AFRICAN DEVELOPMENT BANK GROUP

MOROCCO: EVALUATION OF THE BANK'S ASSISTANCE

OPERATIONS EVALUATION DEPARTMENT
(OPEV)

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ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
AFD	:	Agence française de développement (French Development Agency)
AFESD	:	Arab Fund for Economic and Social Development
AMU	:	Arab Maghreb Union
ANRT	:	Agence nationale de régulation des télécommunications (National Telecommunications Regulatory Agency)
BAJ	:	Social priority programme (in Arabic)
BAM	:	Bank Al-Maghrib
CSP	:	Country Strategy Paper
EIB	:	European Investment Bank
ESRP	:	Economic and Social Reforms Programme
ESW	:	Economic and Sector Work
EU	:	European Union
FDI	:	Foreign Direct Investment
FISAP	:	Financial Sector Adjustment Programme
GDP	:	Gross Domestic Product
GSM	:	Global system for Mobile Communications
IAM	:	Itissalat Al-Maghrib (Public Telecommunications Operator)
IFAD	:	International Fund for Agricultural Development
IMF	:	International Monetary Fund
KfW	:	Kreditanstalt für Wiederaufbau
MAD	:	Moroccan Dirham
MDG	:	Millennium Development Goals
MIC	:	Middle-Income Country
NICT	:	New Information and Communication Technologies
ONCF	:	Office national des chemins de fer (National Railway Authority)
ONDA	:	Office national pour le développement des aéroports (National Airports Development Authority)
ONE	:	National Electricity Authority
ONEP	:	National Drinking Water Authority
ONPT	:	National Post and Telecommunications Office
OPEV	:	Operations Evaluation Department
P&T-SAP	:	Post and Telecommunications Sector Adjustment Programme
PAGER	:	Grouped Drinking Water Supply Programme for the Rural Population in Morocco
PARAP	:	Public Administration Reforms Support Programme
PARCOUM	:	Medical Cover Reform Support Programme
PDEI	:	Institutional Savings Development Programme
PDES	:	Economic and Social Development Plan
PERG	:	Global Rural Electrification Programme
RMC	:	Regional Member Countries
SAP	:	Structural Adjustment programme
SME	:	Small and Medium Enterprises
SMI	:	Small and Medium Industries
TAF	:	Technical Assistance Fund
UA	:	Unit of Account
USA	:	United States of America

EXCHANGE RATE (May 2005)

Currency Unit	=	Moroccan Dirham (MAD)
UA 1	=	US$ 1.486622
UA 1	=	EURO 1.20627
UA 1	=	MAD 13.2032

EXECUTIVE SUMMARY

1. Morocco is one of the major clients of the ADB window; it represents 16.6% of the allocation of net total commitments per country, ahead of Tunisia (16%) and Algeria (10.2%). Its cooperation with the Bank dates as far back as 1970, but this evaluation will focus on the strategy implemented by the Bank between 1996 and 2005. During this period, the Bank produced three strategy papers (CSP) to guide its assistance to Morocco. The purpose of this study is to evaluate the efficacy of this assistance to the country's development, with a view to drawing useful conclusions and making recommendations for the next Country Strategy Paper (CSP).

2 During the period under review, Morocco consolidated its price stability and strengthened its external position. It implemented an ambitious macro-economic and sectoral reforms programme. The economy registered significant progress, with the revival of growth since 2001; the latter developed at an average of 4.8% per annum during the 2001-04 period compared to 2.2% during the past decade. However, growth was fairly unstable and lower than the country's potential particularly because of the economy's dependence on the agricultural sector. The performance and efficacy of economic policies were not backed up by an equitable distribution of economic and social progress. Morocco has high levels of poverty, unemployment as well as social and regional inequalities. With respect to human development, the country lags behind other countries ranked in a similar category. In addition to these challenges, Morocco needs to deal with the requirements of globalisation and economic integration, particularly with countries of the Arab Maghreb Union (AMU), and within the framework of the free trade agreement with the European Union (EU) as well as the partnership with the United States.

3 The Bank was able to meet the Government's expectations by basing its strategy on three main pillars: i) support to the macro-economic and sectoral reforms; (ii) strengthening development infrastructure, and (iii) poverty reduction and human resource development. The Government's 2000-2004 Economic and Social Development plan (PDES) served as a guideline for the CSP. These pillars are pertinent since they are consistent with the objectives and priorities of the country's development policy, including Morocco's integration into the global economy and the improvement of the socio-economic equilibrium.

4 In a highly competitive environment within the community of Morocco's development partners, the Bank's assistance was rather prompted by Moroccan demand. Thus, the strategic objectives relate to diverse sectors. Besides, even though the CSP had grasped the importance of non-lending activities, the Bank did not carry out any analytical work. It is worth noting that the latter is indispensable for an improved knowledge of the country's problems as well as to define, in a concerted manner, the framework and reform measures and thus promote dialogue with the Government on the policies to be implemented. For the same reason, the Bank's strategy was not based on an analysis of the sectors and their potential with a view to better incorporate the Bank's assistance within a more coherent framework established with the Government and other donors.

5 In connection with the planning covering the 1996-2005 period, the Bank granted loans worth over 1600 million UA, to finance 19 operations 7 of which have been completed, one abandoned (Rehabilitation of the Electricity Transmission and Distribution Systems) and 11 in progress. The instruments of intervention were not diversified enough to give more complementarity and synergy to the development actions supported by the Bank. In addition to the lack of economic and sector work (ESW) already mentioned, the Bank's financial support was not shored up by technical assistance or institutional support activities with a view to building national capacities and thus ensuring the optimal use of resources. And yet, such need has become increasingly urgent in view of the numerous challenges confronting the country, including the

deepening of reforms. For the Government, non-lending assistance constitutes the added value of the recourse to the Bank in the light of the non-concessional nature of the loans. It represents an essential factor of the Bank's competitiveness.

6 The Bank's performance is outstanding in terms of the volume of loans granted. The resources mobilised by the Bank for Morocco exceeded the CSP forecasts. The country was thus able to mobilise more resources for the Government's priority reform programmes. About 69% of the net global commitments were devoted to the financing of economic and sectoral reforms particularly in the financial, administrative, communications, transport, water and health sectors. However, agriculture and the private sector did not receive the Bank's funding, contrary to projections made in the CSP. The main reasons concerning agriculture include the fact that Morocco has reduced its requests for financing, especially in the traditional irrigation sector, pending the new orientations of its agricultural and rural development. As regards the private sector, the Bank could not develop its strategy through direct support. The financial sector reached a certain degree of maturity to ensure financial intermediation in good conditions, thanks to the reforms that were partly funded by the Bank with 4 Financial Sector Adjustment Programmes (FISAP**)** and 11 lines of credit worth about 600 million UA. Like similar institutions such as the International Finance Corporation (IFC) which has not funded projects in Morocco for several years, the Bank is confronted with a problem of competitiveness of its rates - compared to the Moroccan financial sector-, as well as with the need for a more creative private sector support approach.

7 The portfolio performance is satisfactory with no problem project in 2004. The number of active projects is on the decline because of the concentration of the three CSP on loans in support of quick-disbursing reforms. However, the Bank's services are not attractive and competitive enough; there is need to improve on simplicity, flexibility and speed which are increasingly required by Borrowing countries. The Bank's assistance is thought to be inefficient because the transaction costs are deemed expensive. These costs concern the loan conditions as well as the procurement and disbursement procedures.

8 Completed operations were fairly relevant and achieved their development objectives, sometimes beyond expectations, as is the case in the communications sector. However, the multi-sectoral programmes, the social, water and sanitation sectors were confronted with difficulties. They respectively relate to: (i) the slowness observed in the pace of disbursement of some policy-based loans; (ii) serious delays in the implementation of social projects because of their defective preparation and the cumbersome nature of procurement procedures and (iii) the water authority's inability to control costs so as to secure a return on investments. On the whole, the institutional impact is significant and the viability of the outputs likely.

9 It is difficult to assess the level of achievement of the Bank's strategic objectives compared to the results expected in the CSP, since the latter do not contain intermediate development objectives and monitoring and evaluation indicators. Moreover, most of the projects and programmes under review are being implemented and their results will therefore be delivered only gradually. Their contribution to development can therefore only be assessed in terms of probability.

10 The Bank has contributed to achieving results relative to development during the period under review, essentially within the framework of macro-economic and sectoral reforms support and infrastructural strengthening. On the other hand, the impacts of the projects/programmes on the social indicators in general and, more particularly, on poverty reduction and human resource development, were barely discernible.

11 The Bank's assistance to Morocco is considered globally satisfactory in view of the institutional constraints at the level of the Bank and the country which limited it during the period under review. These internal constraints particularly concerned the cumbersomeness of procedures relative to bilateral aid mobilisation, procurement, disbursement, fulfilment of loan conditions precedent as well as the loss of country focus, the non existence of a local representation or focal point within the Bank. Likewise, Morocco, just like the other member countries, was affected by the insufficiency of the Bank's intellectual contribution to the economic and sectoral reforms. There are many aspects that need to be improved, some of which require in-depth reforms. The drawbacks as regards the dialogue and other non-lending activities made it difficult for the Bank to develop a more coherent and more efficient strategy. Besides, agriculture and the private sector did not benefit from the Bank's support. The performance in communications and transport is relatively more satisfactory than in the water and sanitation, energy and social sectors. As regards the macro-economic and sectoral reforms, the progress made during the 1996-2005 period is significant, but still insufficient in view of the structural deficit observed in the public finances, the low savings and investment rates and the slowness in the process geared towards bringing the private sector up to standard.

12 In order to improve the Bank's future assistance to Morocco, this evaluation recommends : (i) the design and implementation of a strategic prospective approach based on an in-depth knowledge of the country ; (ii) the furtherance and improvement of economic and sectoral reforms; (iii) preparation and implementation of a coherent private sector promotion and direct support strategy; (iv) preparation and implementation of a strategy and an economic and sector work programme; (v) the diversification of the Bank's instruments of intervention and strengthening their synergy; (vi) strengthening the strategic partnership with other donors ; (vii) strengthening the dialogue between Morocco and the Bank; (viii) reducing transaction costs; (ix) improving the Bank's responsiveness and flexibility; (x) strengthening the Bank's presence in Morocco as well as the quality of its representation, by taking into account the challenges to be met concerning the absence of dialogue at a high level, lack of visibility and communication; and (xi) building the effective capacities of the country-team including OPSD.

I. INTRODUCTION

1.1 Objectives of the Evaluation

The cooperation between the Bank and Morocco goes as far back as 1970 but this evaluation focuses on the assistance provided by the Bank during the 1996-2005 period. It is essentially meant to analyse the efficacy of the Bank's assistance to the country's development, with a view to drawing useful lessons and making recommendations for the next Country Strategy Paper (CSP).

1.2 Methodological Approach

1.2.1 The methodology used is based on an internal document of the Operations Evaluation Department (OPEV) which draws on the practices of other multilateral development banks. It essentially involves evaluating the development effectiveness of the Bank's assistance in three dimensions. It entails evaluating the Bank's products and services (cf. chapter 3): the CSP, lending operations and non-lending assistance, including the analysis and advisory services as well as partnership. The outcome of the Bank's assistance is assessed in Chapter 4 and the contribution of the various partners in Chapter 5.

1.2.2 The evaluation criteria vary according to the nature of the products and services. The relevance of the CSP is evaluated on the basis of the consistency of strategic objectives with the Bank's policy, the Moroccan Government's development agenda and the country's development challenges. The reference to the principles of the annotated CSP[1] only concerns the 2003-2005 period. As regards the lending operations, the following criteria are used : a) relevance ; b) efficacy; c) efficiency; d) sustainability ; e) institutional impact[2].

1.2.3 The evaluation is based on the documentation available at the Bank as well as in Morocco and among partners. To offset the shortcomings of the information, monitoring and evaluation system, sectoral evaluation reports were prepared by OPEV on : (i) the financial sector adjustment programmes (FISAP) and the institutional savings development programme (PDEI) ; (ii) the agriculture and rural development sector; (iii) the transport sector ; (iv) the public utilities (Water and Sanitation and Energy) sector; (v) the Communications sector; (vi) the Education sector and (vii) the Health sector. However, these sector reports only partially made up for the lack of completion reports. Working sessions were held with project managers, partners and all those involved in the Bank's interventions, both at country level and in the Bank, to complete the information and validate the preliminary analysis. These extensive consultations were particularly focussed on the perception of the outcome of the Bank's interventions, by the various parties involved both within the Bank and in Morocco. A multidisciplinary preparation mission visited Morocco in April 2005. Meetings were organised to discuss the preliminary reports and observations made at the level of the Bank and the country. A mission was also undertaken in Morocco in March 2006 to discuss the report prior to its finalisation.

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[1] Principles of the annotated CSP Priority to poverty reduction; ownership by clients. ; strategic selectivity; self-evaluation based on experience; Governance and regional cooperation; strategic partnership; results indicators; collaboration within the Bank

[2] Relevance : consistency of the Bank Group's operations strategies with the education strategies of Morocco. Efficacy: achievement of objectives Efficiency: benefits of operations in relation to their cost and duration. Sustainability: likelihood of sustaining the outcomes of operations and consolidating them. Institutional impact : improving standards and practices which make the use of human and financial resources more efficient.

1.3 Limits of the Evaluation

The evaluation focuses on the operations approved over the 1996-2005 period. This approach makes it difficult to lay sufficient emphasis on the complementarity and synergy of operations financed by the Bank, especially when it entails programme support over a rather long period, as was the case for the reform of the financial sector, with 4 programmes which were complementary to the objectives plan. The evaluation takes into consideration both the completed and ongoing operations. Most of the portfolio projects and programmes are being implemented and their outcome will thus be delivered only gradually. Their contribution to development can only be assessed in terms of probability. Moreover, the Bank intervenes next to the Government and other development partners, particularly the World Bank and European Union (EU). It is thus neither the only nor sometimes the key foreign donor; subsequently, its contribution to the changes observed is difficult to establish.

II. COUNTRY CONTEXT

2.1 Economic Developments

2.1.1 During the 1996-2005 period, Morocco stabilised its macro-economic framework with a relatively low inflation and a solid external position. It also implemented a structural reforms programme. The economy was strengthened by the increase of transfers from Moroccans living abroad., tourism receipts and foreign direct investment. Structural changes are in progress in several areas, notably the facilitation of foreign trade, liberalisation of the financial sector, privatisation of telecommunications and modernisation of agriculture and the private sector.

2.1.2 The economy resumed its growth which represented an average of 4.8% per annum over the 2001-04 period against 2.2% during the past decade (between 1991 and 2000). However, this growth is still not sufficient to create jobs and significantly reduce poverty. It is also rather unsteady because of its strong reliance on agriculture; actually, depending on the annual climatic fluctuations, agriculture contributes between 12 and 24% of GDP. On the whole, these fluctuations have repercussions on important segments of the Moroccan economy, notably the industrial sector which still depends on food processing and trade which has a strong linkage with the shocks affecting the rural income. Besides, the agricultural sector alone represents 80% of rural employment and 44.5% of total employment and sometimes contributes between 80% and 100% to the rural income. However, the traditionally poor growth of the non-agricultural sectors has followed a favourable trend over these past years; in 2005, despite unfavourable climatic conditions, the growth rate of the non-agricultural sector reached 4.4% after a 4.7% performance in 2004. The challenges are still immense with respect to the growth of private investment whose current level estimated at 21% of GDP is considered insufficient, even though its share in the total investments continues to rise, growing from 77% in 2001 to 84% in 2004.

2.1.3 Inflation was contained at less than 2% per annum during the 1996-2005 period, thanks to the implementation of an appropriate monetary policy, in a context marked by the reduction of the budget deficit and the restoration of external balances. The total foreign debt fell steadily, from 68% of GDP in 1995 to 34% in 2000 and 15 % in 2005 thanks to the active

debt management. The rate of exchange is fairly stable, with only slight variations of the nominal exchange rate. However, public deficit control is still a major challenge; the budget position weakened with a deficit of 5.2% of GDP during the 2001-04 period, but is still contained within sustainable limits and raises no major problems as far as its shot-term financing is concerned.

2.1.4 Travel receipts and the transfers of Moroccans abroad, combined with the significant decline in debt interest charges, contributed greatly to maintaining the positive balance of the current position. The reserves more than doubled, surging from 4.6 months of imports in 2000 to 10 months in 2004.

2.1.5 The structural reforms which were implemented related, among others, to foreign trade liberalization, strengthening the financial sector and privatisation, budget and customs reform and more recently, governance. As regards liberalisation, more specifically, a partnership agreement concluded with the United States became effective in 2000, while a second agreement with the US was concluded in March 2004. On the whole, the structural reforms prepared the ground for accelerated growth, particularly by minimizing dependency on agricultural production. Nevertheless, other initiatives are necessary to implement and develop these reforms.

2.2 Evolution of the Social Situation

2.2.1 With a per capita gross domestic product of US$ 1200 in 2002, Morocco is ranked among the category of middle-income countries (MIC). However, the social indicators are still disturbing, particularly in the rural areas, and social deficits have a cost which is translated in terms of human development. In 2003, Morocco was ranked 124th out of 177 countries according to the human development index (HDI). The following African countries with a comparative development level, Tunisia, Algeria and Egypt are ranked 89th, 103rd and 119th respectively in the same classification. Despite the improvement of certain indicators, Morocco still needs to address several challenges to achieve the Millennium Development Goals (MDG).

2.2.2 The incidence of poverty increased, from 13.1% in 1990 to 14.2% of the total population in 2004, i.e. close to 4 million people living under the poverty line[3]. Poverty reduction policies were essentially beneficial to the urban areas where the number of poor declined from 12% in 1998 to 9.6% in 2001, while at the same time, the poverty prevailing in the rural areas seemed to have deepened, rising from 27.2% to 28.8% during the same period[4]. To achieve the objective of halving poverty between 1990 and 2015, there is need for huge efforts and investments.

2.2.3 In the primary education sector, tangible progress has been registered. The net school enrolment rate rose to 92.2% in 2004 compared to 52.4% in 1990. In this area, the difficulties related to the fact that only a few students complete their basic cycle and the poor quality of education still persist. The improvement of the literacy rate still requires a significant budget effort. The literacy rate among people in the 15 to 24 years age bracket increased slightly, from 51% in 1990 to 62.4% in 2002.

[3] Defined as one US dollar a day.

[4] ADB/OEDC 2004, *Africa's economic perspectives*, 2004.

2.2.4 Gender inequalities are still huge, especially in the rural areas. Despite the remarkable progress made, women's participation in the decision-making process is still limited. In 2003, illiteracy affected about 61% of adult women against 31% of men. The girls' school enrolment has risen less than that of boys especially in the rural areas where only 47% of girls are enrolled in primary school.

2.2.5 Thanks to the generalisation of vaccinations, infant mortality reduced significantly. Child mortality has dropped sharply by 30 % over the past twelve years. The infant mortality rate was 40 deaths out of 1000 births in 2003 compared to 57 in 1990[5]. Maternal mortality, on the contrary, has not improved during the past decade. It remained relatively high, estimated at 227 maternal deaths for 100 000 births. The slow trend in the rural areas makes it difficult to achieve the MDG which require significant budget effort to strengthen infrastructure, the qualified staff, information and education

2.2.6 It is worth noting that Morocco has registered positive results with respect to the control of malaria and other major diseases. Malaria is no longer a real threat: the prevalence rate was 0.5% in 1998 compared to 6.5% in 1990. Concerning HIV/AIDS, the prevalence rate among adults between 15 and 49, was estimated at 0.03% in 1990 and 0.07% in 1998. It is possible to maintain it at a level similar to that of a nonprogressing epidemic.

2.2.7 Demographic and economic growth have generated strong pressure on the natural resources and led to multifaceted environmental degradation. The countrywide rural electrification programme (PERG) achieved a connection rate of 72% in 2004 against 17% in 1996. The implementation of the Grouped Drinking Water Supply Programme for the Rural Population (PAGER) facilitated access to drinking water supply; with the rate rising from 14% in 1995 to 54% in 2003. However, the country lags behind in the water purification sector; while efforts are being deployed as regards waste water collection and treatment.

2.3 Major development challenges in Morocco

2.3.1 The major challenges which should be addressed by the Government are: the achievement of high, sustainable and non-volatile growth capable of durably reversing the rise in unemployment and poverty, the improvement of the social indicators level as well as the sustainable and efficient use of water resources. Actually, the average annual growth of 4.8% is still insufficient. Compared to the 5% target fixed by the 2000-2004 economic and social development plan, the achievements during this period were only 3.8% due to the effects of the slowdown in growth registered in 2000 (1%).

2.3.2 The agricultural sector's vulnerability to the vagaries of the weather (drought, floods) should be further reduced, since a poor performance in the sector will impact negatively on the Moroccan economy. In this regard, there is need to observe a certain growth autonomy in relation to the weather conditions since positive growth has been registered since 1998 despite the fact that drought was experienced during part of the period. Furthermore, the competitiveness of the economy needs to be improved, particularly the productivity of factors and the business climate, in order to further benefit from globalisation.

[5] Source : National Population and Family Health Survey (EPSF) 2003-2004 in Morocco

2.3.3 At the social level, the major challenge facing Morocco relates to the persistence of social inequalities, poverty, youth unemployment and illiteracy, despite the progress registered and the authorities' interest in the development of the sector. In fact, as mentioned earlier, poverty increased during the past decade and the rural populations are most affected by the phenomenon. Unemployment concerns graduates (including those of higher education) more than non-graduates. In 2004, the rates (in the urban areas) were respectively 25.6% compared to 10.2%. Besides, if the trend is not reversed significantly during the next decade, poverty, unemployment and exclusion could generate social tensions that might be difficult to handle. Access to services and opportunities of which the poor have been deprived in the past, calls for dynamic growth as well as special efforts. This entails reinforcing education in order to reduce regional disparities and those related to gender, with a view to eradicating illiteracy. Furthermore, for economic reasons, including the need to develop competences and qualifications essential for Moroccan businesses, in order to improve their productivity and competitiveness, the social dimension constitutes a priority. It is for this reason that Morocco embarked on a programme for the fight against social exclusion as well as the improvement of the population's living conditions.

2.3.4 As regards natural resources, water is a rare asset limited in time and space, because of the semi-arid climate characterised by a sharp annual and inter-annual irregularity, as well as by great spatial variability. In the absence of new practices and an innovative demand management policy, the threat is one of water stress and shortages. The country currently exploits more than two-thirds of the renewable and usable water resources, about 85% of which are used in agriculture. The soils which are also threatened, loose their fertility while the degradation of the plant cover continues because of overgrazing and the extension of farmlands.

2.4 The Country's External Financing and the Bank's relative Share

2.4.1 Morocco has several opportunities for the financing of its development, including the international financial market. However, the country has embarked on a policy geared towards the reduction of its debt ratio. It continues to register success in the mobilisation of concessional resources from multilateral and bilateral partners. At the end of 2004, the country's leading creditors, representing over 60% of the total outstanding debt, were as follows : i) International Bank for Reconstruction and Development (IBRD), 18% ; ii) France, 16% ; iii) European Investment Bank (EIB), 9% ; iv) ADB, 7% ; v) Japan, 5.5% ; and vi) Arab Fund for Economic and Social Development (AFESD), 5%. The ADB is ranked 4th among Morocco's leading creditors. However, considering the new commitments, the Bank is in the lead with 16% of the global amount of loans granted to Morocco in 2004.

2.4.2 Sizeable capital inflows in the form of foreign direct investment (FDI), for privatisation and the assignment of monopoly rights, made it possible to finance the current account deficit and create comfortable foreign exchange reserves. The FDI and foreign private loans essentially come from EU countries (France, Portugal and Spain) and the United States. However, they fluctuate but with an upward trend. The increase was estimated at 1.6% per annum on average during the 1990-1995 period compared to 4.1% for the 1996-2003 period. This increase is particularly linked to the privatisation operations in the telecommunications sector. In 2003, FDI reached $US 2.126 billion, and targeted several sectors, notably tourism, industries and energy. In 1998, Morocco was ranked 3rd among

African countries to receive FDI[6], after South Africa and Egypt. The factors conducive to the increase in FDI are the existence of qualified labour, the cost of factor inputs (water, electricity, telephone) and the availability of financing in local currency.

III. EVALUATION OF THE BANK'S ASSISTANCE TO MOROCCO : PRODUCTS AND SERVICES

3.1 The Bank's Strategy and its Relevance

3.1.1 The priority targets of the Bank's strategies

3.1.1.1 Three CSP programming cycles were implemented for the 1996-1998, 2000-2002 and 2003-2005 periods (cf. table 1). Between 1999 and 2000, the Bank did not produce a CSP; the reason given was lack of sufficient visibility to prepare a new strategy pending the adoption of the 2000-2004 plan. Actually, the fact that the planning system was abandoned in the 1990s, following the structural adjustment policy, led to the absence of official medium-term economic outlooks. In anticipation of its restoration, 1999 and 2000 constituted a transition period during which the 1996-1998 CSP served as a framework for the continuation of the Bank's assistance to the country.

1996-1998 CSP

3.1.1.2 The purpose of the Bank's strategy was to back up Morocco in its efforts to modernise its economy and its society with a view to making them competitive. The priority thrusts were : (i) support to agriculture, particularly irrigation, fisheries and integrated rural development; (ii) human resource development in the rural and near-urban areas and vocational training; (iii) the realisation of basic infrastructures in the transport and community facilities sectors; and (iv) support to the development of the private sector ; and (v) support to the financial sector.

2000-2002 CSP

3.1.1.3 The strategy proposed in the CSP sought to back up the Government's Programme in priority sectors likely to have a significant impact on the acceleration of growth and job creation, human resource development and poverty reduction, macro-economic and sectoral reforms, and the development of the private sector. The priority intervention areas were : (i) support to economic and social reforms ; (ii) the realisation of infrastructures, in general, as well as support to rural development; and (iii) the development of human resources.

2003-2005 CSP

3.1.1.4 The Bank's strategy seeks to help Government to address the challenges with which it is confronted. These include the elimination of sectoral and institutional constraints which impede the achievement of strong and sustainable growth under the impetus of the private sector. The priority areas are: i) support to the macro-economic and sectoral reforms, with special emphasis on sectoral and institutional reforms; ii) support to the strengthening/modernisation of infrastructure; and iii) the promotion of the Moroccan enterprise.

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[6] Cf. The development in the bilateral investment agreements signed with Morocco, by Prof. Mohamed Oudebji, Faculty of Law, Economics and Social Sciences of Marrakech, in 'Repères et Perspectives', N°5-2004, Rabat

Resource mobilisation

3.1.1.5 At the public window, in addition to project loans, a relatively significant share should be granted to economic and sectoral reforms support loans. As regards the private window, the following priority intervention areas were selected: i) privatisation of public companies ; ii) tourism ; iii) participation of the private sector in infrastructures and the production of energy ; iv) support to small and medium businesses through lines of credit. Besides, the Bank should mobilise more bilateral resources for studies and/or institutional support in the sectors that are considered as strategic.

Table 1 : Summary of the key objectives of CSP in Morocco, 1996-2005

Sector	1996-1998	2000-2002	2003-2005
Multi-sector	Support private sector promotion	Further pursue administrative and fiscal reforms in order to promote an enhanced resource allocation to the social sectors; Promote the products of the Bank's Private Window ; Examine the possibilities of an assistance in (i) the privatisation of public companies ; (ii) tourism; (iii) support to SME/SMI, (iv) private-public partnership in the areas of infrastructure and energy	Support the macro-economic and sectoral reforms, including support to the public administration Support the promotion of the private sector
Transport	Create transport infrastructure and implement a road maintenance and rehabilitation programme	Pursue the creation of transport infrastructure.	Improve the competitiveness of the transport sector, particularly through support to the gradual liberalisation of the activities of the sector and the upgrading of the different stakeholders
Water supply and sanitation	Improve drinking water supply and sanitation	Create water and sanitation infrastructure	Support the modernisation of water and sanitation infrastructures; Create a framework conducive to massive investments in the water sector ; enable Morocco to achieve the Millennium Development Goals (MDG) in this sector by providing clean water to over 8% of the population deprived of water services, particularly in the rural and near-urban areas.
Telecommunications		Finance community facilities essential for the development of directly productive activities and the well-being of the populations; develop the telecommunication network; Support sectoral reforms	
Social	Make investments in the rural and near-urban areas with the aim of developing human resources and promoting the development of vocational training	In addition to the generalisation of basic education, support the development of science and technical education	Support the development of human resources within the framework of the public administration reform
Finance	Support the promotion of the financial sector		
Energy	Generate electricity, particularly hydroelectricity.	Create energy infrastructures and support the reforms in this sector.	

	Strengthen distribution capacities including the interconnection with countries of the sub-region	
Agriculture and rural development	Support the agricultural sector, notably the irrigation, fisheries and integrated rural development sub-sectors	Conduct a review of the sector with a view to initiating dialogue with the Moroccan authorities in order to define the Bank's areas of intervention.

Source : Extract from the Bank's CSP

3.1.2 Relevance of the Bank's Strategies

3.1.2.1 Three ' basic pillars' emerge from the three CSP programming cycles: i) support to macro-economic and sectoral reforms, (ii) strengthening infrastructure and (iii) poverty reduction and human resource development. These pillars are essentially in line with the Government's development priorities and objectives. The 2000-2004 economic and social development plan (PDES) particularly served as a framework for the 2000-2002 and 2003-2005 CSPs. Actually, the Bank seeks, through these pillars, to assist Morocco to achieve its objectives of integrating the global economy and improving the socio-economic balance.

3.1.2.2 The Bank's priority areas of intervention, namely: furthering the economic and sectoral reforms, strengthening the transport, communications, water supply and energy infrastructure, tie in with the country's priorities. This is particularly attested by : the adaptation of the institutional and regulatory framework to efficacy and competitiveness requirements ; the institution of improved basic services to enable Moroccan businesses to be more competitive and take more advantage of the global economy; the achievement of strong and sustainable growth spurred on by the private sector to absorb unemployment. The challenges facing Morocco with regard to the generalisation of primary education, the fight against illiteracy, misery and diseases of an increasingly growing population, have been addressed by efforts to reduce regional and social disparities in education and health.

3.1.2.3 However, with the exception of the 2003-2005 CSP, the Bank's strategic objectives concern various sectors. The Bank does not have real control over the choice of sectors, because interventions are determined by Moroccan demand. In such a context, some partner institutions such as the World Bank have the advantage of embarking on a long-term dialogue relative to the visible strategic objectives, which enable it to intervene more easily.

3.1.2.4 The application of the annotated CSP guiding principles made it possible to improve the quality of the 2003-2005 CSP compared to past CSP. These guiding principles were implemented in a relatively satisfactory manner. Consultations broadened to the civil society were carried out. NGOs expressed the wish that the priorities of the Bank's operations strategy would include issues relative to literacy, gender and the opening up of the regions. However, the Bank chose to concentrate the essential part of its strategy to supporting reforms that are fundamental for the Moroccan economy. The said reforms need to be shared by Morocco's businessmen and external partners and implemented in sectors in which the Government's commitment is certain. Other principles such as self-evaluation based on experience, scenarios and triggers, are also taken into consideration.

3.1.2.5 On the other hand, the 2003-2005 CSP did not sufficiently highlight the Bank's policy on poverty reduction. The Bank did not devote enough efforts to this sector, including through non-lending activities.

3.1.2.6 In short, the strategies deployed by the Bank in Morocco are globally pertinent. The strategic objectives of the CSPs address the Government's priority sectors as well as the country's development challenges. They are also in keeping with the Bank's objectives consisting in promoting sustainable economic growth and reducing poverty. However, the Bank sometimes had difficulties to take into account some of the developments relative to the country's concrete needs, particularly with respect to agriculture and private sector financing. This is linked to the lack of analytical work, of clarity as regards Morocco's needs and of dialogue between the two parties.

3.2 Implementing the Bank's Strategy : Lending Operations

3.2.1 Analysis of the 1996-2005 Lending Programme

3.2.1.1 The volume of loans granted is higher than the projections of the three CSP. Out of a volume of interventions worth UA 350 million, projected in the 1996-1998 CSP, the Bank approved loans totalling UA 431 million, i.e. an increase of 23%. The increase with respect to the 2000-02 CSP, is 32% compared to the projections of 359 million UA, while the accumulated amount of loans approved during the 2003-2005 period reached 705 million UA, which is significantly higher than the amount programmed in the CSP fixed at a margin of 252 to 523 million UC. Such over-expenditure is essentially due to the reforms support operations which were, to a large extent, determined by Moroccan demand. The Bank which sought to maintain a certain portfolio outstanding amount, following Morocco's cancellation of the onerous loans granted in the past, was able to significantly increase the volume of its loans and thus became Morocco's leading creditor in terms of new commitments.

3.2.1.2 The 2003-2005 CSP had identified a high scenario whose implementation should provide Morocco with a maximum amount of 523 million UA. The assessment of the progress registered with respect to the triggers adopted for the high scenario, shows that at least one of the four criteria –namely the disbursement of the first tranche of the WATER-SAP in 2004- was not satisfactory. It is observed that the rise in the volume of loans is essentially due to an increase in reforms support loans deriving from the flexibility of the Bank which took advantage of the Moroccan demand and the fact that there is no ceiling identical to that of ADF for this type of loan.

3.2.1.3 Within the framework of the three programming cycles covering the 1996-2005 period, the Bank granted loans worth over 1600 million UA, to finance 19 operations, 7 of which have been completed, one abandoned (Rehabilitation of Electricity Transmission and Distribution Networks) while 11 are in progress. Only three lending instruments[7] were used by the Bank. Most of the bank's financing was specifically directed towards economic and sectoral reforms support loans. Thus, 4 structural adjustment loans and 5 sectoral adjustment loans were granted. On the whole, policy-based lending represents 1109 million UA, i.e. 69% of the total volume of loans granted within the framework of the three CSP. The share of the 10 project loans, including 1 from the private sector window approved in 2005, is 31%, i.e. a total of 503 million UA. The operations are of an acceptable size with a global average of 85 million UA, an average of 50 million for projects and 123 million for reforms support.

3.2.1.4 The sectoral distribution of loans show that the multi-sectoral operations are in the lead with 23.3% of the total volume of loans, followed by the Transport Sector (19.9%), Water and Sanitation (15.8%), Energy (11.2%), Social (10%), Communication (9.2%) and Finance (7%). The weight of the Transport sector is essentially due to the importance of the sector's reform as well as the adjustment of the Water and Sanitation Sector (Water-SAP).

[7] PL=project lending ; SA=structural adjustment ; SL=sectoral adjustment lending

Table 2
Approved Operations per Sector, 1996 -2005

Sector	Total number of loans	Number of completed operations	Loan amounts (million UA)	%	Disbursement rate (%)
Communications	2	2	148.60	9.2	100.0
Water and sanitation	3	1	255.39	15.8	8.6
Energy	1	0	180.28	11.2	32.3
Environment	1	0	57.0	3.5	0.0
Finance	1	1	114.35	7.0	100
Multi-Sector	3	3	375.64	23.3	100.0
Social	3	0	160.99	10.0	35.1
Transport	3	0	320.52	20.0	44.4
TOTAL	**19.0**	**7.0**	**1612.77**	**100**	**63.5**

Source : ADB, compiled from the SAP

3.2.1.5 The support structure of the Bank's intervention in Morocco was constituted by macro-economic and sectoral reforms, in accordance with the strategic orientations defined in the CSP, particularly the 2003-2005 CSP. The Bank's performance in terms of volume of reforms support loans is partly due to the positive impact of the important measures it took to improve the competitiveness of its financial products. The Bank also benefited from the fact that the interventions of its key partner, the World Bank, were constrained because of the complexity of its procedures, particularly the definition of lending scenarios and triggers.

3.2.1.6 On the other hand, the Bank did not intervene in the agricultural sector, even though the 1996-1998 CSP recommended support in its irrigation, fisheries and rural development components. The past strategies had laid sufficient emphasis on irrigation. Besides, Morocco embarked on a process of reflection on the orientations of its agricultural and rural development. Pending the adoption of a new reform plan for the sector, the Government reduced requests for financing, particularly in the traditional irrigation area because of the costs and problems caused by watersheds and the silting of dams. Talks between Morocco and the Bank fell off and the sectoral review which should have provided the content of this dialogue did not take place.

3.2.1.7 With respect to private sector support as well, the Bank did not succeed in developing its strategy through direct support. The CSP had proposed a diversified range of actions aimed at building private sector capacity and preparing the Moroccan productive sector to face up to external competition. However, the materialisation of these activities was thwarted by a certain number of constraints. The financial sector reached a certain level of maturity to conduct financial intermediation in good conditions, thanks to the reforms that were partially financed by the Bank, with 4 FISAP and 11 lines of credit for a total amount of about 600 million UA. According to OPSD, the banking system is capable of granting long-term loans of up 13 years, from self-generated resources and only major projects costing more than US $ 400 million require external financing contribution with the Moroccan Banks' participation. This was the case of SAMIR's environmental upgrading project (MANE), approved in 2005 in which the Bank's intervention can serve as a financing and

expertise catalyser. Like similar institutions such as the International Finance Corporation (IFC) which has not financed projects in Morocco for several years, the Bank is confronted with a problem of competitiveness of its rates in relation to the Moroccan financial sector.

3.2.1.8 The Moroccan banks are hesitant with regard to ADB credit lines in view of factors such as exchange risks that are not covered by the States and the overliquidity of the banking sector with very low interest rates. In July 2001, for example, a line of credit worth 50 million Euro was opened for the 'Banque Moroccan du Commerce Extérieur' (BMCE), but the operation was not finalized because the cost of the Bank's resources was considered very high. It is still difficult to finance SMEs because of constraints relative to access to funding due to lack of transparency with respect to information, guarantees and equity resources often related to their family structure and their membership to a well established group. However, there are opportunities to finance the private sector in Morocco, notably through public/private partnerships in the infrastructure, energy, tourism and industrial sectors.

3.2.1.9 It should be noted that the services provided by the Bank in support of the private sector are still insufficient to fully take advantage of the opportunities. In fact, the Private Sector Department (OPSD) lacks human resources and noone has been clearly designated within the said department to assume responsibility for the private sector in Morocco. Besides, the OPSD does not contribute sufficiently to the development of the Bank's sectoral strategy within the framework of the CSP, the process of which faces a problem of coordination of the country-team's activities. The knowledge base on the status, requirements and potential of the Moroccan private sector needs to be strengthened in anticipation of a concrete operations programme. Despite the OPSD's promotion efforts these past few years, the field missions are insufficient and the country is not familiar enough with the Bank's products and services.

3.2.1.10 In light of the foregoing, the Bank should further adapt its interventions to the highly competitive environment in Morocco. The instruments of intervention which it has used so far (3 in number) are not diversified enough and lack synergy. Even though the implementation of the Government's development programme is sustained by project loans and reforms support loans, the Bank did not intervene in the financing of the analysis work required for an improved awareness of the problems, in order to concretely define the framework and reforms measures and thus foster dialogue on the policy to be implemented. Financial support does not come with technical assistance or institutional support activities to build the capacities necessary to design and monitor the numerous and sometimes complex tasks, within the framework of projects/programmes. In the absence of appropriate expertise and technical support for the lending operations in order to ensure optimal utilization, the Moroccan side has become increasingly hesitant to use non-concessional financing especially in the social, water and agriculture sectors. In fact, this type of need is being increasingly felt in view of the challenges facing the country, particularly within the framework of the deepening of reforms.

3.2.2 Performance of the Projects Portfolio

3.2.2.1 The performance of the completed operations portfolio was on the whole satisfactory. These completed operations were all relevant, with the exception of the Transport sector where two landslides affected rehabilitation work on the Sidi Kacem to Meknes line, due to the poor quality of the preliminary engineering designs.

3.2.2.2 The operations achieved their development objectives, sometimes with an overrun in the communications sector. The problems essentially concern multisectoral, social, water and sanitation operations. In the first case, delays were observed in the disbursement pace as well as in the application of measures relative to the administration and public finance reforms. Education and health projects have registered serious time overruns due to their poor preparation and contracting problems. The water administrations have difficulty controlling the costs with a view to maximizing investment returns. The institutional impact is globally significant, while the viability of the outputs is probable. The completed projects represent only 41% of the loans granted to the portfolio of operations approved during the 1996-2005 period; thus, this performance cannot be systematically extrapolated to the global portfolio.

3.2.2.3 The portfolio reviews conducted in 1999, 2000, and 2002 as well as the annual Bank's portfolio review, however confirm the sound performance of the Bank's operations. Thus, the average age of the Bank's portfolio in Morocco was reduced by about half, between 1999 and 2004, dropping from 6.6 to 3.9 years respectively. This performance exceeds that of the Bank's global portfolio whose average age declined from 6 to 4.2 years. In 2004, the portfolio did not include any problem project. However, it had 3 potentially high risk projects, representing 29% of net commitments. The number of active projects plummeted from 27 during the 1995 portfolio review to 14 during that of 2002. According to the annual Bank's portfolio review, the number was 12 and 15 respectively in 2003 and 2004. This reduction in the portfolio size is also explained by the increased concentration of the three CSP on the reforms support loans.

3.2.2.4 Moreover, out of the loans approved with effect from 1996[8], only one case of an abandoned project was registered. On the other hand, a significant number of partial loan cancellations have been noted during the period under review. They represent an accumulated amount of 341 million UA between 1996 and 2004, 80% of which concern the 1996-99 period compared to 20% for 2000-04. These numerous cancellations correspond to loan balances or partial cancellations. They are due to portfolio cleaning measures and the Moroccan Government's accelerated repayment of loans considered onerous, including the fact that it sometimes found other more advantageous financing sources.

3.2.2.5 The performances were poor, essentially in the social sector. Changes, which were sometimes important, were made during the implementation of activities, particularly as regards giving up qualitative activities to create infrastructure. The poor cost estimates and the project delivery deadlines led to the postponement of the closing date as well as the cancellation of loan balances. However, the Bank tried to find a solution to these shortcomings, through the efforts deployed to streamline the active portfolio, including postponement of project closure dates and the cancellation of loan balances. Management capacity building seminars for executing agencies were also organised in 1998 and 2000. The current pace is an average of 1.5 supervision mission for each ongoing project. However, these missions still lack diversity with respect to the expertise used.

3.2.2.6 Efforts are still inadequate according to the Moroccan side which considers the Bank too rigid compared to other partners. Lack of promptness, the fact that forms with a lot of information are required in the processing of contract approval applications, lack of coordination between the Bank's operations and disbursement services, hence the sending of

[8] It is the project for the *Rehabilitation of Electricity Transmission and Distribution Networks, approved in May 1998.*

approval documents with disbursement requests, are considered as sources of delays in the execution of operations. The Moroccans also complain that the Bank does not accept that disbursements are released on the basis of simple expenditure statements (certified statements) or completion certificates is the case with other donors. According to them, the use of revolving fund accounts has become tedious because for each application, the Bank requires that the purposes for which the funds will be used be mentioned, i.e. the list of contracts or purchase orders. The Bank has provided no regular information about the state of loans and disbursements. Disbursement requests are met with long delays of up to 18 months for the first two requests for revolving funds for Quality Basic Education Support Project. There is need to share responsibilities between the Ministries of Education and of Finance, by taking into consideration the delays and lack of coordination at the Moroccan level, in the preceding examples. However, a lot remains to be done to make the Bank's services more attractive and more competitive, particularly in terms of simplicity, flexibility and speed, which has become an increasingly recurrent requirement by creditors. The Moroccan side believes that transaction costs are expensive as regards the huge number of loan conditions and the cumbersome contracting and disbursement procedures which result in disbursement delays and costs in terms of commitment fees.

3.2.2.7 Concerning the fulfilment of loan conditions, the bank's deadline for effectiveness is 12 months with effect from the approval date. Morocco's performance is said to average 8 months for the operations under review. Difficulties and delays are observed in the water and transport sectors. Within the framework of the Drinking Water Supply and Sanitation Project, for example, the Bank showed flexibility but lacked speed. The long effectiveness period is due to the fact that the Bouznika town council postponed the implementation of the sanitation component which was later withdrawn from the project. Since the project contained conditions relative to this component, it took 18 months to obtain the Bank's consent on its withdrawal, before the loan could become effective.

3.2.2.8 With respect to contract awards, procurement difficulties stem from lack of familiarity with the Bank's related rules and procedures. The Bank's rejection of contracts due to non-compliance with the goods, works and services procurement procedures results in relatively long deadlines. However, it was observed that, at international level, there was real awareness about the interest in using the national procurement systems within the framework of activities financed by donors. The Bank also shares this approach and intends to strengthen consultations with regional member countries which registered significant progress in this sector, as is the case of Morocco.

3.2.2.9 The average global disbursement rate of operations concerned by this evaluation is 63.5%. The disbursement rate for ongoing projects was 34.5% in late 2005. The poor performance in the Water and Sanitation sector is due to the Bank's lack of rapidity in the processing of disbursement requests as well as the difficulties related to the fulfilment of conditions precedent required for the release of loans within the framework of reforms programmes[9]. The first disbursement of the loan relative to the Railways Rehabilitation Project, approved in 1998, was released only in 2001. Lengthy consultations were held within the Bank before a favourable response was given to the request submitted by the National Railways Authority (ONCF) for the amendment of the loan and guarantee agreements, in

[9] Delays were observed in the fulfilment of the FISAP IV conditions, the release of the 2nd tranche of the loan relative to the Infrastructure Sector Support Programme as well as the release of the 1st and 2nd tranches of the **PRES**. The Government requested a waiver for the release of the 1st tranche of the **PARCOUM** ; The Water-SAP, approved in December 2003, has not yet received any disbursement, since the Government has not yet fulfilled all the conditions required for the release of the tranche.

order to ensure that the loan granted is converted into a single currency loan ($US) at a floating interest rate. With respect to the Water SAP approved in 2003, 7 of the 34 measures scheduled for the disbursement of the programme were satisfied while 19 others were about to be applied, in October 2005.

3.2.2.10 The analysis of the difficulties related to the fulfilment of the conditions precedent show weaknesses concerning the appreciation of the time frame required by the Government to obtain the consensus resulting in the adherence of social groups to some reform measures. These include, for example, the adherence of social groups to the health-insurance reform within the framework of the Medical Cover Reform Support programme (PARCOUM) or the preparation of an action plan for public administration reform within the framework of the Economic and Social Reforms Programme (PRES). As a result of insufficient dialogue, an increasing number of waivers are requested by the Government, often to get round these difficulties. The Moroccans are of the view that the Bank lacks flexibility for some conditions that are not directly linked to the achievement of the reform programme's objectives, which costs them commitment fees.

3.2.2.11 In fact, the Bank was usually receptive since disbursements are often authorised, at the end of generally lengthy waiver procedures. However, the delays in obtaining approvals and legal opinions required for the waiver give the impression that the Bank is rigid compared to the other co-financiers (World Bank, EU) which are more responsive and prompt. The conditions precedent are an integral part of the reforms and lack of dialogue on the issue has often made it difficult to rationalise them through a consensus around a minimum number of realistic, pertinent conditions essential for the achievement of the set objectives.

3.3 Implementing the Bank's Strategy: Non-Lending Assistance

3.3.1 Economic and Sectoral Work

3.3.1.1 The Bank did not carry out economic and sectoral work (ESW) to back-up its interventions in Morocco. To prepare its country strategy papers and, within the framework of its sector operations, the Bank made use of the analytical works conducted by other partners, namely the World Bank. The Bank certainly benefits from positive externalities resulting from the collaboration of these two institutions, but it does not develop its own capacity to assist the countries to make the best economic and sectoral policy choices. Likewise, it does not contribute sufficiently to the policy dialogue with the Moroccan authorities, particularly to define sectoral development strategies.

3.3.1.2 And yet, the CSP had laid emphasis on the need to mobilise bilateral resources to finance studies and institutional support in sectors deemed strategic. However, the fact that no budget has been provided to that effect and the serious difficulties thwarting bilateral resource mobilisation within the Bank, with internal delays exacerbated by complex conditionalities and requirements fixed by the donors, discouraged the user departments and made it difficult to meet the country's demand. The human and financial resources placed at the disposal of the Bank's experts to carry out the analytical tasks are insufficient. An expert's capacity to use the services of a qualified consultant on the ground is limited compared to his counterpart at the World Bank because of the rigidity of the Bank's recruitment procedures. This is one of the reasons that explain why the Bank's missions are not adequately beefed up and specialised.

3.3.2 Policy Dialogue

3.3.2.1 The CSP fully understood the importance of non-lending activities as a back-up to the general development support activities, since Morocco is among the leading clients of the ADB window, with 16.6% of the net commitments accumulated by the countries, ahead of Tunisia (16%) and Algeria (10.2%)[10]. The three programming cycles had provided for dialogue with the Government in the following areas: i) economic and sectoral reforms aimed at improving the competitiveness of the economy; ii) improving governance, particularly in the financial institutions ; iii) human resource development and poverty reduction; iv) assistance to the development of rural areas ; v) portfolio review with a view to improving the performance of the projects portfolio, notably those of the social sector; and the financing of sectoral studies.

3.3.2.2 The dialogue was effectively focussed on the preparation of the CSPs, issues related to the implementation of reforms and the improvement of portfolio quality. The CSP correctly identified the modernisation and competitiveness challenges facing the Moroccan economy. In recent years, the Bank has participated more actively in the dialogue on important macro-economic and sectoral reforms in the financial, communications, transport and water sectors. The portfolio review missions have helped to clean up the Bank's portfolio.

3.3.2.3 However, cooperation between Morocco and the Bank is still handicapped by problems concerning the dialogue. As mentioned earlier, the Bank did not devote much in the way of resources to ESW to guide its interventions. For this reason, its contribution to the dialogue on the definition of economic and sectoral development strategies proved to be insufficient. The added value expected from the Bank in terms of expertise and technical assistance was often lacking for want of financing and efficient mechanisms to address this type of needs. The dialogue was insufficient as regards the support to be provided to the private sector and issues relative to poverty reduction. Finally the Bank's absence on the ground and the non-existence of an appropriate communications strategy resulted in the Government's misgivings concerning its rigidity, transaction costs and the competitiveness of its products.

3.3.3 Aid Coordination, Cofinancing and Resource Mobilisation

3.3.3.1 The Ministry of Finance and Privatisation is in charge of managing Morocco's relations with the country's other leading donors. External interventions are coordinated formally or informally between different partners. In fact, little progress was registered by the World Bank's initiative on the Integrated Development Framework (IDF), in which the Bank was associated, because the Moroccan authorities gave priority to their PDES as an external assistance coordination tool. This instrument aimed to coordinate and compile in thematic matrices, a set of objectives and programmes agreed between the Government and all of its internal and external partners with a view to the long-term outlook. It however facilitated the establishment of a strategic partnership between the World Bank and the Bank, which was materialised by the signing of an agreement in March 2000, in which Morocco was listed among the pilot-countries in which the two institutions agreed to collaborate closely.

3.3.3.2 For its part, the Bank is deploying efforts to strengthen the cofinancing and coordination of its interventions with the major donors, particularly the World Bank, the EU,

[10] Source : ADB, Statistical compendium, 2004.

IFAD, AFESD and EIB, IDB[11], OPEC[12] and AFD. Thus, the Bank works closely with the World Bank through the exchange of views and information during the preparation of strategy papers (CAS/CSP), the preparation of consultations with the other parties involved (NGO, civil society representatives). In April 2001, for example, a tripartite videoconference session between the World Bank, European Union and the Bank provided the opportunity to review the operations strategies of the three institutions and identify priority areas of cooperation, such as health and education. Information on the Bank's cycles of operations is exchanged with the leading partners present in Morocco, during sectoral consultations, missions on the ground and meetings on the strategic partnership with the World Bank, EU, UNDP and EIB as well as with bilateral donors (France, Belgium, Germany, Japan).

3.3.3.3 The CSP laid emphasis on cofinancing as one of the key instruments of the Bank's intervention strategies in Morocco. In compliance with this vision, most of the important operations approved with effect from 1996 are cofinanced with other partners[13]. In this regard, coordination with the World Bank and the EU is attested by the cofinancing of reforms programmes. The latter has been satisfactory so far, particularly as regards information exchange and joint missions. This active collaboration resulted in the implementation of complex structural and sectoral reforms requiring the mobilisation of sizeable resources. In this context, the cooperation took the form of exchanges of views and documents on the programmes. Thus, during the entire period which preceded its involvement in the preparation of the PARAP, the Bank was regularly informed about the status of the programme's preparation. In that respect, it received different aide-memoires on missions undertaken by the World Bank and EU. Such a collaboration also resulted in the conduct of joint preparation or negotiation missions as was the case for the PRES as well as the harmonisation of monitoring activities within the framework of the PARCOUM. With the other partners, coordination was especially strengthened around investment projects in the transport, water and energy sectors. With AFESD for example, special attention was paid to the coordination of works (including a joint supervision mission), the exchange of information and the harmonisation of implementation schedules, within the framework of the project for the improvement and extension of airport capacities.

3.3.3.4 One of the lessons drawn from such a collaboration is that cofinancing provides an opportunity to develop solidarity and complementarity among partners. In the PARAP, for example, the Bank adopted an approach through which, together with the World Bank and EU, it supports a single administrative reform programme focused on a core of common measures. This solidarity and complementarity approach gives each donor the advantage of enriching the programme matrix with complementary actions. It facilitates the long-term commitment of both the Government and donors in this sector, and reduces transaction costs. This close coordination also provides possible joint cofinancing prospects for the following PARAP phases.

3.3.3.5 However , despite the efforts made, the Bank's position in the aid coordination and resource mobilisation process is still very limited because of the following reasons. The

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[11] Islamic Development Bank

[12] Organisation of Petroleum Exporting Countries

[13] The Railway Rehabilitation Project approved in 1996 is cofinanced with the World Bank and the European Investment Bank; the Institutional Savings Development Programme, the Economic and Social Reforms Programme, the Telecommunications Sector Adjustment Programme are cofinanced with the World Bank ; the PARCOUM cofinanced with the EU; the PARAP and Water- SAP are cofinanced with EU and World Bank.

Bank's added value within the framework of its collaboration with the other partners is relatively low. Since it does not contribute much to the policy dialogue and the analytical tasks, the Bank was not often associated, early enough in the preparation of the cofinanced reforms. The PARCOUM and PARAP, for example, were designed by the Government, with the assistance of the World Bank and EU on the basis of studies undertaken by the latter. Thus, the Bank intervenes through additional funding instead of taking the initiative for resource mobilisation. Moreover, its absence on the ground makes it difficult for it to contribute efficiently to coordination efforts with other partners. The Government prefers to gather the donors concerned around specific projects and programmes rather than have a global aid coordination mechanism. Finally, with multilateral and bilateral partners, the various opportunities for cooperation have not yet found sufficient expression through an effective pooling of synergies, which would have ensured more successful interventions. Thus, the procedures (disbursement, procurement), conditions precedent, activities and monitoring /evaluation instruments with respect to both reform programmes and project lending, are not sufficiently harmonised, with a view to reducing the transaction costs further.

Conclusion of the Evaluation of the Bank's Products and Services

The table below summarises the evaluation of the Bank's products and services.

Table 3
Summary of the Performance of the Bank's Assistance per Type

Type	**Evaluation**
Strategy	Relevant
Lending operation	Satisfactory
Non-lending assistance	Unsatisfactory
Global activities	Satisfactory

IV. EVALUATION OF THE RESULTS OF THE BANK'S ASSISTANCE

4.0 It is difficult to assess the impact of the Bank's interventions on the country's development since the CSPs do not include intermediary development objectives and monitoring/evaluation indicators. The revised CSP presentation model comprises a matrix of verifiable actions but the 2003-2005 CSP did not pay enough attention to the identification and proper use of intermediary results indicators with a causal link with the final results. A solution to this issue should be found in the next CSP especially since the Moroccan administration has started implementing the principles of results-based management. However, the Bank's contribution to the results obtained by Morocco as regards development can be observed in the three basic pillars of the CSP: support to macro-economic and sectoral reforms, strengthening infrastructure, poverty reduction and human resource development.

4.1 Support to Macro-economic and Sectoral Reforms

4.1.1 During the 1996-2005 period, the Bank in collaboration with other partners, contributed towards the consolidation of the macro-economic framework and growth, through a series of reforms support programmes. These reforms relate to the macro-economic

framework, the economic and social fields, the financial sector, public administration, transport, health and water.

Macro-economic, Financial and Administrative Reforms

4.1.2 The Bank contributed towards the consolidation of the macro-economic framework and the development of the financial system, through reforms in the economic and social (PRES), financial (PASFI) and public administration (PARAP) areas. One of the most tangible accomplishments of these reforms is the strengthening of economic and financial rigour observed by the authorities in the country. The relevance of these programmes is reinforced by their complementarity as regards their objectives. In fact, the PRES kicked off the administrative reforms process which resulted in the implementation of the public administration reform support programme (PARAP). Most of the activities relative to the public sector reform provided for in the PRES have been carried out. However, other activities such as the public service reform had not been implemented when the programme reached its completion phase. But the studies and reflection already initiated contributed to the formulation of the PARAP, implemented by the Government with effect from 2003 and supported by the World Bank, European Union and the Bank in 2004. In the financial sector, each FISAP phase took over from the preceding one by completing the non-finalised measures, and elevating the reform to a higher level and dealing with aspects that have not yet been handled.

4.1.3 The measures taken and the reforms implemented contributed significantly to improving the economic and institutional environment in Morocco. The public sector reform contributed to improving the budget preparation and implementation process, the public service reform, the decentralisation-deconcentration-regionalisation of the administration and the modernisation of the justice system.

4.1.4 The various FISAP facilitated the adaptation of the financial sector's institutional and regulatory framework to the efficiency and competitiveness requirements. In this regard, different measures were taken with respect to: (i) the adoption of a new banking act, the liberalisation of interest rates, the development of monetary policy mechanisms, the revitalization of the stock exchange, and (ii) the restructuring of the insurance and pensions scheme sector.

4.1.5 Despite its satisfactory results, the system still has a few shortcomings, namely: the high concentration of the banking structure, poor financial supervision, the fragility of the non-banking financial sector, the under-development of the financial system's infrastructures, the poor use of banking services in the country, the limited diversification of the products offer, the stock market's lack of impetus, and the low level of institutional savings. The Moroccan authorities are aware of these shortcomings and are pursuing the implementation of reforms and various measures meant to correct them.

4.1.6 During the period under study, Morocco's economic performances were on the whole outstanding. The internal and external balances are marked by a globally positive real GDP growth rate, a positive current account, a constantly declining foreign debt and relatively contained inflation. However, these sound macro-economic performances were tainted by shortcomings, notably with respect to savings and investment rates and the state of public finances. The savings and investment rates increased, thanks to the improvement of

the macro-economic environment, but they are still insufficient. Between 1995 and 2004, the national savings rate rose from 18% to 26%. Apart from its weakness, domestic savings are characterised by their liquidity and short-term nature. The resulting volatility makes their use for the long-term financing of the economy difficult. The PRES objective concerning the increase from an investment rate of 21.7% of GDP in 1998 to 25% by 2002 was not fully achieved. The rate in 2004 was 24%.

4.1.7 The budget position declined and could become unsustainable in the medium-term. During the 2001-2004 period, budget deficits reached an average of 5.2% of GDP against 3.3% in 1995. The relatively high deficit makes it difficult for the Government to come up with sufficient budget resources to finance social programmes compatible with sustainable development. The rapid growth of the wage bill was the main cause of the mounting public expenditure. The wage bill represented 12.5% of GDP in 2001 while the PRES objective was to reduce it to 10% before 2002 compared to about 11% in 1997/98. However, increased and sustainable budget savings can only result from the reduction of the wage bill in relation to current expenditure and GDP. This supposes the adoption and implementation of in-depth reform measures in the public service, which have registered a certain delay because of the strong pressure exerted on the Government by the civil servants' union, for salary increase and by the unemployed for the creation of new jobs. The PARAP contains measures aimed at improving the administration's efficiency in budget resource management, including control of the wage bill. The experience of the past years showed that the Government could not reduce current expenditure, particularly items relating to the public service wage bill. The increase in budget savings also calls for tax reform in order to mobilise sufficient budget resources to make up for the decline in tax receipts, resulting from tariff dismantling within the framework of the partnership agreement with the European Union.

4.1.8 Overall, the funds, expertise and time spent by the Bank in the various economic and sectoral reform programmes gave meaningful results which contributed to the progress made in the stabilisation of the macro-economic framework and growth promotion. The Bank's interventions constituted an appropriate response to the Government's concerns to move to a higher tier in the structural transformation of the Moroccan economy, in order to make it more competitive in the globalisation perspective. The results obtained are globally satisfactory. The experience in the telecommunications sector was particularly successful. The same applied to the transport sector, to a lesser extent, while the performances in the health and water sectors were mixed.

Telecommunications Sector : a Model of Success

4.1.9 The two loans awarded in the sector are a model of success in the liberalisation of the provision of telecommunications services, in compliance with fully transparent competitive conditions. The Bank supported the important sectoral reforms relative to the liberalisation of the sector and telecommunication cost optimisation, through two completed programmes, one of which was finalised two years ahead of schedule. All the segments of the telecommunications market were in competition. The legal and institutional framework underwent major changes. The national post office was restructured, with the separation of Postal activities from those of Telecommunications. A national regulatory agency was set up. The Government offered its 35% participation in the Public Telecoms Company IAM[14], to a foreign investor, and new shares were sold in the Casablanca stock market.

[14] Itissalat Al-Magrhrib

4.1.10 The fresh boost given to the sector generated an exceptional growth of the telephony market, a reduction in the cost of telephone calls and an enhanced availability and greater access to services. The number of GSM (Global System for Mobile Communications) subscribers grew from 149,000 in 1999 to 1.4 million in June 2000, an increase of 840% within a year. The mobile telephone system currently has 10 million subscribers. About 21900 public telephone booths have emerged and are run by private operators, with a high impact in terms of job creation. The Government has overcome the challenge in this sector and over 95% of the country is covered by the cellular phone system. Service quality indicators also improved thanks to the reliability and modernisation of infrastructure.

4.1.11 The liberalisation of the provision of telecommunication services enhanced the sector's contribution to the country's economic growth and the balance of external accounts. The second GSM licence was bought at about $US 1.1 billion, a record that has never been equalled in the world, and this contributed to a 13% rise in the country's tax revenue. The proceeds of the sale of the second GSM licence brought about a sharp decline in State credit in 1999. Following an average increase of 7.2 % between 1995 and 1997, State credit dropped by 2.2 % in 1998 and 10.1% in 1999. This sale and the transfer of 35% of the Morocco Telecom capital, i.e. 2.3 billion US dollars, led to an increase of the IDE to an all time high of 30.6 billion dirhams in 2001. The telecommunications earnings grew from 2% of GDP to 3.7% of GDP within two years between 1999 and 2000, and this constitutes an efficiency indicator.

4.1.12 The significant improvement of the telecommunications sector's performance stems from the reforms undertaken in the sector and, more particularly, from the combination of the following factors: the State's firm commitment to support the improvement of the quality of an increasingly diverse set of telecommunications services (land and mobile telephone, the Internet, multimedia, electronic commerce), to stimulate an enhanced competitiveness of public, parastatal and private businesses, the institution of a transparent regulatory and legal framework which dissociates the duty of formulating sectoral policies from that of operation, and a gradual opening of telecommunications to the private sector in a competitive environment. Through the Bank's involvement upstream, a productive dialogue was established with the Government and the IBRD. The competition of the second GSM operator resulted in the shortening of the privatisation process which took two years instead of four. Neighbouring countries like Mauritania and Algeria were inspired by the success of the reform of the telecommunications sector, and thus undertook similar reforms.

Other Sectoral Reforms

4.1.13 The transport sector programme became effective in February 2005 and the first tranche of the loan, i.e. 50% was disbursed. The results are so far satisfactory. However, the PARCOUM and SAP-Water encountered difficulties in meeting some of the conditions precedent to the disbursement of the loan tranches. The second PARCOUM tranche, approved in December 2002 was still blocked at the end of March 2006 by two conditions, including the one relative to the adoption of the bill on the national health system and the health care delivery. Similarly, the first tranche of the Water- SAP approved in December 2004, was still not released at the end of March 2006 because serious delays were registered in the implementation of some of the 34 measures adopted. These difficulties are due to the following factors: (i) the poor quality of the programme design because of the insufficient time spent on the preparation and the dialogue on the implications and feasibility of measures; (ii) too many conditions precedent to the release of loan tranches; and (iii) the concerned sectoral ministries' lack of interest in the fulfilment of the conditions precedent.

4.1.14 However, despite these difficulties, the sectoral reforms contributed to improving the global performance of the Moroccan economy, through the gradual liberalisation of the activities of certain sectors (transport, telecommunications, energy and water) and the modernisation of the institutional framework.

Private Sector

4.1.15 The Bank could not directly support the promotion of the private sector. However, its support to the economic, financial and sectoral reforms contributed to the creation of an environment that is more favourable to private sector growth. These reforms played a part in the success registered in the public company privatisation and private sector development process. The actions initiated contributed to improving the business climate. Thanks to the gradual liberalisation of the economy, the private sector's field of intervention has broadened. The privatisation policy initiated within the framework of the reforms, represents a real lever for the development of sectors such as information technologies. The approach adopted by Morocco as regards concessioning and privatisations, notably compliance with the principle of transparency in contract awards, enabled the country to obtain the best prices for privatisation operations that have been launched so far, particularly in the telecommunications sector and more recently, with the transfer of the Tobacco company shares. The relatively sound health of the financial system provides instruments which at least partially respond to the needs of the economic actors, including the most minor.

4.2 Strengthening Development Infrastructure

4.2.1 In addition to the reforms programmes, the Bank backed up the objective relative to the establishment of conditions for strong economic growth, by upgrading the infrastructure, notably in the transport and energy sectors. These sectors play a key role in the promotion of growth and the private sector. In the transport sector, all the activities supported by the Bank are being implemented. They concern the strengthening and modernisation of the airport and railway infrastructure network as well as the reform of the sector. Activities involving the international connection with Algeria are also ongoing in the energy sector. Concerning growth support, the Bank strikes a balance between investment loans and sectoral adjustment loans.

Transport Sector

4.2.2 The activities financed by the Bank are at different phases of completion. The railway project is almost physically complete. The airport capacities extension project is less advanced. In the airport sector, the objectives relative to physical outputs were achieved and even exceeded in terms of quality and at least cost. Concerning the railway component, the double tracks works and the realignment of the Sidi Kacem and Meknes line are totally complete, despite long delays due to the instability of the sub-soils resulting in two major landslides.

4.2.3 These accomplishments played a part in upgrading the airport and railroad transport infrastructure. Following the crisis triggered by the tragic events of 11 September 2001 in the United States, airport safety has become an important asset for Morocco, particularly for the relaunch of the tourist sector and the achievement of the Government's goal of 10 million tourists by 2010. Therefore, upgrading airports to international standards within the framework of the Bank's assistance, is a major contribution towards the achievement of this goal. It facilitates the enhanced rapidity of traffic operations and in good conditions, while

providing passengers with more comfort and security. The Moroccan airspace was ranked among the safest in Africa by the International Association of Airline Pilots. In the railway sector, the Bank's support has contributed to modernising the operation of the national railway company (ONCF). The reduction of its operating costs gave rise to positive financial results, for the first time in 1998, amounting to about 237 million MAD. These results obtained through rationalisation and management improvement efforts, make it possible to guarantee the proper financing of the operation and maintenance of the works. At institutional level, the sector will be liberalised within the framework of the ongoing transport sector reform programme. The reforms will help improve the administration of the sector through the establishment of an institutional framework for transparent competition, which will encourage the private sector's participation in the construction and operation of infrastructure.

Energy Sector

4.2.4 The activities concerning the strengthening of the international interconnection of electrical networks financed by the Bank, have registered significant progress with a disbursement rate of 87%. The Moroccan electrical systems will be reinforced by a second interconnection with Algeria (two 225 kilovolt lines are already in service with Algeria and a 400 kilovolt submarine cable links Morocco to Spain). The interconnections are currently at their maximum transit capacity, and there is thus need to reinforce them. They will contribute to ensuring the security of the country's supplies and thus overcome the fragility of the national thermal-dominant generating system and a spatial concentration of the infrastructure. However, significant impacts are not expected with respect to the tariffs which are high and thus represent an obstacle in terms of competitiveness of Moroccan businesses, notably those involved in energy consuming sectors, such as textiles. The energy sector lacks reforms as well as basic studies on costs and pricing, the productivity of energy enterprises and consumption control.

Conclusion of sections 4.1 and 4.2

4.2.5 In conclusion, the results obtained by the reforms support operations were highly satisfactory for telecommunications and the financial sector, satisfactory for the macro-economic framework, the public administration and transport. They were mixed for the health and water sectors. Infrastructure development support is satisfactory overall. The assessment of the results pertaining to these two pillars of 'strong and sustainable growth' shows the existence of synergy between reforms and investments aimed at reducing the costs of certain factors in the telecommunications, energy and transport sectors. The completed activities were implemented and, in some cases, exceeded their objectives. Ongoing activities will probably achieve their objectives, in view of the country's institutional capacity. The results of the Bank's assistance for these two pillars are globally satisfactory.

4.3 Poverty Reduction and Human Resource Development

4.3.1 In view of the multidimensional nature of poverty, the impact of the Bank's assistance stems not only from the reforms support loans and investment loans in the sectors discussed here above, but also from operations financed in the social sectors (Education, Health), Water and Sanitation. These three sectors represent a sizeable volume of the Bank's assistance. However, the low level of disbursements shows that the results in these sectors are more potential than real.

Poverty Reduction

4.3.2 There is need to recall that growth was registered, even though it was not strong enough or equitably distributed to significantly improve the populations' conditions, notably in the rural areas. However, the macro-economic and sectoral reforms enhanced the global performance of the Moroccan economy by creating the conditions necessary for the private sector to play its role as the engine of growth and poverty reduction.

4.3.3 More specifically, many of the measures taken within the framework of the PRES, concerned poverty reduction and human resource development. Measures were initiated to redirect credit towards social sectors, and this facilitated the implementation of poverty reduction programmes in the country's disadvantaged provinces. Thus, important measures were implemented to increase the poor population's access –particularly those living in the rural areas- to basic social services, drinking water supply, electricity, rural roads, basic health services, schooling for children as well as adult literacy.

4.3.4 In fact, in connection with its implementation, the PRES took up and integrated several sectoral projects, supported by development partners, which were consistent with its objectives and were already in an active implementation phase. It is the case of the global rural electrification programme (PERG); the Programme for Grouped Drinking Water Supply for the Rural Population (PAGER) ; the rural road construction programme ; and the social priorities programme (BAJ), which include several components, including access to drinking water, the development of social housing, basic health and education. The Bank participated in some of these components, notably education and health. Public action was essentially in the form of free education and health services for the poorest, through the subsidisation of basic products and social assistance mechanisms such as « Entraide nationale » (Mutual assistance) which guards against social exclusion.

4.3.5 With respect to the effectiveness of the interventions for the country's development, it is currently assumed by the international community through the MDG. In addition to MDG indicators, the Bank adopted other indicators concerning infrastructure, governance and regional integration. Even though the operations under review were not designed within this framework, it might be interesting to evaluate their degree of alignment with the MDG and other Bank indicators, in relation with the priority development themes which they cover. On the whole, the Bank's operational objectives satisfactorily take into account the MDG. Thus 4 out of 7 evaluated projects are fully in keeping with the MDG as regards the objectives, while 2 are to a large extent. One project partially fits into this classification: the secondary and technical education support project. Concerning policy-based loans, 7 of the 9 projects are totally aligned to the MDG and ADB indicators while the PDEI and PARCOUM are partially aligned.

4.3.6 At the sectoral level, the Bank's loans in the infrastructure sector (Transport, Energy, Communications, Water and Sanitation) are most consistent with the MDG and other ADB development indicators. In the Water and Sanitation sector, in particular, the MDG were specifically integrated in the 2003-2005 CSP. In the education sector, while the basic education generalisation project is completely in line with the MDG, the situation is different for the science and technical education development project.

Education

4.3.7 The reforms supported by the Bank in connection with the PRES enabled the Government to deploy immense efforts in the education sector, notably as regards improving the children's school enrolment rate and that of adult literacy. School enrolment disparities observed between the urban and rural areas were significantly reduced; as was the case with the gap between boys and girls. The girls' school enrolment rate is still lower than boys', but it is growing rapidly. In rural areas, the girls' school enrolment rate was 82% in 2002-2003 compared to 44.6% in 1997-1998. The Bank's contribution to the achievement of the MDG, in both education and health, is limited because of the low level of accomplishments and the fact that the projects are not sufficiently in line with these objectives. Nonetheless, the ongoing projects will contribute to the Government's efforts to generalise basic education, particularly in the rural areas as well establish a network of technical education institutions, essential to meet the needs of the economy.

Health

4.3.8 As is the case with education, the reforms also enabled the Government to deploy efforts in the health sector. The measures contained in the PRES concern the improvement of the capacities and efficiency of the medical system by reorganising basic health services, redeploying staff to the most favoured regions, instituting financing mechanisms to provide the most comprehensive health care possible for the population and improving the efficiency of the hospital system as well as completely restructuring the health institutional system, among others. Most of these measures have been implemented. The PRES served as a basis for the preparation of laws relative to medical cover. The PARCOUM matrix comprises important activities, including the institutional strengthening of the ministry, the organisation of health care delivery, the institution of a medication policy and the establishment of a unified information system. The successful implementation of the PARCOUM will result in the significant strengthening of the sector's capacities. The medical cover reform is expected to have a considerable impact on public health, even though there may be some risks. In fact, public finances will play a key role in the non-solvent populations' access to health care, in the medium term, at least during the subscription generalisation period; however, this is not an asset and could even compromise the improvement of health care quality.

Water and Sanitation

4.3.9 The Bank was able to reconcile two lending instruments in this key sector, namely investment loans and reforms support loans. Thus, it supports investments aimed at strengthening and extending the drinking water supply systems. It also contributes to financing the ongoing WATER-SAP which is an application of the new Government's policy meant to put into practice a system of water management based on demand, particularly by instituting a policy for the integrated management of the sector through watersheds. This policy seeks to minimise the negative impact of droughts on the performances of agriculture and, consequently, on economic growth as well as the problems affecting the country's water and ecological security.

4.3.10 Morocco has made significant progress in the water supply sector. The connection rate reached 72% by end 2004 compared to 17% in 1996. However, the rates collection system is still defective. The resulting financial constraints thus limit the performance of the water authorities and prevent the optimization of returns on investment. As a result of price variations from one region to another, the low-income populations are compelled to limit

their consumption to the ceiling fixed for the social categories. Besides, the level of development of the sewage system did not correspond to that of the drinking water supply system. The waste water treatment rate is low, and has a negative impact on the environment and the populations' health.

4.3.11 The results obtained within the framework of the Bank's assistance are still fairly modest but contribute to ensuring that the populations of Ifni, Tan Tan, Tiznit and El Ouatia (about 200000 inhabitants) are provided with water supply in good conditions. On the other hand, an efficient use of the ongoing financing of the water sector reform will contribute to the reduction of drinking water supply losses from 47% to 20%, the equipment of 18 localities with sewage services, and the sustainable improvement of drinking water access for the rural populations, at affordable prices.

Conclusion of Section 4.3

4.3.12 In conclusion, as was mentioned earlier on, the growth registered was not sufficiently strong to significantly reduce poverty. The other major problem linked to this phenomenon, is the observed income distribution, based on the Gini index in which zero (0) represents the perfectly equal distribution of income. In Morocco, the index was about 40% in 1999 against 34% in Egypt the same year and 35% in Algeria in 1995. This indicates relative inequity in the distribution of economic progress. However, the human development indicators which were relatively low in 1995 improved appreciably.

4.3.13 The Bank's financing assisted the Government to deal with the increasingly urgent demand in social services; furthermore, as regards social infrastructure, the Bank focussed its operations on the rural areas with a view to reducing social and regional disparities. Nevertheless, its contribution was relatively modest and insufficient since the Moroccan authorities' policy is to finance social activities, as much as possible, with concessional resources only. In view of its undiversified financing instruments, the Bank was restricted in the choice of its areas of intervention. The World Bank, for example, has a relatively important programme of cooperation in the social sector, including social housing, supported upstream by important analytical and technical assistance activities, which give added value to its non-concessional resources and make them more competitive.

4.4 Impact on the Cross-Cutting Aspects

Governance

4.4.1 Governance was among the priority dialogue sectors in the Bank's strategies. The 2003-2005 CSP had provided for the preparation of a country governance profile for Morocco, in agreement with the authorities. But this did not materialise. The economic and sectoral reforms supported by the Bank contributed to improving governance. In fact, these programmes focus on the reform of policies and structures in order to adapt them to the new orientations of the country's socio-economic policy. In this regard, they have a positive impact on the governance aspects. The reforms relating to the management of the administration undertaken in the various sectors, result from the refocusing of the mission entrusted to this administration, separating the sovereign functions from the operational management with clearly demarcated responsibilities. Concerns to modernise the public administration, improve public sector and public finance management, are perfectly in keeping with the Bank's policy on governance. In fact, the main thrusts of the administrative reforms are structured around the principles of accountability, transparency, responsibility

and participation which are major components of the Bank's policy on good public governance.

Gender

4.4.2 The Bank's strategy in Morocco did not include a well-defined gender approach. This is a weak point since this dimension is important for an Arab-Muslim country like Morocco. However, in the area of education, the Bank's operations laid emphasis on the reduction of gender-related disparities through girls' schooling in the rural areas. The school facilities that are being built will make it possible to bring schools closer to the population and promote the process enabling girls to catch up with boys in terms of school enrolment.

Youth

4.4.3 The Moroccan population is young – more than half of the population is under 25 years old – and about 430 000 youths join the labour market every year. The global youth unemployment rate is 17% and that of young city dwellers has reached 32%. In addition to actions undertaken in connection with reforms programmes, notably the PRES (cf. 4.4.4), the Bank supported the implementation of the National Education and Training Charter. The latter, adopted in 1999, seeks to provide Moroccan youths with the opportunity to acquire, through an initial or continuing process, the knowledge and skills required for their integration into active life. In this context, the Bank's financing helped the country in its efforts to generalise basic education, notably in the rural areas as well as establish a technical education system and an observatory to monitor the integration of technical education graduates. However, no financing was received for vocational training during the period under review, since the Bank did not pursue actions initiated earlier on for the development of this sub-sector.

Environment

4.4.4 The impact of the Bank's operations on the environment essentially concern the Water and Sanitation sector. The 2000-2002 CSP clearly stated that sanitation did not follow the development trend of drinking water distribution in Morocco and that this situation had negative impacts on the environment and the population's heath. Actually, the fact that wastewater was not processed and the excessive use of fertilisers (and pesticides, to a lesser extent) are the main causes of the deterioration of water quality and the pollution of underground water, as well as marine ecosystems. It is worth noting that only 13% of investments allocated to drinking water supply concern sanitation. In the current situation, there is a serious under-equipment in terms of water purification. Within the framework of the WATER-SAP Morocco will adopt an integrated approach in all future interventions, by taking the sanitation component into account.

Regional Integration

4.4.5 The Bank is conducting a study, which has not yet been approved, for the preparation of an Arab Maghreb Union (AMU) regional assistance strategy, aimed at meeting the region's integration needs, to achieve a larger market economy, as well as attract and encourage investments. Meanwhile, the impact of the Bank's assistance within the framework of macro-economic reforms or the upgrading of infrastructure, globally assisted Morocco to be up to standard in order to be more competitive, by integrating and collaborating with major regional and international economic groupings like AMU and EU.

At the sectoral level, the Bank's assistance had a significant impact on regional integration in the transport, communications and energy sectors. In the latter sector for example, the ongoing electrical interconnections with Algeria contribute indirectly to the development of the regional economies and achieve the regional objectives set by NEPAD[15] and AMU.

4.5 Impact on Institutional Development

4.5.1 Morocco has a relatively strong capacity to efficiently and sustainably use its human, financial and natural resources. The Bank contributed to this through the implementation of different economic and sectoral reforms programmes which provided frameworks that are more favourable to the Government's commitments and receptiveness. These reforms facilitated the institution of measures for the promotion of institutional capacity building.

4.5.2 The institutional reforms and the strengthening of institutional capacities constituted a key component of the PRES. The implementation of this programme made it possible to take the following measures, among others : restore national and sectoral planning as a basic medium-term macro-economic management instrument, improve government contracting rules for more transparency and efficiency, reform the judicial system, revoke some public monopolies or open them to competition, create micro-financing institutions, reorganise vocational training and employment as well as institutions in charge of education, adult literacy and health.

4.5.3 In the financial sector, the reform programmes contributed to strengthening the analytical capacities of the Moroccan administration, in general, and the executing agency namely the Treasury Department, without forgetting the Central Bank. Most of the banks fulfil the conditions relative to good management, organisation, transparency and compliance with prudential rules, in accordance with the international norms and standards. In the telecommunications sector, following the legal measures which made way for liberalisation, the sector's institutional framework was enriched with new or reformed structures, capable of ensuring the sustainability of a sector which is administratively transparent, economically viable and financially profitable. The telecommunications regulatory organ is the most important of these structures. On the other hand, the impact in the social sector and on public utilities is less significant. The Bank did not focus on technical assistance and institutional building. In the water sector, for example, the authorities' management capacities are still poor.

4.6 Sustainability

4.6.1 Morocco's institutional capacity is evidence of the sustainability of the macroeconomic results. All in all, the economic results obtained during the 1996-2005 period are encouraging. Morocco has a liberal market economy governed by the law of supply and demand, even though some economic sectors are still in the hands of the government (energy, water). It is characterised by a more open relationship with the outside world and, in this regard, the different free trade agreements concluded by Morocco with its major economic partners, are worth mentioning. This is however not a conclusive accomplishment. The vulnerability of the Moroccan economy to external shocks often made it difficult for it to achieve economic and social development objectives.

[15] New Partnership for Africa's Development

4.6.2 Concerning the viability of the physical and institutional achievements, the technical sustainability of investments financed by the Bank seems guaranteed, thanks to the proven competence of the operators which carried them out (ONE, ONEP, ANRT, ONDA, ONCF). On the other hand, their economic sustainability will essentially depend on the assignment by these actors, of constant and sufficient budget resources for their maintenance. The sectoral reforms, which generally supported the projects, also offer more favourable conditions for the sustainability of the achievements.

4.7 Overall Evaluation

4.7.1 The three successive CSP effectively addressed the needs related to the objectives pertaining to Morocco's integration in the global economy and the improvement of the socio-economic balance. The Bank was able to mobilise a large number of loans for Morocco in a context marked by growing competition. It contributed to the achievement of results relative to development during the 1996-2005 period, thanks to the support it provides to the macro-economic and sectoral reforms as well as to the strengthening of the country's infrastructure.

4.7.2 However, agriculture and the private sector did not benefit from any support, contrary to the CSP programming which was impeded by the fact that Morocco's priorities lacked clarity. The Bank often provided residual financing notably in the area of reforms support, for want of resources to finance analytical tasks. The insufficiency of the dialogue and other non-lending activities made it difficult for the Bank to develop a more consistent and more efficient strategy. It mobilised a large volume of loans for Morocco in an increasingly competitive environment.

4.7.3 The impact of the projects and programmes on the social indicators were not sufficiently felt, despite the implementation of certain measures or social actions within the framework of programmes financed by the Bank (implementation of the social priorities programme -BAJ1- increase in budget allocations to education and health.).

4.7.4 In light of the foregoing, and taking into consideration some of the Bank's internal institutional constraints, which lowered the efficacy of its interventions, the evaluation of the Bank's assistance to Morocco resulted in a satisfactory overall rating. The table below is a summary of the evaluation by criterion, sector and objective. However, there is still room for improvement in order to increase the relevance of the Bank's operations in Morocco, particularly with respect to the following aspects : (i) the competitiveness and diversification of loan products ; (ii) the flexibility of strategies, policies and procedures; and (iii) providing grants for the preparation of projects, capacity building and analytical tasks with a view to ensuring an effective policy dialogue.

Table 3:
Summary of the Evaluation according to the Evaluation Criteria

Evaluation Citerion	**Evaluation**
Relevance	Relevant
Efficacy	Satisfactory
Efficiency	Efficient
Institutional development	Substantial
Sustainability	Probable
Overall results	Satisfactory

Table 4:
Summary of the Evaluation by Sector

Sectors	**Evaluation**
Communication	Highly satisfactory
Finance	Highly satisfactory
Multi sector	Satisfactory
Energy	Satisfactory
Transport	Satisfactory
Water and sanitation	Unsatisfactory
Social	Unsatisfactory

Table 5:
Summary of the Evaluation of Results by Objective

Development objective	Evaluation
Macro-economic and sectoral reforms	Satisfactory
Strengthening infrastructures	Satisfactory
Poverty reduction and human resource development	Unsatisfactory
Overall results	Satisfactory

V. PERFORMANCE OF DEVELOPMENT PARTNERS

5.1 Government and Executing Agencies

5.1.1 The Government's strong commitment to its cooperation with the Bank and to economic reforms was a favourable factor. In fact, even if the reform measures proposed were good and pertinent, they would need to enjoy the largest consensus of the various stakeholders to ensure that their adoption by the qualified bodies and their implementation in the field do not generate any problems likely to compromise or delay the implementation of the programme. In this regard, the authorities' determination has not faltered in any way. An additional factor is the country's strong institutional capacity which facilitated the internalisation of the programmes.

5.1.2 At the operational level, the performance of the various boards (ONE, ONEP, ONDA, ANRT, and ONCF) is satisfactory. They have a good technical and institutional capacity favourable to the organisation, technical management, coordination, control, supervision and implementation of all the activities. However, the project units, under the direct supervision of the administration, as in the social sector, are less efficient. Since they are less autonomous than the boards, their attributions at the central level, are often reduced to administrative tasks. The operating budget of these units lacks the appropriate human resources and financial motivation for the management of projects; they thus have difficulty monitoring activities on the ground.

5.1.3 Not enough efforts were made to comply with the general conditions relative to the Bank's loan agreements, including compliance with the rules of procedure pertaining to contract awards and the regular transmission of quarterly project status reports and external audit reports ; other external factors, like the institutional partitioning between the Ministry of

Finance and the executing agencies and the constraints relative to budget allocation rationing to the different sectors, also weigh on the projects' poor performance. The Government's performance is satisfactory overall.

5.2 The Bank

5.2.1 The Bank succeeded in mobilising a sizeable volume of loans in Morocco within a competitive context. It was flexible towards Morocco with respect to granting loans and the choice of investments. Often absent during the reforms identification phases, the Bank was, in general, actively involved by conducting its own appraisals on the basis of the World Bank's analytical works, and enriching the programmes' components and measures to be implemented. Besides, the frequent monitoring activities made it possible to streamline the project portfolio.

5.2.2 However, the Bank was not always involved in the identification and preparation phases, and this sometimes limited the level of reliability as well as the quality of some operations. The inaccuracy of estimated costs and the project delivery period was a recurrent phenomenon in the Bank's interventions, causing frequent postponements of the closing deadline and partial loan cancellations. The services provided by the Bank can be improved in terms of simplicity, flexibility and rapidity. The Moroccan partners consider that transaction costs concerning loan conditions, contract awards and disbursements, are high. With respect to non-lending assistance, the Bank could not satisfy a high Moroccan demand in analytical works, technical assistance and institutional support. Despite these shortcomings, the Bank's performances, like those of the other partners, was satisfactory overall (cf. table below).

Table 6:
Summary of Development Partners' Performances

Partner	**Evaluation**
Moroccan Government	Satisfactory
Bank	Satisfactory
Other partners	Satisfactory

5.3 Performance of other Development Partners

Co-financing operations concerned all of the Bank's areas of intervention. Collaboration between cofinanciers has become more active since there is an increase in the joint conduct of preparation, appraisal and supervision activities. This improvement is best illustrated by the cofinancing of reforms support operations by the World Bank, EU and the Bank. The complementarity and the synergy of actions enabled the three partners mentioned above to achieve satisfactory performances in the area of economic and sectoral reforms implementation. Such collaboration strengthened the complementarity of loan conditions, which is an asset for the country. The Bank's deficit with respect to analytical works is offset by the comparative advantage which the World Bank has in this area. This cooperation also enabled the Bank to strengthen its role in reforms implementation monitoring. However, the mechanisms of collaboration are still defective in terms of the harmonisation of approaches. On the whole, the experience of cofinancing with the other donors is satisfactory.

5.4 Exogenous Factors

5.4.1 The drought is an important exogenous factor. Even though the macro-economic performances are satisfactory overall, the results in terms of growth and poverty reduction were affected by constant droughts which impacted negatively on half of the farming season during the period under review (cf. 2.1.2). However, the vulnerability of growth due to the vagaries of the weather is tending to decline (cf. 2.3.2).

5.4.2 Another risk which impacts on the implementation and success of the Bank's assistance programme relates to the difficulty in reaching the required consensus and the capacity to carry through certain important institutional reforms, such as the public administration reform and medical cover, in accordance with the implementation schedule and the combination of measures to be put into effect. As regards the administrative reform, the Government could not reduce the current expenditures and, particularly, those relative to the public service wage bill. Subsequently, the relatively high deficit makes it difficult to obtain sufficient budget resources to finance social programmes and effectively reduce poverty.

5.4.3 Measures meant to mitigate the impact of drought on the country's economy are provided for within the framework of the ongoing WATER - SAP. As regards the reform of the public administration, the PARAP focuses on pursuing the objectives fixed, which include : (i)improving the efficiency of the administration in budget management, (ii) improving the efficacy of the administration in human resource management ; and (iii) controlling the growth of the wage bill in the public service.

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

<u>The Bank's Strategy</u>

6.1.1 During the 1996-2005 period, the Bank succeeded in obtaining a sizeable volume of loans for Morocco in an increasingly competitive context. It gave prominence to policy-based loans and infrastructure strengthening. There is need to underscore the growing importance of economic and sectoral reforms operations implemented by Morocco, with the backing of the World Bank and European Union. The Bank benefited from its flexibility in

relation to Morocco's request for policy-based loans and the positive impact of measures meant to improve the competitiveness of its financial products ; it thus succeeded in mobilising substantial resources in support of reform programmes despite the fact that the intellectual contribution was still insufficient. (cf. paragraphs 3.2.1.2, 3.2.14).

6.1.2 The reforms triggered growth and improved the country's economic and social environment. Neighbouring countries like Mauritania and Algeria drew on the success of the reforms supported by the Bank in the communications sector and thus undertook similar reforms (cf. paragraph 4.3.7). The macro-economic and sectoral reforms served as a framework for the Government's commitment and responsiveness which resulted in the institution of important measures favourable to the strengthening of Morocco's institutional capacity (cf. paragraph 4.6.1).

6.1.3 On the other hand, the Bank did not succeed in developing its direct private sector support strategy. And yet, the CSP had proposed a diversified series of actions aimed at building the capacities of the private sector and preparing it to face external competition. These activities were not implemented because of the Bank's lack of competitiveness as regards factors such as ' pricing', on the one hand, and the quality of services provided, on the other. (cf. paragraph 3.2.1.6).

6.1.4 Furthermore, the Bank did not intervene in the agricultural sector even though the 1996-1998 CSP recommended support in the irrigation, fisheries and rural development components. Morocco marked a pause in the programme relative to major irrigation schemes to which the Bank had contributed earlier on. The Bank could not follow the new orientations of the Government (cf. paragraph 3.2.1.5). This is essentially due to the fact that ADB's financing conditions have become increasingly unsuited to the projects which Morocco intends to implement in the agricultural sector: development of ' bour' zones, integrated rural development, notably in the forest and mountain areas.

Dialogue and Quality of Services

6.1.5 Morocco is one of the major clients of the ADB window. And yet, lack of dialogue constitutes an impediment to cooperation between the Bank and Morocco and contributes to increasing the transaction cost (cf. paragraph 3.3.2.3). The Bank favourably supports the comparison with the World Bank for rates applicable to loans but not for factors other than the price, and this influences Morocco's perception of the Bank's competitiveness: presence on the ground, responsiveness, analytical work and technical assistance.

6.1.6 Waivers were requested by the Government to overcome the difficulties linked to the fulfilment of certain conditions precedent of several policy-based loans (cf. paragraph 3.2.2.10, 3.2.2.11).

6.1.7 The Bank could not meet Morocco's expectations with respect to non-lending assistance. Financing non-lending activities such as ESW, technical assistance and institutional support came up against serious difficulties concerning the mobilisation of corresponding resources, including bilateral funds within the Bank (cf. paragraphs 3.3.1.1, 3.3.1.2).

6.1.8 Thus, the orientations of the Bank's strategy in Morocco were globally pertinent. However, important objectives were not attained, particularly as regards the private sector, agriculture and studies. The Bank's intervention instruments were not sufficiently diversified.

Its task was complicated by the insufficiency of the dialogue between the two parties and sometimes of the clarity of Morocco's needs. The Bank contributed to the country's development but this contribution was curbed by the implementation difficulties linked to the Bank's insufficient responsiveness and the cumbersomeness of procedures and processes relative to the fulfilment of loan conditions, procurement and disbursements.

6.1.9 The Bank made efforts to adapt to the changes in the country and its environment, but its performances and capacity to address Morocco's needs at the appropriate time were impeded by certain institutional constraints. In view of these internal constraints, the evaluation of the Bank's assistance to Morocco resulted in a globally satisfactory rating. In fact, some of the problems identified, such as the Bank's poor intellectual contribution to reforms support programmes and the cumbersome procedures relative to procurement, disbursement, bilateral grants mobilisation and the recruitment of consultants, concern relations between Bank and all its member countries. Likewise, the loss of country focus and the absence of a unique focal point within the Bank are the cause of the coordination difficulties and a certain confusion for the country or the country-teams' lack of efficiency and authority. Improvements are necessary to strengthen the Bank's relevance in Morocco, particularly with respect to the competitiveness and diversification of its loan products, the improvement of strategies, policies and procedures as well as the utilisation of grants for the preparation of projects, capacity building and analytical work with a view to ensuring an efficient policy dialogue. These challenges have been identified and highlighted in several structures: Working group for support to middle-income countries (MIC), consultations among multilateral development banks (MDB), the MIC and the Bank's institutional reforms.

6.2 Recommendations

Concerning the Strategy

Generally speaking, the Bank should prepare and implement a prospective strategic approach based on an in-depth knowledge of the country. Taking into account the competitive environment, with Morocco's access to a wide range of financing sources as well as the implementation capacities at the level of the Bank and the country, the Bank's future strategy should further target the country's key development challenges. These concern the preparation of the economy and society to Morocco's opening to the world, the diversification of the economy, the reduction of agricultural vulnerability, water control and poverty reduction.

Future Priority Areas of Intervention

More specifically, the Bank should :

1°) *Pursue and improve its support to economic and sectoral reforms, notably the public administration reform, public finance management and the tax system* (cf. paragraphs 3.2.1.2, 3.2.1.4,4.1.13, 4.3.7, 4.6.1). In view of the many challenges confronting the Moroccan economy, the Bank's financial assistance and its intellectual contribution will be required to support reforms covering a large number of institutional, economic and social fields. The Bank should fully draw lessons from the experience in order to improve the programme design quality through analytical work and enhanced dialogue on key measures. The Government pursues its efforts to control current expenditure, particularly those relative to the public service wage bill. The increase in budget savings also calls for a reform of the

tax system, with a view to mobilising sufficient budget revenue to make up for the decline in tax earnings resulting from the dismantling of tariffs within the framework of the Partnership Agreement with the European Union. Support to these reforms will ensure a better public finance balance as and when the partnership agreement is implemented and build the investment capacity.

2°) *Support the agricultural sector reform plan and assist Morocco to further reduce its vulnerability*. The agricultural sector is still vulnerable both in relation to the vagaries of the weather and the opening of markets. However, Morocco will not succeed in sustainably reducing poverty unless aggressive programmes meant to stimulate growth and agricultural reform are adopted. There is also need to assist the country to incorporate this sector into the free-trade zone problematic.

3°) *Support the diversified upgrading of the economy, particularly by building on the reforms and being more involved in providing direct support to the private sector* (cf. paragraph 3.2.1.9). The Bank's strategy should back-up Morocco's efforts to create the conditions of sustainable growth based on private initiative : support in upgrading actors of the sector (provide counseling, training and financial services) ; direct support to businesses within the framework of some reforms (water, energy, finance, transport, medical cover); support to sectors with high potential growth and prospects, such as tourism and NICT; support for the modernisation of the country's infrastructure.

4°) *Support the fight against poverty and social exclusion.* The performance of economic policies has so far not been backed up by equitable distribution of economic and social progress. At the social level, particularly in the rural areas, Morocco is closer to a least advanced country of sub-Saharan Africa than to a Mediterranean middle-income country. All in all, the actions and reforms undertaken by the Government, particularly the institution of a social protection framework compatible with poverty reduction efforts and financially viable, are still insufficient. Following the Casablanca events of 16 May 2003, special interest was shown to the social dimension. In this regard, priority was given to social housing and the gradual reduction of dwellings unfit for habitation underpinned by a proximity policy. Development partners, including the World Bank, should pursue their efforts to reduce regional disparities.

<u>Synergy of Intervention Instruments</u>

The Bank should diversify its intervention instruments. This includes providing new instruments like loans to city councils and strengthening their synergy (cf. paragraph 3.2.1.10)

The Bank should strengthen the synergies with other partners as well as the harmonisation of approaches and procedures.

<u>Priority Studies Programme</u>

The Bank should develop a strategy and a programme on economic and sector work by establishing, in close consultation with the Moroccan Government and other partners, priorities based on the country's needs, in order to improve the quality of the CSP and operations, notably support to reforms (cf. paragraphs 3.3.1.1, 3.3.1.2).

Prospective study on Morocco's specific needs as a middle-income country (MIC). Morocco's opening up to the global economy, particularly through the implementation of free-trade agreements with the EU and the United States constitutes challenges for Morocco as well as for the Bank which should deploy further efforts in terms of prospective analysis to better position itself within the community of Morocco's development partners. It involves developing a coherent cooperation programme adapted to the country's important needs.

Analytical work with respect to some important reforms on financial policy, the liberalisation of the economy and fiscal balance. The studies and institutional support make it possible to reach consensus on economic policies favourable to growth. The Bank should assist Morocco to make the best economic and sectoral policy choices.

Develop a private sector profile and a programme on the Bank's concrete interventions in favour of the private sector in Morocco. The Bank should consolidate its knowledge base on the state, potentials and needs of the private sector and build a concrete interventions programme including public/private partnership.

Analytical work on poverty and social exclusion. The Bank should contribute more significantly to understanding the determinants of poverty. Moreover, it should help Morocco in the conduct of analytical works which will help enhance the analysis and improve the social protection, for the preparation of targeted sectoral interventions.

Develop a country governance profile for Morocco. Real but disproportionate progress was registered in the various governance components. However, there are still drawbacks as regards economic governance[16]. The governance profile study will make it possible to better define the sectors in which the Bank could provide pertinent support to the Government's efforts aimed at strengthening governance.

Mobilise resources to finance the *prefeasibility studies* of major projects

Concerning the Bank's Attractiveness and Dialogue

Improve the Bank's competitiveness and reduce transaction costs by rationalising loan conditionalities, procedures and processes as well as ensuring the rapidity and flexibility of contract awards and disbursements. (cf. paragraphs 3.2.2.7, 3.2.2.8, 3.2.2.9, 3.2.2.10, 3.2.2.11 and 3.3.2.3).

Strengthen dialogue on conditions precedent for policy-based loans by encouraging consensus around a minimum of realistic and pertinent conditions necessary to achieve the objectives of the programme concerned. (cf. paragraphs 3.2.2.10, 3.2.2.11)

Strengthen the consultative mechanism of CSP stakeholders and ensure that the Bank's scheduling is validated at a high level so as to obtain the firm commitment of the Moroccan authorities (cf. paragraphs 3.1.2.4, 3.1.2.6).

[16] *For example, corruption practices are generated by the malfunctioning of both the administration and the judicial system*

At the Institutional Level

Strengthen the Bank's presence in Morocco and provide the country office with the authority and means necessary to address the challenges concerning dialogue with the country, coordination with the other partners, portfolio management, the Bank's responsiveness, visibility and communication strategy (cf. paragraph 3.3.2.3)

Improve the Bank's global responsiveness particularly through the effective decentralisation of activities, relaxing internal procedures and processes and granting greater decision autonomy to field experts. (cf. paragraph 3.31.2).

Strengthen country focus and provide the country-team with the human and financial means necessary for the design and conduct of analytical works of quality and an enhanced contribution of experts on the ground (cf. paragraphs 3.31.2, 3.2.1.9).

Build the capacities of OPSD**,** including in qualified human resources to enable it to assume its mission more effectively, notably prospecting, information and monitoring in Morocco (cf. paragraph 3.2.1.9).

Strengthen the monitoring-evaluation system and the country's access to the financial, accounting and physical information of projects and programmes financed by the Bank (cf. paragraphs 1.2.3, 4.0).

The Moroccan Side's Observations on the ADB Report on the Evaluation of Bank Assistance transmitted by the Ministry for Finance

To the Director of the Operations Evaluation Department,

Pursuant to your correspondence, I would like to forward to you the comments raised by the African Development Bank (ADB) Report on the evaluation of its assistance to Morocco, with the hope that we could have an in-depth discussion of our observations during your next mission.

First and foremost, we would like to congratulate the Bank which, on the basis of the contacts made and the information collected during the mission fielded in April 2005, managed to draft this excellent document that should be commended for its relevance and the objectivity of its content.

Concerning the macro-economic framework, the following observations shall be incorporated in the text …

ADB assistance is coherent and relevant due to the fact that the programmes and projects have been chosen in line with the country's objectives. It has globally contributed to the establishment of economic reforms as well as to the upgrading of infrastructure likely to facilitate the improvement of the economy's competitiveness and the development of human resources. Yet, these efforts are still inadequate due to the lack of resources in the form of grants to be allocated to economic and sector work. In fact, the lending operations have not been backed by technical assistance.

ADB is also very rigid compared to other partners. This report and the follow-up meetings held with the departments benefiting from ADB assistance, reveal that the execution of the loan agreements signed with the Bank have lately been marred by a lack of diligence and promptness in the processing of files submitted to this institution relating to ongoing operations, which impedes the smooth implementation of projects funded by the institution. In this respect, it should be noted that the level of disbursements during the period 1996-2005 has not gone beyond 54 percent.

The Moroccan side has mentioned this inflexibility during the different supervision missions undertaken by the Bank. The operations carried out or under way, are marked by slowness, notably with regard to the following aspects:

1- The contract approval requests are treated with too much delay, which holds up the implementation of the projects financed and discourages the different ministerial departments from undertaking new ABD–funded projects.
The institution's competent departments demand the transmission of contract approval sheets containing a great deal of information, which is a tedious task for executing agencies.

2- The disbursement service requires that disbursement requests be accompanied by documents showing the approval by the Bank's sectoral services of the contracts concerned. Better coordination among ADB services could obviate the need for such documents and reduce the processing time.

3- Project officers are now beginning to request that the non-funded contracts be submitted for the prior approval of ADB as soon as become part of financed projects (e.g. architects' contracts). No other donor makes such an inappropriate demand.

4- ADB does not allow disbursements to be made on the basis of simple expenditure statements (certified statements) or completion certificates, as is the case with other donors.

5- The use of revolving fund accounts has been tedious: for each replenishment request, ADB demands that the use thereof be specified (list of contracts or purchase orders).

6- The disbursement requests are processed with long delays, for instance, the drawing requests (replenishment 1 and 2) for the basic education support project have only been addressed by the Bank after 18 months.

7- No regular information is provided by ADB on the state of loans and disbursements.

8- The adjustment loans with ADB, as opposed to other donors, comprise main conditions precedent the fulfilment of which requires a considerable length of time.

In light of the foregoing, it is necessary for ADB to:

- mobilize adequate resources likely to facilitate the funding of project pre-feasibility studies;

- improve its competitiveness and reduce transaction costs by ensuring the rationalisation of loan conditions precedent, simplifying procedures, exercising promptness and flexibility in contracting activities and disbursements, and improving visibility and communication;

- step up the dialogue around the loan conditions precedent for policy-based loans by favouring consensus around a minimum of realistic and relevant conditions conducive to the attainment of the objectives of the programmes concerned;

- improve country focus and provide the country team with human and financial means necessary for the design and implementation of analytical works of quality and a better contribution of experts on the ground ;

- strengthen the monitoring and evaluation system with a view to improving the efficacy of the Bank's assistance.

Lastly, the importance for Morocco should be stressed of:

- Reflecting on the upcoming Country Strategy Paper (DSP) on the basis of the outcome of the evaluation of the Bank's programmes during the period 1996-2003 and the CSP covering the period 2003-2005.

- Delegating the country office in Rabat with the necessary authority and providing it with adequate resources to facilitate the processing, on the spot, of documents related to the projects funded by the Bank within a reasonable time frame (approval of contracts, disbursements ...), and providing permanent technical assistance likely to facilitate the implementation of programmes or projects securing support from the Bank. The authority delegated to this office will also help improve the management of projects funded by the Bank.

- Maintaining a regular flow of information aimed at a better command of the different financial, accounting and physical data of projects and programmes funded by the Bank.

Concerning our recommendations towards improving and strengthening the efficacy of ADB interventions in Morocco, we agree with your comments and regret the Bank's lack of proactivity in its operations. Thus, the latter's strategy for the period under review is not based on an analysis of the sectors and their potential with the view to incorporating ADB assistance in a more coherent framework with the Government and the other donors.

I- Working Framework with the Government

The first observation relates to the nature of the supply of ADB assistance that has mainly been induced by Moroccan demand. In this respect, it should be noted that on the whole, the Bank has not conducted analytical works prior to its interventions and the projects' performance suffers from such a shortcoming. This weakness of the technical assistance results, in our opinion, from the lack of trust funds or pre-established packages for technical assistance.

Thus, given the costliness of ADB loans which are similar to market terms, only quality technical assistance is likely to improve the attractiveness and competitiveness of the Bank's products and services. In addition, the Bank would amply benefit from resorting to the best international expertise and skills that would ensure a proper preparation of the projects and therefore guarantee their rapid and efficient implementation.

In the same vein, many projects, notably in the social sectors (health, education) encounter serious delays in implementation due to poor preparation. As a result, we recommend that our Bank should be endowed with autonomous facilities (trust funds) to ensure the preparation and support of the financing it grants.. In fact, this support in the form of non-lending assistance could be the main factor of competitiveness that our Bank should take advantage of.

Furthermore, the Bank's weakness, particularly in the funding of economic and social reforms, is linked to the disbursement delays resulting from conditions not directly related to the fulfilment of the objectives of these programmes and reforms.

Thus, the postponement, on several occasions, of loan closing dates has prompted disbursement delays and a high cost in terms of commitment charge. The Bank is expected to step up the dialogue around loan conditions precedent for policy-based loans by favouring consensus around a minimum of realistic and relevant conditions necessary to attain the objectives of the programmes concerned. In addition, the Bank must step up its infrastructure-related operations, which is a precondition for the development of regional member countries, and in this framework, the applicable financial conditions should be adapted to the creation of such infrastructure with only a long-term return on investment.

Another weakness of the Bank lies in its poor capacity to adapt, in its interventions, to national procedures, especially in respect of procurement and impact studies….Thus, there is a need for greater flexibility of the procedures and an alignment with national procedures, as applied by other donors.

As to the private sector, we share the viewpoint developed in the report concerning the near-absence of an ADB private sector unit in Morocco. In this respect, it would be useful to build on the opportunity offered by Morocco to all development partners through the liberalisation of many sectors of activity and in the field of infrastructures, notably through public and private partners, and the need to step up the Bank's involvement in strengthening the competitiveness of the country's productive fabric and its integration in the global economy.

In this regard, the main obstacle lies in the financial conditions of loan allocation to the private sector, which are considered very costly and uncompetitive. These conditions coupled with the near-absence of ADB technical support, notably in terms of SME capacity building and exchange risks, diminish the Bank's attractiveness.
Thus, the Moroccan banks that have in the past secured lines from ADB now prefer other sources of funding, basically from the national market.

II- Working Framework with the other Donors

We note, as indicated in the report, the low contribution of ADB, compared to other donors, to the dialogue on the definition of economic and social development strategies. Actually, because of this shortcoming and the low technical assistance, the ADB-funded projects are less efficient than those of the other donors.

Thus, ADB is urged to step up coordination with the other donors in a bid to develop more complementarity with them, in order to reduce and standardise the conditionalities aimed at the achievement of the objectives of the programmes concerned.

Unlike other donors, ADB suffers from a total lack of presence on the ground, which puts the Bank at a disadvantage concerning the dialogue and monitoring of the implementation of the projects and programmes it finances.

Finally, we regret the delay currently noted in the preparation of the 2006-2010 Country Strategy Paper since the last CSP expired in December 2005, while similar papers have already been launched with the major donors.

I would like to thank you once again for this excellent evaluation report.

Please accept the assurances of our highest consideration

Matrix of Recommendations and Follow-up Actions

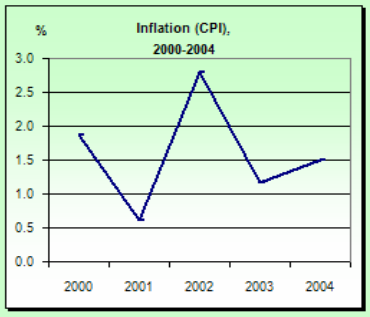
Conclusions	Recommendations	Responsibility
The Bank has had difficulties to implement a consistent programme in the face of constraints (private sector, agriculture) and lack of clarity of the country's choices .	Initiate a more effective dialogue with the Moroccan authorities and other partners in order to determine a coherent programme of cooperation adapted to the country's needs and capacities.	Bank Government
	Develop a strategy and a programme on economic and sector work, by ranking priorities on the basis of the Government's needs as well as those of the Bank.	Bank
The Bank could not satisfy high Moroccan demand for non-lending assistance	Strengthen the diversity, complementarity and synergy of intervention instruments by effectively combining the financial products, analytical works, technical assistance, institutional support, partnership, project and policy-based lending.	Bank
	Strengthen the consultative mechanism of CSP actors and ensure that the Bank's scheduling is validated at a high level so as to obtain the firm commitment of the Moroccan authorities.	Bank
	Provide the country-team with more authority and means (human and financial) for the conduct of analytical works and a greater presence of experts on the ground	Bank
The Bank did not succeed in developing its strategy through direct support to the private sector.	Incorporate in the CSP, a coherent strategy concerning the private sector and contribute more to the direct support to the sector	OPSD
	Develop a private sector profile in Morocco	OPSD
	Build the capacities of the OPSD, particularly in the human resource sector, to enable it to assume its mission in a more efficient and more creative manner, notably prospecting, information and implementation of a concrete operations programme for Morocco	Bank
Lack of dialogue constitutes an impediment to cooperation between the Bank and Morocco	Strengthen the Bank's presence in Morocco as well as the quality of its representation	Bank
	Reduce transaction costs by ensuring the rationalisation of loan conditionalities, particularly those for policy-based loans, rapidity in contract awards and disbursements, as well as the flexibility and harmonisation of procedures.	Bank
	Improve the Bank's responsiveness and flexibility by effectively decentralising activities, reducing internal rigidity and granting more decision-making autonomy to experts on the ground.	Bank
An increasing number of dispensations are requested by the Government, to skirt around difficulties related to certain conditionalities relative to reforms support loans	Strengthen the dialogue on conditionalities relative to reforms support loans by encouraging consensus around a minimum of realistic and pertinent conditions necessary to achieve the objectives of the programme concerned	Bank

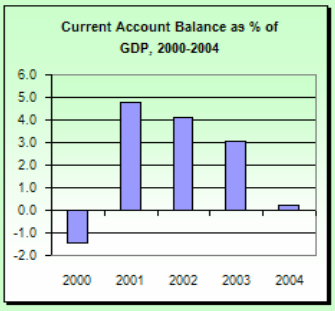
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SELECTED MACROECONOMIC INDICATORS

Indicators	Unit	1995	2000	2001	2002	2003	2004
National Accounts							
GNI at Current Prices	Million US $	31 668	32 456	33 288	36 468	42 219	44 451
GNI per Capita	US$	1,120	1,180	1,190	1,170	1,330	..
GDP at Current Prices	Million US $	32 985.2	33 335.3	33 901.1	36 094.4	43 726.6	50 170.5
GDP at 1995 Constant prices	Million US $	32 985.2	39 309.3	41 784.6	43 117.6	45 479.8	47 071.5
Real GDP Growth Rate	%	-6.6	1.0	6.3	3.2	5.5	3.5
Real per Capita GDP Growth Rate	%	-8.1	-0.7	4.6	1.5	3.8	1.8
Gross Domestic Investment	% GDP	20.7	23.7	22.9	22.7	23.2	24.6
Public Investment	% GDP	3.7	3.0	2.9	2.7	2.6	2.7
Private Investment	% GDP	17.0	20.7	20.0	20.0	20.6	21.9
Gross National Savings	% GDP	17.3	22.3	27.6	26.8	26.2	24.8
Prices and Money							
Inflation (CPI)	%	6.1	1.9	0.6	2.8	1.2	1.5
Exchange Rate (Annual Average)	local currency/US$	8.5	10.6	11.3	11.0	9.6	8.9
Real Exchange Rate Index	Base 1995=100	100.0	128.2	139.4	134.3	117.9	111.5
Monetary Growth (M2)	%	7.0	8.4	14.1	6.4	8.7	1.7
Income Velocity (GDP / M2)	%	1.5	1.2	1.1	1.1	1.1	1.1
Government Finance							
Total Revenue and Grants	% GDP	24.0	26.2	25.1	24.8	24.2	24.8
Total Expenditure and Net Lending	% GDP	29.5	32.6	30.7	29.3	29.6	29.4
Overall Deficit (-) / Surplus (+)	% GDP	-5.5	-6.4	-5.7	-4.6	-5.4	-4.6
External Sector							
Exports Volume Growth (Goods)	%	3.4	7.2	0.8	4.7	-2.6	7.9
Imports Volume Growth (Goods)	%	12.7	3.3	-1.8	7.3	5.3	10.6
Terms of Trade Growth	%	10.5	-11.1	-1.6	4.9	-0.2	-2.9
Current Account Balance	Million US $	-1.2	-0.5	1.6	1.5	1.4	0.1
Current Account Balance	% GDP	-3.6	-1.4	4.8	4.1	3.1	0.2
External Reserves	months of imports	4.9	5.6	10.2	11.4	12.9	11.3
Debt and Financial Flows							
Debt Service	% exports	39.0	25.4	23.5	22.3	18.8	13.9
External Debt	% GDP	69.4	53.9	46.9	43.7	36.4	31.8
Net Total Financial Flows	Million US $	616.7	603.4	273.5	251.0	1,640.3	..
Net Official Development Assistance	Million US $	495.2	419.3	518.6	487.0	522.8	..
Net Foreign Direct Investment	Million US $	332.0	215.4	2,824.6	480.7	2,279.3	..







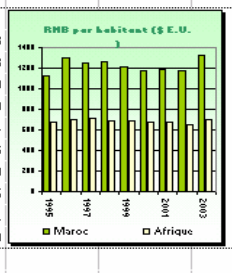
Source : ADB Statistics Division; IMF: World Economic Outlook, SEP.2004 and International Financial Statistics, Jan.2005; World Bank: Live Database, Nov. 2004; United Nations: OECD, Reporting System Division, January 2005.

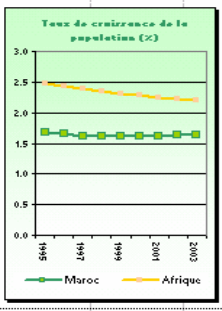
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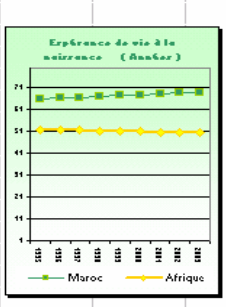
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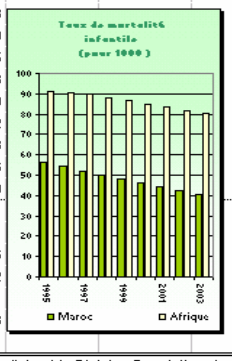
MAROC - - INDICATEURS SOCIO-ECONOMIQUES COMPARATIFS

	Année	Maroc	Afrique	Pays en développement	Pays développés
Indicateurs de Base					
Superficie ('000 Km²)		447	30 061	80 976	54 658
Population totale (millions)	2003	30.6	849.5	5 024.6	1 200.3
Population urbaine (% of Total)	2003	56.8	39.2	43.1	78.0
Densité de la population (au Km²)	2003	68.4	28.3	60.6	22.9
Revenu national brut (RNB) par Habitant ($ EU)	2003	1 330	704	1 154	26 214
Participation de la Population Active - Total (%)	2003	41.4	43.3	45.6	54.6
Participation de la Population Active - Femmes (%)	2003	35.1	41.0	39.7	44.9
Valeur de l'Indice sexospécifique de dévelop. humain	2002	0.604	0.476	0.655	0.905
Indice de développement humain (rang sur 174 pays)	2002	125	n.a.	n.a.	n.a.
Population vivant en dessous de $ 1 par Jour (%)	1995	...	46.7	23.0	20.0
Indicateurs Démographiques					
Taux d'accroissement de la population totale (%)	2003	1.6	2.2	1.7	0.6
Taux d'accroissement de la population urbaine (%)	2003	2.9	3.8	2.9	0.5
Population âgée de moins de 15 ans (%)	2003	31.9	42.0	32.4	18.0
Population âée de 65 ans et plus (%)	2003	4.5	3.3	5.1	14.3
Taux de dépendance (%)	2003	56.0	86.1	61.1	48.3
Rapport de Masculinité (hommes pour 100 femmes)	2003	100.3	99.0	103.3	94.7
Population féminine de 15 à 49 ans (%)	2003	27.6	24.0	26.9	25.4
Espérance de vie à la naissance - ensemble (ans)	2003	69.0	50.7	62.0	78.0
Espérance de vie à la naissance - femmes (ans)	2003	70.8	51.7	66.3	79.3
Taux brut de natalité (pour 1000)	2003	22.9	37.0	24.0	12.0
Taux brut de mortalité (pour 1000)	2003	6.0	15.2	8.4	10.3
Taux de mortalité infantile (pour 1000)	2003	40.7	80.6	60.9	7.5
Taux de mortalité des moins de 5 ans (pour 1000)	2003	50.0	133.3	79.8	10.2
Taux de mortalité maternelle (pour 100000)	1995	372	661	440	13
Indice synthétique de fécondité (par femme)	2003	2.7	4.9	2.8	1.7
Femmes utilisant des méthodes contraceptives (%)	1997	58.4	40.0	59.0	74.0
Indicateurs de Santé et de Nutrition					
Nombre de médecins (pour 100000 habitants)	1997	48.8	57.6	78.0	287.0
Nombre d'infirmières (pour 100000 habitants)	1997	105.0	105.8	98.0	782.0
Naissances assistées par un personnel de santé qualifié (%)	1994	40.0	44.0	56.0	99.0
Accès à l'eau salubre (% de la population)	2002	80.0	64.4	78.0	100.0
Accès aux services de santé (% de la population)	1991	62.4	61.7	80.0	100.0
Accès aux services sanitaires (% de la population)	2000	75.0	42.6	52.0	100.0
Pourcent. d'adultes de 15-49 ans vivant avec le VIH/SIDA	2003	0.09	6.4	1.3	0.3
Incidence de la tuberculose (pour 100000)	2000	96.6	109.7	144.0	11.0
Enfants vaccinés contre la tuberculose (%)	2003	92.0	81.0	82.0	93.0
Enfants vaccinés contre la rougeole (%)	2003	90.0	71.7	73.0	90.0
Insuffisance pondérale des moins de 5 ans (%)	1992	9.5	25.9	31.0	...
Apport journalier en calorie par habitant	2002	3 052	2 444	2 675	3 285
Dépenses publiques de santé par habitant (en % du PIB)	1998	1.2	3.3	1.8	6.3
Indicateurs d'Education					
Taux brut de scolarisation au (%)					
Primaire - Total	2001	107.0	88.7	91.0	102.3
Primaire - Filles	2001	101.0	80.3	105.0	102.0
Secondaire - Total	2001	41.0	42.9	88.0	99.5
Secondaire - Filles	2000	36.0	41.3	45.8	100.8
Personnel enseignant féminin au primaire (% du total)	1998	37.7	46.3	51.0	82.0
Analphabétisme des adultes - Total (%)	2003	48.4	36.9	26.6	1.2
Analphabétisme des adultes - Hommes (%)	2002	36.7	28.4	19.0	0.8
Analphabétisme des adultes - Femmes (%)	2003	60.7	45.2	34.2	1.6
Dépenses d'éducation en % du PIB	1998	5.0	5.7	3.9	5.9
Indicateurs d'Environnement					
Terres arables en % de la superficie totale	2003	19.0	6.2	9.9	11.6
Taux annuel de déforestation (%)	1995	0.3	0.7	0.4	-0.2
Taux annuel de reboisement (%)	1990	4.0	10.9	...	...
Emissions du CO2 par habitant (tonnes métriques)	1998	1.2	1.2	1.9	12.3









Source : Compilé par la Division Statistique à partir des Bases de Données de la BAD; ONUSIDA; Live Database de la Banque Mondiale et la Division Population des Nations Unies.

Notes: n.a. Non Applicable
... Donnée Non Disponible

Millennium Development Goals

Goal 1: Eradicate Extreme Poverty and Hunger

Target 1: Halve the proportion of the people whose income is less than one dollar per day

Target 2 : Halve the proportion of people who suffer from hunger

Indicators	1990	1995	2001	2002	2003*
Proportion of people whose income is less than one dollar per day	13.1	..	19.0	..	
Prevalence of underweight children under 5 years of age	9.5	9.0	..	9.0	
Proportion of population below minimum level of dietary energy consumption	6.0	7.0	..	..	

Goal 2: Achieve Universal Primary Education

Target 3: Ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Indicators	1990	1995	2001	2002	2003*
Net enrolment ratio in primary education	52.8	72.3	88.4	..	92.4
Proportion of pupils starting Grade 1 who reach Grade 5	75.1	75.0	83.7	..	...
Literacy rate of 15-24 year olds	55.3	61.5	68.4	69.5	51.6

Goal 3: Promote Gender Equality and Empower Women

Target 4 : Eliminate gender disparity in primary, secondary and tertiary education

Indicators	1990	1995	2001	2002	2003
Ratio of girls to boys in primary, secondary and tertiary education	67.5	..	85.1	..	..
Ratio of illiterate women to men, 15-24 years old	61.8	68.9	77.9	79.2	..
Share of women in wage employment in the non-agricultural sector	36 .8	31.4	26.6	..	..
Proportion of seats held by women in parliament	..	1.0	..	..	..

Goal 4: Reduce Child Mortality

Target 5 : Reduce by two thirds the under-5 mortality rate

Indicators	1990	1995	2001	2002	2003*
Under-five mortality rate (for 1,000 live births)	85.0	61.0	46.0	43.0	50.0
Infant mortality rate	66.0	51.0	41.0	39.0	40,7
Proportion of 1-year old children immunized against measles	80.0	88.0	96.0	96.0	90.0

Goal 5 : Improve Maternal Health

Target 6 : Reduce by three quarters the maternal mortality ratio

Indicators	1990	1995	2001	2002	2003
Maternal mortality ratio (for 100,000 live births)	..	372.0	220.0	..	..
Proportion of births attended by skilled health personnel	31.0	39.6	..	..	..

Goal 6 : Combat HIV/AIDS, Malaria and other Diseases

Target 7: Have halted and begun to reverse the spread of HIV/AIDS

Target 8 : Have halted and begun to reverse the incidence of malaria and other diseases

Indicators	1990	1995	2001	2002	2003*
HIV prevalence among pregnant women aged 15-24 years	...	..	..	..	..
Condom use rate of the contraceptive prevalence rate	41.0	50.0	..	..	..
Prevalence rate associated with tuberculosis (for 100,000 inhabitants)			115.0	114.4	96.6
Proportion of TB cases detected and cured under DOTS	..	93.0	81.0	83.5	..

Goal 7 : Ensure Environmental Sustainability

Target 9: Integrate the principles of sustainable development into country policies and reverse the loss of environmental resources

Target 10: Halve the proportion of people without sustainable access to safe drinking water and basic sanitation services

Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

Indicators	1990	1995	2001	2002
Proportion of forest areas	6.8	..	6.8	..
Area of protected lands to protect biodiversity (as compared to the total surface area)	...	0.7	0.7	0.7
Energy consumed (in kilogramme worth of oil) per 1,000 dollars of GDP	9.8	9.4	9.9	..
Emission of carbon dioxide per inhabitant	1.0	1.1	1.3	..
Proportion of the population with access to safe drinking water	75.0	..	80.0	
Proportion of the population with access to a better sanitation system	58.0	..	68.0	...
Proportion of households with access to housing security	..	..	..	..

Goal 8 : Develop a Global Partnership for Development

Target 12 : Furthering the establishment of an open multilateral trade and financial system based on predictable and non discriminatory rules

Indicators	1990	1995	2001	2002
Rate of unemployment of youths in the 15- 24 age bracket	31.1	…	15.4	...
Number of phone lines and mobile phone subscribers for 1,000 inhabitants	16.5	43.5	204.4	247.1
Number of computers for 1,000 inhabitants and Internet users for 1,000 inhabitants	..	3.2	13.7	23.6

*Source : CAS, World Bank ; * ADB Statistics Unit, Morocco comparative socio-economic indicators*

Morocco – Bank Group's Operations Approved for the 1996-2005 period (March 2006)

Period	Sector	Project designation	Source	Inst	Approval date	Date of signature	Date of Effectiveness	Completion date	Loan amount (millions UA)	Disbursement rates	Status
1996-1998											
	Communications	STRUCTURAL ADJUSTMENT PROGRAMME FOR THE POST & TELEC SECTORS	ADB	SA	Dec.-98	May -99	May-99	Dec.-02	79.08	100.00	COMPLETED
	Water and Sanitation	DRINKING WATER SUPPLY AND SANITATION PROJECT	ADB	PL	June-99	Dec.-99	Dec.-00	June-05	20.92	100.00	COMPLETED
	Energy	REHABILITATION OF ELECTRICITY TRANSMISSION AND DISTRIBUTION NETWORKS	ADB	PL	Oct.-97	May-98	April-99	Dec.-01	0.00	0.00	ABANDON.
	Multi-Sector	INSTITUT. SAVINGS DEVELOPMENT PROGRAMME	ADB	SA	Nov.-97	May-98	June -98	Dec.-99	127.36	100.00	COMPLETED
	Multi-Sector	PRES ECONOMIC AND SOCIAL REFORMS	ADB	SL	Dec.-98	May -99	July-99	June-03	148.28	100.00	COMPLETED
	Transport	RAILWAY REHABILITATION PROJECT	ADB	PL	Dec.-98	March-99	August-99	June-05	55.72	51.52	ONGOING
2000-2002 CSP									431.36	93.37	
	Communications	DEVELOPMT OF INFORMATION INFRASTRUCT. SECTOR	ADB	SL	April-01	Oct.-01	Jan.-02	Dec.-05	69.52	100.00	COMPLETED
	Energy	INTERCONNECTION OF ELECTRICAL POWER SYSTEM	ADB	PL	Nov.-02	May -03	Nov.-03	Dec.-05	66.63	87.50	ONGOING
	Finance	FINANCIAL SECTOR ADJUSTMENT PROGRAMME-4	ADB	SA	Dec.-02	Dec.-02	Jan.-03	Jan.-04	114.35	100.00	COMPLETED
	Social	PROJECT IN SUPPORT OF THE GENERALISATION OF BASIC EDUCATION	ADB	PL	Nov.-00	May -01	July-01	Dec.-05	47.43	16.11	ONGOING
	Social	DEVELOPMENT OF SCIENCE .& TECHNOLOGY EDUCATION	ADB	PL	Nov.-00	May 01	Sept.-01	Dec.-07	22.14	14.41	ONGOING
	Social	MEDICAL COVER SUPPORT REFORM.(PARCOUM)	ADB	SL	Dec.-02	April-03	August-03	Dec.-05	91.42	50.00	ONGOING
	Transport	IMPROVING AND STRENGTHENING AIRPORT CAPACITIES	ADB	PL	April-01	Jan.-02	Sept.-02	Dec.-05	64.80	41.63	ONGOING

Period	Sector	Project designation	Source	Inst	Approval date	Date of signature	Date of Effectiveness	Completion date	Loan amount (millions UA)	Disbursement rates	Status
2003-2005 CSP									476.29	68.38	
	Water and Sanitation	STRUCTURAL ADJUSTMENT WATER SECTOR	ADB	SA	Dec.-03	oct.-04	April-05	Dec.-06	179.08	0.00	ONGOING
	Water and Sanitation	EIGHTH AEPA PROJECT	ADB	PL	Nov.-04	Feb.-05	June -05	Dec.-09	55.39	4.88	ONGOING
	Energy	AIN BENI MATHAR THERMO-SOLAR POWER PLANT	ADB	PL	March-05	August-05		Dec.-09	113.65	0.00	APPROVED
	Environment	ENVIRONMENTAL UPGRADING OF SAMIR	ADB	PL	June-05			June -18	57.00	0.00	APPROVED
	Multi-Sector	ADMINISTRATIVE REFORM SUPPORT PROGRAMME	ADB	SL	Dec.-04	Feb.-05		Dec.-07	100.00	100.00	COMPLETED
	Transport	BUDGET SUPPORT – TRANSPORT REFORM (PAST)	ADB	SA	Dec.-04	Feb.-05	July-05	June -06	200.00	50.00	ONGOING
									705.12	28.74	
TOTAL									1612.77	63.50	

Source: ADB, extract from SAP

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Ratings for the Evaluation of ADB's Assistance to Morocco

Evaluation criteria		Rating	Justification
1.	Relevance	**3**	The Bank's strategies and interventions are relevant in that they brought an appropriate answer to the country's priority needs. Significant support has been provided to the economic and sectoral reforms with the view to a structural transformation of the economy in the globalisation perspective, and the entry into free trade zone with EU. At the same time, there is a need to upgrade the transport, energy sectors and telecommunication infrastructure in a bid to improve the competitiveness of the economy and the development of human resources. Furthermore, the operations are fully in keeping with the MDG and other development indicators of the Bank.
2.	Efficacy	**3**	
	Attainment of physical objectives	**(3)**	The completed operations have satisfactorily achieved their objectives. But, there is a certain delay in the ongoing operations, which might undermine the results, notably in the Water, Education and Health sectors. On the whole, the performances are satisfactory given the high rate of disbursement in the Transport, Communication and Energy sectors.
	Effects and impacts	**(3)**	The implemented reforms have been efficient and successful. The macro-economic framework has been stabilised. The financial sector is dynamic. The authorities abide by a strict financial and economic discipline. Growth has resumed, but is still inadequate to significantly reduce poverty. However, we have noted a marked improvement in the human development indicators compared to the mid-1990s, even though the Bank's contribution is relatively low. The Bank has basically helped the government to reduce social and regional inequalities in the access to education, drinking water and electricity.
3.	Consideration of and impact on cross-cutting aspects	**3**	
	Governance	**(3)**	The Bank still does not have a Governance profile for Morocco to establish its interventions. But the economic and sectoral reforms have had a significant impact on Governance. In the PRES and PARAP, the measures related to the modernisation of the administration and civil service, as well as the improved management of public finances fit into good governance.
	Gender	**(2)**	The Bank still has not sufficiently integrated the gender approach in its operations. Yet, in the education sector, it has laid emphasis on gender-related disparities. School infrastructure will attract girls to school and improve their school attendance rate.
	Private sector	**(2)**	The Bank has not made a direct contribution to the private sector, though the reforms engaged by the government have contributed to the creation of an environment more conducive for the

			development of the private sector. The liberalisation of the telecom sector has been very successful.
	Regional integration	**(3)**	The Bank has supported the upgrading of the economy in the prospect of its integration into the regional and global economy. At the sectoral level, investments in transport and telecom infrastructures, and the electric interconnection boost the integration of regional economies and comply with NEPAD objectives.
	Environment	**(3)**	The operations financed by the Bank have, on the whole, had no negative impact on environment. The WATER-SAP will help the government to implement a streamlining policy in the sector.
4.	Efficiency	**3**	Regarding the economic and sectoral reforms and infrastructure, the funds, expertise and time have been used efficiently and the results are satisfactory on the whole. The IRR are satisfactory with respect to the investments made in the transport and telecommunications sectors. But, there has been a delay in the execution of the operations in the education, health, water and energy sectors. The costs of water and energy are not under control.
5.	Impact on institutional development	**3**	Morocco has a strong institutional capacity. The reforms have strengthened the administration's management and regulation capacities in the sectors concerned
6.	Sustainability	**3**	The macro-economic gains are sustainable given the country's strong institutional capacity, but the government must further the reforms in a bid to create conditions more favourable to investments. Exogenous shocks are always detrimental to the economy's performances. Poverty, unemployment and social inequalities are still rife in the country and represent risk factors likely to trigger a social explosion.
Overall Rating		**3**	The loan operations have been satisfactory on the whole. The Bank has managed to mobilise a sizeable volume of loans in a competitive context. Thus, it has contributed to the reforms, the strengthening of infrastructure, growth and poverty reduction. Yet, the non-lending assistance has been insufficient. By taking into account the internal constraints within the Bank, the performance of its assistance to Morocco is deemed satisfactory on the whole even if there is still room for improvement.