent costs Limits to the overall operating expenses that the Bank can finance	No limit but special attention must be paid to government policy to ensure budget sustainability	Although there is no limit to the Bank's financing of recurrent costs, portfolio analysis has revealed that these costs remain negligible (below 1%). Furthermore, Morocco is implementing a series of measures to reduce these costs (reduction of the public wage bill, subsidy reforms, pension reform). Given the country's good portfolio performance, it is recommended to continue the current arrangements.

Local currency expenditure Are requirements for the Bank's financing of local expenditure met?	Authorized	Requirements for the Bank's financing of local expenditure are met: **(i)** Financing needs for development exceed the country's public sector resources, own resources (taxes and other revenue) and national borrowing; and **(ii)** Local currency financing is not sufficient for the Bank to contribute effectively to project financing.
Taxes and duties Are there taxes and duties that the Bank will not finance?	None	The tax rates in Morocco and the level of duties that the Bank has experienced with the various activities that is has financed, appear reasonable. In practice, there is no tax or duty that the Bank cannot finance. However, the Bank will ensure for each project that no tax is excessive.

Annex 10: CFRA summary – 2016

The institutional framework for public finance in Morocco is well defined and formalized through the existence of departments of the Ministry of Finance and a well-established legal and regulatory framework. Budget preparation is done by reference to directives adopted at the level of the circular and letter of orientation of the Head of Government, inviting all authorizing officers to draw up their three-year budget programming proposals with objectives and performance indicators. The sacrosanct principle of separation of functions and responsibilities between the authorizing officer and the public accountant is respected. Ex-ante control procedures carried out by State controllers and Paymasters are clear and well-documented. The internal audit function carried out by IGF is operational and the Constitution provides for the independence of the Court of Auditors.

With respect to procurement, the level of risk related to the national system was deemed moderate. The national public procurement system (PPS) has witnessed several qualitative reforms during the last decade. These reforms helped to simplify procedures, strengthen transparency, increase efficiency, and introduce efficient procurement methods such as the electronic bid submission applied with success for some time now, for some routine procurement. This process of successive reforms shows the willingness of national authorities[2] to constantly modernize and improve the legal and regulatory framework of Moroccan public procurement and raise it to international standards. Progress made in recent years was recognized by the last PEFA assessment, which gave the B+ score to the procurement management indicator in 2016 against B in 2009. The existing PPS is characterized by a hierarchically of well codified and organized legal and regulatory framework. It makes open competition the mode par excellence of access to public procurement and sets advertisement rules to ensure wide dissemination of all business

[2] The latter introduced in the July 2011 Constitution the right of access to public information and the promotion of good governance, transparency and integrity in public procurement.

opportunities and the results of calls for tenders. It provides for generally acceptable procurement procedures. The system makes it an obligation to use bidding documents (BD) containing predefined criteria and comprising specifications with a relevant and sufficiently detailed minimum content allowing for proper bid preparation. The system provides for a control mechanism that is effective and efficient. It gives right of appeal to any bidder dissatisfied with a procurement process, before the National Public Procurement Commission (CNCP), created recently. With regard to the fight against corruption, Morocco adopted the National Anti-Corruption Strategy on 28 December 2015. The measures provided by this strategy cover various aspects of the fight against corruption, notably the upgrading of institutional and legal aspects, the activation of the prevention and repression dimension, and the strengthening of education and awareness raising. The document contains 239 projects and measures listed in 10 sectors with a ten-year implementation period.

However, there are areas that require improvements.

Despite the strong points of the above-mentioned public procurement system, progress is expected on key areas such as: (i) the autonomy and independence of CNCP, which, for the moment, must submit its expressed opinions, after reviewing complaints, to the Head of Government; (ii) the appointment of CNCP members to operationalize the structure; (iii) the improvement of texts to give a binding character to decisions made after the management of complaints by CNCP; (iv) amendments of texts to allow the correction of errors found in a bid evaluation report and avoid a systematic cancellation of the process, as envisaged in such circumstances; (v) the inclusion of alternative dispute resolution in the supply and services CCAGs being drafted.

As regards country financial management, the following aspects deserve special attention in relation to international good practices: (i) the OFL's budget documentation for parliamentary review; (ii) expenditure arrears; (iii) financial reports during the financial year and annual financial reports; (iv) medium-term expenditure budgeting outlook; and (v) transfers to sub-national governments.

Based on the above-mentioned outcomes, Morocco's country fiduciary risk was deemed "Moderate". This level of risk is fixed as such on the assessment date. The fiduciary level of risk could be low in the medium term, considering the implementation of short-term measures and medium-term reforms provided for in OFL No. 130-13. This is coordinated by DB/MEF.

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The Bank's Fiduciary Strategy in Morocco

The Bank's Country Fiduciary Strategy in Morocco is in line with the Bank's Fiduciary Management Policy. It aims at a greater use of the country system, while contributing to capacity building for management and control entities and institutions to ensure financial good governance and the effective production of public services for citizens. Therefore, the Bank will continue to encourage the application of standards, rules, procedures and international best practice in fiduciary management for better performance of the projects and programmes it is financing in Morocco.

This strategy will be based on reforms provided for in Organic Finance Law (OFL) No. 130-13, whose objectives are to ensure budget credibility and strengthen parliamentary control. The credibility of the budget will focus on the implementation of a budget that is more readable and informed by performance as well as a more transparent State budget and accounts. Parliamentary control will be more in-depth, thanks to the enrichment of information communicated to Parliament. Similarly, the strategy will focus on the new PEFA diagnostic, whose results will be approved and published by the Moroccan Government latest end-2016. The related action plan will provide another opportunity to further strengthen public finance management in Morocco.

Furthermore, taking into account the results of the current country fiduciary risk assessment that highlight a "moderate" level of risk, this strategy focuses on the following analyses.

▶ Recommended level of use of the country financial management system

The Government of Morocco has taken a strategic direction of change management through the promulgation by Parliament on 2 June 2015 of OFL No. 130-13, whose implementation is coordinated by DB/MEF. This institutional and operational mechanism is the mitigation measure for all fiduciary risks identified by the current assessment. Each public investment operation programmed in the CSP will be subject to an assessment, which will propose adequate fiduciary risk mitigation measures specifically identified for the said operation. In this regard, the present CFRA will be the fiduciary risk management framework for all Bank operations during the CSP period. This will entail updating and adapting it to the implementation specificities of each operation during the CSP period.

Generally, in Morocco, the use of national fiduciary management rules, procedures and good practices in the design and implementation of Bank operations, is possible due to the overall moderate level of fiduciary country risk.

Due to this level of risk associated with the use of the public finance management system in Morocco, the OPAs proposed under the CSP will be implemented through the related regulations in force. However, the Bank will reserve the right to systematically ask for an audit of financial flows and an operation performance audit as well as propose certain measures to mitigate the fiduciary risks identified during ex-ante assessments.

For public investment operations financed by the Bank in Morocco, chartered accounting firms, within the framework of their auditing, will continue to ensure the financial and compliance audits of projects and programmes implemented by EEPs. To this end, the Bank could contribute to capacity building for DEPP/MEF for greater application of national accounting and audit standards and best practice in the EEPs concerned. As for projects and programmes institutionally anchored in the central government and using GID, financial and compliance audits will be carried out by IGF whose capacity building process could be of great interest to the Bank. IDF audit reports will be considered by the Bank as internal audit reports.

To support the Court of Auditors in its capacity building process in the area of certification of State accounts from 2020, the Bank will monitor and supervise the implementation of the institutional support that it established for this purpose in July 2016.

▶ Recommended level of use of the country procurement system

Significant efforts and progress have been made during the last decade to improve the national procurement system. This system's legal and regulatory framework was subject to a first evaluation by the Bank in 2012 to assess the appropriateness of its use or not within the framework of National Tenders for goods and works financed by its resources. This diagnosis led to the signing on 31 May 2013 of a letter of agreement between the Bank and Morocco for the use of Moroccan procedures for Bank-financed National Tenders for goods and works. Since then, the Decree instituting the public procurement code has been revised to provide answers to several residual weak points identified by previous assessments. Thus, with the new 2013 decree (effective since 1 January 2014), improvements have been recorded particularly in the complaints mechanism and the management of disputes resulting from the execution of public contracts, with the inclusion of alternative methods of resolving disputes such as arbitration, and the introduction of electronic bid submission. Thanks to these changes and the adoption of the new procurement policy, the Bank carried out the preliminary assessment of the new procurement framework in 2016, using key indicators selected from the list provided by OECD/DAC. Considering the findings of this assessment that pointed to a moderate risk level, the use of the Moroccan public procurement system will be envisaged for some Bank-financed operations (including OPAs) during the period covered by the CSP. During the same period, the Bank will finalize its preliminary assessment and prepare a Procurement Development Action Plan (PDAP), which will serve as the basis for dialogue with the country in the area. This strategy adopted for public procurement aspects complies with the Bank's new procurement policy approved on 14 October 2015, which offers the possibility of using the entire national system (procedures and institutions). Its use will help to achieve greater efficiency in the use of resources, thanks to better ownership and rapid project implementation.

▶The Bank's Fiduciary Management Support

From the foregoing, the Bank's fiduciary management support would be directed mainly towards the following areas:

- ➢ Capacity building for actors involved in Three-year Budget Programming (TBP) within the framework of a performance and programme-based process and the strengthening of parliamentary control;
- ➢ The implementation of State accounting sincerity of the budget procedure built on a new system comprising budgetary, general and analytical accounting through, in this case, the PCE application and the interfacing of the tangible and intangible asset management system with GID;
- ➢ The development of an application for a management information system for all EEPs and its interfacing with GID;
- ➢ The development of the "tools (ToRs, guide, standard report etc.) and training" package for the standardization of the work of IGF auditors as concerns Bank-financed projects;
- ➢ The monitoring and supervision of its institutional support to the Court of Auditors.

The Bank's support for the procurement component during the period covered by this CSP will consist in building capacity and assisting in the development of satisfactory legislation. Specifically, the areas of collaboration will focus on the following aspects:

- ➢ Support to the improvement of the public procurement legal and regulatory framework;
- ➢ Capacity building for actors involved in public procurement (in various areas); and
- ➢ Support to the popularization of alternative methods of resolving disputes resulting from the execution of public contracts.

▶ **The Bank's Support to Portfolio Performance Management and Individual Projects**

The thrusts of this support are as follows:

- Provide advice and technical assistance to executing agencies for the resolution of general or specific problems of project and programme fiduciary management;
- In close collaboration with the Programme Officer and Project or Programme Officers, ensure that projects and programmes submit audit reports within the timeframe required by the Bank;
- Organize fiduciary clinics and workshops to meet the information or training needs of project or programme executing agencies, MEF staff and external auditors;
- Take the initiative to establish harmonized fiduciary management mechanisms in projects and programmes co-financed with other TFPs; and
- Use the reliable arrangements of national fiduciary management systems in executing the Bank's public investment operations.

Annex 11: Entities contacted during the May, July, and September 2016 missions and workshops

Public Sector	Ministry of Economy and Finance	Treasury and Foreign Finance Department – Treasury and Foreign Finance Sub-Department (DT2) in charge of financing and external relations
		Treasury and Foreign Finance Department – Treasury and Foreign Finance Sub-Department – in charge of the macroeconomic framework pole
		Treasury and Foreign Finance Sub-Department – in charge of the financial sector pole
		Treasury and Foreign Finance Sub-Department – in charge of the external debt pole
		Public Enterprises and Privatization Department
		Budget Sub-Department in charge of Coordination of Public Project Structures and Financing
	Ministry of Equipment, Transport and Logistics	Strategy, Programming and Transport Coordination Department
		Directorate of Roads
		General Directorate of Civil and Commercial Aviation
		Directorate of Ports
	Ministry of Agriculture and Maritime Fisheries	Strategy and Statistics Department
		Agricultural Development Agency
		Irrigation and Agricultural Space Development Department
	Ministry of Health	Secretariat General
	Ministry of National Education	Secretariat General
	Ministry of Higher Education, Staff Training and Scientific Research	Secretariat General
	Ministry of Public Service and Administration Modernization	Administration Modernization Department
	Ministry of General Affairs and Governance	Governance and Cooperation Department
	Ministry of Employment and Social Affairs	Secretariat General

Public Sector	Ministry of Solidarity, Women's Affairs, the Family and Social Development	International Cooperation Division
	Ministry of Vocational Training – Vocational Training Department	Secretariat General
	Higher Council of Education, Training and Scientific Research	National Assessment Department
	Ministry of Foreign Affairs and Cooperation	Minister
	Ministry of Industry, Trade, Investment and Digital Economy	Cooperation Division
	Office of the Head of Government	-
	Ministry of Interior	Water and Sanitation Department (DEA)
	Ministry of Energy, Mines, Water and Environment	DCC Observation & Programming Department
		Electricity and Renewable Energy Department
		Water Department
	Bank Al Maghrib	Banking Supervision Department
Public enterprises and establishments	Moroccan Agency for Logistics Development (AMDL)	Crédit Agricole
	Road Financing Fund (CFR)	ANPME
	National Highways Company	Bourse de Casa
	National Airports Authority ONDA	Casa Finance City
	National Railways Authority	OCP
	National Ports Agency	Masen
	Central Guarantee Fund (CCG)	Maroc Export
	National Health Insurance Agency (ANAM)	ONEE
	Moroccan Capital Markets Authority (AMMC)	Moroccan Investment Development Agency (AMDI)
Development partners	JICA	PROPARCO
	European Union	AFD
	UNICEF	EIB
	USAID	Africa50
	IDB	World Bank - IFC
	FAO	-

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Private sector & civil society	Diana Holding	Professional Union of Moroccan Banks (GPBM)
	Groupe Richbond	Moroccan Investment Capital Association (AMIC)
	BMCE Capital	Red Med Finance
	Tekcim	Jaida (Micro-finance financing fund)
	Best Financière	Committee for Support to the Education of Rural Girls (CSSF)
	Attijari WafaBank	Fondation Al Baraka
	AE CORPORATE FINANCE	Association Taghbalout
	General Confederation of Moroccan Enterprises (CGEM)	International Youth Foundation

Annex 12: Consideration of the outcomes of the evolution of bank strategies and programmes in Morocco, 2004-2014

BDEV : Evaluation of bank strategies and programmes in morocco, 2004-2014	Consideration of BDEV Comments in the 2017-2021 CSP
Continue support to the Moroccan Government in its macroeconomic, financial and economic diversification efforts for inclusive, equitable and sustainable growth.	The strategy includes this approach by working on the assumption that support to the transformation of the Moroccan economic model must continue by: (i) speeding up industrialization and the development of value chains, (ii) while reducing employment-related disparities. This approach mobilizes a wide range of additional investment instruments (sovereign/non-sovereign), budget support and technical assistance.
Support the Government in its transition to a green economy and the development of the agricultural sector.	Promoting the green economy is a crosscutting theme of the approach proposed for this strategy. In Pillar 1, sustainable industrialization will be promoted through the development of green energies and environmentally-friendly modes of transport. Within Pillar 2, the agricultural sector will be supported by ensuring that the sustainability of water resources is assured.
Align the identification of economic and sector work on the CSP formulation process (preparation, mid-term review and completion) to strengthen their relevance and strategic alignment, increase their financing predictability and sustain their use for purposes of policy dialogue.	During CSP formulation, the need for economic and sector work was identified to facilitate the search for financing and increase strategic alignment (see presentation as Annex 4). Furthermore, BDEV will be mobilized in this context, authorities having recommended the continuation of sector assessment work done by the Bank to monitor the impact of reforms and investments.
Implement a capacity-building programme for sector executing agencies, support the development and establishment of results-based monitoring/evaluation systems and strengthen the use of current national systems in the financing of technical assistance and grant operations.	Workshops and fiduciary clinics organized by the Bank for the benefit of executing agencies will be continued in order to: (a) speed up project implementation (particularly for technical assistance); and (b) strengthen the use of national systems. During future workshops, the establishment of monitoring/evaluation systems will be developed. Furthermore, collaboration could go further during CSP implementation because it is noted that the full adoption of the country system for project implementation (with the use of the public expenditure circuit) from 2020, is possible. The TGR should adopt an accruals-based accounting system (general & analytical accounting) with the aim of producing the Moroccan State's balance sheet and profit and loss account as from 2018, under the new Organic Finance Law. Similarly, the Court of Auditors will be ready for the certification of accruals-based accounts in 2020.
Take advantage of the synergy between the public and private windows, mark its positioning and consider the possibility of adding a private sector specialist to COMA's human resources to better establish its comparative advantage as a "Single Bank".	The CSP aims to speed up the Bank's support for non-sovereign projects. The pipeline of non-sovereign operations is presented in Annexes 2 and 3. Thus, seven non-sovereign operations have been pre-identified. The continuation of ongoing support for the development of PPPs is ensured through technical assistance and projects.

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Annex 13: Action matrix following the AfDB president in July 2016

High 5s	Context	Recommendations	Implementation Status (Q4 -2016)
	During the meeting with the President, the MASEN agency presented its investment programme, which includes mainly the development of a new site within its "Noor" Solar Programme: the Midelt Project. The Bank was solicited to participate in this project's financing	The Bank will support the formulation and financing of the **Midelt Solar Energy Project** as part of the Noor programme	The project is currently being considered and the first inter-donor meetings have taken place. The preparation mission is planned for March 2017. ***Monitoring: VP Energy, Climate and Green Growth***
	During the Inter-ministerial Meeting, the President showed the importance of setting up a private equity-type fund to develop value chains and ensure the processing of agricultural products. The Minister of Agriculture subscribed to this proposal	Support for the creation of a **private equity**-type fund for the development of **agro-industry** in Morocco	Support for a private equity-type fund for the development of agro-industry in Morocco is being considerd. ***Monitoring: VP Private Sector, Infrastructure and Industrialization; VP Agriculture, Human and Social Development***
	During the Inter-ministerial Meeting, Ministers recognized the importance of developing experience sharing and staff training processes to accelerate Africa's integration. In this context, the existence of CAFRAD in Tangier was recalled	**Acceleration of the integration progress and experience sharing between Morocco and the rest of Africa**	A MIC grant was submitted to the country team Q4-2016. ***Monitoring: VP Economic Governance and Knowledge Management***
	During the meeting with the President, the MASEN agency indicated its intention to create a centre of excellence for the development of renewable energies		During the preparation of the Midelt Project, the Bank together with MASEN will reflect on technical assistance that would allow for experience sharing. Discussions on this technical assistance were accelerated under COP 22. The financing mechanisms are currently being studied. ***Monitoring: VP Energy, Climate and Green Growth***
	During the Inter-ministerial Meeting, Ministers and the President emphasized that experience sharing around Morocco's energy programme and the Green Morocco Plan had to be supported		The Bank will work for targeted experience-sharing missions in the area of agriculture (Chad) and energy (CAR) and on trade barriers (Côte d'Ivoire). A first sharing mission is organized between Morocco and Nigeria in the area of water Q1-2017 (ONEE). ***Monitoring: VP Energy, Climate and Green Growth; VP Agriculture, Human and Social Development***
	During the Inter-ministerial Meeting, the Minister of equipment emphasized the lack of skills in his sector and affirmed his willingness to develop a Training and Infrastructure Standardization Centre to address the situation	Support for the creation of a **Training and Infrastructure Standardization Centre** to train the necessary skills for the development of transport infrastructure	The Bank will contact the Ministry of Infrastructure to include this Technical Assistance in the formulation of the new CSP. Discussions will be initiated on this technical assistance **Q1-2017**. ***Monitoring: VP Private Sector, Infrastructure and Industrialization***
	During the meeting with CGEM, the President introduced AFAW and solicited the CGEM President's support for the success of this fund in Morocco	Use/promotion of the positive discrimination fund for women to support **women's employment (AFAW)**	La Banque va réactiver la formulation d'un Fonds pour l'entreprenariat féminin (T4 2016) en impliquant la CGEM. L'instruction de cette opération est en cours et a été inscrite au cadre logique du DSP. ***Suivi : VP Secteur privé, infrastructure et industrialisation***
	AfDB collaborated closely with authorities and the private sector for the establishment of the African pavilion during COP 22	Acceleration of AfDB support to the organization of **COP 22**	AfDB support to the organization of COP 22 was strengthened and helped to achieve the set objectives. ***Monitoring: VP Energy, Climate and Green Growth***
	During the meeting at OCP, all parties recognized the fundamental role that the latter could play to transform African agriculture and the AfDB's catalytic role in this process	Collaboration with **OCP must be accelerated**	AfDB is implementing the action plan defined with OCP Africa on 20 July 2016 in Abidjan. Special emphasis is laid on the importance of collaborating: (i) within the African Fertilizer Facility; and (ii) on the TAAT initiative. This support should be concretized in 2017. An operation is being prepared and is included in the logical framework. ***Monitoring: VP Private Sector, Infrastructure and Industrialization; VP Agriculture, Human and Social Development.***
	During the meeting with CGEM, its president emphasized the need to strengthen skills development in Morocco	Support to the strengthening of **education and vocational training** in Morocco	A mission is planned for January 2017 to identify a budget support operation. This budget support will be submitted to the board **Q3 2017**. ***Monitoring: VP Agriculture, Human and Social Development***

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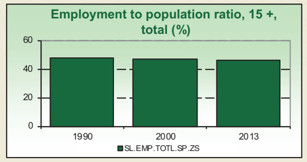
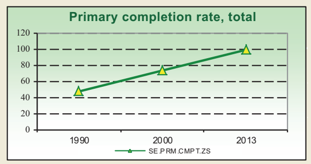
Annex 14: Morocco's progress towards acieving the MDGs

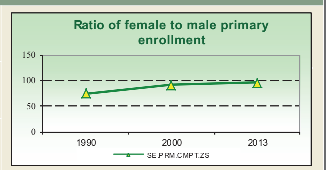
Goal 1: Eradicate extreme poverty and hunger	1990[1]	2000[2]	2013[3]
Employment to population ratio, 15 +, total (%)	47.6	47.1	45.8
Malnutrition prevalence, weight for age (% of children under 5)	8.1	9.9	3.1
Pauverty headcount at $1,25 a day (PPA) (% of population)	2.5	6.3	2.5
Prevalence of undernourishment (% of population)	6.5	5.2	5.5



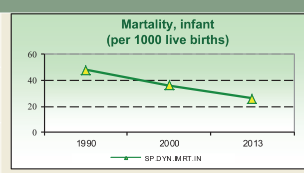
Goal 2: Achieve universal primary education	1990	2000	2013
Literacy rate, youth female (% of females ages 15-24)	46.0	60.5	74.0
Literacy rate, adult total (% of people ages 15 and above)	41.6	52.3	67.1
Primary completion rate, total (% of relevant age group)	47.4	73.4	98.9
Total enrollment, primary (% net)	62.8	84.7	97.5



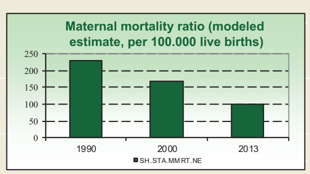
Goal 3: Promote gender equality and empower women	1990	2000	2013
Proportion of seats held by women in national parliaments (%)	0.0	10.8	17.0
Ratio of female to male primary enrollment	74.0	91.1	95.3
Ratio of female to male secondary enrollment	74.4	83.8	85.6



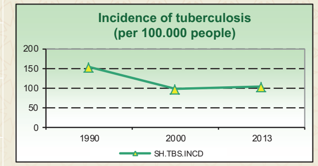
Goal 4: Reduce child mortality	1990	2000	2013
Immunization, measles (% of children ages 12-23 months)	88.0	95.0	99.0
Mortality rate, infant (per 1,000 live births)	47.9	36.2	25.8
Mortality rate, under-5 (per 1,000)	60.7	44.4	31.4



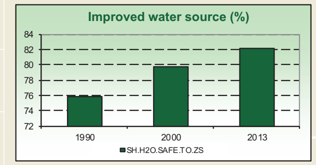
Goal 5: Improve maternal health	1990	2000	2013
Births attended by skilled health staff (% of total)	39.6	62.6	73.6
Contraceptive prevalence (% of women ages 15-49)	50.8	62.5	66.7
Maternal mortality ratio (modeled estimate, per 100,000 live births)	230.0	170.0	100.0



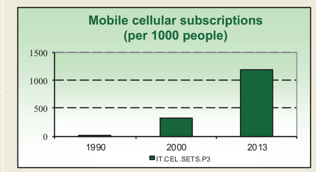
Goal 6: Combat HIV/AIDS, malaria and other diseases	1990	2000	2013
Incidence of tuberculosis (per 100,000 people)	152.0	97.0	103.0
Prevalence of HIV, female (% ages 15-24)	-	-	0.1
Prevalence of HIV, male (% ages 15-24)	-	-	0.1
Prevalence of HIV, total (% of population ages 15-49)	-	0.0	0.2



Goal 7: Ensure environmental sustainability	1990	2000	2013
CO2 emissions (kg per PPP $ of GDP)	0.9	0.7	0.7
Improved sanitation facilities (% of population with access)	58.9	67.4	69.8
Improved water source (% of population with access)	75.8	79.7	82.1



Goal 8: Develop a global partnership for development	1990	2000	2013
Net total ODA/OA per capita (current US$)	18.7	25.8	38.6
Internet users (per 1000 people)	0.0	116.1	550.0
Mobile cellular subscriptions (per 1000 people)	1.1	312.7	1199.7
Telephone lines (per 1000 people)	42.0	43.8	100.8



Last update January, 2017

Sources : ADB Statistics Department Databases;
World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.
Note : n,a, : Not Applicable ; … : Data Not Available,

[1] Latest year available in the period 1990-1999;
[2] Latest year available in the period 2000-2009;
[3] Latest year available in the period 2010-2014.

Annex 15: Moroccan debt sustainability analysis

The Treasury debt reached about 63.4 % of GDP in 2015, and is expected to decline gradually to less than 60% of GDP in the medium term, due to continued budgetary control from 2013. Although the Treasury debt continued the upward trend started in 2010 (its ratio to GDP stood at 63.2% in 2014 against 62.3% in 2013 and 49% in 2010), it was expected to initiate a turnaround from 2017. Thus, the debt ratio should stand at 64.4% in 2016 and 62.1% in 2019.

The last annual report of the Moroccan Central Bank ("Bank Al Maghrib") of August 2015, the IMF report of February 2015 (on the Precautionary Liquidity Line), the debt sustainability analysis presented in the Article IV report of February 2016 and the AfDB analysis of December 2014 all concluded that the public debt would remain sustainable in the medium term. The public debt sustainability analysis shows that the debt is resilient to various shocks and vulnerabilities related to the debt level and profile, despite high gross financing needs related mainly to existing debt refinancing. The sustainability of Morocco's public debt depends significantly on safeguarding macroeconomic balances and pursuing the consolidation of public finances in addition to the implementation of the key reforms including subsidy and pension reforms.

Furthermore, the debt structure is still favourable, given that three-quarters of the debt stock is domestic. The domestic debt of the Treasury rose by 2.6% to stand at MAD 443.2 billion, or 47.9% of GDP (same ratio as in 2013). For its part, the external debt of the Treasury, after recording an 8.6% increase in its outstanding amount in 2014 to MAD 141 billion representing 15.7% of GDP, dropped to 14.5% of GDP in 2015 (the public debt stood at 34.1 % of GDP in 2015). The public debt deemed moderate, was contracted mostly from institutional creditors at concessional conditions. The debt structure by currency shows a predominance of the Euro, whose share increased from 77.2% to 78.8%, while the US dollar share rose from 0.3 percentage point to 13.6%. Due to a privileged domestic debt, the impact related to fluctuations in the real exchange rate remains limited.

Efforts made during the last decade in terms of public finance consolidation and active debt management (by the debt pole of the Ministry of Finance) produced concrete results: the State continued to finance itself at relatively low rates and to extend the maturity of the debt. The average cost of debt decreased (from 5.1% in 2010 to 4.6% in 2013 and to 4.4% in 2014) and its maturity increased (respectively from 5.7 years to 5.5 years and to 6.5 years). At the end of February 2016, interest expense on debt rose by 61.7% to MSD 5.3 billion compared to the end of February 2015 level. This trend is in relation to the increase in domestic debt interest charges from 70.1% to MAD 5 billion. In contrast, interests on the external debt fell from 11.2% to MAD 303 million. This debt management strategy efficiently carried out by Moroccan authorities, aims to ensure stable and sustainable financing for the Treasury, while eventually reducing the related cost and risks, by encouraging arbitration between domestic and external sources of financing.

In fact, Morocco saw the prospect of its sovereign rating maintained by the rating agency, Standard & Poor's, in April and October 2015, which also confirmed its long- and short-term ratings in foreign exchange and local currency at "BBB - /A -3". The agency attributes the maintaining of this rating to the fact that Morocco resisted the unrest that followed the international financial crisis and the Arab Spring, thanks in particular to the constitutional reforms undertaken, increased public expenditure and the political stability enjoyed by the Kingdom. The agency says it expects that "public finance reforms will continue, budget and current account deficits will continue to decline and economic growth will improve".

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Annex 16: Bank portfolio in Morocco

Nom du Projet	Date d'approbation	Date de signature	Date de mise en vigueur	Date de clôture	Age moyen projet (an)	Age relatif du projet (an)	delai mise en vigueur (mois)	Monnaie du prêt	Montant approuvé		Décaissement cumulé en monnaie du prêt par projet / en euro par secteur	Taux décaissements cumulés (en %)	
									en Unités de compte	en monnaie du prêt (total par		Actuel	Project. 2016
SECTEUR AGRICOLE					**4,0**	**0,7**	**4,5**		**135 713 666**	**172 390 000**	**107 173 833**	**62,2%**	**99,8%**
Projet d'ap. au Prog. nat. d' eco. d'eau d'Irrig. (PAPNEI)	14-déc.-09	04-mars-10	2-Jul-10	30-Nov-17	7,0	0,9	6,7	EUR	44 679 184	53 590 000	37 873 833	70,7%	97,0%
PAPMV II (PBO)	14-oct.-15	15-déc.-15	22-déc.-15	30-juin-17	1,1	0,6	2,3	USD	91 034 482	132 000 000	77 000 000	58,3%	100,0%
Projet de valorisation des productions agricoles par les biotechnologies –Fonds fiduciaire Brésilien	20-déc.-12			30-avr.-15	3,9			USD		150 000	37 263	24,8%	
SECTEUR TRANSPORTS					**3,9**	**0,9**	**5,7**		**098 210 620**	**000 930 753**	**932 346 283**	**%45,2**	**%56,2**
3ème Projet aéroportuaire	16-avr.-09	8-mai-09	22-oct.-09	31-déc.-16	7,6	1,0	6,3	EUR	200 093 377	240 000 000	72 773 692	64,7%	100,0%
Projet d'augm. de capa. Ferrov. Tanger-Marrakech	17-déc.-10	17-mars-11	30-Jun-11	30-nov.-18	6,0	0,7	6,5	EUR	250 116 721	300 000 000	187 553 338	62,5%	82,0%
Renforcement de l'axe ferroviaire Tanger–Casablanca–Marrakech	27-janv.-16	8-avr.-16	7-Jun-16	31-déc.-20	0,8		4,4	USD	81 040 000	112 300 000	25 577 669	22,8%	
Projet de construction de complexe portuaire Nador West Med	16-sept.-15	9-mars-16	1-Jun-16	31-déc.-22	1,2		8,6	EUR	88 960 000	112 860 000	0	0,0%	18,0%
SECTEUR ENERGIE					**3,9**	**0,7**	**3,7**		**844 829 014**	**1 046 420 000**	**550 363 474**	**56,3%**	**61,6%**
Progr. déve. réseau transp. et réparti. élect. (PDRTRE)	02-déc.-09	11-déc.-09	29-Apr-10	31-déc.-17	7,0	0,9	4,9	EUR	91 559 394	109 820 000	61 316 968	55,8%	64,0%
Projet de la centrale solaire de Ouarzazate	16-mai-12	19-nov.-12	19-nov.-12	31-déc.-16	4,5	1,0	6,2	EUR	140 065 364	168 000 000	100 000 000	100,0%	100,0%
Projet de la centrale solaire de Ouarzazate (CTF)	16-mai-12	19-nov.-12	19-nov.-12	31-déc.-16	4,5	1,0	6,2	USD	65 461 734	100 000 000	100 000 000	100,0%	100,0%
Complexe Solaire Ouarzazate NOORo II	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	2,0	0,4	0,5	EUR	61 138 189	72 000 000	37 361 607	51,9%	50,0%
Complexe Solaire Ouarzazate NOORo II (CTF)	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	2,0	0,4	0,5	USD	47 369 288	69 000 000	69 000 000	100,0%	100,0%
Complexe Solaire Ouarzazate NOORo III	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	2,0	0,4	0,5	EUR	23 775 962	28 000 000	16 670 425	59,5%	50,0%
Complexe Solaire Ouarzazate NOORo III (CTF)	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	2,0	0,4	0,5	USD	34 325 571	50 000 000	50 000 000	100,0%	100,0%
PERG	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	EUR	112 552 525	135 000 000	105 179 376	77,9%	95,0%
Parc Eolien AL KOUDIA AL BAIDA	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	EUR	41 686 120	50 000 000	17 238 553	34,5%	54,0%
Complexe Hydro M'Dez El Menzel	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	EUR	61 695 458	74 000 000		0,0%	0,0%
Parc Eolien Tanger 2	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	EUR	33 348 896	40 000 000		0,0%	20,0%
Step Abdel Moumen	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	EUR	50 023 344	60 000 000		0,0%	0,0%
Parc Eolien AL KOUDIA AL BAIDA (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	USD	22 256 990	34 000 000	17 218 383	50,6%	46,0%
Complexe Hydro M'Dez El Menzel (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	USD	19 638 520	30 000 000		0,0%	0,0%
Parc Eolien Tanger 2 (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	USD	20 293 138	31 000 000		0,0%	20,0%
Step Abdel Moumen (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-17	4,5	0,8	6,3	USD	19 638 520	30 000 000		0,0%	0,0%
SECTEUR SOCIAL					**3,2**	**0,7**	**4,1**		**400 553 96**	**750 991 122**	**747 629 70**	**%57,4**	**%0,7**
Système Information Carte Sanitaire- DON PRI	30-juil.-13	30-dec-13	30-déc.-13	31-dec-17	3,3	0,7	5,1	UC	380 800	380 800	227 362	59,7%	60,0%
Etude d'identification des besoins de compétences du secteur du BTP - TFT	29-avr.-13			31-déc.-16				EUR		344 200	344 200	100,0%	100,0%
Appui au Dialogue avec la société civile-TFT	29-avr.-13			31-déc.-16				EUR		335 200	335 200	100,0%	100,0%
Appui à la mise en place d'un système d'évaluation de la qualité de la formation professionnelle- TFT	31-janv.-13			31.05.2017				EUR		140 400	64 882	46,2%	
Réalisation d'une valise de formation pour les femmes aux instances élues- TFT	11-sept.-13			30-juin-17				EUR		170 705	0	0,0%	0,0%
Université numérique UIR- DON PRI	10-oct.-13	27-fev-14	27-févr.-14	31-dec-17	3,1	0,7	4,7	UC	774 600	774 600	531 220	68,6%	100,0%
Mise en place d'un dispositif national d'accompagnement à l'employabilité des lauréats de l'Université- TFT	30-déc.-13			31-déc.-16				EUR		260 000	260 000	100,0%	100,0%
Protection Sociale (PAGPS)	22-juin-16	24-juin-16	28-juin-16	31-déc.-17			0,2	USD	95 000 000	134 500 000	77 400 000	57,5%	
Appui à l'UEFM Don PRI	29-janv.-16	28-avr.-16	28-avr.-16	31-déc.-17			3,0	UC	398 000	398 000	17 215	4,3%	
SECTEUR EAU ET ASSAINISSEMENT					**5,3**	**0,7**	**4,8**		**360 250 734**	**454 829 000**	**120 962 197**	**33,0%**	**0,0%**
Onzième Projet d'AEPA Rabat-Casa	12-mai-10	19-août-10	13-janv.-11	31-déc.-17	6,6	0,8	8,2	EUR	135 321 483	162 310 000	55 204 575	59,2%	
Onzième Projet d'AEPA Rabat-Casa	12-mai-10	19-août-10	13-janv.-11	31-déc.-17	6,6	0,8	8,2	USD	36 043 231	55 060 000	29 961 592	89,4%	
Douzième projet d'AEP de Marrakech	7-nov.-12	19-déc.-12	19-déc.-12	31-déc.-18	4,1	0,7	1,4	EUR	101 206 800	120 000 000	24 812 415	20,7%	
Douzième projet d'AEP de Marrakech	7-nov.-12	19-déc.-12	19-déc.-12	31-déc.-18	4,1	0,7	1,4	USD	24 017 070	37 000 000	15 533 082	42,0%	
Projet d'Amélioration qualité eau et performances (13ème AEP)	8-juin-16							EUR	63 083 500	88 850 000			
Sous-Traitance de la gestion des réseaux AEP en milieu rural **Don FAE**	15-avr.-16	21-oct.-16	21-oct.-16	31-déc.-19				EUR	578 650	815 000			
SECTEUR MULTISECTEUR					**4,1**	**0,8**	**3,1**		**196 743 086**	**248 340 293**	**243 785 293**	**98,2%**	**29,3%**
Appui à la modernisation du cadre organisationnel de gestion de la dette (MOCOGEDE) **- DON PRI**	27-févr.-13	31-mai-13	31-mai-13	31-déc.-17	3,8	0,8	3,1	UC	536 976	536 976	79 705	14,8%	30,0%
Etude sur la croissance et l' emploi au Maroc - DON PRI	27-juin-12	7-sept.-12	7-sept.-12	31-déc.-16	4,4	1,0	2,4	UC	587 200	587 200	587 200	100,0%	100,0%
Projet d'Appui à l'élaboration du code monétaire et financier marocain **- DON PRI**	20-sept.-12	19-déc.-12	19-déc.-12	29-déc.-17	4,2	0,8	3,0	UC	489 258	489 258	312 422	63,9%	60,0%
PARSIF	13-juil.-16	14-juil.-16	16-août-16	31-déc.-18			1,1	USD	112 235 852	157 000 000	157 000 000	100,0%	100,0%
PACEM	8-juil.-15	28-juil.-15	12-oct.-15	31-déc.-16	1,4	0,9	3,2	USD	79 875 000	112 500 000	112 500 000	100,0%	100,0%
Etude Stratégique DTFE **DON PRI**	21-mai-15	28-juil.-15	28-juil.-15	31-déc.-17	1,5	0,6	2,3	UC	797 600	797 600			
Appui au service du Chef du Gouvernement **DON PRI**	14-juil.-15	28-juil.-15	28-juil.-15	31-déc.-17	1,4	0,6	0,5	UC	799 200	799 200	8 907	1,1%	
Maroc Export **DON PRI**	2-juil.-16	3-oct.-16	5-oct.-16	31-déc.-18	0,4	0,1	3,2	UC	630 000	630 000			
AT Cour des Comptes **Don PRI**	25-nov.-15	7-juin-16	19-août-16	31-déc.-18	1,0	0,1	8,9	UC	792 000	792 000		0,0%	
SECTEUR PRIVE					**6,8**	**0,8**	**5,1**		**13 479 000**	**15 000 000**	**8 400 000**	**56,0%**	
Fond Argan pour le développement des infrast.	17-févr.-10	21-juil.-10	21-juil.-10	31-déc.-18	6,8	0,8	5,1	EUR	13 479 000	15 000 000	8 400 000	56,0%	
REGIONAUX													
Appui institutionnel UMA Phase II -Don PRI	8-mai-15	2-juil.-15	2-juil.-15	31-déc.-17	1,6	0,6	1,8	UC	495 365	495 365	196 067	39,6%	

Summary:

Portfolio amount	Total	%
In Unit of Account	**2 027 943 475**	**100.0%**
Loans (17 projects)	2 023 179 841	99.8%
Grants (18 projects)	4 763 634	0.2%
In Euros	**2 529 940 404**	
	Current	**Proj. 2016**
Total amount of disbursements in Euros	**1 384 661 475**	**1 190 855 198**
Loans	1 382 663 858	
Grants	1 997 616	
Overall disbursement rate	**54.73%**	**43.58%**
Loans	54.78%	
Grants	36.67%	
Average amount by loan (in UA)	**168 598 320**	
Average effectiveness timeframe (month)	**4.4**	
Loans	4.3	
Grants	3.3	
Relative age of portfolio (year) ***	**0.7**	
Average age of portfolio (year)	**3.6**	
Loans	4.3	
Grants	2.8	

Annex 17: Some characteristics of the Moroccan private sector

A) Change in the Composition of the Export Basket (2016 Economic Complexity Observatory)

1995

USD 7.14 billion
Textile development

2005

USD 13.9 billion
Development of electronics

2014

USD 27.8 billion
Automotive development

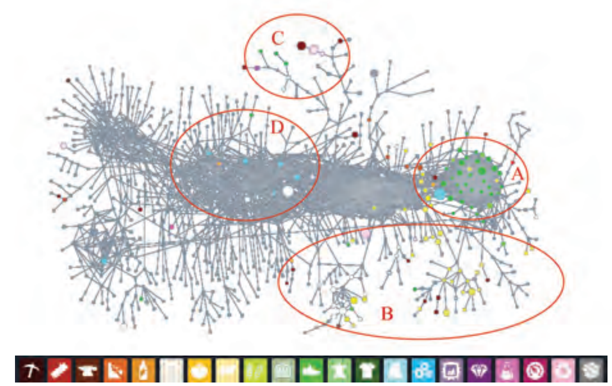
B) Enterprise Transformation Process (AfDB, GoM, MCC, 2015)

Owing to lack of dynamism in the private sector, small businesses in Morocco tend to remain weak, and big enterprises remain big, resulting in the "absence of a middle ground" (lack of medium-sized enterprises), the private sector component that tends to present the greatest innovation in other countries. The transition matrix clearly shows that, despite low entry, the is a predominant share of small enterprises in the economy, because they fail to grow, and the probability that an enterprise of less than 10 employees will have more than 100 employees after 5 years is negligible, at only 0.4%. ***Thus, even if there are few big enterprises in Morocco, their size does not change or ever so slightly.*** The rest of the economy is made up of sub-optimum enterprises with unproductive activities (often in the informal sector) and characterized by low profit.

Transition Matrix Compared with the Size of Enterprises							
	Size 5 years after entry						
Size at entry	Exit	0-5	6-10	11-20	21-50	51-100	>100
0-5	37.88	38.24	16.56	5.40	1.65	0.18	0.09
6-10	30.35	14.61	36.11	13.07	5.40	0.51	0.31
11-20	29.83	4.90	15.65	28.67	16.28	3.46	1.30
21-50	28.78	1.28	4.37	11.11	33.70	14.75	6.01
51-100	29.96	1.21	0.00	2.43	8.50	33.20	27.70
>100	26.61	0.81	0.81	0.40	4.44	8.87	58.06

C) Product Space and Development of Value Chains

The figure below presents the development of all value chains in Morocco. The luminous points indicate the pieces of these chains, which are now developed in Morocco. It is noted that these chains are already well developed in the textile sector (Zone A), that they are still being densified in food processing, but that important links are still lacking (Zone B), and that they must be densified in the chemical (Zone C) and electronics and automotive (Zone D) industries. This densification will depend on the development of SMEs.



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