AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

MOROCCO

LONG-TERM STRATEGY CONSULTATION MEETING

9th of April 2012
Summary Report on the LTS Morocco Consultation Meeting
Rabat – April 9th, 2012

The summary below captures the main points that were discussed during the Moroccan national consultation meeting in Rabat, and is not intended to be a detailed set of minutes for the meeting. The comments have been summarized along the following thematic areas: (i) Context and drivers of change; (ii) Vision for Africa for the next decade; (iii) Operational focus for the Bank; (iv) Financing; and (v) Institutional reform.

1. Context and drivers of change

Context

- In the last decade, Africa has experienced significant growth as a developing block, coming third after the East and Southern regions of Asia. African GDP has been growing at a rate of 4% continent-wide in 2003, compared to 3% in 2002. This trend has continued in the years that followed, with GDP growing at 5.2% in 2004, 5.4% in 2005, 5.7% in 2006, and 5.8% in 2007 (ECA). This steady growth can be attributed to rising prices for exported goods, and an increase in foreign direct investment (FDI). While this growth is encouraging, it still falls short of the 7% growth rate necessary to attain the critical MDG that contemplates a reduction of poverty by 50% by 2015. Inflation has remained a steady 6% on average from 2000-2007, with regional disparities mainly due to the disproportionate effects in rising prices of imported gas (Zimbabwe 39%, Guinea 29%, Benin 1.6%, Morocco 2.7%).

- At the fiscal level, budget deficits were largely under control across the continent. However, many countries had to reconcile increased expenditures required for the fight against poverty, with the requirements of macroeconomic stability.

- From 2008, the financial crisis that erupted in the United States steadily spread throughout the rest of the world. The effects of the crisis have manifested themselves in the forms of drops in demand for goods and services, consequent falls in prices for said goods and services, reductions in global remittances, and lower private capital inflows throughout the continent. Growth on the continent slowed to 4.9% in 2008, and contracted sharply to 1.6% in 2009, effectively drawing to a close six consecutive years in which growth had exceeded 5%. Concurrently, however, inflationary pressures dropped somewhat, due to the limited demand for goods and services linked to the slowdown in economic growth, and lower food and oil prices, combined with a good agricultural harvest in parts of North and West Africa.

Drivers of change

- **Job-creation:** the question of how to create jobs on the continent (and North Africa in particular) remains the most pressing concern.

- **Meeting the MDGs:** the Bank should assist Africa in determining precisely how the continent measures against the MDGs to be met by 2015.

- **Bolster economic growth:** the Bank must help Africa increase its growth rates, in order to meet the MDG on poverty reduction by 50% in 2015 (this growth rate was revised by the ECA to 7%, from 5.8%).
• **Infrastructure**: the Bank must build upon its comparative advantage in infrastructural development by focusing on the important question of infrastructural maintenance in the years to come, as existing projects start to require investments.

• **Regionalization**: various African countries are increasingly working towards a process of regionalization that directly impacts upon the increasingly decentralized nature of public administration in regional blocks.

• **Urbanization**: for North Africa, the problem of urbanization, and the associated problem of social housing, should be taken into account in the course of Bank projects aimed at reducing dweller insecurity and vulnerability.

• **Private sector development**: MSMEs have an important role to play in creating jobs, but their job-creating potential is severely hampered by a lack of effective access to financing. It becomes clear from this that the Bank must support commercial Banks in North Africa, in order to catalyze private sector growth on the continent, and in the region.

2. **Vision for Africa for the next decade**

• An Africa that is integrated, prosperous, and on good course to meet its development objectives through sustainable growth.

3. **Operational focus of the Bank**

• **Private sector development**: the Bank must reach out and establish effective partnerships with actors in the financial and banking sectors in order to better link investment needs on the demand side, with private sector actors on the supply side. In developing the private sector, the Bank should support the financial and banking sectors in order to ensure that lower-income populations and MSMEs have effective access to finance.

• **Public sector support**: the Bank should continue to mobilize recourses to reinforce public sector development initiatives, notably through providing technical and capacity building services to its RMCs (touching upon topics such as tax reforms and the various reforms required to better integrate informal sectors).

• **Regional integration**: the Bank should encourage intra-African trade, in order to reinforce regional integration continentally, and boost South-South cooperation initiatives. For North Africa, the Bank should support the UMA, and steer Maghreb countries away from patchwork bilateral relations, given the relatively weak degree of integration that such initiatives have yielded to date in the region. The Bank should more fully support inter-regional initiatives, such as that between the UMA and ECOWAS that seek to combat desertification and uncontrolled immigration.

• **Youth employment opportunities**: the Bank should finance projects that will create employment opportunities for youths, particularly in sectors synergistic to other Bank LTS initiatives, such as the IT and renewable energy sectors.

• **Women’s employment opportunities**: the Bank should ensure that projects it finances seek to promote gender equality, and reinforce the economic autonomy of women.

• **Meeting the MDGs**: the Bank should evaluate Africa’s successes in meeting the MDGs (per region), and draw from past experiences to determine how best to proceed with meeting outstanding MDGs in the coming decade.
• **Environmental protection and civil society involvement**: the Bank, in formulating environmental policies and strategies, should engage in meaningful dialogue with stakeholders with a view to having civil society actors participate in the formulation of a sustainable growth strategy for Africa.

• **“Mobile Banking”:** to promote “Mobile Banking,” the Bank should provide technical expertise to Northern African countries, with a view to harmonizing financial and banking sector laws and regulations.

4. **Financing**

• The Bank’s decreasing concessional funds should prompt it to review its “business model” moving forward in the coming decade, in order to better take into account domestic savings and resources.

• The Bank should increase financial support to MICs (notably those in North Africa) by blending ADF and ADB resources, notably in social sectors.

5. **Institutional reform**

• **The Bank’s work-ethic**: the Bank must align its internal resources to become more proactive, reactive and flexible, particularly to respond to the type of political and social developments in RMCs that manifested themselves quite suddenly in North Africa in 2011, and that can sometimes reach a scale so large as to threaten to undermine the Bank’s work to date in said RMCs.

• **Private sector development**: moving forward, the Bank should ramp up private sector developmental initiatives, in order to reach a level of growth that will effectively enable the creation of jobs, and consequent reduction in poverty levels.

• **Partnerships**: the Bank should establish deeper and more strategic partnerships with developmental actors, with a view to better leveraging its resources in order to make a larger impact on African development.

• **The Bank as an RMC forum and knowledge hub**: the Bank should act as a candid forum for RMCs. In addition, the Bank should better embrace its role as a knowledge hub, by assisting RMCs with the gathering, collating and dissemination of statistical data, and continuing to support research centers, researchers and students through the promotion of innovation and technical progress.