

Evaluation of the Bank's Assistance to Morocco (1996-2005)

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Bank Group Operations in Morocco 1967-2005

Bank Approvals	Amount (in Million UA)	%	No
Total Approvals, 1967-2005	3891.10		89
Loan and Grants Approvals, 1967-2005	3891.10	100	89
- Agriculture and Rural Development	420.17	10.8	15
- Transport	621.41	16.0	8
- Communications	201.10	5.2	3
- Water Supply and Sanitation	410.41	10.5	10
- Power Supply	382.52	9.8	12
- Industry, Mining and Quarrying	2.56	0.1	2
- Finance	480.56	12.4	16
- Education	282.71	7.3	9
- Health	119.39	3.1	3
- Poverty Alleviation and Micro-Finance	0.00	0.0	0
- Gender, Population and Nutrition	0.00	0.0	0
- Other Social Sector	0.70	0.0	2
- Environment	57.63	1.5	1
- Multisector	911.94	23.4	8

Source: Compendium of Statistics, 2006 - African Development Bank Group

Arab Maghreb Union (AMU), the free trade agreement with the European Union, and partnership with the United States.

In the highly competitive donor community in Morocco, the Bank's lending assistance was prompted by the government's demand and its strategic objectives in various sectors. Even though the CSP had grasped the importance of non-lending activities, the Bank did not carry out any economic and sector work (ESW), a requirement to improve the knowledge of the country's economic issues. The Bank granted loans exceeding 1,600 million UA, to finance 19 operations, 7 of which have been completed, 1 dropped (Rehabilitation of the Electricity Transmission and Distribution Systems) and 11 in progress. In addition to the lack of ESW, the Bank's financial support was constrained 1996 and 2005. During this period, the by the low levels of institutional capacity, and this need has become increasingly urgent in light of the numerous challenges facing the country.

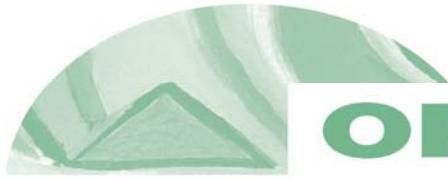
Results of Sectoral Interventions

The resources mobilized by the Bank for Morocco exceeded the CSP forecasts. The country was able to mobilize additional resources for its priority programs. Approximately 69% of net commitments were devoted to economic and sectoral reforms in the financial, communications, transport, water, and health sectors. Agriculture and the private sector did not receive the Bank's financial support, contrary to projections in the CSP. For agriculture, Morocco has reduced

The Bank's Assistance to Morocco

Morocco is one of the major clients of the ADB window as it represents 16.6% of the allocation of net total commitments per country. The portfolio size is larger than other ADB regional member countries including Tunisia (16%) and Algeria (10.2%). Morocco's cooperation with the Bank began in 1970, but OPEV's Country Assistance Evaluation (CAE) focused on the strategy implemented by the Bank between Bank produced three Country Strategy Papers (CSPs) based on three strategic pillars: (i) support for macroeconomic and sectoral reforms; (ii) strengthening infrastructure; and (iii) improving efforts targeting poverty reduction and human resource development. Morocco's 2000-2004 Economic and Social Development Plan (PDES) served as a guideline for the Bank's CSP. OPEV's CAE evaluated the efficacy of the Bank's assistance to Morocco, with a view to drawing useful conclusions and offering sound recommendations for the next CSP cycle.

Between 1996 and 2005, Morocco consolidated its price stability and strengthened its external position. It implemented an ambitious macroeconomic and sectoral reforms program. The economy achieved significant progress which resulted in economic growth of 4.8% per annum between 2001 and 2004, compared to 2.2% in the past decade. Growth was fairly unstable and lower than the country's potential, especially because of the dependence on the agricultural sector. Economic policies were not supported by an equitable distribution of economic and social progress. Morocco maintained high levels of poverty and unemployment rates, and lags behind other countries in human development. In addition to these challenges, Morocco also needs to deal with globalization and economic integration requirements, particularly with countries of the



its requests for financing in irrigation, pending the new programs in rural development. With regard to the private sector, the Bank could not develop its strategy through direct support. The financial sector achieved a level of maturity due to the reforms that were partly funded by the Bank with 4 Financial Sector Adjustment Programs (FSAPs) and 11 lines of credit worth about 600 million UA. Like similar institutions such as the International Finance Corporation which has not funded projects in Morocco for several years, the Bank has been confronted with the extent of competitiveness of its rates, as well as the need for a more creative private sector approach.

The overall portfolio performance was *satisfactory* and there were no problem projects. The number of active projects was found to be on the decline due to the number of quick disbursing loans. The Bank's services were not attractive and competitive enough and there was need to improve on simplicity, flexibility, and speed which are increasingly being required by other borrowers. The Bank's performance was rated *unsatisfactory* due to the relatively high transaction costs and delays in procurement, and disbursement procedures. Completed operations were fairly relevant and achieved their development objectives, sometimes beyond expectations, as was the case in the communications sector. The multisectoral programs, social, and water and sanitation sectors were confronted with difficulties which generally related to: (i) the pace of disbursement of policy-based loans; (ii) delays in the implementation of social projects because of preparation and procurement procedures; and (iii) inability to control costs to secure return on investments. Institutional development impact was rated *substantial* and sustainability was rated *likely*.

It was difficult to assess the level of achievement of the Bank's strategic objectives compared to the results expected in the CSP, since the Bank's objectives did not contain intermediate indicators when the CSPs were prepared. Most of the projects and programs were still being implemented at the time of the evaluation and the results are yet to be achieved. During the period, the Bank contributed to achieving results within the macroeconomic and sectoral reforms, including strengthening infrastructure. The impacts

of poverty reduction and human development (health, education, etc.) were barely discernible.

Key constraints concerned the extent of ESW, the cumbersomeness of procedures related to aid mobilisation, procurement, disbursement, fulfillment of loan conditions, and the non-existence of a local representation and a focal point within the Bank. There are many aspects that need to be improved, some require in-depth reforms. The drawbacks with regard to dialogue and other non-lending activities made it difficult for the Bank to develop a more coherent and efficient strategy. The agriculture and private sectors did not benefit from the Bank's support. Performance in communications and transport was relatively more satisfactory than the water and sanitation, energy, and social sectors. With regard to macroeconomic and sectoral reforms, significant progress was achieved between 1996 and 2005, but this was still insufficient in view of the structural deficit, low savings and investment rates, and improvements in the private sector.

Evaluation Recommendations

To improve the Bank's future assistance to Morocco, the CAE recommended:

- the design and implementation of a more strategic approach based on in-depth knowledge of the country;
- initiate improvements in economic and sectoral reforms;
- develop and implement a coherent private sector promotion and direct support strategy;
- prepare and implement a strategy focused on ESW;
- diversify the Bank's instruments of intervention;
- strengthen strategic partnerships with other donors;
- improve the quality of dialogue between government officials and the Bank;
- reduce transaction costs during project implementation;
- improve the Bank's responsiveness and flexibility; and
- strengthen the Bank's presence in Morocco as well as the quality of its representation.