

# **AFRICAN DEVELOPMENT BANK GROUP**



## **OPERATIONS EVALUATION DEPARTMENT (OPEV)**

**Evaluation of Policy Based Operations in the African Development  
Bank, 1999–2009**  
**Country Case Study: Morocco**

**High Level Evaluations Division (OPEV.2)**

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# **Executive Summary**

## **Introduction**

Morocco has made considerable advances in development in the past decade. An extensive reform programme focussing on social and economic transformation has been pursued by the Government of Morocco (GoM). Donor aid represents only a small portion of financing to the Government (4-5%), but has seen a steady increase over the past decade, from 1.2% of GNP in 2000, to 1.6% in 2006, and an estimated 5% in 2010. Whilst grant disbursements were the predominant form of aid at the beginning of the evaluation period there has been an increasing focus on loans and General Budget Support (GBS). In 2002 GBS constituted about 12% of total aid disbursements and this has increased to 20% in 2007 and 2008. This reflects the strong preference of the GoM for this aid modality. The GoM has encouraged coordination and donor partners (DPs) involved in policy-based lending operations are now coordinating their activities more closely in terms of preparation, appraisal and supervision. This trend of greater coordination coincided with the establishment of thematic groups in many key sectors. Efforts have also been made to identify clearer complementarity and areas of added value for each donor.

The Moroccan Government has put forward specific preferences and proposals for financing, showing a high degree of strategic vision, capacity and ownership. The Government that came into power in 2007 has been guided by a National Programme for Economic and Social Development (PES) for 2008 to 2012. A key development – which complements the PES and the sector plans – is the National Initiative for Human Development (INDH), established by King Mohammed VI in May 2005. This was the first national initiative centred on community-based, sector cross-cutting and participatory approaches that directly benefit the poor. Overall Morocco has seen solid macro-economic performance over the past years. It is on track to meet many of the key MDGs by 2015 in particular Goal 2 on education for all, Goal 3 on equality and autonomy for women, and Goal 4 related to infant mortality. The country has made considerable efforts at all the MDGs, and has taken into account the impact of the global financial crisis and climate change. In both urban and rural areas, poverty and vulnerability, measured according to national thresholds, decreased significantly between 2001 and 2008.

## **Overall Assessment**

Morocco has had both more PBOs over the evaluation period, and a higher total amount of resources provided through PBOs than any other RMC. It has also had the most diverse PBOs in terms of the sectoral coverage. This reflects a strong preference by the GoM for this form of aid and a willingness to borrow on ADB terms for this purpose. The model in Morocco of a small number of donors (AfDB, European Commission and the World Bank) funding sectoral reform processes through multi-year sectoral budget support is significantly different from that of most other RMCs:

Over the evaluation period there have been eleven PBOs undertaken by the AfDB in Morocco, several of which have had more than one phase. With the exception of one, all of these PBOs were initiated after 2004. The Medical Coverage Reform Support Programme (PARCOUM I and II) aimed to promote compulsory health coverage for all. The first phase ran from 2003-08, the second phase started in 2008 and is ongoing. The Adjustment Programme for the Water Sector (PAS Eau) ran from 2005-08. It focussed on water management, water tariffs, public private partnership, and waste management. In 2009 the Emergency National Programme for Education was started covering a four-year period it

aims to expand access to schooling, and to improve the quality of teaching and learning. Between 1999 and 2002 the Programme for Economic and Social Reform (PRES) targeted economic growth, employment generation and the building up of social capital. The Programme for Reform of the Transportation Sector (PRST) was started in 2004 to open up, privatise and professionalise the transportation sector. The Financial Sector Development Support Programme (PADESFI) has two components which together seek to strengthen financial sector governance, improve access by the population and companies to financial services, and to diversify financial instruments. There have been four phases of the Public Administration Reform Support Programme (PARAP I through IV), which started in 2005 and is still ongoing. It seeks to improve budget management and efficiency of public administration, to strengthen human resource management, to control the wage bill, and to simplify administrative formalities and procedures.

The PBOs the Bank has engaged in Morocco do appear to have been generally successful and to have supported reform processes in each sector. Both the level and form of financing has been attractive to the GoM. However, the Bank has made only a relatively limited contribution to policy dialogue in the sectors in which it has been engaged.

## **Findings**

### **Performance and Impact**

#### **AfDB's main added value in Morocco is its considerable financial contribution**

Morocco is the most important client of the ADB window, giving Morocco an important role within the Bank. Whilst the GoM has stated its preference for GBS it welcomes AfDB's PBO lending which provides an important monetary contribution to strengthen the Government's reform agenda. AfDB PBO lending is relatively attractive because of competitive loan conditions, long time frames, and the initial grace period. Additionally, for the GoM, AfDB funding contributes to diversifying its lending sources.

#### **There has been a positive trend in AfDB participation in policy dialogue, but its capacity and added value in policy dialogue remains limited**

AfDB participation in policy dialogue has deepened over the evaluation period. The opening of the Morocco Field Office (MAFO) in 2006 coincided with a move to greater harmonisation and alignment led by the GoM. This included the division of labour (DOL) among DPs, and a narrowing down of the AfDB portfolio to fewer areas of intervention and fewer projects. These factors have impacted positively on AfDB's participation in dialogue and coordination. All of the currently ongoing AfDB PBOs are multi-donor undertakings where AfDB participates in the design, discussion, and monitoring. AfDB does not, however, take the lead in any of the thematic/working groups. AfDB's small country presence limits its influence on decision making and contributes to the assessment that AfDB does not have a strong influence on policy dialogue. The context requires a level and specificity of expertise which can only be sourced from AfDB's HQ. As a result, AfDB has relied quite heavily on other DPs to do the analytical work and to provide the necessary inputs.

#### **AfDB has moved towards greater harmonisation and alignment over the evaluation period, reducing transaction costs for Government**

Over the evaluation period there has been a clear trend in harmonisation and alignment of the AfDB portfolio in Morocco. AfDB has moved increasingly towards multi-donor programmes, all its PBOs use country systems. DPs conduct joint preparation, appraisal and monitoring missions. Matrices of conditionalities/triggers, as well as joint indicators and monitoring frameworks are agreed among partners. In Morocco 81% of DPs use country systems and 70% of aid is programme based. The main exception to a harmonised and aligned approach is the use by AfDB and some other DPs e.g. the World Bank of specific

conditionalities/triggers. The establishment of parallel projects by the AfDB also stands in contrast to their commitment to move towards greater harmonisation and alignment.

### **AfDB facilities for capacity development (CD) and technical assistance (TA) do not respond to the needs of Morocco**

For the GoM, non-lending assistance is a key area of potential added value from its DPs in general and with the AfDB in particular. CD and TA are considered essential by the GoM who are pursuing ambitious reforms in a fast-changing environment. However, the AfDB has not been able to respond to the GoM expectations in this respect. Some improvement has come from the establishment of the Country Office but very few resources have been mobilised for technical inputs and studies. Funding through the Technical Assistance Fund (TAF) has proved ineffective as obtaining grants is a laborious, complex process resulting in the release of funds – and the implementation of the corresponding technical work being often been out of step with the timing of the reforms in the sectors targeted by the PBOs.

### **PBO procedures do not recognise that reform processes entail a level of uncertainty, and this limits the effectiveness of PBO support**

AfDB procedures require that all agreed conditions be satisfied for a tranche to be disbursed. Disbursement is then for the full amount agreed upon with the partner government. This aspect of PBO procedures penalises reform programmes which are overall on track, but for which one or two conditionalities may have been poorly negotiated, were harder to implement than anticipated, and/or require additional reforms. When funds are not released predictability is jeopardised. The requirement of full compliance limits the effectiveness of AfDB PBO support. In some cases the solution has been to front load funding so as to avoid having a major amount of funding held up during implementation. Alternatively, AfDB (and the GoM) have opted for choosing conditionalities that have already been achieved or partially achieved. In practice these approaches limit AfDB's capacity to contribute to the policy dialogue in a serious manner.

### **The decentralisation process has facilitated project monitoring and improved dialogue with partners; however, decision making remains centralised and inefficient**

The opening of MAFO contributed to a better understanding of the local context, a smoother implementation process, improved monitoring, and enhanced the visibility of the AfDB. This has allowed the AfDB to become a more active and valued DP in country dialogue. Nonetheless, it is clear that the decentralisation process has not been sufficiently accompanied by delegation of authority and this impacts on the effectiveness and efficiency of the portfolio. MAFO continues to have to refer to Tunis for many decisions which results in delays. In addition MAFO staff shortages (technical and administrative) impact on AfDB's capacity to participate in and contribute to dialogue and to deal with day-to-day programme management. The evaluation was told by GoM officials and DPs that responsiveness needs improving and communication channels must be streamlined.

### **Predictability continues to be constrained**

Overall levels of disbursements have improved significantly over the evaluation period, and the average age of operations has come down. However, predictability has been a problem for AfDB PBOs. Efforts have been made by AfDB to improve performance in this area, but there are still issues in predictability both from year to year and in-year.

### **Strategic Issues**

#### **PBO support has gained importance and is targeted in its use but is still a small percentage of the overall AfDB portfolio in Morocco**

PBO support has become a more important part of the AfDB portfolio. Morocco's strong economic and financial management record has enhanced confidence in the GoM vision, has strengthened systems, and has been accompanied by a growing capacity to manage

development aid. PBOs are favoured by the GoM because of their contribution to balance of payments support and for legitimising the reform agenda. Despite this trend, the bulk of the AfDB portfolio in Morocco is still project based. The support by AfDB PBOs of reforms in systems and procedures, such as public procurement, and the continued use of parallel systems for its project support are perceived by the GoM and some of the more aligned donors e.g. EC as contradictory to the principles of harmonisation and alignment.

**The Morocco Country Strategy Paper (CSP) provides general guidance on the use of PBO support. In practice use of PBOs is strongly influenced by GoM preferences**

The Morocco CSP 2007–2011 provides clear guidance on the choice of aid instruments. It distinguishes between project loans for investment projects, and budget support for reform programmes. It highlights the GoM preference for budget support modalities. However, it does not establish what proportion of the country programme should be for PBOs or how PBO support might develop in the future. In practice decisions on the use of PBOs have been strongly influenced by the GoM preferences for this instrument.

**Design**

**The use of conditionality has evolved as a result of lesson learning and has been strengthened, but it is used unevenly across the portfolio**

Over the evaluation period AfDB has progressively moved to: a) fewer conditions; b) more harmonised conditions; c) conditions that are more ‘manageable’ and focus on a select number of priorities; and d) where complex reforms are concerned conditions have become more process-oriented (i.e. preparation for Parliamentary discussion of a certain law, rather than approval of that law). Overall, there has been a trend in the right direction, especially when conditionalities have been jointly agreed upon with other partners. However, there are also inconsistencies: AfDB still maintains specific conditionalities which are not necessarily in line with the main areas of reform, although are included in an agreed joint matrix. In addition, the level of ‘difficulty’ of conditionalities differs across sectors and PBOs. In the case of the area of administrative reform a programmatic approach has been adopted where each successive PARAP has a single tranche disbursement up front. This makes conditionalities easier to meet and allows AfDB to adapt the next PBOs to progress made.

**AfDB PBOs have influenced key areas of policy reform. However, attribution is difficult because of the joint nature of the programmes**

PBO support is aligned with GoM key policy reform areas. However, attribution to the AfDB of changes in policy and processes is next to impossible given the joint nature of PBO financing. Nonetheless there is evidence that joint DP support to government reforms has contributed to strengthening administrative and financial systems, and to reforms in the social sectors (health and water). In the context of these programmes, AfDB has shown a focus on results, which has manifested itself in lesson learning resulting in improvements in the design of PBOs.

**Concluding Comments**

PBO support to Morocco takes place in the context of a clear medium to long-term vision by the GoM. Strong government capacity, and the good record of progress, has meant that the GoM is very much in command of the reform process and clearly indicates its priorities and preferences. AfDB has shown significant progress in the design and delivery of PBOs in Morocco. There is a clear logic to the use of PBOs guided by the CSP and by GoM's clear preference for this modality. PBOs are strongly harmonised with other partners, and aligned with GoM priorities. There are areas where implementation of PBOs could be improved, through further use of government systems and better predictability. Currently the predictability of PBO funding in the medium to long term is constrained by the three year AfDB time frames for support (as per the CSP). The opening of the MAFO has contributed to

greater visibility of AfDB and has been important in improving the monitoring and support and involvement in policy dialogue. However, AfDB has not yet developed a strategy for influencing policy dialogue and has made limited efforts to do so. The use of conditionality has evolved over the evaluation period and there is evidence of lesson learning. But, AfDB still maintains a small number of specific conditions as a result of which they are sometimes, out of step with other DPs in terms of disbursements.

# Table of contents

Executive Summary	i
Abbreviations	viii
1. Introduction and Background	1
2. Morocco – Context	3
2.1 Brief history of aid to Morocco	3
2.2 Aid relationships	5
2.3 National development strategy and economic performance	6
3. AfDB Operations in Morocco	10
3.1 Brief history of AfDB operations and Country Strategy	10
3.2 Overview of portfolio and aid instruments used	11
3.3 Performance of the Portfolio	13
3.4 Engagement in joint donor initiatives	14
4. Features of AfDB PBOs	15
4.1 Introduction	15
4.2 The Public Administration Reform Support Programme (PARAP)	16
4.3 Medical Coverage Reform Support Programme (PARCOUM)	18
4.4 Support to the Emergency National Programme for Education	20
4.5 Financial Sector Development Support Programme (PADESFI)	22
4.6 Adjustment Programme for the Water Sector (PAS Eau)	22
4.7 Programme for Economic and Social Reform (PRES)	23
4.8 Programme for the Reform of the Transport Sector (PRST)	23
5. Key findings	25
6. Issues	36
References and bibliography	39
Annex A Evaluation Matrix – Morocco	43
Annex B Country Time Line	59
Annex C List of people met	74
Annex D Key data on PBOs	76

## **List of Tables, Figures and Boxes**

Table 2.1:	Baseline Medium Term Macroeconomic Indicators for Morocco	7
Table 2.2:	Morocco: Millennium Development Goals	7
Table 1.2	Percentage of total Portfolio Funds going to Key Sectors in 1999, 2007, and 2010	12
Table 1.3	AfDB Annual Disbursements of PBOs (UA millions)	15
Table 1.4	Sources of Financing for PARAP	16
Table 1.5	Sources of External Financing for PARCOUM I and II	19
Table D.1:	Total AfDB Approvals Morocco: 1999–2008 (UA million)	76
Table D.2:	Comparison of the Performance of PARAP I–IV and PARCOUM I–II	77
Table D.3:	PARAP Commitments and Disbursements: 2008–2010	78
Table D.4:	PARCOUM Commitments and Disbursements	78
Figure 1.2	Morocco: Gross Loan and Grant Disbursements 1999–2008	3
Figure 1.3	GBS and GBS as a Proportion of Total Aid 2002–2008	4
Figure 1.4	Share of ODA to Morocco by Development Partner in 1999 and in 2008	4
Box 1.1	Objectives and Purpose of the Evaluation of Policy Based Lending	1
Box 1.2	Lessons from PARAP I, II and III	17
Box 1.3	Lessons from PARCOUM I	20

## **Abbreviations**

ADF	African Development Fund
AFD	French Development Agency
AfDB	African Development Bank
AU	Accounting Unit
BMC	Basic Medical Coverage
BS	Budget Support
CHI	Compulsory Health Insurance
CNEF	National Education and Training Charter
CNOPS	Caisse Nationale des Organismes de Prevoyance Sociale
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DP	Development Partner
DOL	Division of Labour
DRH	Dirham
EIB	European Investment Bank
EC	European Commission
EU	European Union
FIV	Facilité d'Investissement pour le Voisinage
GBS	General Budget Support
GDP	Gross Domestic Product
GoM	Government of Morocco
HIV	Human Immunodeficiency Virus
HDP	Health Development Plan
HQ	Headquarters
IMF	International Monetary Fund
IMR	Infant Mortality Rate
INDH	National Initiative for Human Development
MAFO	Morocco Field Office
MDG	Millennium Development Goal
MENA	Middle East and North Africa
MIC	Middle Income Country
MMR	Maternal Mortality Rate
MoE	Ministry of Education

MoEF	Ministry of Economic and Financial Affairs
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
ODA	Official Development Assistance
OPEV	Operations Evaluation Department
OSGE	Governance, Finance and Economic Management Department
OSHD	Human and Social Development Department
PADESFI	Financial Sector Development Support Programme
PARAP	Public Administration Reform Support Programme
PARCOUM	Medical Coverage Reform Support Programme
PAS Eau	Adjustment Programme for the Water Sector
PBL	Policy Based Lending
PBO	Policy Based Operation
PCR	Project Completion Report
PES	National Programme for Social and Economic Development
PER	Public Expenditure Review
PFM	Public Financial Management
PRES	Programme for Economic and Social Reform
PRST	Programme for the Reform of the Transportation Sector
RAMED	Medical Assistance Scheme for the Underprivileged
RMC	Regional Member Country
SAL	Structural Adjustment Loan
SBS	Sector Budget Support
TAF	Technical Assistance Fund
UA	Unit of Account
UN	United Nations
USD	United States Dollar

## **Currencies and Measures**

### Currency equivalents

As of December 2010

UA 1.00 = DRH 12.7934

UA 1.00 = £ 0.980613

UA 1.00 = US\$ 1.529950

### Financial Year

1 July to 30 June

# 1. Introduction and Background

This country case study of Morocco is one of a series of case studies that have been undertaken as part of an independent evaluation commissioned by the African Development Bank (AfDB) of the AfDB's Policy Based Operations (PBOs). PBOs are quick-disbursing aid instruments which are defined by the AfDB (2009a) as:

*Funds that are channelled directly to the partner government's general treasury account and subject to the country's own systems for public financial management i.e., allocation, procurement, accounting and auditing procedures.<sup>1</sup>*

The aim is to support policy and institutional reforms that promote economic growth and poverty reduction. PBOs include balance of payments support, sectoral adjustment lending to support reforms in specific sectors, policy based lending for governance, general budget support and sector budget support. This evaluation has been designed to examine the application of PBOs used by the Bank over the period 1999–2009. The objectives and purpose of the evaluation are outlined in Box 1.1.

## Box 1.1 Objectives and Purpose of the Evaluation of Policy Based Lending

*The overarching objective of the evaluation is to examine the relevance, efficiency and effectiveness of the PBL instrument as used by the Bank in regional member countries over the period 1999 – 2009. Specific attention is being given to the evaluation of:*

- ◊ *The AfDB's institutional and policy framework for the design, appraisal and delivery of PBL:* to evaluate the Bank's formal policy framework, procedures, skills and organisational structure for the delivery of PBL. How well does this reflect emerging international (and Bank) best practice; and is the Bank organisationally equipped to delivery best practice PBL efficiently and effectively?
- ◊ *Policy and practice:* to evaluate the Bank's approach to the design, appraisal and delivery of PBL instruments in practice and how well this fits or deviates from Bank policy guidelines, with international best practice and country context and needs.
- ◊ *Choice of aid instruments:* to evaluate how choices are made about the use of aid instrument in the country programmes and how relevant it is to the partner country's problems, policies and priorities
- ◊ *Effects at country level:* To assess the contribution made by the AfDB to policy dialogue, joint processes, institutional strengthening and other relevant areas where PBL is focused.

Source: AfDB (2009a)

A full explanation of the evaluation, its methodology and the evaluation matrix is provided in the *Inception Report of the Evaluation of Policy Based Operations in the African Development Bank 1999–2009* (OPM and Mokoro, 2010). The country case studies have been designed to complement the work undertaken by the evaluation team at AfDB headquarters and more specifically the Institutional and Policy Review, by providing additional information on the operation of PBOs at country level. The case studies are designed to address the questions outlined in the evaluation matrix that are relevant to the country level (see Annex B, OPM and Mokoro, 2010), with each study using the same evaluation framework in order to ensure consistency between studies. Annex A provides an

<sup>1</sup> Or, in the case of balance of payments support, funds are channelled through the central bank and consequently subject to country systems

outline of the evaluation questions for the country case-studies with a summary of the answers for Morocco.

Six country case studies have been undertaken to gather evidence relating to AfDB policy, processes and choices relating to PBOs from 1999–2009 in Morocco, Sierra Leone, Ethiopia, Rwanda, Burkina Faso and Tanzania. Each study involved a country visit and interviews with the AfDB in Tunis, the AfDB office in country, government, civil society organisations and development partners. This report is the output of the Morocco country visit and includes evidence gathered both in country and at AfDB headquarters (HQ), and assesses the experience of AfDB support to PBOs in Morocco. The country visit for this study took place from 26-30 September 2010. The team was comprised of Muriel Visser-Valfrey and Issam Bargach.

The second section of this report provides background information on the Moroccan context in terms of aid flows and a description of the aid architecture. The third section describes the AfDB portfolio over the evaluation period, and the fourth section describes the main PBOs that the Bank has implemented. The fifth section outlines the key findings from the evaluation, while the final section on issues provides an overview of conclusions, lessons learned and reflections.

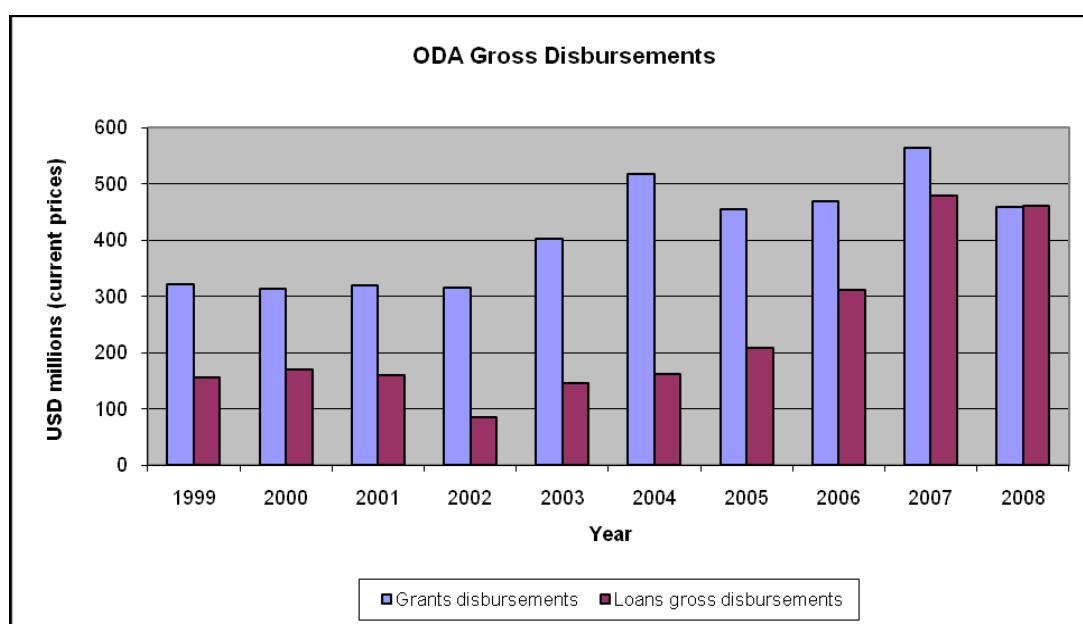
## 2. Morocco – Context

### 2.1 Brief history of aid to Morocco

Morocco has made considerable advances in development in the past decade. A vast reform programme focussing on social and economic transformation has been pursued by the Government of Morocco (GoM). Donor aid represents only a small portion of financing to the Government (4-5%), but has seen a steady increase over the past decade, from 1.2% of GNP in 2000, to 1.6% in 2006, and an estimated 5% in 2010. The level of foreign aid is also higher than that of many other Middle Income Countries (MIC) (World Bank, 2010).

While grant disbursements were the predominant form of aid at the beginning of the evaluation period – accounting for about two thirds of aid – this has changed over the decade with an increasing focus on loans. In 2008 loans and grants were at roughly the same level. This development reflects the growing level of development of the country and its improved credit rating (see Section 0.) which has made it more attractive to foreign investors and to donor support and has opened the possibility for further loans.

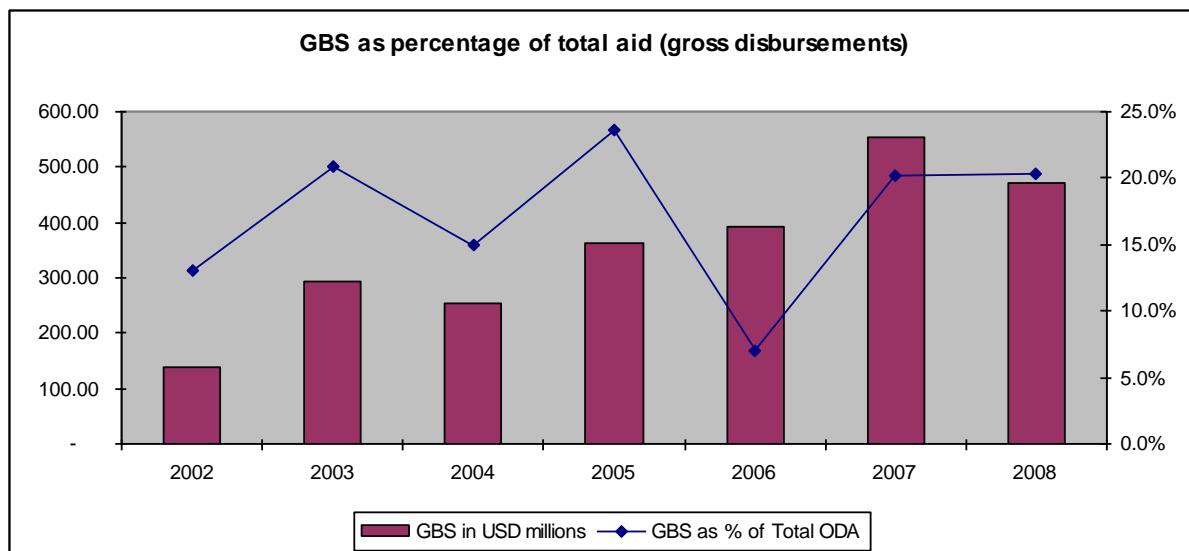
**Figure 1.2 Morocco: Gross Loan and Grant Disbursements 1999–2008**



Source: DAC Statistics, [http://stats.oecd.org/Index.aspx?DatasetCode=ODA\\_RECIP](http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP)

In terms of proportion of aid, General Budget Support (GBS) has increased as a percentage of total Official Development Assistance (ODA), albeit at a strongly fluctuating rate. While in 2002 it constituted about 12% of total aid disbursements, this had increased to 20% in 2007 and 2008. This reflects the strong preference of the GoM for this aid modality.

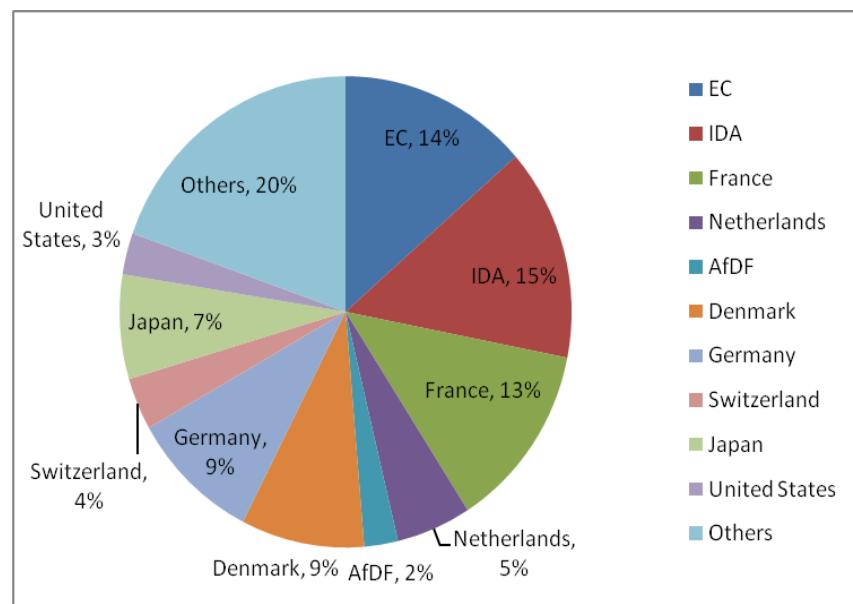
**Figure 1.3 GBS and GBS as a Proportion of Total Aid 2002–2008<sup>2</sup>**



Source: DAC Statistics, [http://stats.oecd.org/Index.aspx?DatasetCode=ODA\\_RECIP](http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP)

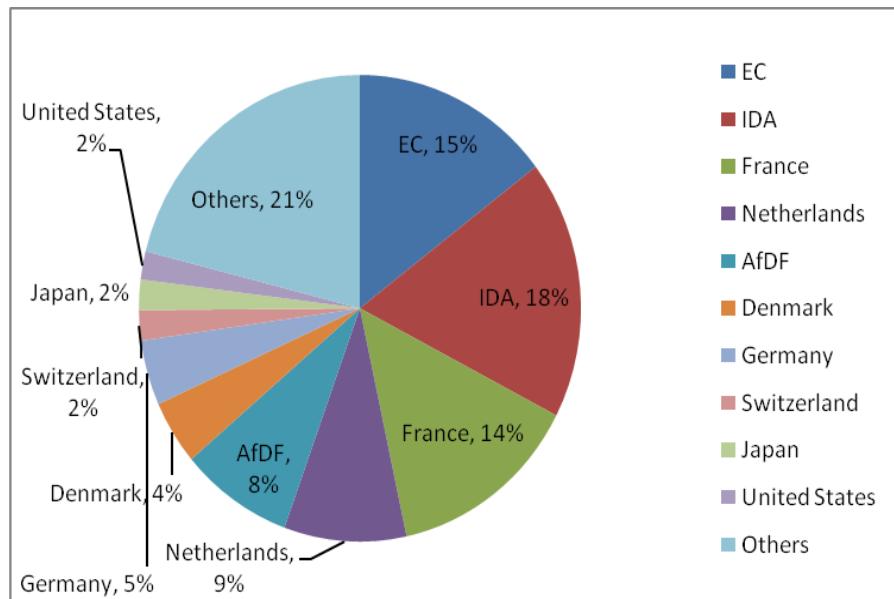
**Figure 1.4 Share of ODA to Morocco by Development Partner in 1999 and in 2008**

**Share of ODA to Morocco in 1999:**



<sup>2</sup> Figure 2.2 uses net ODA disbursements whereas Figure 2.1 uses gross ODA disbursements, so the figures are not directly comparable.

### **Share of ODA to Morocco in 2008:**



Source: DAC Statistics, [http://stats.oecd.org/Index.aspx?DatasetCode=ODA\\_RECIP](http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP)

## **2.2 Aid relationships**

The context in Morocco differs from that of many other countries where AfDB is present in that the Government very clearly puts forward its specific preferences and proposals for financing, showing a high degree of strategic vision, capacity and ownership. The Government of Morocco puts forward requests to each donor for assistance to its priority programmes and donors, in turn, carry out ODA projects through their own aid modalities in accordance with the Moroccan government's development plans and programmes. Using this principle a large number of co-financing initiatives are implemented. For projects, the GoM divides and allocates phases, target areas and zones of government programmes to each donor. Such projects are often related to improvement of infrastructure such as road construction, rural electrification and water supply. For other programmes in areas such as governance, health and education, progress has been made in moving towards more integrated modalities.

Along the lines of developments in other countries and in line with the principles of the Paris Declaration on Aid Effectiveness, the GoM has also clearly indicated its wish to see greater harmonisation and alignment, and to have partners engage in PBL type operations rather than projects where appropriate.

There has been a marked evolution over the period under consideration in terms of coordination and harmonisation among Development Partners (DPs) and with the GoM. Regarding alignment with government systems, a recent WB report notes that "approximately 80% of funding provided by donors over the past three years has been disbursed using what can be described as national systems, through budget support or other instruments" (World Bank, 2010, p. 141). The report notes that budget support has become increasingly important for donors, including for bilateral partners.

Donors involved in policy-based lending operations coordinate their activities more closely in terms of preparation, appraisal and supervision – for example, in 2009 the WB and AFD

jointly updated their strategy and the European Commission (EC) and the AfDB together reviewed their mid-term progress. Most of the sectors have now adopted matrices of common measures and a common system of performance indicators, although in all sectors DPs tend still to have one or more own conditionalities and indicators to put a specific accent on priorities from their perspective (this is further discussed in Section 4 below). There has, however, in line with the move to greater harmonisation, also been a gradual reduction in the number of conditions/triggers that need to be met for disbursements.

Certain sectors have seen a particularly strong collaboration emerging. This is the case for the National Initiative for Human Development (INDH) which is further explained in the next section, public administration, and education. In the education sector, for example, a specific Partnership Framework for the sector was signed in July 2009. The main principles of this document are to support the implementation of priority strategies in the sector, to commit to the use of national procedures wherever possible, to share objectives annually, and to hold regular joint consultations.

The trend towards greater coordination coincided with the establishment of thematic groups in many key sectors, including in governance, water and sanitation, energy, environment, natural resources, education and health. Efforts have also been made to identify clearer complementarity and areas of added value for each donor. In line with this certain partners have taken on a lead role in areas of their expertise, such as in gender in the case of the EC, and in infrastructural investments in the case of the European Investment Bank (EIB).

## **2.3 National development strategy and economic performance**

### **National development strategy**

Over the past decade successive governments have followed a process of political, institutional and legal modernisation which has resulted in Morocco becoming one of the most progressive and dynamic countries in the Middle East and Northern Africa (MENA) region. The changing context of development in Morocco has led to the production of a high number of strategic plans reflecting a proliferation of initiatives aimed at strengthening development. These initiatives emanate and reflect a strong political will to respond to the many profound changes that Moroccan society is experiencing.

The Government that came into power in 2007 has been guided by a National Programme for Economic and Social Development (PES) for 2008 to 2012 which has three main objectives. The first objective of the programme is to improve key social indicators in particular with respect to health, education, access to services (including housing) and social protection. The second objective is to strengthen economic growth, the export potential and investment in the country, by focusing on key productive sectors (industrial, agriculture, fisheries), on infrastructure development (energy, water, transportation) as well as on cross-cutting aspects of development (such as the business environment). The third objective is related to improving governance and public administration, and strengthening decentralisation and deconcentration. The PES identifies six priority sectors as follows: education, health, justice, water, energy and agriculture. Each of the priority sectors has produced a comprehensive sectoral strategy outlining priorities for the coming period. Increased budgetary allocations to these sectors are part of the priorities of the government. A key development – which complements the PES and the sector plans – is the National Initiative for Human Development (INDH) established by King Mohammed VI in May 2005 which was the first national initiative centring on community-based, sector cross-cutting and participatory approaches that directly benefit the poor.

## Economic Performance and Poverty Reduction

Overall Morocco has seen solid macro-economic performance over the past years. The Gross Domestic Product (GDP) increased by 5.8% in 2009, against 2.7% in 2007, but slowed down again to 5.0% in 2009 due to the economic crisis. The GDP is expected to recover from 2011 onwards. The evolution of the GDP is attributable to the growth – albeit to variable degrees – in key sectors of economic activity.

**Table 2.1: Baseline Medium Term Macroeconomic Indicators for Morocco**

	Projections					
	2008	2009	2010	2011	2012	2013
<b>Growth Rates in percent</b>						
Real GDP	5.6	5.0	3.0	4.4	5.1	5.2
<b>Ratios to GDP</b>						
Gross domestic investment	36.3	33.6	34.2	34.4	34.4	34.5
Fiscal balance	0.4	-2.7	-4.5	-2.9	-2.4	-2.2
Central Government dDebt	47.3	46.3	47.6	46.9	45.4	43.9
Current account balance	-5.4	-5.8	-5.3	-4.8	-4.1	-3.2
FDI	2.3	1.5	2.6	2.7	2.8	2.9
External debt	23.4	24.4	25.1	24.9	24.1	23.0

Source: World Bank (2009: p.4)

Morocco is on track to meet many of the key MDGs by 2015 in particular Goal 2 on education for all, Goal 3 on equality and autonomy for women, and Goal 4 related to infant mortality. The country has made considerable efforts at all the MDGs, and has also taken into account the impact of the global financial crisis and climate change. Thus, in both urban and rural areas, poverty and vulnerability, measured according to national thresholds, decreased significantly between 2001 and 2008. Absolute poverty decreased from 6.7% to 3.6%, relative poverty from 15.3% to 8.8%, and vulnerability from 22.8% to 15.9%. Nonetheless, just under a fifth of the population – equivalent to 8 million inhabitants – are either in absolute poverty, or vulnerable. And the substantial progress that the country has seen in many aspects of social development has been accompanied by growing disparities between rural and urban areas.

**Table 2.2: Morocco: Millennium Development Goals**

Millennium Development Goal	1990	1995	2000	2007
Poverty headcount ratio at \$ 1,25 a day (PPP. % of population)	2,5		5,3	2,5
Primary school enrollment (net. %)	58	72	79	94
Ratio of girls to boys in primary and secondary education (%)	67	72	80	86
Under - 5 mortality rate (per 1000)	85	...	47	47
Maternal mortality ratio (modeled estimate, per 100000 live births)	332	228	228	227
Prevalence of HIV (% of population ages 15-49)	...	0,1	0,1	0,1
Access to an improvement water source (% of population)	75	...	80	93
Mobile phone subscribers (per 100 people)	0	0,1	8,2	64,9

Source: World bank (2009: p. 144)

In terms of schooling, the net enrolment rate of children of 6 to 11 years was estimated at the national level in 2008/09 at 90.5% against 52.4% in 1990/91. The improvement was more significant for girls in rural areas, where the rate has almost quadrupled over the same period. The literacy rate was estimated at 60.3% in 2009 against 45% in 1994 for the population aged 10 and over. Nevertheless, achieving the goal of widespread literacy of 15-

24 year-olds requires improving the performance of non-formal education programmes and the fight against school dropout. The development of indicators for selected targets shows that the situation of women has generally improved since the early 1990s.

As for the economic participation of women, the current situation remains inadequate with a participation rate of only 25.8 only, among the lowest in the MENA region. Concerning women's access to decision-making positions, and despite some progress their participation in leadership and decision-making remains low. They represent only 15% of the entire government, 10.5% of Parliament, 12.4% in municipal councils, and 19.7% of the magistrates.

Of all annual deaths, the proportion of children who died before their fifth birthday was 42% in 1980. It decreased to 20% in 1987 and to 13% in 2009. However, Morocco lags behind other countries in the region with substantially higher infant mortality rates (IMR), and very high (comparative) maternal mortality rates (MMR). Key issues are the poor quality of infrastructure and the absence of adequate maintenance, as well as a chronic lack of staff. To reach the objectives on MDG 4 and 5 related to the reduction of IMR and MMR greater efforts will clearly be needed, particularly in rural areas. Human Immunodeficiency Virus (HIV) prevalence levels remain low in Morocco. The latter, which was 0.08% in 2007, has remained almost stable since 2000. Malaria is not a major issue in Morocco.

Regarding the access to drinking water, considerable efforts in this area have led to an increase in coverage in rural areas from 14% in 1995 to 90% in 2009. Nationally, the rate of household connections has increased from 81% in 1995 to 96.2% in 2009. As for access to electricity, rural electrification rate rose from 22% in 1996 to 96% in 2009.

In economic terms, key challenges for Morocco in the long term will be related to accelerating economic growth and creating employment, to improving the business climate in particular by strengthening the competitiveness of the private sector and diversifying the economy, reforming and modernising the financial system, strengthening exports, and transforming sectors such as agriculture that are lagging behind but could make a real contribution to economic development. In the area of social development the emphasis will need to lie on reducing inequality and social disparities, on reducing the rural-urban divide, on improving the condition of girls and women in particular with respect to the MMR, their participation in literacy and education, and on improving access to social services and strengthening social safety nets.

### **Public Financial Management Reform**

In terms of financial management, partners concur, and reports show, that considerable progress has been made in Morocco. The 2009 Public Financial Management (PFM) Report (World Bank and European Commission, 2009) highlights important improvements at various levels, notably with respect to internal controls within public administration. Certain weaknesses remain to be corrected, however, specifically with respect to dealing with complaints around public procurement and the bidding process for large bids with a ceiling of over 200,000 DRH (which represented 87% of all bids in 2006).

The public procurement review (CPAR 2008, cited in AfDB, 2010e) which is an update of the 2005 exercise concludes that the overall risk with respect to public procurement is low. The reforms that have taken place through the Public Administration Reform Support Programme, PARAP (see Section 4) in terms of results based management, the development of medium term expenditure frameworks (MTEF) for key sectors, budget deconcentration, budget control, and strengthening of public procurement have contributed to the effectiveness and reliability of the budget and accounting system.

Progress in the area of PFM was confirmed by the fact that Morocco's credit rating was upgraded to "investment grade" for medium and long-term loans by the International Ratings Agency Standard & Poor in 2010. This is widely seen as an important step forward and is expected to further enhance the confidence of national and foreign investors and partners. And the predominant view is that it reflects the strong political stability and solid financial management that has been in place, as well as the impact of the various reform programmes that the government introduced a decade ago.

### **3. AfDB Operations in Morocco**

#### **3.1 Brief history of AfDB operations and Country Strategy**

The AfDB initiated operations in Morocco in 1970, and established a field office in Rabat in 2006. Covering the period of the review, there have been three Country Strategy Papers (CSP) providing guidance to the AfDB programme.

The 2000–2002 CSP identified four key complementary areas of impact, namely: (i) the acceleration of growth and creation of jobs; (ii) the development of human resources and the reduction of poverty; (iii) macro-economic and sectoral reforms; and, (iv) private sector development. In the public sector specifically the CSP sought to prioritise economic and social reforms, human resources and infrastructure (telecommunications, energy, water, and transportation). The CSP foresaw a relatively large portion of the portfolio being provided in the form of non-project loans to support the economic and sectoral reforms. The Bank also indicated a focus on mobilising bilateral sources for the financing studies and/or conducting institutional support to strategic sectors, as the Bank itself could not provide this form of support. In the private sector the focus was to be on privatisation of public companies, tourism, private sector participation in infrastructure and energy, and support to small and medium size enterprises through credit provision. In all the CSP set the stage for a broad and varied set of interventions in both the private and the public domain.

The 2003–2005 CSP (AfDB, 2003d) continued to emphasise sectoral and institutional reforms to allow Morocco to move rapidly to a modern and competitive market economy with an important role in the region and globally. The CSP underscored that such reforms would be the basis for a major contribution to job creation and poverty reduction. At the same time this CSP explicitly attempted to focus the portfolio, based on lessons learned from the prior CSP period. Three specific areas of focus were highlighted to “avoid dispersing resources and to maximise impact” (AfDB, 2003d): (i) support to macro-economic and sectoral reforms; (ii) support to the strengthening/modernisation of infrastructure; and (iii) support to the development of Moroccan enterprises. The duration of this second CSP was extended by a year until 2006 with AfDB Board approval to allow for the formulation of a new CSP for the 2007–2011 period. This allowed for a participatory CSP formulation with due consideration to planning cycles of other partners.

The formulation process for the 2007–2011 CSP (AfDB, 2006a) represented a change from the previous design processes in a number of respects, including that it: a) was based on a much stronger dialogue with a broader range of partners (including civil society); b) very explicitly highlighted the need for greater coordination, harmonisation and alignment; c) emphasised the importance of focussing on areas where the Bank could show comparative advantage; and, d) provided stronger support to the attainment of critical MDGs. In this context the new CSP was built on three main pillars: (i) consolidation of the governance system; (ii) development and modernisation of infrastructure and enterprises; and (iii) promotion of human development. Three strategic goals cross-cutting the pillars were identified, namely: the need for improving the business environment, the boosting of corporate productivity and competitiveness, and the reduction of social disparities, especially in rural areas.

A revision to the CSP took place with the 2009 Mid-Term CSP Review (AfDB, 2009b) which recommended a stronger emphasis on the first two pillars of the CSP for the second phase of implementation to take account of the need for specialisation, of areas of comparative advantage of the AfDB, and of areas of complementarity with the work being done by other

development partners. The support to education and health (the third pillar) was to continue but will be phased out after this CSP.

### **3.2 Overview of portfolio and aid instruments used**

The total portfolio since the start of AfDB operations in Morocco in March 1970 amounts to UA 5 billion, which financed 103 operations. The size of the portfolio has doubled in the ten years covered by this evaluation. The total net commitment to Morocco stood at UA 796.88 million in December 1999 (ADF, 1999), with 17 on-going operations, of which 12 were projects. In October 2010 the portfolio consisted of a total of 20 on-going operations, of which 16 were projects, and commitments had doubled to UA 1.535 million. This indicates that there has been a trend to reduce the number of projects in the AfDB portfolio, even while the total value of operations increased substantially, resulting in individual interventions becoming larger over time.

Over 99% of the AfDB funding to Morocco has come from ADB funding. With respect to ADB funding, 49% has been provided in the form of (sectoral) budget support, 43% in the form of investment loans, and 8% as credit. The remaining 1% of the portfolio has covered three financing instruments, namely a Technical Assistance Fund (TAF) for Middle Income Countries used mainly for technical support and studies, the African Water Facility, and the Special Emergency Fund.

An important development in terms of AfDB commitment to Morocco was the fact that in 2006 Morocco was ranked among the low-risk countries in the Bank's performance rating and that the AfDB's Country Policy and Institutional Assessment (CPIA) for 2005, ranked Morocco among the most successful countries with an overall CPIA rating of 4.28. This resulted in a recommendation to activate the "benchmark scenario" which provides for financing of reform programmes and investment projects as well as the mobilisation of an indicative total loan amount averaging UA 228 million for 2007–2011 (AfDB, 2009b). Therefore Morocco had the potential to receive increased levels of funding from the AfDB.

Of the ongoing portfolio in October 2010, 6% of funding focuses on water and sanitation, 24% on engagements in energy, 23% on the transport sector, 9% on the social sector (health, education), 3% on the Agricultural Sector, and the remaining 16% targets the so-called 'multi-sectoral' components related to the development of the financial sector and the support of administrative reforms.

There has been a clear change in the composition of the portfolio over time, reflecting also the changing priorities outlined in the three CSPs. The biggest change has been in the agricultural sector which represented 3% of the portfolio in 2010, down from 16.7% in 1999, and the introduction with the last CSP of a Governance component which supports key GoM reforms being supported in the Financial and Administrative sectors. Commitment to the water and energy sector has grown over the CSP period, also reflecting an increasing focus on this 'pillar', from a combined 19.8 percent for public utilities (water and energy) in 1999, to half the portfolio in 2010 (with 24% going to energy and 26% to water and sanitation). Over the same period support to the social sectors has remained relatively stable at around 10% of the portfolio, with a peak at 15.3% during the second CSP period.

**Table 1.2 Percentage of total Portfolio Funds going to Key Sectors in 1999, 2007, and 2010**

Sector/Year	1999	2007	2010
Agriculture	16.6		3
Transport	18.7	19.3	23
Water, energy	19.7	56.9	50
Industry	0.2		
Social	9.8	15.3	9
Multi-Sectoral	34.9	8.3	16

Sources: ADF 1999, AfDB 2009c. 2010 Portfolio Data provided by the MAFO to the mission.

A mix of aid instruments has been used by the AfDB. In terms of PBOs, 24% of the current portfolio represents PBO support to four areas: health, education, administrative reform, and financial reform.

There has been a fluctuation in the use of PBOs over time as can be seen from Table D1 in Annex D, from 0% ADB approvals in 1999 at the beginning of the evaluation period, to almost 100% in 2003, and down to 57% in 2008. However, a comparison of the data for project and PBO approval with the statistics on disbursement from Appraisal and Programme Completion Reports in Annex D shows that in practice PBO disbursements only started to take place in 2004, towards the middle of the evaluation period and that disbursements have diverged substantially from what was planned.

There have been a total of eleven PBOs over the evaluation period – one in the reform of the water sector, two in transportation, two in reforming medical coverage (PARCOUM I and II), one in financial reform (recently initiated), one in social and economic reform, and four in the area of administrative reform. Further details on these PBOs are provided in Section 4.

There has been a shift in the target of PBO lending. In the first part of the evaluation period PBO support targeted only sectoral level interventions (in transportation, infrastructure, water, health). This has gradually diversified to include a substantial governance, administrative and financial reform focus, in line with the CSP, in the latter part of the evaluation period. Sector support now covers only two sectors, namely health and education.

Project support has and continues to be the dominant element of the AfDB portfolio in Morocco, and this has included a number of sectors where AfDB also had PBOs (infrastructure, transportation, education and water). The current CSP whilst stressing the GoM's preference for budget support modalities, does not specify which modalities will be used in which sector nor how this decision will be made. In the education sector, for example, support was initially provided through a project with a strong infrastructural focus, and this has been followed by a PBO to support the development of various key sub-sector policies. In health, on the other hand, support has been exclusively through two consecutive PBOs.

PBO support has not been used for AfDB's support to the agricultural and energy sectors, both of which at different phases have been of substantial importance to the programme.

### **3.3 Performance of the Portfolio**

Two portfolio reviews are of relevance to the period under consideration. The 2007 Portfolio Review (AfDB, 2007a) – covering a six-year period – rated the portfolio overall as satisfactory with a score of 2.4. Factors contributing to the good score were identified as being the frequency and quality of supervision missions (1.86 missions per project, higher than the AfDB target of 1.5), compliance by executing agencies with AfDB requirements, the assistance provided by the MAFO since its establishment, and the improved quality of activity reports. The review noted a marked decrease in the number of interventions, from 22 in 1998 to 10 in 2007, in line with the recommendations from the Bank to concentrate on fewer projects with higher amounts and found no old or potential problem projects. This performance score was identical to the score obtained in the 2002 review.

In spite of the overall positive performance, a number of problems affecting the portfolio were identified. With respect to PBOs the main issue highlighted was the “unrealistic conditions defined during appraisal of policy-based lending programmes in the water and health the sectors” (AfDB, 2007a, p. ii).<sup>3</sup> In particular the Portfolio Review noted that projects in the water supply and sanitation, transport and energy sectors – which were being implemented by autonomous public corporations – recorded better performance compared to social sector projects such as PARCOUM which were managed by the Government services or Ministries, underscoring the need to address capacity issues. The review also highlighted that in spite of the limited formal framework for consultation with the various donors AfDB had coordinated its initiatives with other DPs, in particular with the WB, EC, and the EIB in the areas of administrative reform, health and water initiatives, in particular by agreeing to joint appraisal and shared performance matrices.

A second review was the Mid-Term Review (MTR) of the Implementation of the 2007–2011 CSP and took place mid-2009 (AfDB, 2009c), just after Morocco had faced a difficult year in 2008 due to the economic crisis. The portfolio review noted the growing size of the portfolio (up by almost UA 400 million since 2007 – to a total of UA 1091 million), and also improvements in the disbursement rate (from 37% in 2007 to 52% in 2009), the latter being attributed to a significant extent to the establishment of the MAFO. Nine new operations had been approved since the last review, with five operations being terminated. Overall the portfolio development was again assessed as positive. Based on the lessons from the first two years of implementation of the CSP this review recommended placing an important emphasis for the remaining two years of the CSP on two of the three CSP pillars, namely Governance and Infrastructure. This choice reflected the importance for the AfDB of continuing to improve the competitiveness of the economy and promoting sustainable growth, while also taking account on the one hand of those areas where the Bank can add value and on the other the need for a greater complementarity with the interventions of other development partners. Nonetheless, for the third pillar, on promotion of human development, the review noted that the AfDB should continue to implement its engagements in health and education for the remaining CSP period. Although not specifically stated in the MTR, the Evaluation Mission was given to understand that the support to the social sectors will be discontinued after 2011.

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<sup>3</sup> Table D2, Annex D, provides quantitative data on the conditionalities in two of the key portfolio PBOs, PARAP and PARCOUM, and illustrates this point.

### **3.4 Engagement in joint donor initiatives**

Over the period of this evaluation AfDB has followed the trend highlighted in Section 2.2 and has become more harmonised in its operations in line with the Paris Declaration and the Accra Agenda for Action. Almost 70% of the current AfDB total portfolio, and 100% of its current PBO operations, are carried out jointly with other partners. The PBO operations make full use of government systems and procedures.

Joint design and appraisals of programmes have become the norm, and AfDB engages in this kind of joint exercise in the context of its PBO support (and also in the context of its investment portfolio). Thus joint design and appraisal took place for PBOs in health, education, financial reform and administrative reform programmes.

Sectoral coordination groups have been put in place in water and sanitation, energy, environment and resources, transportation, education and migration. In line with recommendations made during the 2007 Portfolio Review (AfDB, 2007a), AfDB has increased its participation in the key thematic groups in the areas which it supports. It is not however, the lead in any of these sectors, and partners noted some constraints to effective AfDB participation due to the absence of sector expertise in certain areas, and the fact that part of the portfolio is managed from the HQ in Tunis.

In early 2009 an aid coordination group was put in place, in order to enhance the cooperation between technical and financial partners of the GoM. These groups facilitate discussion about policies and progress. AfDB is a part of the aid coordination group. More recently AfDB has requested that the United Nations (UN) theme group be opened up to outside participation.

## 4. Features of AfDB PBOs

### 4.1 Introduction

There have been 11 PBOs undertaken by AfDB in Morocco during the evaluation period. Table 1.3 illustrates the disbursements of each PBO by year and the share of each in total annual disbursements. It shows that PBO disbursements only started in 2004 and that since then there have been very large annual fluctuations from year to year, which have not been very predictable in terms of timing or the amounts given through PBOs, which also have varied from year to year. Further details of each PBO undertaken during the evaluation period are given in the following sections.<sup>4</sup>

**Table 1.3 AfDB Annual Disbursements of PBOs (UA millions)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total Loan
<b>PARAP I</b>	-	-	-	-	-	-	100	-	-	-	-	-	<b>100</b>
<b>PARAP II</b>	-	-	-	-	-	-	-	-	71	-	-	-	<b>71</b>
<b>PARAP III</b>	-	-	-	-	-	-	-	-	-	43	-	-	<b>43</b>
<b>PARAP IV</b>	-	-	-	-	-	-	-	-	-	-	-	86	<b>86</b>
<b>PADESFI</b>	-	-	-	-	-	-	-	-	-	-	100	50	<b>150</b>
<b>PARCOUM I</b>	-	-	-	-	-	-	47	-	-	51	-	-	<b>98</b>
<b>PARCOUM II</b>	-	-	-	-	-	-	-	-	-	-	45	18	<b>63</b>
<b>PAS Eau</b>	-	-	-	-	-	91	95	-	-	-	-	-	<b>186</b>
<b>Emergency Education Support</b>	-	-	-	-	-	-	-	-	-	-	33	35	<b>68</b>
<b>PRES</b>	-	-	-	-	-	-	-	-	-	-	-	-	(149 MUC)
<b>PRST</b>	-	-	-	-	-	-	447	119	-	-	-	-	<b>566</b>
<b>Total PBO</b>	0	0	0	0	0	91	689	119	71	100	178	189	<b>1437</b>
<b>PBOs % of total prog disbursement*</b>	0%	0%	0%	0%	0%	68%	233%	44%	66%	33%	-	-	-
<b>Total Prog Disbursement</b>	141.07	88.50	76.67	56.59	64.0	133.69	296.21	271.99	107.87	301.63	-	-	-

Where currencies have been converted into UA the exchange rate for the year of disbursement has been used see:  
[http://www.imf.org/external/np/fin/data/param\\_rms\\_mth.aspx](http://www.imf.org/external/np/fin/data/param_rms_mth.aspx) for those disbursements for which the month is not known the rate for 1<sup>st</sup> January of that year has been used.

<sup>4</sup> As each PBO has a grace period of ten years, with repayments then spread over forty or fifty years, it is not yet possible to assess how successful these loans have been in terms of being repaid.

## 4.2 The Public Administration Reform Support Programme (PARAP)

The Public Administration Reform Support Programme (PARAP) was designed by the Government of Morocco as a six-year programme in 2003. PARAP built on an earlier public administration reform effort – backed by both AfDB and the WB – which had achieved a number of results but had been only moderately successful in the area of public service reform. PARAP was therefore deliberately designed to address a select number of outstanding issues which were affecting the efficacy and efficiency of public administration – rather than the full array of problems which were identified as remaining to be addressed. Therefore PARAP focussed on the need to:

- a) Improve budget management efficiency;
- b) Enhance the efficiency of human resource management;
- c) Control the progression of the wage bill in the public service; and to
- d) Simplify and rationalise administrative formalities and procedures. (AfDB, 2006d, p. ii).

PARAP was set up in one-year distinct operations to spread the reform over time and received funding from three donors (see Table 1.4 below), of which AfDB and the WB provided Budget Support. PARAPI had a total of 13 conditions that had to be fulfilled by the GoM prior to the transfer of the first and only tranche. Prior to disbursement of the Bank's loan there were two monitoring missions and a joint programme review mission. The loan was disbursed in December 2005, against a planned disbursement for September 2005.

Upon completion of PARAP I this PBO received a satisfactory score of "3" and it was concluded that "*the complexity and magnitude of the administrative reform ... will require many successive operations to achieve the critical mass of the key measures that will guarantee the production of the several benefits expected ... (and that) ... from this programme perspective, the Bank should continue its support to the different phases of PARAP, which must be pursued in close collaboration with the World Bank and the European Union*" (AfDB, 2006d).

**Table 1.4 Sources of Financing for PARAP**

Phase	PARAP I	PARAP II	PARAP III	PARAP IV
AfDB	USD 100 million	Euro 85 million (UA 71 million)	Euro 46 million	Euro 100 million
World Bank	USD 100 million	Euro 98.6 million (UA 120 million)	USD 100 million	Euro 100 million
EU	Euro 60 million	Euro 18.5 million	Euro 25 million	Euro 75 million

Source: AfDB, 2006d

PARAP II, approved in 2006, sought to provide continued support in a multi-partner context to the reforms. The specific objectives under PARAP II were to:

- a) Improve governmental efficiency in budgetary resources management;
- b) Improve governmental efficiency in human resources management;
- c) Contain the public wage bill. (AfDB, 2006e, p.vii).

These objectives were exactly the same as those under PARAP I and aimed at consolidating the achievements of the first phase, with the only difference being that the scope of the

second phase was broader, covering more ministries in the implementation of reforms (Education, Housing, Health and Equipment). WB and EC funding was also provided for PARAP II (see Table 1.4). The AfDB loan to PARAP II was disbursed in a single tranche in May 2007, upon fulfilment of a total of five agreed conditions. Performance rating for PARAP II was estimated as “highly satisfactory” by the AfDB project completion mission – with a score of 3.25 – up from the “satisfactory” rating given to the PARAP I.

A further two PARAP engagements have followed since. PARAP III was approved in 2008 based on lessons learned the previous two phases. The focus in PARAP III was again on further consolidating the gains and on extending the reforms from the earlier piloting in specific ministries/sections to the whole administration. The programme focused on four components: a) strengthening public finance management; (b) improving human resource management efficiency; (c) controlling the wage bill of the public service; and (d) simplification of procedures and e-government. PARAP III specifically aimed at catching up on delays in the implementation of some programme components, especially those related to human resource management. And finally PARAP III reiterated a point raised in the first two PARAPs, namely the *“need for an active policy for disseminating the achievements of the reform ... (to) contribute to its acceptance by the public”* (AfDB, 2006e, p.8). The programme content, conditions, and trigger points were identical for all three donors. AfDB disbursement for PARAP III was done by the Bank after fulfilment of 10 conditions stipulated in the loan agreement, of which one condition was specific to AfDB. PARAP III received a high “3” rating.

## Box 1.2 Lessons from PARAP I, II and III

### **Key Lessons ...**

#### *From PARAP I and II*

- a) Informing public servants and the wider public on the different aspects of the reform that are being pursued should be an integral part of the reform ensure buy-in from all parties involved.
- b) Close coordination of partners is an important factor of an overall satisfactory performance and should be continued.
- c) AfDB's inputs could be richer with greater technical assistance and with a multi-disciplinary input from the AfDB experts which is in line with the nature of the programme.
- d) This kind of programme requires a very long-term commitment to successive operations carried out jointly with other donors. The Bank should draw up specific monitoring procedures for this type of programme.

### **PARAP III**

Same lessons around communication, joint donor work, importance of technical support. Additional lessons include:

- a) The importance of providing support to the sharing of the Moroccan experience in Administrative Reform in the region, given the success it has had.
- b) The need for the AfDB to consider developing a programme approach to this kind of endeavours, as has been the case for the World Bank which has funded PARAP I and II, and PARAP III and IV respectively as two reform programmes.

Source: AfDB 2006d and AfDB 2007e

PARAP IV was ongoing when this evaluation mission took place and was approved mid 2010. The objectives of the loan were identical and the focus was on the same four components as for PARAP III (see paragraph above). Funding to PARAP IV was higher than to the previous phases, reflecting a worsening financial situation as a result of the economic crises. The deficit for the GoM was estimated at 2.67 billion Euros, or 4.5% of GDP, excluding income from privatisation.

PARAP IV reflected further progress in processes of joint work among partners, in particular through a shared process of preparation and assessment between the three external partners and the GoM, and joint agreement of priorities and a common matrix of measures

and of indicators. The GoM has underscored the importance of such collaboration and its desire to see such processes mature even further (AfDB, 2010e, p.7).

Overall, the process of disbursement for the four phases of support to administrative reform progressed relatively smoothly with minimal delays. The use of a single tranche at the beginning of the loan period facilitated the process approach that allowed partners to accommodate progress made and changes in the context. As will be discussed further below, conditionalities evolved over time to more realistic measures which are not held up by political processes (such as approvals of laws by Parliament or other higher bodies).

Lessons from PARAP I through III are summarised in Box 4.1., and reflect lessons highlighted in the internal AfDB documents. These lessons were verified by the evaluation team during interviews at country level and they relate to issues such as the technical capacity of the AfDB, the importance of wider public support for the reforms, the instruments that are used to support longer-term policy instruments of this nature, and the mechanisms for sharing of successful initiatives with other countries in the region.

### **4.3 Medical Coverage Reform Support Programme (PARCOUM)**

The Medical Coverage Reform Support Programme (PARCOUM) is an important part of the GoM overall priorities and of its priorities for the health sector as outlined in the 2000–2004 Health Development Plan (HDP). PARCOUM's overall goal is to improve the health status of the Moroccan population by extending access to quality health care. This requires a broad range of reforms.

PARCOUM I was approved in December 2002 and aimed at promoting reforms in four main areas over a two-year period:

- a) Promoting financial access by the population to improved health;
- b) Improving and rationalising quality of health care delivery;
- c) Improving the governance of the sector ; and
- d) Reforming the human resources base for a more effective and efficient health system.

PARCOUM I was financed by AfDB, the European Commission (EC) and the GoM and received indirect financing from the World Bank which used one of its other projects to fund preliminary studies for the design and implementation of PARCOUM I. The AfDB loan amounted to 110 million Euros, disbursed in two equal tranches. The EC grant financing was 51 million Euros.

The disbursement of the first tranche of 55 million Euros required fulfilment of 10 conditions, and the second tranche a total of 23 conditions. Six conditions were waived by the Bank's Board of Directors. PARCOUM I received a "satisfactory" performance rating of 2.8 and culminated in the recommendation that the support of the medical coverage reforms through a second phase of PARCOUM be pursued to ensure the sustainability of the achievements. The loan had a total slippage of 47 months related to delays in the start-up phase, delays in the implementation of the reforms, and issues around the conditionalities.

**Table 1.5 Sources of External Financing for PARCOUM I and II**

Phase	PARCOUM I	PARCOUM II	Percentage
AfDB	110 million Euros	70 million Euros	66%
World Bank	Indirect funding for preparation	-	-
EU	51 million Euros	40 million Euros	36%
Total	161 million Euros	110 million Euros	271 million Euros

Source: AfDB (2008f), AfDB (2008g)

PARCOUM I had focussed primarily on strengthening Basic Medical Coverage (BMC) for the formal employees in the population. PARCOUM II was designed to extend access to BMC to the entire population, thereby providing access to quality health services to all, in particular to the economically disadvantaged social groups. PARCOUM II covers a two-year period (2009–2010) and was ongoing at the time of this evaluation.

PARCOUM II places a specific accent on achieving the MDGs by 2015 and on doing so by establishing and ensuring effective operation of a medical assistance scheme for the economically underprivileged (known as RAMED), reducing the share of households in health financing, strengthening the technical and managerial capacity of the health system, improving the delivery of health care, and ensuring increased satisfaction of users of health services.

PARCOUM II preparation and appraisal was the result of a collaborative effort by the EC and AfDB. A common matrix of measures and performance indicators was put in place jointly by the GoM, the EC and the AfDB, to harmonise disbursement conditions and the terms of assessment of progress made under the programme. The total budget of PARCOUM II was estimated at €6.5 billion, of which €400 million external financing was sought. The AfDB loan of €70 million represents 18% of the external financing for PARCOUM II. A complementary EC loan of €40 million was also secured.

Four of the conditions from PARCOUM I were transferred – with approval by the AfDB Board of Directors – to PARCOUM II as they had not been completed. Disbursement of the first tranche of €50 million (representing 71% of the total approved contribution by AfDB) took place in late 2009. For this part of the loan, disbursement was subject to three conditionalities as follows: a) the publication of implementing texts of the Law on the medical assistance scheme for the economically underprivileged (the RAMED); b) the transmission to the Bank, by the Ministry of the Economy and Finance (MoEF) of the Health Sector MTEF for the period 2009–2011 with a clear indications of the share of Ministry of Health (MoH) budget earmarked for RAMED; c) and provision of evidence of the establishment of a technical monitoring committee for the basic medical coverage, in which external partners can participate.

For the second tranche of € 20 million, four conditionalities were put in place related to: a) the tabling of the bill on the provision of health care before Parliament; b) submission of the Inter-Ministerial Order on the extension of RAMED to one or several regions signed by the Government authorities, the provisional plan for the extension of RAMED to all regions by 2012, and the report of its adoption by the Technical Monitoring Committee; c) adoption of a MoH internal measure making the reorganisation of Admission and Billing Offices within hospitals compulsory, so as to monitor the management of RAMED beneficiaries; and, d) providing the Bank with evidence of the presentation to the Cabinet Meeting of the

organisational chart which will guide the reorganisation of the Ministry of Health at the central, regional and provincial levels.

All conditions, except for the last one related to the organisational restructuring, are common to the AfDB and the EU. The latter also has six other conditions. AfDB also has one additional indicator related to the number of days per year that laboratory and radiology equipment is not operational.

The latest information on PARCOUM I relates to a monitoring mission by the AfDB in February 2010 which raises various concerns in terms of delays (for example related to the publishing of the report concerning the pilot phase of RAMED), various management and budgeting issues related to social security/insurance providers, and concerns regarding the coordination of the initiative (both by the Government and among development partners). An MTR for PARCOUM II was planned for the week after the evaluation team visited Morocco and will review progress. There is considerable concern that the conditionality which is specific to AfDB (related to the organigram of the MoH) and which was already subject to a waiver in PARCOUM I, will not be met, and will block the transfer of the second tranche of PARCOUM II.

A number of formal lessons highlighted in the internal AfDB reports on the implementation of PARCOUM I are summarised in Box 4.2. For the Bank most of these related to the importance of realistic and clear conditionalities and indicators.

### **Box 1.3      Lessons from PARCOUM I**

#### ***PARCOUM I***

- (i)      The need for more realistic conditions and schedules overall
- (ii)     The importance of limiting conditions that require legal action, such as for example the approving of a law by Parliament as this involves involvement of multiple sector Ministries as well as political processes beyond the scope of influence/decision making of the programme
- (iii)    Clearer definition of performance indicators at the appraisal so as to ensure clarity as to what the expected outcome of each measure is and how performance will be measured
- (iv)    The need to improve monitoring of the programme

Source: AfDB (2008f)

Three complementary technical support projects have been put in place for the health sector by AfDB with grant funding. These focus on capacity building of the Caisse Nationale des Organismes de Prévoyance Sociale (CNOPS) (AfDB, 2006f), of the Agence Nationale de l'Assurance Maladie (ANAM) (AfDB, 2006g), and the Surveillance System of the MoH.

## **4.4      Support to the Emergency National Programme for Education**

This loan was approved by the AfDB in 2008, for an expected duration of 24 months. An appraisal report dated May 2009 (AfDB, 2009g) outlined the key purpose of this programme.

The purpose of the Emergency National Programme for Education is to speed up the implementation of the reforms foreseen in the National Education and Training Charter (*Charte Nationale d'Education et de Formation – CNEF*). The overall purpose is to extend the coverage of education and to improve the quality and outcomes of the educational

system so as to correspond to the development needs of the country. Specifically the programme is expected to result in: a) the introduction of compulsory schooling up to 15 years of age; b) the promotion of excellence at secondary and tertiary level; c) the successful completion of the decentralisation process; and, d) the introduction of a more rational resource-based management for the education system (AfDB, 2009g, p.v).

The implementation costs of the overall programme were estimated at 6.5 billion Euros, of which 400 million were sought from external sources. A contribution of 75 million Euros, representing 18.8% of the external financing, was provided by the AfDB.

Commitments to the programme exceeded the requirements, with total external funding adding up to 518 million Euros. Other funders to the Programme are the EIB (200 million Euros), the EC (93 million Euros), the World Bank (80 million Euros), the French Development Agency (AFD, with 50 million Euros) and the *Facilité d'Investissement pour le Voisinage* (FIV, with 20 million Euros). Preparatory work for the programme was done jointly by the partners. The implementation is also taking place jointly and is guided by a partnership agreement for the sector which was signed between the GoM and the five main financing partners in 2009, committing the signatories to a joint approach.

The loan will be disbursed in two successive tranches. The first tranche of 37 million Euros was disbursed in 2009 and the second of 38 million Euros was made available in 2010. Disbursement of the first tranche was subject to two conditions, namely: a) the submission to the AfDB of the implementation manual for the Programme by the Ministry of Education (MoE); and b) the submission of the MTEF for the MoE. For the second tranche, the MoE will be required to meet three conditions, related to: a) the drafting of an action plan for improving access to education; b) the drafting of a monitoring and support mechanism for students who have learning difficulties; and c) defining a new mechanism for continuous education.

With respect to implementation, a joint evaluation mission in May 2010 (Development Partners, 2010) concluded that approximately 50% of the overall indicators of the programme are still below the expected target and that of the 14 projects that are part of the programme, eight are being implemented but with considerable delays, and three are facing considerable challenges. The mission noted that most progress is being made at primary level, with less progress at secondary, especially as concerns the targeted decrease in the urban-rural differences. In view of these delays a decision on the disbursement of the second tranche by AfDB, EIB and AFD was delayed until November 2010. For the EC a further disbursement will only be made when its specific conditionality of a one third increase in the budget for the Non-Formal Education Department is met.

A complementary AfDB project with grant funding through the TAF was put in place to conduct technical studies in support of the Reform Process in the Education Sector. At the time of this evaluation the implementation of this project was facing considerable delays and the studies that had been planned had yet to receive approval by AfDB in Tunis.

The Appraisal Report for the Emergency National Programme for Education highlights the link between this Programme and Component IV on Governance and Human Resources of PARAP IV which focuses on modernising public administration and explicitly covers the Ministry of Education as one of the target Ministries, the strengthening of the decentralisation process, and capacity building of structures involved in implementation.

## **4.5 Financial Sector Development Support Programme (PADESFI)**

The Financial Sector Development Support Programme (PADESFI) was put in place in 2009 to support further diversification of Morocco's economy in a context of economic crises. The Appraisal Report noted that the programme is "strongly government led" and (that) "the design built on analytical work by AfDB and other external organisations and partners including a report of the Financial Sector Assessment Programme of the International Monetary Fund (IMF) and the World Bank in 2008" (AfDB, 2009d, p.8).

PADESFI has two main components, namely to: a) strengthen financial sector governance; and b) improve access to financial services by companies and individuals and to diversify financial instruments (AfDB, 2009d, p.vi).

The price tag for the programme was estimated at 4.9 billion Euro, of which external resource requirements amount to 3.5 billion euro. AfDB's funding for PADESFI accounts for 4.6% of the external financing requirements for the period 2009–2010. External funding is also provided by the WB. A joint matrix of measures and performance indicators has been established to harmonise the disbursement and monitoring under the programme.

Two disbursements are foreseen for the loan, with the second being seen as allowing the AfDB to: "maintain dialogue with the Government in the implementation of reforms under the Programme" (AfDB, 2009d, p.iv). The first disbursement of 100 million Euro took place end-2009 to support the GoM in immediately addressing the impact of the global economic crisis. As the programme had only recently started there was no information on implementation at the time of this evaluation. However, it is clear that four conditions will need to be met by the GoM for the disbursement of the second tranche of 62 million Euro. These include: a) establishment of regulations on governance, risk management and internal auditing of micro-credit associations; b) selection of the private operator of the Public-private Investment Fund; c) adoption of the bill establishing the Financial Market Authority; d) submission of a bill relating to catastrophic risks; and e) adoption of a bill relating to securities lending and borrowing transactions. (AfDB, 2009d, p.19).

## **4.6 Adjustment Programme for the Water Sector (PAS Eau)**

The purpose of PAS Eau programme, initiated in 2005, was to assist the GoM in establishing rules for the use of water that were appropriate to the developing socio-economic situation in the country and to start a baseline for the efficient management of water around six themes: a) integrated water management; b) regulation of water tariffs; c) the reallocation of investment budgets; d) reform the management of water that is used for agriculture; e) promote public-private partnerships; and (f) studying the impacts of waste on the environment.

Funding for PAS Eau came from AfDB and the EU. The EC donation amounted to 120 million Euros which was disbursed in two tranches, the AfDB provided a loan of 215 million Euros disbursed in two tranches of 107 and 108 million Euros, respectively, which were linked to specific conditionalities. The AfDB and the EC disbursements were harmonised to coincide, but conditions were specific to each DP. The PAS Eau programme had a total of 61 conditionalities, of which eight were waived by AfDB for the disbursement of the second tranche.

The programme, designed to be implemented over a three-year period actually spread over more than five years. The delay was mostly attributed to difficulties in implementing a

number of the activities, in particular those related to institutional and legal reforms and for which the required time estimates in the appraisal had been too optimistic, or which required decisions by entities that were not subordinate to the Ministry. Measures which were not achieved or only partially achieved included: a) carrying out a reflection on the remuneration of various missions that are carried out or commissioned by the State; b) drafting the personnel regulations and the organigram for the Agences de Bassin; c) adopting the text defining the legal and institutional framework of responsibilities with respect to the discharge of liquid waste into the marine environment; d) conducting by the Ministry of Interior of a feasibility study of village regrouping; e) conducting regrouping in at least one pilot area; and f) preparing texts for applying chapters VI, VII, and VIII of the Water Law 10-95 related to the pollution and use of water for food and medical purposes.

When the PCR was finalised in April 2009 (AfDB, 2009k) these six activities (out of a total of 61) remained incomplete or had been only partially completed. Nonetheless the programme received a satisfactory rating of "3". The PCR concluded that "*PAS Eau had made important progress in implementing reforms in the water sector and that it has opens the road to engaging in sustainable sectoral programmes which respond to the challenges of the sector thanks to the existence of a new institutional and regulatory framework which responds to the requirements of the country and donors*" (AfDB, 2009k, p. ii).

## **4.7 Programme for Economic and Social Reform (PRES)**

The Programme for Economic and Social Reform (PRES) was approved in July 1999 and ended in December 2002. The programme aimed at promoting strong economic growth in order to create employment and progressively reduce the deficit that had accumulated over the earlier decades. PRES included four components: a) putting in place a medium-term viable macro-economic framework; b) reforming the public sector; c) developing the private sector; and d) reducing poverty and promoting human resource development (AfDB, 2005h, p.1). The programme was financed by the AfDB and the WB to the tune of UA 149 million by the AfDB and USD 250 million by the WB. The overall assessment of the programme was satisfactory although issues related to reporting and to the non-completion of a number of objectives were noted in the PCR. For the Bank the main lessons from the PRES included the need to continue to support structural and sectoral reforms in the country, to reduce the number of conditionalities as much as possible; and to ensure that support to programmes of this kind includes multi-disciplinary missions with the WB.

## **4.8 Programme for the Reform of the Transport Sector (PRST)**

The purpose of the Programme for Reform of the Transport Sector (PRST), approved in 2003 by the AfDB Board, were to: a) open up the transportation market as well as complementary transportation activities; b) to build the structural, organisational and professional capacity of the operators in the sector; c) to phase out Government activities in commercial transportation; d) to improve the allocation of resources and strengthen the administration of transportation; and e) to strengthen transportation security and reliability.

The budget for PRST was estimated at just under 3 billion dollars, of which approximately 10 percent was sought in external financing which was to be obtained through external investment and policy loans. The AfDB contribution to this programme was provided in the form of two loans, a Structural Adjustment Loan (SAL) of 215 million Euros (disbursed in two tranches) and a policy loan to the tune of 100 million UA (disbursed in one tranche). The WB and the EC both co-financed the PRST with amounts of 350 million Euros and 296 million Euros respectively.

Conditions for the first tranche of 120 million Euros included a total of eight measures, most of which related to laws, decrees and regulations in the transportation sector, and the establishment of supervisory and regulatory bodies, as well for the establishment of a working group in charge of developing proposals related to the harmonising of national regulations with international standards. Disbursement of the second tranche was conditional on a satisfactory review of the implementation of the programme. Various attempts were made by the evaluation team to obtain the PCR for this PBL, but at the time of preparation of this draft, this report had yet to be located.

## 5. Key findings

This section looks at key findings from the evaluation and discusses the main issues which are relevant to the AfDB design and implementation of PBOs. The analysis is based on the evaluation matrix found in Annex B. A total of 11 main findings are presented which are discussed under a number of headings related to: the performance and impact of PBOs in the AfDB portfolio; strategic issues and the design of PBOs.

### **Performance and Impact**

#### **AfDB's added value comes primarily from its considerable financial contribution to Morocco**

Morocco is the most important client of the ADB window, ahead of other important countries in the region such as Tunisia and Algeria. The considerable financial input from the AfDB means that Morocco has an important role within the Bank as a country that receives a significant amount of ADB finance.

For the GoM the key and most important added value of AfDB comes from its monetary contribution. AfDB provides, through its policy instruments, lending for sector budget support and critical balance of payments support. This support has become more important in recent years with the impact of the global economic crises. DPs in Morocco concur with the GoM but for different reasons that the main added value of the AfDB comes from its financial contribution. AfDB provided important balance of payment support for the GoM at a time of economic difficulty. This financing has paved the way for significant policy reforms by the GoM which are currently underway. AfDB's financial support is also considered to legitimise the GoM's reform agenda and so is greatly appreciated by the government.

Nonetheless, for the GoM, AfDB PBO support – together with the support from other DPs – is also considered important because it strengthens the Government's reform agenda. The fact that AfDB PBO support focuses on key aspects of this reform agenda is seen as important by the Government of Morocco.

AfDB PBO lending is considered relatively attractive the cost of ADB loans to the Government is less than other donors such as the World Bank this is because they are provided over relatively long time frames. The initial grace period (x years) is also an important factor. Additionally, for the GoM, AfDB funding contributes to diversifying its lending sources, so that its support comes not only from Arab funds, but also from a number of other important international sources. This assists in strengthening the GoM in determining and defining its own reform agenda.

The evaluation received a clear message from the GoM that part of the added value of the AfDB also stems from its being an African institution. This was considered to add value in terms of the AfDB's regional experience and understanding. Added value comes from the fact that AfDB is for the GoM a privileged partner due to its understanding of regional and (to a somewhat lesser extent) of national issues. In spite of the absence of analytical work, AfDB is very much part of discussions at country level and is considered an institution that is African and that represents African interests. This was considered by both the GoM and by other DPs to add a different weight/perspective into the discussions. For the GoM, AfDB is considered to be more in tune with the needs of Morocco perhaps again because it is seen as an African institution. Thus AfDB plays an important role in dialogue because of its more different approach. Other DPs concur with this and referred to the role of the Bank in contributing to a better understanding by the group of DPs of issues specific to the region

and to the country. The GoM would however, like to see the AfDB play a greater role, in disseminating the specific experience of Moroccan reform to other countries in the region, for example with respect to the public procurement reform, the civil service reform, and the reforms in the financial system.

**There has been a positive trend in AfDB participation in policy dialogue, but its capacity and added value in policy dialogue remains limited**

Overall AfDB's participation in policy dialogue has grown over the evaluation period. Various factors appear to have contributed to this. The opening of the MAFO in 2006 marked a step change (and a significant improvement in the opinions of the GoM and DPs) in terms of engagement in dialogue. The availability of staff at country level made it possible for AfDB to participate in the various thematic groups which were being established, to be engaged more consistently in joint programme preparation and appraisal, and to participate more actively in country level dialogue in general.

The opening of the MAFO coincided with a number of other complementary developments, namely: a) a stronger trend towards harmonisation and alignment led by the GoM, including a move towards better division of labour (DoL) among DPs, and b) a narrowing down of the AfDB portfolio to a smaller number of areas in the latter part of the evaluation period (with a strong focus on governance, infrastructure and social sectors) and a smaller number of interventions. These developments have meant that AfDB could concentrate its input on key sectors and be more effective in doing so.

Thus, as noted above, AfDB participates in the main donor coordination fora, and in a number of thematic groups. All of the current PBOs are multi-donor undertakings where AfDB participates in the design and discussion, as well as the monitoring. AfDB does not, however, take the lead in any of the thematic/working groups. In practice it was noted during this evaluation that the lead on policy discussions is often taken by partners with a stronger country presence and the capacity to quickly call on additional technical input, such as the WB. This limits AfDB's influence on decision making and clearly contributes to the perception/assessment that AfDB does not have a strong influence on policy dialogue. The need to revert to Tunis for many decisions which other partners can take at country level affects AfDB's credibility, particularly because HQ is not consistently responsive. In Morocco the government is very much in the driving seat on with respect to the reforms and programmes that contribute towards its development plan. Therefore, the GoM presents to DPs programmes of reform that are to a degree 'ready-made' this leaves a smaller 'margin for negotiation' than may be the case in other contexts.

A number of internal and external assessments of the AfDB's engagement in Morocco have highlighted the need for stronger engagement by the AfDB in policy dialogue and analytical tasks. The 2006 OPEV review of the Moroccan programme underscored, for example, that AfDB "does not contribute much to policy dialogue and to analytical tasks, and that the Bank was not often associated, early enough in the preparation of co-financed reforms" (AfDB, 2006c p.19). Internally successive CSPs have placed greater emphasis on the need for engagement with policy. Thus the 2007–2011 CSP provided stronger guidance in terms of AfDB's commitment to harmonisation and alignment, as well as better guidance on the use of PBO support, prioritising that this should be used for all areas where policy reforms are being sought. In this context the Portfolio Review (2007) of the MAFO noted that "the Bank should pursue dialogue on increasing the number of thematic Groups to include all sectors and thereby allow for better assistance in country in the structural reform efforts" (AfDB, 2007a, p. iii). This recommendation has been followed through and in this context the MAFO has joined the aid coordination forum and has recently requested to join the UN theme groups that are functioning in Morocco. However, participation remains constrained by the

lack of capacity in the office, and the lack of real delegation of decision making. In addition, the provision of policy and technical input is to some extent constrained by the context, which requires a level and specificity of expertise which can only be sourced from HQ.

Nonetheless, AfDB's technical expertise is cited by a number of partners as being of value. This is the case in the areas of administrative and financial reform, in the support to the water sector, and in health and education. In the latter case, for example, the fact that the AfDB social sector specialist has a background in architecture was cited as being useful. This has been an area of the Education Sector Plan that has required substantial attention and where other DPs lack expertise. AfDB's participation in dialogue is seen in some cases as being limited by the fact that some portfolios (such as PARAP and PADESFI) are managed from Tunis. In practice this means that while AfDB might be represented by a local staff member the engagement does not allow for the Bank to always to be clear on its positions/decisions.

Despite an overall positive trend, the evaluation found that AfDB's engagement could be stronger, particularly given the size of its portfolio in Morocco, its contribution to ODA, and the technical expertise it has as an agency in areas which it is supporting as part of the Morocco Country Strategy. The Bank clearly lags behind others (especially the WB) in terms of lacking efficient mechanisms to contribute to the dialogue (for want of financing and efficient mechanisms to address this type of need). In practice, for many of the current engagements (e.g. PARAP) AfDB relies quite heavily on other partners to do the analytical work and to provide the necessary inputs. As a result, for most partners, and in particular the GoM, the added value of AfDB is mainly in terms of its monetary contribution and the fact that the PBOs provide important balance of payments support, especially in recent years when Morocco has been affected by the economic crisis.

Participation in dialogue is affected by the fact that the AfDB has done limited analytical work to enhance its understanding of the country's problems and challenges, and to define with greater precision the reforms required and promote a dialogue with the government on the policies to be implemented. This was noted in the 2006 OPEV review, and also in the 2010 MTR. However, there is no particular incentive for staff to invest in policy dialogue as they are not held accountable for results in this area. In fact, the MAFO perceives its role to be mostly in systematic monitoring, and to a lesser extent in policy dialogue. This conclusion echoes the finding from the Tanzania case study. Also, the MAFO's staff complement is small, in particular when compared to the size of the portfolio and there has been variability in terms of inputs as a result of changes of staff, with gaps in new recruitment. Finally, AfDB's instruments for providing technical support over and above the support that is provided directly by its staff are difficult to activate and seen as cumbersome.

### **AfDB has moved towards greater harmonisation and alignment over the evaluation period, reducing transaction costs for Government**

Over the evaluation period there has been a clear trend in harmonisation and alignment of the AfDB portfolio in Morocco. On the one hand, there has been progress towards greater alignment with the GoM, in particular in terms of funding government programmes using PBOs as the lending modality and a greater use of GoM systems. At the same time there has been a clear shift towards greater harmonisation by the AfDB with the activities of other DPs. This has contributed to reduced transaction costs for the government as will be further discussed below. AfDB now makes greater use of GoM systems than earlier in the evaluation period. All AfDB PBOs use country systems for financing interventions which means more funds are on budget and use is made of government monitoring and evaluation systems, reporting and audits. The AfDB, like other DPs, does not require any additional reporting to that supplied by the GoM, this decreases the administrative burden on the GoM

as does the fact that increasingly more donor funds are on budget (see World Bank, 2009). This trend has been strongly encouraged by the GoM and also followed by the other main DPs. The 2008 OECD/DAC Survey on Monitoring the Paris Declaration confirms this overall trend towards harmonisation and alignment, and indicates that in Morocco 81% of DPs use country systems and that 70% of aid is programme based.

Over the evaluation period, AfDB has moved increasingly towards multi-donor programmes, and in 2010, all AfDB PBOs were implemented jointly with other development partners. In this context, DPs conduct joint preparation, appraisal and monitoring missions for these programmes in many sectors. Matrices of conditionalities/triggers are agreed upon among partners in these sectors, as well as joint indicators and frameworks for monitoring. All AfDB PBOs in Morocco rely completely on government systems for managing donor funding, reporting, monitoring and evaluation and audit systems, and there is no requirement for separate accounts or specific AfDB procedures. The Bank participates in the Morocco donors' aid coordination group which was established in 2009 to harmonise interventions with other donors (mainly in the areas of co-financed/parallel-financed operations) and to improve synergies and the leverage of its operations. In the education sector specifically the AfDB has signed a Partnership Agreement with the MoE which was established with the four other main partners in the sector (the EU, the WB, AFD, the EIB and the AfDB) and commits them to joint preparation, to a harmonised approach to implementation and to joint monitoring. This approach is being closely coordinated with the main bilateral partners in the sector (Canada, Germany, Spain, Belgium, the USA, etc.). Finally, AfDB participates in a number of thematic sectoral groups in health, education, and financial reform.

AfDB does not specifically earmark funds to particular priorities. However, the main exception to a harmonised and aligned approach is the use by AfDB and some other DPs e.g. The World Bank, of specific conditionalities/triggers. In some sectors, such as education, this is a reflection of the lack of joint matrix of conditionalities for donors. Therefore, each of the DPs to decides on its own triggers for disbursement. In other sectors, such as health and administrative reform, AfDB uses additional conditionalities to emphasise certain priorities that it would like to see met. In health, for example, a key issue in both PARCOUM I and II has been AfDB's focus on ensuring that a revised organogram of the MoH is prepared and presented to parliament, as this is seen as essential to the continued reform process in the sector.

The fact that conditionalities are handled differently across sectors is an issue for the harmonisation process. It affects not only AfDB's reputation, but also that of other partners as in practice it translates into a situation where some DPs are seen as being more difficult or demanding than others. For AfDB specifically it reflects a lack of consistency in terms of its approach. The evaluation did not find sufficient evidence to suggest that the different approaches to conditionalities were a reflection of different levels of maturity/capacity in the sectors concerned. For example donors are using different approaches in the education and health sectors, for and even within sectors different DPs adopt different approaches. In education these differences are quite obvious and in this sector AfDB is seen as having a light touch approach to conditionalities with significant frontloading of financial support in contrast to the approach of other partners, such as the EU, in the same sector.

There is also the issue of the establishment of parallel projects which to some extent undermine the move to greater harmonisation and alignment. AfDB uses PBOs and projects in the same sector which increases transaction costs and contrasts with their commitment to harmonisation and alignment. However, because AfDB in Morocco has a clear approach as to where investment versus PBOs are used (see Finding 2 of this report), and because this approach is clearly communicated to partners and approved by the GoM, this does not

appear to negatively affect AfDB's reputation with other DPs and is not seen as counteracting the overall harmonisation and alignment process.

### **AfDB facilities for capacity development and technical assistance do not respond to the needs of Morocco**

This evaluation is tasked, among other areas, with assessing whether AfDB has been able to provide effective technical assistance and institutional support activities in order to build national capacities and ensure an optimal use of resources. It should be noted in this context that the GoM is particularly keen to get technical assistance and input from its partners. This was emphasised repeatedly during the interviews with the various ministries contacted in the course of the evaluation field work, and is also clearly noted in AfDB's internal reviews and assessments (e.g. in the CSP Mid-Term Review, AfDB, 2009b. For the GoM, financial support is important, but technical input and strengthening of its own technical capacity are seen as basic to further economic and social development. This kind of input is considered essential by the GoM who are pursuing ambitious reforms in a fast-changing MIC environment. For the GoM non-lending assistance is therefore a key area of potential added value of its engagement with DPs in general and with the AfDB in particular. However, the evaluation finds the AfDB has not been able to respond to the GoM expectations in this respect. Very few resources have been mobilised for technical inputs and studies, although some improvement has come from the establishment of the Country Office as noted above. And where resources have been provided the administrative and bureaucratic burden has been excessive and in some cases has resulted in considerable delays.

The AfDB technical assistance has come from grant funding through the Technical Assistance Fund (TAF). In addition, AfDB has provided training in AfDB programme management for government staff. With respect to the TAF, funds have been made available for in the health sector for: a) health mapping purposes; and b) for the establishment of the *Caisse Nationale des Organismes de Prévoyance Sociale* (CNOPS), the entity that manages registration, cost recovery, reimbursement of expenses, payment of claimants, etc., for the Compulsory Health Insurance (CHI). TAF support has also been requested and approved for a series of studies in the education sector, including in the area of private education. In practice obtaining grants through the TAF is a laborious and time-consuming process and this has limited GoM interest in taking advantage of this possibility. Complex procedures have also meant that even where such funds have been requested, their release – and the implementation of the corresponding technical work – has often been out of step with the timing of the reforms in the PBO. For example, the release of TAF support in the context of the Emergency National Programme for Education has meant that key studies have still not been initiated while a specially nominated Government committee has been waiting to deliberate on the outcomes of these studies. Government officials expressed a high degree of frustration with the process involved in having these studies implemented.

With respect to AfDB programme management, two training sessions were organised in November 2007 and March 2008 to address difficulties of sector ministries in the management of AfDB-provided project support which were resulting in substantial delays. This training, much of which was project focussed, was perceived as useful by participating Government staff. However, participants noted that very little of the week-long training was related to PBO support.

### **PBO procedures do not recognise that reform processes entail a level of uncertainty, and this limits the effectiveness of PBO support**

AfDB procedures require that all agreed conditions be satisfied for a tranche to be disbursed. Disbursement is then for the full amount agreed upon with the partner government. In

practice the evaluation finds that PBL support to Morocco has encountered various constraints as result of this requirement. The evaluation also concludes that the requirement of full compliance limits the effectiveness of PBO support.

The example of the health sector in Morocco illustrates this. As noted in section 4.3, PARCOUM I was delayed and a derogation had to be requested from the AfDB Board for a number of conditionalities which had not been met. This contributed to the overall slippage of 47 months of this loan. One of these conditionalities – related to the approval of a ministerial organogram – was transferred to PARCOUM II, and at the time of this evaluation mission had still not been met. The evaluation team were told that this was likely to affect the release of the second tranche for PARCOUM II. However, when asked, partners in PARCOUM agreed that the reform programme as a whole was making good progress. In this manner PBO procedures – which require either all or no funds to be released – can be seen in some cases to penalise a reform programme which overall is on track, but for which one or two conditionalities may – with the benefit of hindsight – not have been well negotiated, be harder to implement than was anticipated, and/or require additional reforms. The failure to then release all funds, in practice jeopardises predictability, and does not take account of the fact that partial progress may have taken place and/or that unexpected developments/changes in priorities may need to be accommodated.

In some contexts, as highlighted in the Tanzania case study, but also in the case of the Emergency National Programme for Education (ENPE) in Morocco, the solution has been to front load funding to avoid having a major amount of funding held up during implementation. Alternatively, as was also the case for the Education Programme in Morocco (and for the administrative reform through PARAP) the AfDB has opted to use conditionalities that have already been achieved or partially achieved. In the case of the ENPE, for example, AfDB linked its initial tranche to the submission of an implementation manual for the Programme by the MoE, and to the submission of the MTEF for the MoE. The first activity had already been partially completed, and the second conditionality had already been met when the loan was approved. Both these approaches – front loading and including partially/completely achieved conditionalities – in practice limit AfDB's capacity to contribute to the policy dialogue in a serious manner. In the case of the education sector, other partners were clearly concerned about the approach, which was seen as counteracting their own insistence on progress, and – as was noted above – as countering the spirit of a harmonisation of approaches.

AfDB's procedures for disbursement under PBOs in this respect differ from those of some other partners such as the WB and the EU. For example, the EC uses a system of variable tranches (typically 20-25% of the PBL funding in order not to jeopardise predictability). DPs and the GoM highlighted to the evaluation team the need for a process approach which could accommodate partial progress (and corresponding partial disbursement) and unexpected developments/changes in priorities. This is also recognised by the AfDB internally. In fact, in the negotiation of PARCOUM II, a proposal was put forward by the Human and Social Development Department (OSHD) of the AfDB for disbursement in full upon achievement of a predetermined overall achievement score (e.g. 70-80%) of a selected and agreed set of reform measures. However, this proposal was not adopted.

### **The decentralisation process has facilitated project monitoring and improved dialogue with partners; however, decision making remains centralised and inefficient**

The process of decentralising more authority to country level with the opening of the MAFO office in 2006 is cited by the GoM and DPs as having been critical in a number of ways. It has contributed to a better understanding of the local context, to a somewhat smoother

implementation process, and improved monitoring, and has enhanced the visibility of the AfDB. Monthly meetings between the Ministry of Economic and Financial Affairs and MAFO have improved the monitoring of the portfolio and the identification of bottlenecks. Overall AfDB is seen as having become more proactive and responsive as a result of a stronger and more engaged local presence. Prior to the opening of the MAFO considerable constraints were in evidence as even the most minor issues had to be referred to Tunis. MAFO has contributed to reducing the transaction costs for Government and has meant that AfDB has become a more active and valued DP in dialogue at country level.

The 2009 portfolio review asserts that MAFO has played a progressively stronger role in monitoring and support of the portfolio. Nonetheless, both GoM and DPs noted that the MAFO still lacks decision-making authority in many areas and that the decentralisation process has not been sufficiently accompanied by a delegation of authority. The fact that MAFO continues to have to refer to Tunis for many decisions is considered unhelpful at times for the processes that are in place and contrasts with other DPs which have a greater level of decentralised decision making. Also, task managers are based in Tunis, and so specialists at country level have a limited amount of authority compared to sector staff at country level from other agencies. More decentralised responsibility, with greater influence over budgets and staff recruitment would assist the country office in working more efficiently and engaging more effectively in PBOs. Overall, the evaluation got a strong message from Government officials and DPs that responsiveness needs to be further improved and that AfDB's channels of communication need to be further streamlined.

The office is critically short of staff in certain areas including in procurement, payments, and selected areas of technical expertise. As a result staffing is stretched to provide inputs into fora for dialogue at national and sectoral level, and in dealing with daily project-related management. The pressure on staff was clearly in evidence during the evaluation visit, which received very little time from MAFO staff, in part because of the large number of competing issues requiring attention. In addition, the MAFO remuneration scale is less competitive than that of a number of other DPs, leading it to lose staff who are able to find better positions.

### **Predictability continues to be constrained**

Overall, levels of disbursement have improved significantly over the evaluation period, and the average age of operations has come down. However, predictability has been a problem for AfDB PBOs. In the Moroccan context AfDB is collaborating with a strong Government and Ministry of finance. Efforts have been made by AfDB to improve performance in this area, but there are still issues in predictability both from year to year and in-year.

### **Strategic Issues**

#### **PBO support has gained importance and is targeted in its use but it is still a small part of the AfDB portfolio**

There has been a shift early on in the evaluation period from the use of projects as the main modality, towards the use of PBOs to finance GoM policy reforms at sectoral and national level. There are two main drivers for these changes. The first relates to the development by the GoM of a clear vision of its development goals which include a set of well spelt out and coherent, economic and social development priorities. The second relates to a clear wish by the GoM to see more progress on implementing the principles and commitments of the international aid effectiveness agenda, adapted as appropriate to Moroccan circumstances.

The formulation of large-scale programmes that target policy reforms at various levels of Government (e.g. administration, health, education) has in this context provided a framework for funding by donors, including by the AfDB. The strong economic and financial management record by the GoM has been important in that it has generated not only

confidence in the GoM vision. But has been accompanied by a growing capacity on the part of GoM to manage development aid, to be clear about preferences (for example for budget support (BS) modalities, and in the case of the AfDB for PBO lending in certain sectors), to manage the negotiation, preparation, and the monitoring of programmes more efficiently and effectively.

Changes in the aid architecture, in particular since 2007, have been a positive additional force in this process, although developments in Morocco are not quite as advanced as in other countries that are part of this evaluation. The GoM has made clear that it is in favour of joint funding by donors, and that it has a preference for BS modalities. The GoM also presents strong arguments in favour of the use of government systems, in particular because many of the reforms have targeted the strengthening of government, and because the progress in this area justifies putting these systems to test. In this context it is interesting to note that Morocco is one of five countries in which the World Bank will be piloting the use of country procurement systems in the coming years. Substantial problems with delayed disbursements in SAL and projects (for example in the earlier education and water projects) have also played a role in the government's expressed preference for AfDB PBOs where appropriate. There has been a corresponding trend of improving on these PBO modalities by learning – for example, in avoiding some of the early issues around large numbers of complex conditionalities.

The trend towards the use of PBOs is positive in that it has given the GoM access to important balance of payments support (especially in the context of the recent economic difficulties), and has set the stage for some significant (although not yet completed) policy reform processes in public administration, in finance, and also in social sectors such as health. However, despite the positive trend highlighted, the bulk of the AfDB portfolio in Morocco is still project based 60.9% on average between 1967 and 2009 and in 2009 project lending was 89% of approvals (AfDB, 2010b). AfDB continues to be perceived by other more aligned DPs such as the EU as not being completely aligned and harmonised because of its use of additional conditionalities, and also because its project portfolio still uses parallel systems for disbursement, procurement, and reporting. Various partners commented that this reflects a contradiction, as the AfDB on the one hand supports reforms in areas such as public procurement, and does then not use the reformed systems for its project support.

**The Morocco CSP provides general guidance on the use of PBO support. In practice decisions on PBOs are strongly influenced by GoM preferences**

For AfDB country programmes, CSPs should be the main document providing guidance on which sectors should use PBOs. CSPs should also indicate more broadly how the PBOs will complement the rest of the programme, as well as the development priorities of the GoM.

The Morocco CSP 2007–2011 (AfDB, 2006a) provides clear guidance on the choice of aid instruments. Specifically, the CSP distinguishes between two kinds of instruments to be used by the programme: project loans for investment projects, and budget support for reform programmes. The CSP highlights the clear GoM preference for budget support modalities and the prior – successful – use by DPs of this form of aid. The CSP also indicates that the use of quick disbursing loans in the form of budget support has been effective for financing reform programmes and that given “*the need to pursue and consolidate structural reforms and in a bid to harmonise financial instruments, the Bank will continue to co-finance reforms through development budget support loans*” (AfDB, 2006a, p. 31). Interviewees contacted in the course of this evaluation confirmed that there is a clear distinction in terms of which instrument to use for AfDB funding.

While the CSP makes it clear under what conditions PBOs will be used, it does not establish what proportion of the country programme should be for PBOs. It also does not make an explicit choice for certain sectors, as the modality to be used is expected to depend on the nature of the activities rather than the sector. This may go some way to explaining why the water sector has received both project and PBO support. This is also the case for the education sector.

The CSP does, however, prioritise overall areas of support for the overall country programme – in the case of the latest CSP the focus is on governance and infrastructure – within which both project based and PBO instruments can be used. There is no discussion in the CSP of how PBO support might develop in the future (i.e. whether it is expected in the medium to long term to become a more dominant feature of AfDB interventions) and what implications such a choice might have.

This country study also confirms the findings from the other case study countries that there is a lack of clarity as to how funds allocated to PBOs are calculated. The AfDB rules state that 25% of the portfolio can be delivered by PBOs, but no additional guidance is given on how decisions are made on individual country allocations. In practice for the Morocco portfolio ceilings for PBO support were not reported to have been a factor in decision making, although staff at the MAFO made it clear that these decisions were taken by HQ in Tunis. The main criteria for the choice of instrument are the nature of the intervention (policy versus investment) and whether the GoM has indicated a specific preference. For example, for the Emergency National Programme for Education the GoM expressly indicated its absolute preference for BS funding, requiring some DPs (e.g. the WB) to review their expected form of support. In general, it is clear that the GoM has become increasingly adept at negotiating for PBO support.

### **Design**

**The use of conditionality has evolved as a result of lesson learning and has been strengthened, but conditionality is still used unevenly across areas of the portfolio**

In practice much of AfDB's impact on policy comes from the conditions that are attached to the PBOs. Conditionalities have an important signalling function, because they are linked to disbursements. This section takes a closer look at the nature of the conditionalities and how they have evolved. The main areas where the Bank's conditionalities have focussed are modernisation of public administration, strengthening of public budgetary and procurement processes, civil service reform, the improvement of water resources, reform in education, and the expansion of medical coverage to economically disadvantaged populations. A clear learning process has taken place with respect to conditionalities over the evaluation period. For example, AfDB PBOs from the early part of the evaluation period (e.g. in water and health) had over 60 conditionalities in the former case, a large number of which concerned complex reforms, and a total of 33 conditionalities, divided over two tranches, for PARCOUM I. Later PBOs have on average 10 conditionalities or fewer. The large number of conditionalities had negative consequences for the implementation and assessment process of the PBO, as well as for disbursements. Based on experience of difficulties in managing this, AfDB has progressively moved to: a) fewer conditionalities; b) more harmonised conditionalities with other DPs in a number of sectors; c) conditionalities that are more 'manageable' and focus on a select number of priorities; and d) where complex reforms are concerned conditionalities have become more process-oriented (i.e. preparation for Parliamentary discussion of a certain law, rather than approval of that law).

This is a trend that has also been followed by other main DPs. Both the GoM and DPs have learned lessons from earlier conditionalities and the GoM has become more apt at

negotiating these. Overall, as far as AfDB is concerned the evaluation can conclude that there has been a trend in the right direction, in particular where conditionalities have been jointly agreed upon with other partners. However, the evaluation also notes that there are some inconsistencies in the AfDB's approach between sectors and whilst harmonising with other partners, for a number of programmes AfDB still maintains, specific conditionalities, which are part of an agreed matrix but unique to the organisation. This is the case for the support to the health sector through PARCOUM where AfDB has a specific conditionality related to the approval of the MoH organogram and a specific indicator related to the use of screening equipment. The existence of conditionalities that are specific to a partner, such as is the case in the education sector and in health, results in contradictory messages vis-à-vis the Government when one partner insists on certain issues and does not disburse while other partners in the sector do disburse. A consistent message to the evaluation team was the need for greater coherence among DPs in this respect.

In addition, and as noted earlier, the level of 'difficulty' of conditionalities differs across programmes, and this has implications for the extent to which these conditions really have a signalling effect. These may reflect steps that are relatively minor and easy to achieve such as the drafting of a guideline at sectoral level (which may even already have been completed), or a major and more difficult piece of work such as the approval of piece of sectoral or general legislation by parliament. For example, in the Emergency Education Programme which was recently approved, the conditionalities were actions which had already been undertaken or were likely soon to be completed. However, in the health sector PARCOUM programme, as noted earlier in this section, conditionalities were much more challenging. The approach in the area of administrative reform represents a third variant and a more programmatic approach. In this case, each successive PARAP has a single tranche disbursement up front. This makes conditionalities easier to meet, especially since they are designed to include actions that have either already been completed, or that are on-going and therefore very likely to be completed in a short period of time. This approach has also allowed each successive phase of PARAP (I through IV) to include conditionalities that adapt to progress made and that accommodate changes in the environment. In this manner the AfDB approach attempts to get close to the WB's approach which develops three-year programmes and can adapt annually on the basis of progress, and of the EC which has a six-year financing framework under the MDG contracts. Conversely PBOs with two tranches – such PARCOUM I and II – are more challenging as the conditionalities are set regardless of how the process has evolved, and as discussed earlier, in the case of PARCOUM some of the conditionalities that were waived in PARCOUM I were then reintroduced in PARCOUM II to ensure compliance.

Overall the evaluation finds that there is evidence of learning with respect to conditionalities, and that the trend in the way in which AfDB uses conditions has been in the right direction. But differences continue to exist across the AfDB portfolio, as well as between DPs, and further progress will need to be made to harmonise approaches.

**AfDB PBOs have influenced key areas of policy reform. However, attribution is difficult because of the joint nature of the programmes**

PBO support is aligned with GoM key policy reform areas. The main areas where AfDB's support to policy reform has focussed are on public administration reform, public procurement, the strengthening of budgetary processes, financial management, civil service reform, the improvement of water resources, and the expansion of medical coverage to economically disadvantaged populations.

Attribution to the AfDB of changes in policy and processes is next to impossible given the joint nature of PBO financing. However, there is evidence that joint DP support to government reforms has contributed to strong macro-economic and financial performance and to a programme of reforms in the social sectors (health and water) that is jointly assessed by partners as being progressive and moving in the right direction. Examples of reforms to which AfDB contributed together with other partners include:

- Improvement of public procurement systems to align with international standards;
- A comprehensive programme of civil service reform put in place, which has resulted in a program of voluntary departures (although some negative effects were noted with the voluntary departures taking place mainly among the most qualified, rather than the least qualified as had been anticipated);
- Development of MTEFs for key sectors;
- Reform of financing instruments;
- Harmonisation of procedures for the establishment of small and medium-size enterprises (resulting in a tripling in 2009);
- Piloting of a health insurance scheme for vulnerable populations.

In the context of these programmes, AfDB has shown a focus on results, which has manifested itself by lesson learning. This has led to improvements in the design of PBOs. Results monitoring is conducted through joint matrices in the various sectors supported by AfDB and staff from the MAFO have participated regularly (in particular since the opening of the field office) in the discussion of results.

## **6. Issues**

PBO support to Morocco takes place in the context of a clear medium- to long-term vision by the GoM. External support to the reforms represents only a small percentage of the funds for reforms which are pursued by this country. Strong government capacity, and the good record of progress over the past decade, has meant that the GoM is very much in command of the reform process and clearly indicates its priorities and preferences to DPs, including to the AfDB. Overall this evaluation shows significant progress in the design and delivery of PBOs by AfDB in Morocco. PBOs are strongly harmonised with other partners, and aligned with GoM priorities. There has been a progressive move to joint programmes, and all current AfDB PBOs are multi-partner operations which use common frameworks.

Progress has been made in terms of alignment with GoM procedures and systems. Government systems are used for procurement, reporting, monitoring and evaluation, and disbursement. The opening of the MAFO has contributed to greater visibility of AfDB locally, and has been important in improving the monitoring and support to operations. This is reflected in higher levels of disbursement in the latter part of the evaluation period, and in a portfolio which has seen the duration of programmes decrease as disbursement delays have been cut.

There is a clear logic to the use of PBOs in Morocco. This logic is guided by the AfDB CSP for Morocco which provides overall guidelines on when PBO support should be used, and when it is more appropriate to resort to project funds. The GoM is a vocal partner in guiding the decision on the choice of modality and has clearly indicated its preference to AfDB for PBOs to fund sectoral and government level reforms. PBO support is clearly the preferred option of the GoM for anything other than major investment programmes. The advantages are related to the flexibility of the instrument, the extent to which it respects government systems (and therefore acknowledges progress made in improving them), and the fact that the funding provides important balance-of-payments support.

The use of conditionality has evolved over the evaluation period and there is evidence of learning during this time. The number of conditions has been reduced, conditions are more carefully negotiated and assessed for feasibility and relevance to key priorities, and there is greater agreement among partners on conditionality. These conditions are reflected in joint matrices of conditions for sectors/areas of reform which include conditionalities that are common to all partners, as well as those that are specific to AfDB. The adoption of joint processes has contributed to a stronger focus on results. However, AfDB still maintains a small number of specific conditions in all of its PBOs and this and other areas where it is not completely aligned (see next paragraph) have meant that in practice AfDB continues to be at times out of step with other DPs in terms of disbursement decisions.

AfDB procedures requiring that disbursement only takes place when all conditions have been met do not allow for the agency to take into account the evolution of reform programmes where progress may differ from the originally anticipated route. Alternative solutions have been adopted variably across the sectors supported by AfDB, such as selecting partially completed/ ‘easier’ conditions, front loading financing and resorting to only one tranche. However, these reduce the capacity of AfDB to influence the policy process, and frequently go against the approach adopted by other DPs.

The value added of AfDB participation in PBOs is mainly its financial contribution which is considerable and considered important by the GoM and other DPs. AfDB funding of key areas of GoM reform lends greater credibility to the reform programmes and provides

important resources. AfDB has been more present in policy dialogue since the opening of the MAFO, and is today a regular participant in various coordination fora at sectoral and GBS level. For the GoM AfDB plays an important role as a trusted partner which understands domestic and regional issues and at times is an important ally in getting DPs to understand issues. AfDB's participation in design and appraisal processes is appreciated as both GoM and DPs consider it important to have a number of partners around the table; however, other DPs mostly take the lead in the analytical work and the dialogue. In a context where policy is strongly government-driven and reform programmes are presented 'ready-made' for funding by DPs, AfDB has not developed a strategy for exerting greater influence and has made limited effort to influence policy dialogue. It also clearly does not have sufficient capacity to do so with its current staffing. Investment in analytical work that could inform and enhance the policy dialogue has not taken place.

AfDB has not been able to provide the technical input that the GoM would like to see it provide. Limitations are related to capacity constraints at the MAFO and to the level and kind of technical expertise required for certain types of engagement which cannot be provided by MAFO. The use of the TAF to strengthen capacity and conduct key studies has been mostly disappointing because of limitations of this technical instrument (high degree of centralised management, delays in approval and disbursement, complexity of procedures).

There are areas where implementation of PBOs can be improved. Predictability in the medium to long term is constrained by the time frames for support. Other DPs have adopted longer-term approaches that give longer time frames and allow for flexibility, such as the WB programme approach and EC six-year commitments.

The following reflections emerge from this study. These reflections will feed into the country case study synthesis, and into the overall evaluation report, which will include recommendations from the whole body of evidence collected in the course of this evaluation:

1. The question of whether stronger engagement in policy dialogue would produce better results needs to be considered. In a context where reform programmes are clearly driven and owned by the GoM, it may be well be that additional input from AfDB has no significant added value. However, this reflection needs to be done by MAFO with HQ, and a clear strategy with respect to policy dialogue should be elaborated. At present the strategy of limited engagement appears to be dictated by staffing and organisational constraints and not to be the result of deliberate reflection on the added value that this can have in the Moroccan context.
2. Technical support and capacity building are areas where the GoM is actively seeking an input from the AfDB, and this makes sense in the context of a MIC which is grappling with problems of a complex nature. The possibility of including these areas in the PBO (as has been done in Burkina Faso – see case study) should be considered so that technical support and capacity building are developed in parallel with the policy reform process. Current mechanisms for providing technical support and capacity building through the TAF are inefficient and not working and should be reviewed.
3. More analytical work by the AfDB in areas of priority support will enhance the effectiveness of policy support and allow AfDB to engage more meaningfully in the dialogue process. This is an area which is likely to be of particular importance in the context of a MIC which faces challenges of a different nature from many of the other traditional AfDB countries. It is also an area where the GoM would strongly appreciate AfDB's input.

4. Other countries can learn from the clear statement of the purpose of PBOs in the CSP for Morocco which has contributed to there being important clarity on when this instrument is used. However, the CSP, and AfDB as a whole, should more clearly spell out what the target is in terms of the PBL (ceiling), what the medium term vision is, how PBLs will contribute to the success of the overall portfolio? In this context the extent to which PBL ceilings are necessary at all, or might differ across countries that are in different stages, should be considered.
5. AfDB needs to review its requirements for disbursement for PBOs. This evaluation has highlighted the need for an approach to policy reform that can accommodate partial progress and unexpected developments/changes in the context or the priorities. AfDB's contribution to policy reform is affected by its current procedures for disbursement (i.e. the all or nothing approach). One option would be for AfDB to adopt a set of weighted reform achievements (along the lines of the EC variable tranches) but with full disbursement (rather than proportional disbursement) against a predetermined overall achievement score (e.g. 70-80%) on the selected set of reform measures. Innovation in this area could have an important impact on the effectiveness of PBO support, and on AfDB country programmes overall. Sufficient experience exists in other agencies for this to serve as a basis for reflection and reform in this area.
6. The establishment of the MAFO has brought important benefits to the programme and to the interaction with the GoM and other partners. However, the capacity is not sufficient to allow for in-depth engagement with the priority sectors. Strengthening the human resources at country level, in particular in priority sectors, will enhance the quality of the policy dialogue with the GoM.
7. Greater delegation of authority from HQ to the MAFO would make the use of PBOs more efficient. In practice MAFO staff have little authority and have to refer to HQ for many even minor decisions. MAFO should take over a selection of functions of the Task Manager at HQ and corresponding adjustments should be made in the authority of the Resident Representative in areas related to staffing and budgeting to allow MAFO to play a more significant role at country level.
8. There is room for learning from the process of reform in Morocco and for sharing this more widely across relevant countries in the region. This is an area where AfDB has not yet developed a deliberate strategy but which could bring out important lessons for other countries in the region that are moving into MIC status.

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## Annex A Evaluation Matrix – Morocco

Main evaluation questions
<b>C. Has AfDB developed the organisational capacity and capability to deliver PBOs efficiently and effectively?</b>
C1. Has AfDB adopted an explicit in-house capacity building programme to support delivery of PBOs? If so describe it. C2. Has AfDB been appropriately structured and staffed to deliver PBOs? What was done? C3. How have successive efforts to reorganise the AfDB and decentralise affected the planning and delivery of PBOs? C4. In what ways have internal business processes helped or hindered the processing, approval and disbursement of PBOs? Specify examples. C5. Have the AfDB's corporate systems for knowledge sharing, results monitoring and financial management support effectively contributed to PBOs delivery? Has anything been weak or missing?
<b>Answers</b>
<b>C1. Explicit in-house capacity building programme to support delivery of PBOs</b> The opening of the Morocco field office (MOFA) in 2006 has implicitly strengthened its structural capacity to implement PBOs. <i>However, there is no clear capacity building strategy of the AfDB as an institution in support of PBOs.</i> Capacity building around BS issues takes place internally, through meetings between AfDB economists. Also, some internal processes favour capacity building such as deliberate actions to promote sharing of experience, soliciting inputs from other country staff in design and evaluation of PBOs, and documentation sharing. However, while the capacity at the country office is appreciated by partners (compared to the previous situation when there was no MOFA), it is not sufficient to provide in-depth support on all aspects of PBO dialogue. Staffing is stretched to provide inputs into fora for dialogue at national and sectoral level and there appears to be no incentive for HQ to address staffing shortages as most decisions are taken at HQ level. Some local staff accumulate two or more complex portfolios (such as health and education). Also, the level of development of Morocco requires very specific kinds of expertise and inputs which MOFA does not have. The recent turn-over of administrative staff (procurement and contracts officers) to other agencies in search of better remuneration and professional opportunities has affected the functioning of the office overall.
<b>C2. Structuring and staffing for PBO delivery?</b> <i>Staff are thinly spread and overburdened with a combination of project and PBO related tasks.</i> The lack of staff leads to the over-tasking of staff responsible for delivering PBOs. BS support process requires a permanent dialogue with the government and other partners at both general and sectoral levels. This leads technical staff to intervene in several sectors where they don't necessarily have the expertise. The AfDB has fewer staff compared to other multilateral partners. The work seems to be divided between the staff sectors but not by the financing instruments. Also, the staff members expressed regret at the lack of adequate training in the management of these instruments, despite some training received from the EC and WB: their skills and experience result from their work on ongoing operations and internal information exchanges and experiences. This fact prevents a pro-active approach, as we shall see later, a real appreciation of the added value of the Bank in the implementation of these instruments by its partners. It would seem that internal reorganisation and a strengthening of the team is urgently required by the staff to carry out their mission more effectively and to develop their advisory role and Bank knowledge.
<b>C3. Impact of reorganisation and decentralisation of AfDB on the planning and delivery of PBOs?</b>

*The opening of the MOFA has had a positive impact on the dialogue with the Government of Morocco (GoM) and with other partners. It has also contributed to a better understanding of the context and a feeling of greater ownership of the AfDB by the Moroccan authorities. Studies and reports and the exchange of information were greatly facilitated and the sharing of information and experience has contributed significantly to what the government considers as the role of the Bank as a partner in the implementation of its reform programme, and its good knowledge of local constraints. However, the fact that the reorganisation has not substantially affected the delegation of authority has meant in practice that while dialogue has improved, the MOFA operates essentially as a mailbox for the Regional Office. The effectiveness of PBOs is affected by the fact that the instruments for funding are rigid and that processes for approval take a long time and are still heavily centralised. This is seen as devaluing the work of the local office.*

#### **C4. How have internal business processes helped or hindered the processing, approval and disbursement of PBOs?**

*AfDB internal business processes impact on the processing, approval and disbursement of PBOs. Intranet facilitates the flow of information during preparation, approval and monitoring of PBOs. However, internal processes are not flexible enough for PBOs. On the one hand the government appreciates the early participation and involvement of the Bank in the process of identifying needs. However, it regrets some of the weaknesses in the technical support, and in particular the level of centralisation of decision making. This affects the approval and disbursement, as well as the performance, of certain PBOs to the point that the government has been considering cancelling these interventions as the amount of time involved in the discussions around conditionalities, for example, does not justify the outcome. The desire for greater decentralisation and delegation of decision making was frequently mentioned in conversations with the government and the office in Rabat.*

#### **C5. Knowledge sharing, results monitoring and financial management?**

*Knowledge sharing and results monitoring works well between HQ and MOFA. HQ support is effective in sharing experience from other countries and programmes, and the local office benefits from the richness of the database that AfDB has as an organisation. The present situation provides the local office the opportunity to be an interlocutor with a sufficient background to feed and support the government in its reforms. However, expectations of the level of expertise and experience have become increasingly demanding, as the situation in Morocco evolves. This requires more specific information and focus on the country, which only development and greater specialisation of internal resources can provide. The GoM would like to see the Bank play a greater role in the sharing of its experience in such areas as public sector finance and administration reform with other countries in the region.*

### **E. How well has AfDB matched the PBO to the needs and situation of individual RMCs?**

- E1. What steps did AfDB take in the PBO operation to analyse the problems and understand the political context and level of stakeholder support? Who was consulted in the appraisal and design phase?
- E2. What actions did the AfDB take to effectively appraise PBO operations to identify the key policy options and constraints on growth and poverty reduction?
- E3. Was fiduciary risk systematically assessed and compared to potential benefits of PBO? What did this involve?
- E4. Was AfDB appraisal work typically based on sufficient knowledge of recipient countries and take into account past reform experience?
- E5. How flexible has AfDB been in appraising and selecting the PBO instrument and conditions to match the local context?
- E6. Have PBL log frames provided a coherent and robust basis for tracing results and measuring outputs achieved?
- E7. To what extent did the design of PBO impose additional reporting and accountability requirements on the partner Government? Was the design informed by prior discussions with the RMC and with development partners already contributing to the PBO?

### **Answers**

- E1. Steps taken in PBO operation to analyse problems and understand the political context and level of stakeholder support?**

The analysis conducted by the Bank in its evaluation documents shows *sufficient knowledge and a collaborative approach with the government and the other major funding organisations*. As all operations are conducted jointly with other partners, there are also joint exercises (with shared missions) by DPs for the preparation and appraisal of programmes. However, AfDB carries out very little additional analytical work to understand the context, and this has been noted in various internal reports of the organisation.

Civil society and other nongovernmental organisations are not systematically consulted, as opposed to practices by other development partners such as the EC, although the MAFO considers that incorporating their views would be an advantage.

**E2. Steps taken to effectively appraise PBO operations to identify policy options and constraints?**

Documents highlight an *understanding of the policy reforms and their objectives and their expected impact on growth and poverty reduction and this is extensively discussed based on available research in the country*. In general, analyses are conducted at the central level in consultation with the local office. The Bank also relies on existing documentation from other donors, on studies conducted in the country and on the outcomes of strategies implemented by the government. Analysis of key policy options is not undertaken, and this appears to reflect the fact that the GoM is strongly in command of processes (see below).

**E3. Assessment of fiduciary risk?**

The AfDB relies on the good performance ratings (compared to other countries in the region). *Fiduciary risks associated with the country financial management are low given the transparency of budget items and the adoption of good governance practices for assessing fiduciary risk*. Considerable progress has also been made in strengthening budgeting and financial management through reform programmes and this has contributed to reducing the fiduciary risk. Moreover, the validation of the country's accounting standards and the establishment of an information system standard is an achievement that allows the Bank to manage fiduciary risk. Thus the use of PBO, instead of other instruments, is guided by the government's preference.

**E4. Depth of appraisal work?**

The work done by AfDB in its approach shows a *good knowledge of the country*. Lessons from the Bank's evaluations of operations are taken into consideration in the new operations.

**E5. Flexibility of AfDB in appraising and selecting PBO instruments and conditions?**

*The Bank has been flexible to the extent possible within its institutional constraints*. A common approach has been defined with other donors for appraisal and discussion around conditionalities. At the initiative of the World Bank, the implementation of an execution manual to facilitate and unify the approaches of donors is being finalised. However, constraints in institutional flexibility affect the extent to which AfDB is able to harmonise with the approach that other DPs have to conditionalities.

**E6. Coherence and robustness of PBL log frames for tracing results and measuring outputs achieved?**

The log frames have provided a sufficient basis for measuring the achievement of objectives. *Quality of data is good in Morocco and facilitates the assessment of progress*. Moreover, the gradual establishment at the government level of RBM allows donors, including AfDB, to better define the completion of objectives.

**E7. Existence of additional reporting and accountability requirements on the GoM?**

*None of the operations conducted by the Bank require specific reporting and accountability*, apart from those that are commonly used by the GoM. The Government would like to see the AfDB use government systems and procedures for its project support, in particular because PBO support has focussed on strengthening these systems, and it therefore seems contradictory that the AfDB (and other DPs) then do not align with them.

**F. How efficiently and effectively has AfDB planned and designed PBOs?**

- F1. How are allocations for PBL made within the AfDB and country programmes?
- F2. What are the key design features of the PBOs used?
- F3. How does the approach to PBO design compare with other major providers such as the World Bank?
- F4. What have been the trends in the use of multiple or single tranches?
- F5. How has the approach to conditionality evolved over time and how did AfDB seek to exert policy leverage? Have current conditionalities been informed and shaped by discussions with the RMC?
- F6. How effectively has AfDB dealt with non-compliance with PBL conditions by partner countries?
- F7. What steps were taken to ensure that the monitoring and reporting requirements of PBOs were appropriate?
- F8 Has there been an adequate M&E framework in place? Is it aligned with other development partners and designed in consultation with government? Have lessons learned been fed back into PBO design?

#### **Answers**

##### **F1. How allocations for PBL are made within the AfDB and the country programme**

*There is a 25% institutional cap on the level of PBO support.* However, staff at the MOFA were not aware of any specific limit at country level and this does not appear to be a constraint to the use of PBOs. The MOFA is guided in its decisions on PBOs by the preference expressed by the GoM for this instrument when targeting institutional reforms. In this context it should be noted that the CSP makes a clear distinction between the purpose of PBOs and that of investment support (see further below).

##### **F2. Key design features of the PBO?**

The key characteristics of PBO remain the same, namely their integration into the logical framework established by the SPC, especially the one that concerns the need to develop the competitiveness of the economy and to support human development. *The Bank therefore adopts, in general, a coherent approach, and the aimed underlying action results in the continuity of the established objectives.*

##### **F3. Compatibility of PBO design with other major DPs?**

*There has been a strong trend of harmonisation of the approaches of different donors in response to government requests.* The GoM presents programmes to the DPs for financing. The DPs then conduct joint detailed design and appraisal missions. The GoM sees this as a welcome development which has strongly reduced transaction costs for the government in the preparation and design phase. However, the programme design and operational modalities will then accommodate the different rules around disbursement which are used by each of the DPs. For example, the AfDB requires complete compliance with conditionalities prior to disbursement, whereas the EC operates flexible tranches..

##### **F4. Trends in the use of multiple or single tranches?**

*There has been a trend from systematic use of multiple (usually two) tranches in the early part of the evaluation period to the use of single tranches for the newer programmes – although there are clear differences in approach between sectors.* Health and education both continue to use two tranches with associated conditionalities, and in the case of health it is clear this is done with the explicit purpose of pushing through reforms which might otherwise not receive the same degree of prioritisation by the GoM. In the case of education there is a strong front loading of the financing with relatively simple conditionalities (see below). This has been the AfDB's response to avoiding the issues which arose earlier in the sector with respect to accounting which resulted in the GoM having to reimburse part of the loan. However, for PARAP (which is now in its fourth phase) a different system has been used of single tranches with consecutive programmes. This has allowed AfDB to get round the problem that multiple tranches are not sufficiently flexible to accommodate changes in the environment and unexpected obstacles/developments.

##### **F5. Extent to which approach to conditionality has evolved over time, and how AfDB seeks to exert policy leverage?**

*The Bank does not exercise a strong influence on the policy conducted by the government overall, but does influence issues of more detail in terms of*

*approaches and again there is some variation among sectors, e.g. in the case of the health sector where clear accents are being placed by AfDB on the need for a social insurance scheme. However, in general, and like other donors, the main focus of the AfDB is to highlight its experience and bring its expertise to bear in assisting Morocco in implementing the reform strategy which has been very clearly outlined by the GoM. Thus conditionalities are used for no other purpose than to verify the proper implementation of the reforms it supports. Efforts of simplification, harmonisation and a reduction in terms of the number and kind of conditionalities have also been made. From the observations and experiences of the first operations, the AfDB has moved to focusing on more “manageable” conditionalities (i.e. those that can be achieved, and don’t require complex multi-sectoral coordination, or approval by Parliament) and to a smaller number of these. As noted further below, the GoM has also become more adept in negotiating conditionalities – focusing, as a number of government officials mentioned to the mission, on actions which are already ongoing and partially completed so as to be sure that they don’t start constituting a blockage for disbursement.*

#### **F6. AfDB's response to non-compliance?**

*The reactivity of the Bank as to some non-compliance with certain conditions has been slow in some cases and not always effective. Solutions were found, mainly by postponing these conditions to future instalments to facilitate disbursements, as was the case for PARCOUM (i.e. a derogation was given for certain conditionalities, however, these were then re-introduced into PARCOUM II). This approach has not been very effective as the same conditionalities are now blocking disbursement downstream. A second type of response has been the “toning down” of conditionalities for new programmes to make sure that non-compliance is less likely.*

#### **F7. Steps related to monitoring and reporting requirements?**

*Monitoring and reporting requirements for PBOs are appropriate and well aligned with those of other DPs. Joint monitoring frameworks against agreed indicators are in existence and are linked to sector processes.*

#### **F8. Existence of an adequate M&E framework? Alignment with other DPs and design with Government? Feedback of lessons to PBO design?**

*Operations have clear monitoring and evaluation frameworks which have been carefully designed together with the GoM and with other DPs. All M&E frameworks are joint undertakings with the DPs. M&E frameworks are strongly owned by the GoM.*

### **G. What has been achieved by AfDB through the provision of PBLs?**

G1. What has been the disbursement record of PBL?

G2. What has been the record of achievement of policy targets set by the AfDB and agreed with RMCs?

G3. To what extent is AfDB perceived by partner governments and donors as playing an active part in policy dialogue and adding value to the process?

G4. To what extent has AfDB demonstrated to the donor community the benefits of PBL in new and difficult environments such as fragile states?

### **Answers**

#### **G1. Disbursement Record:**

Donor programs in Morocco – especially those of the large donors – have seen increasing volumes of financing over the past few years. The increased financial support reflects recognition of Morocco’s leadership of the national development effort, support for the approved national programme, and a demonstrated track record of achievement.

*Over the evaluation period the size of the AfDB portfolio has doubled. The disbursement record overall saw a substantial improvement, from 32% in 1999 and 37% in 2006 to 52% in 2010. The opening of the Country Office and the improved dialogue at country level are both explanatory factors for this improvement.*

Nonetheless, the disbursement record has been variable over the period under consideration, ranging from good for some operations to more problematic in others.

It appears disbursement has been good for single tranche operations such as the successive PARAPs where delays have been limited to a couple of months. Delays have been more protracted for multiple tranche operations – such as PARCOUM I second tranche and now PARCOUM II. For PARCOUM I first disbursement took place 2 years after the initially planned date and after waiving by the Bank Board of Directors of condition iii) “provide the Bank with the bill on the national health system and care delivery as updated and finalised and evidence of its presentation to the Government’s Cabinet”. Total slippage for PARCOUM I was 47 months. For PARCOUM II first disbursement took place with a few months slippage, second disbursement may not take place due to non-completion of a conditionality inherited from the PARCOUM I period “Présentation au Conseil du Gouvernement de l’organigramme de réorganisation du MS au niveau central, régional et provincial”. A first draft of this organigram was rejected by the MoF because of financial implications. . For the water programme, in June 2008 (five years after the programme started, and three years after its initial end date) there were still eight out of 61 programme activities that had not been fulfilled and when the PCR was written (April 2009) they were still not complete. The delay was caused by institutional barriers to the achievement of some results and the finalisation of other results.

## **G2. Record of achievement of policy targets**

*Overall there has been a satisfactory achievement of policy targets with good ratings of performance of the portfolio over the evaluation period. However, there is variation between projects, with PARAP rating highest, and PAS Eau lowest over the evaluation period.*

In the case of the support to the health sector under PARCOUM I and II there have been delays in the achievement of some policy targets. Six conditionalities were the subject of a derogation by the Bank in PARCOUM I and four of these were then incorporated into PARCOUM II. One of the latter four concerns specifically the approval of a new organigram for the MoH which has not yet been achieved and is currently holding up the disbursement of the second tranche in PARCOUM II.

PARAP I through III received performance ratings of 3 and over, and performed well against the various conditionalities that were stipulated in the successive appraisal documents. The evolving nature of the conditionalities (renegotiated for each of the successive PARAPs) is likely to have contributed to this good performance, as well as the high level of commitment of the GoM to these reforms.

Under PARCOUM I a number of ambitious policy targets were foreseen and the majority of these were met. Thus the Government drafted a regulatory framework for the medical coverage scheme, put in place the Compulsory Health Insurance for salaried workers and pensioners from the public/private sectors and their families(about 9 million persons), put in place a regulatory framework (but not the mechanism) for health insurance for poor people (RAMED), put in place measures to improve the quality of drugs and the organisation of hospitals, produced a revised law on health care delivery for consideration by Parliament, formulated a strategy for human resources, and increased the health workforce although not to the full extent necessary. Some progress was also made on sector governance, the process of regionalisation/ decentralisation was begun and national health accounts have been put in place. In light of this performance of PARCOUM I was assessed as satisfactory. However, 4 conditionalities which could not be met during the first phase were transferred to PARCOUM II.

In other areas/sectors (e.g. water) policy reforms have also been very ambitious and especially in the early period were linked to actions beyond those that are in the mandate of the sector concerned and were therefore difficult to achieve. The PAS Eau programme was therefore closed with six activities still pending, and was noted as having the lowest performance by the 2007 Portfolio Review.

*The main lesson learned with respect to policy targets is that in the earlier part of the evaluation period these tended to be very ambitious and beyond the scope of control and decision making of the sectors concerned.*

## **G3. Extent to which AfDB is perceived by partner governments and donors as playing an active part in policy dialogue and adding value to the process**

*There has been a clearly positive trend in the participation of AfDB in policy dialogue. AfDB's participation is valued but there is no clear added value beyond the fact that AfDB is another partner at the table. For most partners, and in particular the GoM, the added value of AfDB is mainly seen in terms*

of the monetary contribution and the fact that the PBLs provide important balance-of-payments support, especially in recent years where Morocco has been affected by the economic crisis.

In this context it can be noted that the 2005 OPEV review of the Moroccan programme highlighted that AfDB “does not contribute much to policy dialogue and to analytical tasks, and that the Bank was not often associated, early enough in the preparation of co-financed reforms” (AfDB, 2006c, p.19) and that “its absence on the ground makes it difficult for it to contribute efficiently to coordination efforts with other partners” (AfDB, 2006c p.19). Partners consulted for this evaluation noted that AfDB is present in key policy dialogue and that its engagement has clearly improved since the establishment of the MAFO.

All of the currently ongoing PBOs are multi-donor undertakings where AfDB participates in the design and discussion, as well as the monitoring. However, for many of the current engagements (e.g. PARAP) AfDB relies quite heavily on other partners to do the analytical work and to provide the necessary inputs. A disadvantage for some PBOs (e.g. in the Administrative and Financial Reform Programmes) is that the oversight is provided by Tunis and there is therefore not always an AfDB presence at the table.

AfDB technical expertise is cited by a number of partners as being of value. This is the case in the area of administration, in the water sector and in education where in the latter case it is seen as particularly useful that the AfDB social sector specialist has a background in architecture. AfDB participates in a number of the thematic coordination groups that exist; however, it does not have the lead in any of these. Its presence is seen as useful but not as influencing the process.

#### G4. N/a

#### H: What did AfDB set out to achieve by providing PBOs and what factors influenced the choice of modality?

- H1. Did the country strategy provide an adequate strategic and analytical framework for choosing an appropriate mix of aid instruments?
- H2. Was there a clear link and consistency between country programme and PBOs objectives?
- H3. What was the rationale for PBOs, the type chosen and the allocations made?
- H4. What were the objectives (written and unwritten) and the expected outputs of the PBOs?
- H5. How was the overall level of PBO determined within the country budget?
- H6. How were choices between aid instruments made in practice and how was the overall level of PBOs determined within the country budget?
- H7. Was the design of PBOs shaped to the specific institutional, economic and political context? Specify how.
- H8. What other (unwritten) factors and incentives may have influenced decisions to select PBOs?

#### Answers

##### H1. Extent to which the Country Strategy guides the choice of aid instruments

The CSP 2007–2011 provides clear guidance on the choice of aid instruments. The CSP refers to the GoM preference for budget support modalities and to the prior use by donors of this form of aid. In addition the CSP clearly specifies that “Two main financial instruments shall be used by the Bank during the next programming cycle. These are: quick disbursing loans in the form of budget support to finance reform programs and project loans to finance investment projects. Over the last three years, the Bank awarded loans as budget support to Morocco on four occasions. In Morocco’s context, characterised by a budget deficit and a current account surplus, the country’s main donors found this financial instrument to be most appropriate for promoting and supporting the reforms initiated and for encouraging national ownership of the said reforms. Given the need to pursue and consolidate structural reforms and in a bid to harmonise financial instruments, the Bank will continue to co-finance reforms through development budget support loans” (AfDB, 2006a, p. 31). So the CSP makes it clear under what conditions PBOs will be used, but does not establish what proportion of the country

programme should be PBOs.

**H2. Link/consistency between Country Programme and PBO objectives** – Yes, there is clear and good consistency between the Country Programme and the PBO objectives as the country programme is clearly aligned to the priorities of the Government of Morocco's national and sectoral policies. Each of the PBOs is designed to support elements of these priorities and strategies.

**H3. Rationale for PBOs, type chosen, allocations?** PBL has become a clear preference of the GoM over the past years (AfDB, 2006a, p.18), in particular because Investment Projects have been accompanied by very substantial delays and issues with respect to procurement and reporting (this was the case for the earlier Education Investment Programme where part of the accounts were not approved and the GoM had to reimburse the funds). The rationale is therefore based on the preference of the GoM. It is also based on the fact that other partners (such as the WB) are using similar instruments to provide support (in line with the request from the Government) and that *harmonised approaches are being sought*. Finally, the allocation is based on the request formulated by the Government, on the analysis of the financing gap and the expected contributions by other donors, and the ceiling of funding that is available for Morocco. As noted in a recent WB report: "Budget support is widely used by the large donors in Morocco .. and is becoming increasingly important for bilateral funders" (WB, 2010, p. 141).

**H4. Overview of the objectives (written and unwritten) and expected outputs.** PBO objectives relate to policy reform in the areas of water, transportation (earlier part of the portfolio), administrative reform, financial reform, and reforms in the health and education sectors. The administrative reform PBO is expected to impact across different sectors, and has started to do so. These reforms are part of the priorities of the GoM. The unwritten objective is to influence the nature of some of these reforms, for example in the case of the health sector reforms, according to lessons and best practices of the AfDB and some of its partners such as the World Bank. An additional unwritten objective relates to the facts that *BPOs are clearly faster disbursing and can be less management-intensive* than investment projects, and that this is something that AfDB staff are assessed on.

The expected outputs are an improved governance environment, and ultimately an impact on equitable access and quality of basic services in Morocco through an improved economic and social framework, and in this manner to contribute to poverty reduction and to the achievement of the Millennium Development Goals (MDG).

**H5. How was the overall level of PBO determined in the country budget?** There is no overall level for PBOs in the country budget. The use of PBO funding for certain initiatives is based in the first place on the preference of the government (for example for the Emergency Support to the Education Sector the government insisted on a policy loan), the nature and purpose of the operation (i.e. if the programme relates to policy issues, rather than investments/infrastructure), and is also guided by what other donors were doing. Staff at the MAFO are not aware of any ceiling on PBO funding within the country budget, or any ceiling generally within the AfDB.

**H6. Choices between aid instruments** are a function of the expressed preference of the GoM for PBL, the lessons learned from previous operations, the modalities used by other partners in these sectors, the nature of the interventions (i.e. policy support versus an investment/infrastructure project), and the assessment by the AfDB appraisal team of the most appropriate modality. For example, the earlier support by AfDB to the education sector was an investment loan as this had a predominant infrastructure focus. However, the Emergency Support to the Education Sector which was approved in 2009 was designed as a PBO. In part this was because the GoM had expressed a strong preference for this instrument. There had also been a negative experience and considerable problems with the earlier education loan for which a part of the funds were not transferred by the Bank because of issues around accounting. And other donors were using PBL instruments to support this initiative which was primarily focussed on policy reform in the education sector.

**H7. Design of PBO in relation to specific institutional, economic and political context?**

The design of policy reform programmes is strongly driven by and mostly in the hands of the GoM which proposes these programmes for financing to development partners. The appraisal process then focuses on fine tuning the overall programme of reforms in line with the joint assessment (GoM and

financing partners) of the feasibility of the proposed reforms. In this process institutional, economic and political concerns are taken into account, as well as the nature of other on-going reform processes, and may become part of the conditionalities that are identified. For example, in the case of PARCOUM, AfDB has insisted on the organigram of the MoH as this is an essential element of administrative reform.

**H8. Other incentives?** In Morocco the Government has a clear policy and preferences around aid, and it is therefore difficult to not comply with these preferences. Also, Morocco has been making steady progress in improving its systems. In fact it is one of five countries where the World Bank will be piloting the use of local procurement mechanisms.

#### I: How relevant was the PBOs support to partner country problems, policies and priorities and were policy reforms owned?

11. Was the PBOs support consistent with the national poverty reduction objectives and development plans of the Government? Explain how this was assessed
12. How far were the policy and institutional reforms targeted by the PBO developed by and in consultation with local stakeholders (both within and outside government) and how far did they engage in preparatory analysis?
13. In what ways did the AfDB analyse the political economy context and the potential winners and losers from policy and institutional reforms?
14. Were alternative policies and reform measures considered?
15. What inputs were actually provided and to what extent did they match the plans envisaged by the Government?
16. Explain the process by which the programme was designed to ensure it was appropriate for achieving the objectives (e.g. adequate programme logic, appropriate reform instruments, adequate tranching?)

#### Answers

##### I1. Consistency of PBO with national poverty reduction objectives and development plans of the Government? How assessed?

The PBOs are consistent with the development plans of the Government as the reform programmes are developed by the GoM and are closely linked to the Government's Programme Economique et Social (PES) for the 2007–2012 period. The PES has three main pillars which are: a) improving governance; b) developing economic and business infrastructures; and c) promoting human development. The PBOs that were financed by the Bank are perfectly aligned with these priorities. PARAP (I through IV) is aligned with GoM priorities in terms of governance, PADESFI focuses on economic development, as did PRES and PRST, and the Emergency Education Support, support to the Water Sector and to Health (PARCOUM I and II) reflect the priorities of the government under the third human development pillar.

The assessments have been done through appraisal missions which are frequently done jointly with other partners and which involve extensive consultations with partners and are based on an analysis of extensive analytical work. For example, the design of PADESFI took into account extensive earlier analytical work including the Public Expenditure Review, the Public Financial and Accountability Review, the Country Financial Accountability Assessment, and the Report on the Assessment of Country Goods and Services Procurement Capacities.

##### I2. Involvement of local stakeholders (from inside and outside government) in preparatory analysis?

AfDB and other DPs hold regular consultations with the GoM during all stages of programming, and the GoM has a strong lead in these processes. As noted above, the GoM has a major role in proposing the major areas of reform and presenting these to DPs. This reflects Morocco's Middle Income Status, a high commitment and capacity of the GoM, and also the fact that the lion's share of the budgets of these reform programmes is in fact funded by the Government (upwards of 80 percent). Nonetheless, development partners work closely with the GoM in the appraisal process, which will also involve consultations with other stakeholders. Sector ministries are widely consulted as part of the appraisal and monitoring processes, and regular consultations take place between GoM and DPs for all the PBOs (at least twice a year). Consultation with CSO has become a stronger element of these processes, although there is still room for improvement. For example, even though the design of PARCOUM I involved extensive interactions with

stakeholders at all levels (GoM authorities and technical staff, DPs, health service providers, insurance companies, beneficiaries, etc), the health reform process was delayed because the GoM and the MoH wanted to conduct wider consultations on the nature and implementation of the reforms of the health system.

### **I3. AfDB analysis of the political economy context and the potential winners and losers from policy and institutional reforms?**

*Overall there is evidence of analysis of the political economy, but with uneven treatment across programmes, and there is only limited evidence of analyses of the potential winners and losers from policy and institutional reforms.*

For example, for the PARAP programme, risks related to action by labour associations and the political will to implement difficult social reforms were identified. However, the measures for attention were not appropriate, and did not result from a wider analysis of the context and issues. The PARCOUM II Appraisal document identifies three risks to the programme: a) lack of donor support; b) increase in food prices resulting in a reduction in nutritional status and the extent to which this might affect the health indicators; and c) the risk that the budgetary impact caused by the restructuring of the Ministry of Health might not be borne by the State budget. Corresponding measures for mitigation are identified but are not assessed for their relevance and degree of feasibility. There is also no broader analysis as to how the range of reforms in the sector might affect stakeholders e.g. in terms of the impact of the reformed health coverage package on access, the impact of the reform on health care providers, etc. There is also little evidence of lesson learning in this area from one programme phase to the other. So while lessons relating to implementation are taken into account in the design of the subsequent phase (i.e. the need to set more realistic conditionalities) the actual nature of the reforms and in particular how these are panning out are not discussed in the programme documents.

### **I4. Were alternative policies and reform measures considered?**

Choices of policies and reform measures are made by the GoM, and endorsed by the DPs who jointly fund these reform processes. The stipulation of additional conditionalities to the ones that are jointly agreed upon is the only way that AfDB (and other partners who choose to have additional conditionalities) have of setting specific policy agendas and this choice is guided by AfDB's own policies and priorities. However, there is no consistent discussion in the documentation as to whether alternative policies and reform measures were considered. It is possible that the discussion on these choices is not documented.

### **I5. What inputs were actually provided and to what extent did they match the plans envisaged by the Government?**

*Inputs matched the agreed amounts in financial terms, but in some projects overall DP contributions fell short of the GoM needs for external resources. Inputs in the form of technical assistance by AfDB have been far below GoM plans and expectations.*

For the various PBOs inputs were provided according to the planned contribution by AfDB. However, the extent to which the shortfall (between GoM funding and funding provided by donors) was met varied among the different PBOs which AfDB co-financed with other partners.

In many of the programmes AfDB's contribution to joint programmes varies substantially, from 4.6% for PADESFI, 10.5% for PARAP IV, and 18% for PARCOUM II. AfDB funding is usually at par with that of other external co-financers. However, GoM own funding represents the bulk of the funding to the reform programmes (in some cases upwards of 60% as in the case of PARCOUM I). In some cases the shortfall identified is more than met by the commitment of DPs – e.g. the Emergency Education Programme was 'overfunded' with commitments by partners exceeding the identified shortfall. In the case of PARCOUM II, however, DP funding only added up to 27.5% of the identified funding gap.

Inputs also include technical input into programme design and implementation, and this is an area where the GoM would like to see considerable support from DPs and from AfDB in particular. For PARCOUM and the Emergency Education Programme complementary technical support was envisaged. However, in the case of education there have been serious delays in the provision of this support affecting the implementation of the foreseen reforms. Overall, the GoM has over the evaluation period continuously expressed a desire for a greater technical input from the AfDB, and although there have been improvements with the opening of the MAFO, the technical input is still short of what the GoM expects.

**J: How efficiently and effectively did the AfDB collaborate with other donors and contribute to the harmonisation process?**

- J1. What were the areas of focus for AfDB conditionality and did this generate any “signalling” effects and positive incentives for implementation?
- J2. In the PBO process, what steps were taken to ensure an effective dialogue with government was established which focused on key strategic priorities of Government, for example around PFM or procurement issues or other national or sectoral policies?
- J3. Was the PBO associated with non financial forms of assistance such as economic and sector work or technical assistance or linked to other AfDB capacity building projects and programmes in areas of strategic priority for Government? If so, specify how.
- J4. Explain how the AfDB provision of PBO has contributed to harmonisation and helped reduce transaction costs for Government?
- J5. How well did AfDB systems support harmonisation in country-in particular what was the role of the HQ based task leaders, convenience of mission schedules, engagement and voice in joint donor groups, role of the Field Office, Field Office and HQ relations etc.
- J6. If there has been non-compliance, explain what happened and specify how effectively AfDB dealt with this and was action taken and the extent to which they occurred in collaboration with development partners?

**Answers****J1. Areas of focus for AfDB conditionality? “Signalling” effects/positive incentives?**

*PBO support is mostly provided in a multi-donor context.* In their support to PARCOUM, PARAP and PARESFI, GoM and donors have worked towards a system of joint matrices of conditions and indicators, although AfDB has added to these matrices specific conditionalities and indicators, reflecting specific issues that it would like to influence or have information on (e.g. in the health sector on the number of days per year that laboratory and radiology equipment is not used, to have an idea about extra costs incurred by patients who are told to go to other health facilities to use this equipment). In the education sector there is increasing harmonisation and there are agreed joint indicators but no joint matrix of conditionalities. A learning process has taken place on both sides with respect to conditionalities. Earlier AfDB PBLs (e.g. in Water) had over 60 conditionalities complicating the implementation and assessment process, as well as the actual disbursements as often conditionalities focussed on issues beyond the direct responsibility of the sector concerned and ended up not being met. Based on experience of difficulties in managing this, AfDB has moved to a shorter list of conditionalities. However, important points to note are that:

- a) There is a substantial difference between sectors/PBOs in terms of the level of ‘difficulty’ of conditionalities and therefore also in the extent to which these really have a signalling effect. For example in the Emergency Education Programme which was recently approved, the conditionalities were actions which had already been undertaken or were likely to soon be completed, and some other partners (e.g. EU) felt that this had no signalling value at all, rather that it had been “easy money”, and contradictory to the earlier (investment project) phase when AfDB had been very (perhaps overly) demanding. Some other partners indicated that this approach puts them in the position of being the ‘bad cops’.
- b) In the case of PARAP where there is a single disbursement up front, conditionalities are easier to meet, especially since these are designed to include actions that have either already been completed, or that are ongoing and therefore very likely to be completed in a short period of time. In this context successive phases of PARAP (I through IV) have allowed for conditionalities to be “adapted” to progress made. This limits the degree of pressure on the GoM. PBOs with two tranches – such as both PARCOUM I and II – are more challenging as the conditionalities are set, regardless of how the process has evolved, and in the case of PARCOUM some of the conditionalities that were waived in PARCOUM I were re-introduced in PARCOUM II to ensure compliance. This makes the disbursement of the second tranche a greater challenge.
- c) There is substantial variation in terms of the kind of conditionalities – these may reflect relatively minor and easy to achieve steps such as the drafting of a guideline at sectoral level (which may even already have been completed), or a major and more difficult piece of work such as the

- approval of piece of sectoral or general legislation by Parliament.
- d) The existence of conditionalities that are specific to a partner, such as is the case in the education sector, results in contradictory messaging vis à vis the Government when one partner insists on certain issues and others (in this case the AfDB) disburse against a much lighter set of conditions.

#### **J2. In the PBO process what steps taken to ensure an effective dialogue with government?**

*There is dialogue with government through joint appraisals and reviews and through AfDB participation in thematic groups.*

In all sectors there are bi-annual consultations with the Government, and there are also consultations with the Ministry of Finance (MoF). Joint missions are undertaken for design and for reviewing progress. In the case of monitoring missions there will be prior communication to the Government of the documentation that the GoM needs to present to show compliance with the conditionalities. In addition AfDB has participated in thematic groups at sectoral level; AfDB does not, however, take the lead in any of the thematic/working groups. Dialogue by AfDB is in some case seen as being limited by the fact that some portfolios (such as PARAP and PADESFI) are managed from Tunis, implying that participation only takes place in the context of a formal mission, but not during intermittent meetings. The Portfolio Review '2007) of the MAFO noted that "the Bank should pursue dialogue on increasing the number of thematic Groups to include all sectors and thereby allow for better assistance in country in the structural reform efforts" (AfDB, 2007a, p. iii)

#### **J3. Was the PBO associated with non-financial forms of assistance such as economic and sector work or technical assistance?**

*Yes in the Education Sector;* sector studies have been planned in support of the reforms that are being promoted though the Emergency Education Programme. These were to be funded from TAF sources. *In health also, three complementary PRI projects are in place.* These focus on strengthening and building capacity of the Caisse de Prévoyance Social, of the Assurance Maladie, and the Surveillance System of the MoH.

As noted above, the GoM would like to see AfDB doing more around technical studies. For sector ministries the technical input is often a greater incentive than the PBO itself as the funding is not directly provided to the ministry concerned. However, the instrument that is currently in place for AfDB funding of technical support and studies is very cumbersome. Requests often require an inordinate investment in time and it is not seen as worthwhile to spend the effort.

#### **J4. Explain how the AfDB provision of PBO has contributed to harmonisation and helped reduce transaction costs for Government?**

Harmonisation is evident in the *development of joint programmes in all the areas that are co-funded by AfDB with other partners and with the GoM.* This has been a trend in DP support in general, and has been very strongly encouraged by the GoM. Greater harmonisation was facilitated in 2009 when four of Morocco's main donors – World Bank, AfDB, AFD and EC – all either prepared a new strategy (World Bank and AFD) or updated their strategies at the mid-way point (EC and AfDB), with broad national and cross-donor consultation and collaboration.

Certain partners have made a particularly strong technical contribution to these efforts. AfDB has joined these processes but has not played a strong leadership role in them although the prioritisation of joint programmes for the better part of the evaluation period by AfDB has in itself a strong signalling function. In these joint programmes AfDB and other partners use government reporting and auditing mechanisms and financial reports, with funds being channelled through government systems. AfDB also participates in joint sector reviews and joint dialogue with other DPs. These actions were cited as having made a considerable difference in terms of the amount of time that Government spends on coordination and on other donor related procedures.

#### **J5. How well did AfDB systems support harmonisation in country?**

*AfDB has joined other partners in the harmonisation process that has been strongly encouraged by the GoM.* The fact that PBO lending does not require specific procurement processes and/or presentation of detailed accounts/separate audits has made it much easier for AfDB to be harmonised and to align with Government systems. However, AfDB is not fully harmonised through its insistence on specific conditionalities and indicators.

**J6. Has there been non-compliance, what happened, and how effectively and coordinated did AfDB deal with this?**

Non-compliance has been an issue in the Health (PARCOUM) programmes. For PARCOUM I, the non compliance with certain conditions resulted in the request for a derogation which was authorised by the AfDB Board of Directors. However, these same conditionalities have been included in PARCOUM II and now risk “blocking” the transfer of the second tranche of PARCOUM II. In both cases AfDB has dealt with these issues bilaterally with the GoM, but has kept other DPs informed.

*A difficulty for AfDB has been the fact that it cannot accept partial compliance with conditionalities* (for example as the EC does when it disburses proportional to progress), and that it cannot replace agreed conditionalities with others that are considered equal (as is the case with the World Bank).

**K: How far were the immediate objectives of PBO met and what were the effects on Government?**

- K1. Specify how AfDB contributed to an increased external resource flow into the Government budget over the period of successive PBO tranches?
- K1. Specify how AfDB contributed to an increased external resource flow into the Government budget over the period of successive PBO tranches?
- K2. Were AfDB funds disbursed as planned and in line with a timetable agreed with other donors and the Government? If not, what happened and why?
- K3. Did the PBO contribute to an increased predictability of funds going into the Government budget e.g. in year and between years as well as over the medium term budgeting cycle? If so, specify, if not explain why and what happened
- K4. To what extent did the PBO align with the Government budget cycle (financial management, accounting and procurement systems)?
- K5. Did the provision of PBO contribute to any overall reduction in transaction costs? If so, in what ways, and how was this positive outcome assessed? How did transaction costs of the Government working with the AfDB compare to those of other donors?
- K6. What did the AfDB achieve in terms of greater alignment? How did this compare with other donors?
- K7. How did AfDB systems support or limit alignment of PBOs to country systems and needs e.g. in relation to annual and multiyear budgeting, degree of AfDB flexibility to accommodate timing, and the degree to which Bank procedures support disbursement early in the financial year?

**Answers****K1 AfDB contribution to increased external resources?**

*The AfDB contributed to increased resource flows through the GoM budget.* The doubling of the country budget over the evaluation period has meant that funding for the GoM has also increased. This is in part due to the activation of the benchmark scenario which has made additional funding available.

**K2 Disbursement according to plan and in accordance with and agreed timetable?**

*No, not always.* For example, the disbursement of PARAP IV happened at different moments for different donors because of differences in fiscal cycles and the urgency of the government for funding (i.e. AfDB disbursed earlier than the WB) given the financial crises. Also, delays have occurred related to non-fulfilment of conditionalities (see G1). Linked to the conditionalities are also capacity issues, which in some sectors have also affected the disbursement of planned contributions, sometimes for extended periods (e.g. PAS Eau, PARCOUM).

**K3. Contribution to increased predictability of funds going into the Government budget?**

Generally predictability has gotten better as better planning and design of the PBO operations, including with respect to the conditionalities, has allowed for disbursements to happen closer to planned dates.

**K4. Extent to which PBO aligned with the Government budget cycle (financial management, accounting and procurement systems)?**

PBO funding is completely aligned with Government systems. However, the singling out of specific conditionalities in some sectors contradicts principles of alignment and should be reviewed.

**K5. Provision of PBO and how this contributed to any overall reduction in transaction costs? If so, in what ways, and how was this positive outcome assessed? How did transaction costs of the Government working with the AfDB compare to those of other donors?**

Yes, substantially. Government officials at the Ministries of Finance, Education and Health all underscored the important reduction in the amount of time spent managing different donor requirements, and meeting with donor missions, which are now mostly joint.

**K6. What did the AfDB achieve in terms of greater alignment? How did this compare with other donors?**

*Use of country systems and procedures*, idem for most other donors which provide BS or SBS. Approximately 80% of donor financing between 2007–2009 has been disbursed using national systems either through BS or other aligned instruments, and BS is widely used by Morocco's larger donors – the EC (for which it exceeds 90 percent), the AfDB, and the WB – and is becoming an increasingly important instrument for bilateral donors. However, the use of specific conditionalities still detracts from the progress towards better alignment, as this kind of priority setting puts an extra burden on Government in terms of accountability.

**K7. How did AfDB systems support or limit alignment of PBOs to country systems and needs e.g. in relation to annual and multiyear budgeting, degree of AfDB flexibility to accommodate timing, and the degree to which Bank procedures support disbursement early in the financial year?**

There were few reports from staff at the MAFO that Bank procedures for PBOs delayed disbursement, although delays have happened in the preparation phase of PBOs. Part of these delays is explained by the need to harmonise with other partners.

However, for project funding, including for the technical assistance projects in education and health, there are important delays due to the need to get no objections from HQ and due to delays in general in terms of processes and procedures.

**L: What contribution has AfDB support made to improve policy, systems or institutions in the areas where PBOs were focused?**

L1. What policy changes have been introduced over time in areas or sectors where the PBO conditionality was focused and why were these changes made?

L2. In what ways did AfDB policy dialogue in specific areas such as PFM contribute to improved results in those areas?

L3. What is the role of the AfDB field office in relation to the use of PBOs?

L4. What were the type, role and use of pre conditions by the AfDB and what specific influence did they have?

L5. What institutional or system changes have taken place in areas or sectors where the PBOs conditionality was concentrated?

L6. To what extent is it able to show how far can any of these institutional or system improvements be attributed to AfDB engagement and provision of PBOs?

L7. What do Government and donors think was the value added arising from AfDB involvement and provision of PBOs?

**Answers**

**L1. What changes have taken place in areas/sectors of focus for PBO conditionality?**

*Overall social sector expenditure has increased over the evaluation period and there has been an improvement in key indicators of economic and social development.*

Support to policies has produced the following key changes:

The percentage of the population covered by health insurance has increased from 16% in 2002 to 31% in 2008, and a health scheme for economically disadvantaged persons has been piloted in large area and should be extended in the next two years. Other areas of progress include the extensive programme of civil service reform (still ongoing), which includes an element of voluntary departures, and has started contributing to capping the wage

bill, which has seen a decrease from 12.8% of the GDP in 2005 to 10% in 2010. Support to administrative reform has also resulted in the development of Medium Term Expenditure Frameworks (MTEF) for 9 key sectors, with better planning and monitoring of budget processes and priorities. A further 19 departments are expected to be part of this process by 2011. Progress has also been made in the decentralisation process, with greater levels of budgetary and planning responsibility delegated to lower levels. Morocco has made important progress in the area of public procurement, which has improved the investment climate, and in particular the confidence of foreign investors.

#### **L2. Contribution of AfDB policy dialogue in specific areas to improved results:**

AfDB has participated in joint policy dialogue with the GoM, and partners appreciate the quality of its technical input. The opening of the MAFO has strengthened the capacity of the AfDB to participate in the policy dialogue. However, the lead on policy discussions is often taken by partners with a stronger country presence and stronger technical presence, as is the case of the World Bank. It should also be noted that the GoM is very much in the driving seat with respect to the reforms and programmes that it has called into being in response to its development plan. This leads to a situation where the GoM presents its 'ready-made' programmes of reform to DPs, rather than drafting them jointly from scratch (although the Education Emergency Programme was an exception in that it was jointly prepared with DPs). This process leaves a smaller 'margin for negotiation' than might otherwise be the case.

#### **L3. What is the role of the AfDB field office in relation to the use of PBOs?**

The role of the MFO is to *monitor progress on PBOs and report back to HQ*. The field office also participates in appraisal missions and in reviews, but these are led by HQ.

#### **L4. Type, role and use of pre conditions by the AfDB and how does influence take place?**

As noted above, the type, number and role of pre-conditions (or conditionalities for a first disbursement) have *changed over time*. This has evolved from a very heavy process with numerous difficult to achieve conditionalities to more realistic and often lighter options relating to issues such as establishing bank accounts or developing an operations manual (e.g. in Education). However, there are still differences between sectors in terms of the type of conditionalities.

#### **L5. Institutional/system changes in areas/sectors of PBOs conditionality?**

In Administration and Health changes are still in the process of implementation. There has not yet been progress on an important area of the PBO conditionality in health which relates to the organigram of the MoH.

#### **L6. How far can improvements be attributed to AfDB engagement and provision of PBOs?**

AfDB improvements can be considered *proportional to its financial input into the programmes concerned* as these are largely Budget Support Operations. As mentioned above, these contributions range roughly from 5 to 20% of external funding to programmes in a variety of sectors.

#### **L7. What do Government and donors think was the value added arising from AfDB involvement and provision of PBOs?**

*A substantial amount of value added comes from the additional financial resources which AfDB provides allowing the GoM to implement its priority areas of reform.*

AfDB is seen as a *good technical partner*. Its technical input is much appreciated, especially in the design phase of PBOs when expertise comes in from Tunis (although there were observations about the variability in quality of this technical support). However, AfDB has provided very little complementary technical assistance and institutional support, while this is an area of great interest to the GoM, and very relevant to a fast changing, dynamic environment with important policy reforms.

Added value also comes from the fact that AfDB is seen as being a privileged partner which is closer to the GoM than others and from its understanding of regional issues. This is seen as valuable both by the GoM and by other DPs as putting a different weight/perspective into the discussions.

**M: Is there any evidence of a sustained improvement in pro poor spending or public services and have external donor contributions including that by AfDB, contributed to this?**

M1. What has been the total financial contribution of the donor community and what proportion of this total was financed by AfDB?

M2. Has the quantity or quality of public services improved in the areas where commitments were sought by the donors and the AfDB? If so specify how.

M3. To what extent can any improvement be attributed to the external donor support including that of the AfDB? Specify.

**Answers**

**M1. Total financial contribution of the donor community and proportion financed by AfDB?**

The total financial contribution of the donor community is between 4 and 5 % of government funding in 2007 (WB, 2010, p. 141). This means that the bulk of spending comes from the GoM. Nonetheless this percentage of ODA is higher than that of many Middle Income Countries.

**M2. Improvement in quantity/quality of public services in areas supported by AfDB?**

2004 Evaluation by OPEV concludes that the results achieved by the Bank during the period reviewed (1995–2004) had essentially been in the context of macro-economic and sectoral reforms support, as well as infrastructural strengthening. It also noted that “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 are barely discernible” (p. iv)

Absolute poverty has decreased markedly in the decade of the evaluation (World Bank, 2009, p. 7), with higher reductions in the rural areas (10.6 points) than in the urban area (2.8 points). However, vulnerability continues to be important: 17.5% of the population lives below the poverty line.

Education has seen an improvement in access, with most gains at primary level, and far less at secondary level. Overall illiteracy rates and gender disparity in access to secondary education remain very high. Both education quality and learning outcomes severely lag behind those of other countries with similar income levels.

There has been some recent improvement in health indicators but important gaps remain i.e. maternal and infant mortality at unacceptably high levels given Morocco's overall level of development, and substantial urban and rural differences in indicators.

**M3. Extent to which improvement be attributed to the external donor support including that of the AfDB?**

DP funding represents only a very small proportion of spending in Morocco. However, DP funding has allowed the GoM to initiate and sustain reforms which it might not otherwise have been able to initiate/pursue.

## Annex B Country Time Line

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
1960s		<b>1967:</b> The Bank Group established cooperation ties with Morocco.	<b>1961:</b> Following the death of King Mohammed, King Hassan II comes to power. <b>1963:</b> First general elections. <b>1965:</b> Social unrest leads King Hassan to declare a state of emergency and to suspend parliament.
1970s	An economic crisis was experienced by African economies in the 70s; this was largely attributable to endogenous factors that were embodied in inappropriate policies adopted by Governments. The first generation of Policy Based Loans (PBLs) came about partly in response to this crisis (at the end of 1970s and the 80s) the loans focused on redressing short-term macro-economic imbalances.	<b>1970s:</b> Five projects took place during the 1970's with the Moroccan National Office for Electricity (ONE) . The total value of the loans provided by the AfDB were UA28.4 million.	<b>1971:</b> There is a failed attempt to depose the king and establish a republic. <b>1976:</b> Fighting takes place between Moroccan and Algerian troops in Western Sahara. Algeria announces the formation of the Saharawi Arab Democratic Republic (SADR) with a government-in-exile. Morocco and Mauritania divide up Western Sahara. <b>1976 onwards:</b> Fighting between Moroccan military and Polisario forces; the war is a considerable financial drain on Morocco.
1980s	AfDB introduced Policy Based Loans (PBLs) in the 1980s in response to the demand by the bank's Regional Member Countries (RMCs) for support in balance of payments as they implemented stabilisation and structural reforms. <b>1984:</b> The Board of Directors approved non-project lending to regional member countries	<b>1985–1987:</b> Agricultural Sector Adjustment Programme (ASAP) a loan was approved in October 1985 for UA45 million. This was signed in November 1985 and became effective in October 1986. <b>June 1986:</b> Micro Hydro-Electric Power Plants project was approved. A loan of UA0.78million was signed in January 1987 and became effective in March 1988.	<b>1983:</b> Relations between Morocco and Algeria improve following a summit between King Hassan and the Algerian president. <b>1983–1991:</b> First Structural Adjustment Program (SAP); the economic policies which are pursued result in expenditure cuts: social expenditures per inhabitant

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	<p>and laid down the necessary guidelines such that the Fund would support institutional and policy reforms already being undertaken by borrowing countries and in close collaboration with the WB and IDA.</p> <p><b>1986:</b> The ADB Group decided to strengthen its intervention in the area of economic policy and policy dialogue with member states.</p> <p><b>1987:</b> Establishment of the Special Programme of Assistance to Africa (SPA).</p> <p><b>1988:</b> Publication of the AfDB's '<u>PBL Guidelines and Procedures</u>'</p>	<p><b>1987–1989:</b> ASAP II a loan of UA116 million was provided, contributions were also made by the World Bank and the Moroccan Government. The first disbursement was made in January 1988 and the final disbursement in December 1989. The programme objectives were the fulfilment of the Moroccan agricultural policy which came out of a five year economic and social development plan (1981–1985) and Morocco's Economic Recovery Plan.</p> <p><b>October 1987:</b> a loan of UA 21.60 million was approved for the Loukkos Agricultural Development Project. The aim of this project was to improve the standard of living of farmers on the lower Loukkos plains through increased agricultural productivity. The project is co-financed with the Moroccan Government and Arab Fund for Economic and Social Development (AFESD). The project overran in terms of cost and time, whilst it was meant to be implemented in 3 years it was delayed for over two years at start-up. This was due in part to incompetence of those companies contracted whose contracts were terminated.</p> <p><b>November 1987:</b> The Transport Sector Programme, a loan of UA94 million was approved. This was to strengthen and rehabilitate specific roads, ports, airports and railway links. The loan agreement was signed in March 1998 and the project was completed in December 1998.</p> <p><b>October 1988:</b> a project called Matmata Hydroelectric Project was approved in February the following year a loan for UA51 million was signed.</p> <p><b>March 1989:</b> the Electricity VII project was approved. A loan of UA39 million was provided this became effective in January 1990.</p> <p><b>March 1989:</b> Basic Education project was approved a</p>	<p>decrease between 1982 and 1990 in real terms by 23%.</p> <p><b>1983:</b> The planned elections are cancelled by the King of Morocco amidst political unrest and economic crisis.</p> <p><b>1984:</b> Morocco leaves the Organisation of African Unity in protest that the Saharawi Arab Democratic Republic (SADR) has been allowed to join.</p> <p><b>1986:</b> An added value tax was introduced which effectively taxed production activities. A tax on society profits replaced the professional profits, and the tax on general income was also introduced.</p> <p><b>1988:</b> Diplomatic relations with Algeria resume.</p>

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

*Country case study: Morocco*

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
		<p>loan of UA31 million was signed in August 1989 and became effective in July 1990.</p> <p><b>August 1989:</b> Structural Adjustment Program was approved. A loan for UA100 million was signed in September 1989.</p>	
<b>1990s</b>	<p><b>1990:</b> Special Programme of Assistance for Africa (SPA) discussions – it was agreed that the case for earmarking of counterpart funds for specific uses should be decreased as progress is made in effective public expenditure monitoring and periodic reviews.</p> <p>From the beginning of the 1990s a second generation of PBLs began. These were focused on long-term objectives such as sustainable growth, private sector development and poverty reduction.</p> <p><b>1992:</b> Special Programme of Assistance for Africa (SPA) report on PERs – this recognised that generally agreed aims of priority spending are not easily achieved.</p> <p><b>1993–1995:</b> The bank financed very few projects as a result of the non-availability of African Development Fund (ADF) resources.</p> <p><b>From 1999,</b> the governance component of reforms within the African Development Bank (AfDB) increased, including legal and judicial reforms, audit reform, and public expenditure reforms. Also, PBLs started addressing some aspects of regional integration.</p>	<p><b>May 1990:</b> Loans were approved for the natural resources protection project, a loan of UA8.33 million from the ADB, UA3.79 million from ADF and UA2.44 million from TAF. The aim of the project was to protect natural resources and to improve the management of wildlife and flora. The loan and the grant were signed in October 1990 and no conditions or precedents were attached. The project was delayed for four years partly due to a drought but also due to government budget restrictions. In July 1997 the ADB loan was cancelled and this part of the project was then covered by the Government.</p> <p><b>May 1990:</b> approval of loans for the Pastoral and Livestock Development Project in the East. The loans ADB UA5.46 million and ADF UA15.47 million were signed in October 1990. The aim of the project was to improve the living conditions amongst the stockbreeders of the East, control rural exodus and stop desertification through appropriate actions with the active participation of the beneficiaries organised in cooperatives. The project was due to last for 8 years and to be completed in December 1999.</p> <p><b>June 1990:</b> Second Road Transport Project was approved by the Bank. The loan agreement was signed in December for UA25.7million and the loan became effective in February 1992.</p> <p><b>May 1991:</b> El Hachef Dam Project was approved. The loan agreement for UA44 million was signed in</p>	<p><b>1982–1991:</b> Government expenditure on education and health decreased from 6.5% to 5.3% and from 1.1% to 0.9% of GDP.</p> <p><b>1991:</b> A UN-monitored ceasefire begins in Western Sahara, but the territory's status remains undecided and ceasefire violations are reported. During the 1990s there is much negotiation over a proposed referendum on the future of the territory but the deadlock is not broken.</p> <p><b>1996:</b> The Economic and Social Development Plan of 1996–2000 was the first official document to declare the fight against poverty as a national priority.</p> <p><b>1998:</b> Morocco's first opposition-led government comes to power after which there are major economic and social reforms in nearly all sectors.</p> <p><b>1998:</b> The adoption in 1998 of the law on the functioning methods of financial structures which have already been implied in the micro-credit system (since the early '90s).</p> <p><b>1999:</b> King Hassan II is succeeded by his son, Mohammed VI.</p>

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
		<p>November 1991 and became effective a year later in October 1992.</p> <p><b>October 1990:</b> Support For Second Cycle Of Primary Education In The Rural Areas this UA206.19 million project had a loan of UA37 million approved by the ABD. The project aimed to expand and improve second level education in rural areas. The loan agreement was signed in May 1991. The loan amount was reduced at the request of the Government to UA14 million.</p> <p><b>October 1991:</b> a loan of UA130 million from ADB was approved for The Upper Doukkala Service Irrigation Project, the loan agreement was signed in March 1992. The national objective of the project was to increase the country's food security. The regional objective was to increase the incomes of 27.000 farmers. The conditions of the loan were fulfilled one and half years after the signature of the loan agreement. The project was co-financed by the European Investment Bank (EIB) and the Arab Fund for Economic and Social Development (AFESD) as well as the Government of Morocco.</p> <p><b>October 1991:</b> a loan of UA30 million was approved for a line of credit to BCP, CME, BCM. This became effective in January 1993. Two additional lines of credit for the same organisations were also approved at the same time this time with two loans of UA25 million and became effective a few months later in April 1993. A loan to CIH for UA10 million was also approved on the same date, this became effective in November 1993.</p> <p><b>January 1992:</b> Financial Sector Adjustment Program. The loan of UA75 million was signed in March 1992.</p> <p><b>March 1992:</b> 5<sup>th</sup> Safe Water Project. (RADEEF) approval was given for loans of UA55.8 million and</p>	

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

**Country case study: Morocco**

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
		<p>UA4.2 million to the National Water Authority to improve access to drinking water in 11 towns (total population covered 3 million). The project was completed in 2000. A second loan was also provided for the Fifth Safe Water Project (ONEP) this loan for 55.8 million was approved at the same time and became effective in January 1994.</p> <p><b>August 1992:</b> a project for the Strengthening of Rural Health Care in 10 Provinces was approved. A loan for UA18.5 million was signed in January 1993 and was made effective in October 1994.</p> <p><b>December 1992:</b> Airport Rehabilitation Project, a loan was approved for UA70 million. The loan agreement was signed in April 1993.</p> <p><b>March 1993:</b> Education Project V, an ADB loan for UA30 million was approved. The project aims at improving the quality of primary and secondary education by enhancing their internal and external efficiency, as well as promoting adult literacy and environmental education. The total cost of the project was UA48.49 million. The loan agreement was signed in March 1993 but became effective 3 years later due to difficulties that the Government had with fulfilling the effectiveness conditions. A further loan was provided under the name of this project in 2007.</p> <p><b>May 1993:</b> 6<sup>th</sup> Line of Credit to the National Bank for Economic Development (BNDE) a loan of UA70 million was provided by the ADB. The credit was to be used to increase resources in industry and tourism. However the BNDE requested a cancellation of 38% of the loan due to over liquidity in the financial market as this had led to a decrease in the financing requests.</p> <p><b>May 1993:</b> Line of Credit to SGMB for UA20 million by</p>	

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
		<p>1997 this loan had not yet become effective.</p> <p><b>June 1993:</b> a DB/TAF grant for UA1.657 million was approved for a Mining Development Plan Study. The project's objective was to promote the development of the country's mining potential. The Memorandum of Understanding was signed in November 1993 but there was a delay in implementation as the Bank rules for consultant recruitment were not properly understood. The study was completed in April 1997.</p> <p><b>August 1993:</b> The Third Tranche East Area (Tate) And Gharb Irrigation Development Study, TAF grant was approved. The grant agreement was signed in November 1993. The purpose of the study was to outline technically feasible and economically viable improvements for East Area irrigation and for the 'Bour' rain fed area of the Gharb Plains. All the related bidding documents were also to be prepared.</p> <p><b>September 1993:</b> the Consolidation of Structural Adjustment Program was approved. A loan for UA100 million was signed in the same month. Funding was provided by the IBRD (US\$ 275 million) and the EC (ECU80 million). The AfDB's loan was disbursed in tranches the first in December 1993 and the last in December 1994.</p> <p><b>October 1993:</b> a fifth line of credit to CNCA was approved of UA70 million this followed a fourth line of credit that had been approved in 1989.</p> <p><b>December 1993:</b> The Telecommunications Development Project a loan of UA42.75 million was approved by ADB this contributed towards the 5 year telecommunications modernisation project in Morocco (1993–1997) the total cost of which was UA1.4 billion</p> <p><b>May 1994:</b> 6<sup>th</sup> Safe Water Project, a loan for UA30</p>	

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

*Country case study: Morocco*

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
		<p>million was approved. The loan was provided for the National Water Authority (ONEP) who also provided funding. The project aimed to improve drinking water supply for 2 million people and conduct a study of sanitation systems in 10 towns.</p> <p><b>December 1994:</b> a project for the Renewal of Electricity Transmission networks VIII was approved. A loan for UA65 million was agreed.</p> <p><b>December 1994:</b> the Third Road Project was approved with a loan for UA60 million. The loan agreement was signed in 1995. There were some delays to the project due to non-compliance with Bank procurement rules.</p> <p><b>November 1995:</b> Financial Sector Adjustment Program II was approved. A loan of UA150 million was signed in December 1995.</p> <p><b>December 1996:</b> Railway Rehabilitation Project, approval was given for a loan on UA60.41 million for the renewal, straightening and separating of the alignment lane between Sidi Kacem and Meknès. The loan agreement was signed in May 1997.</p> <p><b>October 1997:</b> a loan of FRF166 million was approved for the Electricity Transmission And Supply Networks Renewal Project. The project aimed to improve the quality of old electrical transmission and supply networks. The loan agreement was signed in May 1998.</p> <p><b>November 1997:</b> Institutional Savings Development Program was approved, two loans were provided of UA73.9 million and UA56.6 million. These loans became effective in June 1998. The World Bank also provided financing of US\$100 million. The program's aim was to enhance the structure of savings and allocation to productive sections of the private sector.</p>	

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
		<p>This was to be achieved through the restructuring of the insurance sector, pension scheme reform and consolidation and development of the capital market. The AfDB funding was disbursed in two tranches in June 1998 and July 2000. The programme was completed and closed in December 2000.</p> <p><b>December 1998:</b> Posts and Telecomms Sector Adjustment Program was approved loan for UA87.6 million was signed in May 1999.</p> <p><b>December 1998:</b> Emerging Economic and Social Reforms Program (ESRP) was approved. A loan of UA164.3 million was signed in May 1999 and became effective in July. The program came from a Government initiative to face the challenges of the lack of economic growth and social deficit. It was co-funded by the World Bank who provided a loan of US\$250 million which was disbursed in a single tranche. The AfDB loan was distributed in two tranches in July 1999 and July 2001.</p> <p><b>December 1998:</b> Railway Rehabilitation Project was approved and the loan of UA52 million was signed in March 1999 it became effective in April 2001.</p> <p><b>June 1999:</b> The DWS Project was approved. The loan agreement for UA23 million was signed in December 1999 and the loan became effective in August 2001.</p>	
<b>2000</b>	<p><b>From 2000</b> there was a new generation of PBLs which marked a policy shift towards Budget Support and Sector-Wide Approaches (SWAPs).</p> <p><b>2000:</b> The AfDB's Board Committee for Development Effectiveness (CODE) strongly endorsed the work program of the Bank's Evaluation Department, OPEV, which</p>	<p><b>November 2000:</b> Quality Basic Education Support Project was approved. A loan for UA42.5 million was signed in May 2001. The project was designed to run for 4 years in order to extend rural secondary schools, encourage quality and innovation in education and strengthening the project executing agency.</p> <p><b>November 2000:</b> a project for the Development of Scientific and Technological Education was approved.</p>	<p><b>2000:</b> The creation of the Social Development Agency (ADS) which has the mission of contributing towards the sustainable improvement of conditions for the poor.</p> <p><b>2000:</b> The Government's Socio-Economic Plan 2000–2004 aims for high sustainable employment generating</p>

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

**Country case study: Morocco**

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	included a move away from project level evaluation to the evaluation of higher-level interventions.	A loan for UA20.6 million was signed in May 2001 and became effective in September.	growth, and improved access of the poor to basic social services. These core objectives are also integrated in strategic documents prepared with the World Bank and the African Development Bank. The Government's strategy is centred on the Drinking Water Program and sanitation programs in rural areas. A full set of reforms and programs are designed and implemented with the help of the World Bank and other international institutions.
<b>2001</b>	<p><b>2001:</b> The Bank introduced Development Budget Support Lending (DBSL) as one of its PBL instruments.</p> <p><b>2001:</b> The AfDB released the 'Handbook on Stakeholders Consultation and Participation in AfDB Operations' which outlines the different tools and techniques for civil society participation in Bank operations including policy formulation.</p> <p><b>2001:</b> The AfDB adopted the evaluation standards developed by the Consortium Evaluation Groups (CEG), which includes a results-oriented, development effectiveness framework for all participating agencies.</p> <p><b>2001 June:</b> OPEV led a workshop on Results-Based Management to inform and solicit viewpoints from managers and staff on the possibility of moving towards a results-based framework.</p> <p><b>2001:</b> First DBSL operations took place in Benin, Burkina Faso and Uganda.</p>	<p><b>April 2001:</b> Development of Information Infrastructure Sector Programme was approved. A loan of UA63.8 million was signed in October 2001.</p> <p><b>April 2001:</b> Improvement and Strengthening of Airport Capacities Project was approved. A loan of UA71 million was signed in January 2002 and became effective in September.</p>	

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	<p><b>June 2001:</b> under ADF-IX Guidelines, the Bank will finance stand alone PBLs targeting governance and regional integration for which the IMF had deemed the macroeconomic framework satisfactory. The first one was for Zambia focusing on Fiscal Transparency and Accountability in June 2001.</p>		
<b>2002</b>	<p><b>2002:</b> A new CSP format was adopted, representing a major start in improving the CSPs submitted to the Board in general.</p> <p><b>2002 June:</b> The AfDB participated in the first Global Roundtable and as a result, it moved forward on setting up and implementing a Balanced Scorecard system.</p> <p><b>November 2002:</b> The management presented to its Board the <u>Results Measurement Framework</u> (RM) that measures results at the intermediate and “bottom-line” levels of ADF operations. Three levels of measures were identified to capture country progress and institutional contributions to country progress.</p> <p><b>December 2002:</b> The Bank established the ‘Development Effectiveness and Results-Based Management’ (DERBM) made up of Managers, Directors or their representatives from each of the Bank’s Vice-Presidencies. The DERBM is mandated to oversee the MfR aspects of HA and MfR in terms of the design, implementation and Bank-wide adoption of policies in these areas.</p>	<p><b>November 2002:</b> Interconnection of Electrical Grids, approval was given for this project. In May 2003 the loan agreement was signed for UA73.7 million.</p> <p><b>December 2002:</b> Financial Sector Support Programme IV was approved. A loan for UA126.7 million was signed a week later. The programme aimed to build the capacity of the Moroccan Financial Sector by adjusting the institutional and regulatory framework, reorganising public finance institutions, reinvigorating capital markets, and strengthening institutional savings. Co-financing was provided by the EC in the form of a grant of UA52 million. Both the EC and AfDB distributed in two tranches in June 2003 and August 2004. The project was completed in February 2007.</p> <p><b>December 2002:</b> Support to Health Coverage Reform (PARCOUM) project was approved. A loan of UA101.4 million was signed in April 2003 and became effective in February 2005.</p>	
<b>2003</b>	<b>2003:</b> the ADF Results Measurement	<b>December 2003:</b> the Water Sector Structural	<b>May 2003:</b> More than 40 people are

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

**Country case study: Morocco**

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	<p>Framework (RMF) is presented to the Board, after being prepared with the World Bank's IDA Measurement System.</p> <p><b>By 2003</b>, CSPs incorporated identified areas of reforms, which would be the focus of the Bank intervention justifying PBLs.</p>	<p>Adjustment Project was approved. In October 2004 the loan agreement for UA198 million was signed and the loan became effective in October 2006.</p>	<p>killed when suicide bombers attack several sites in Casablanca, including a Spanish restaurant and Jewish community centre.</p>
<b>2004</b>	<p><b>April 2004:</b> The board approved the '<u>Guidelines on Development Budget Support Lending (DBSL)</u>'. These are the guidelines for AfDB involvement in budgetary support operations. In line with the international agenda on aid effectiveness, DBSL aims to facilitate alignment and harmonisation and predictability of source flows.</p> <p><b>2004:</b> The board approved the '<u>Revised Guidelines for Bank Group Operations Using Sector-Wide Approaches (SWAsps)</u>'. These are guidelines on how to engage in the provision of assistance to qualifying RMCs in alignment with sister institutions.</p> <p><b>2004:</b> The Board approved the creation of a <u>Post-Conflict Country Facility (PCCF)</u> to provide support for clearing the arrears of countries emerging from conflict.</p>	<p><b>November 2004:</b> Water Supply (DWSS) Project VIII was approved the loan of UA61 million was signed in February 2005 and became effective in November of the same year.</p> <p><b>December 2004:</b> Budgetary Support – Transport Reform (PAST) Project was approved. In February 2005 a loan agreement for UA221 million was signed and this became effective in September.</p> <p><b>December 2004:</b> Administration Reform Support Program I (PARAP)was approved with a loan of UA100 million. It was prepared by the Government of Morocco, the World Bank and the EU. The program aimed to strengthen PFM, improve HR management efficiency, control the public sector wage bill, simplifying administration procedures and formalities. The World Bank provided a loan of US\$100 million and the EC €60 million. AfDB distributed its funding in a single tranche in October 2005.</p>	<p><b>February 2004:</b> An earthquake in northern Morocco kills more than 500 people.</p> <p><b>July 2004:</b> Free trade agreement with the US comes into effect. This follows Washington's designation of Morocco as a major non-Nato ally.</p>
<b>2005</b>	<p><b>2005:</b> The AfDB participated in the Paris Declaration meetings and signed up to the Paris Declaration on aid effectiveness.</p> <p><b>2005 May:</b> The 'ADF-X Financing Policy Guidelines' were published these govern all project loans and grants; policy based lending operations; technical assistance operations; additional resources and any other activities</p>	<p><b>March 2005:</b> Beni Mathar Thermo-Solar Power Station a loan of U125.8 million was approved by AfDB. This project aimed to support the government's efforts to secure electricity access in the country, diversify energy sources and reduce greenhouse gas emissions. A further supplementary loan was provided to increase capacity in 2007.</p> <p><b>June 2005:</b> approval of the SAM Environmental</p>	<p><b>September-October 2005:</b> Hundreds of African migrants try to storm Morocco's borders to get into the Spanish enclaves of Melilla and Ceuta. Morocco departs hundreds of the illegal migrants.</p> <p><b>December 2005:</b> The truth commission investigating human rights abuses during the rule of King Hassan II affirms that</p>

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	<p>of the Fund during the period 2005–2007. Among the guiding principles for the ADF-X operations, the document highlights its efforts towards the principles of the Paris Declaration and its progressive involvement in Sector Wide approaches and Development Budget Support.</p> <p><b>2005 December:</b> The ADF Results Measurement Framework Paper – this paper implies that progress achieved towards meeting the PRS priorities and MDGs will increasingly be attributed to collective HA/JAS process.</p>	<p>Upgrading Project, a loan for UA54.2 million was signed in December 2005 but by December 2007 AfDB 2007a) this loan had not become effective.</p>	<p>592 people were killed between 1956–99.</p> <p><b>2005:</b> The National Initiative for Development (INDH) is announced by the King.</p>
<b>2006</b>	<p><b>2006 April:</b> <u>The revised Bank Group Action Plan on harmonisation, alignment, and managing for results</u> – This paper summarises ongoing Bank activities to promote HA and MfR agenda and sets the Bank's future plans for deepening its work in this area.</p> <p><b>2006:</b> The Bank published '<u>Bank Group use of DBSL and SWAps: Issues and Challenges</u>'. This paper reviews the Bank Groups experience and the challenges faced in the use of these instruments it makes three recommendations for the way forward:</p> <ul style="list-style-type: none"> <li>i. Amendment of the procurement provision in Article 15(4)(a) of the Agreement Establishing the ADF to permit effective Fund's involvement in SWAps. This should be on the agenda of the Deputies during the Mid-term Review of the ADF-X</li> <li>ii. Enhance the Bank's Field Presence to</li> </ul>	<p><b>June 2006:</b> Administration Reform Support Program (PARAP) II was approved with a loan of UA78.3 million (€85 million). This was to build on the work of PARAP I. Co-financing was provided by the World Bank (€98.6 million) and the EC (€18.5 million). AfDB paid in a single tranche in December 2006.</p> <p><b>July 2006:</b> Marrakech-Agadir Highway Construction Project was approved. A loan agreement for UA109 million was signed in December and became effective in July 2007.</p> <p><b>July 2006:</b> approval of the Ninth Water Supply Project the loan agreement for UA74.6 million was signed in December 2006 and the loan became effective in January 2007.</p> <p>August 2006: Technical Assistance to the New Social Insurance Fund (CNOPS) the loan for 0.6 million became effective in May 2007.</p> <p><b>September 2006:</b> Technical Assistance to the New Health Institution Agency (ANAM) a loan for UA0.6</p>	<p><b>April 2006:</b> The Chinese President Hu Jintao visits Morocco and signs a series of trade agreements.</p>

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

*Country case study: Morocco*

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	<p>involve effectively in BSOs and SWAs – this requires reviewing staffing levels and mix</p> <p>Provide increased support to PFM capacity building in RMCs to strengthen the country's fiduciary system in parallel to moving to 'untied' aid assistance.</p>	<p>million was signed in November 2006.</p> <p><b>November 2006:</b> Study on the Design of the New Remuneration System in the Civil Service was approved. The loan agreement for UA188,000 was signed in November 2006.</p>	
<b>2007</b>		<p><b>September 2007:</b> Rural Roads Program II (PNRR2) was approved the loan agreement for UA41 million was signed in November 2007.</p> <p><b>November 2007:</b> Education V Project, retrospective approval of a loan of UA101 million that had been spent in the 1990's.</p> <p><b>December 2007:</b> Beni Mathar Thermo-Solar Power Station (supplementary) a further loan of UA139.5 million was approved to help try to meet the growing demand in the country for electricity.</p>	<p><b>April 2007:</b> Three suicide bombers blow themselves up in Casablanca, a few weeks after a suicide blast in an internet café.</p> <p><b>2007:</b> Two suicide bombers blow themselves up outside US diplomatic offices in Casablanca.</p> <p><b>2007:</b> Morocco presents an autonomy blueprint for Western Sahara to the United Nations. This is rejected by the western Sahara Independence movement, Polisario, who put forward their own proposal.</p> <p><b>June 2007:</b> Morocco and the Polisario Front hold UN-sponsored talks in New York but fail to come to any agreement.</p> <p><b>September 2007:</b> Parliamentary elections during which the conservative Istiqlal party, a member of the ruling coalition, wins the majority of votes.</p>
<b>2008</b>	<p><b>2008 January:</b> <u>ADF-11 Deputies Report</u> – the report states that at least 75% of funds will be allocated for specific investment projects and programs and technical assistance and no more than 25% via PBL operations</p>		<p><b>May 2008:</b> Moroccan security forces say they have dismantled an al-Qaeda-affiliated network who were planning attacks in Morocco and in Belgium.</p> <p><b>2008:</b> Fouad Ali al-Himma, a confidant of</p>

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	<p><b>March 2008:</b> approval of the Bank Group's Strategy for the Enhanced Engagement in Fragile States.</p> <p><b>2008 May:</b> Paper on '<u>Bank Group approach towards enhancing the use of country systems</u>' prepared, and approved by the Board in July.</p> <p><b>July 2008:</b> The Bank approved the <u>Operational Guidelines of Fragile States Facility</u> (FSF). This paper sets forth the operational guidelines of the FSF. A key recommendation was the transfer of the activities of the PCCF to the FSF.</p> <p><b>2008:</b> The AfDB strategy on fragile states recommended the transfer of arrears clearance activities of the PCCF to the FSF.</p> <p><b>2008:</b> PBL type instruments were used as a fast-disbursing response to the African food crisis. '<u>The African food crisis response</u>' (AFCR) was developed in July 2008 and forms a framework for AfDB accelerated support to RMCs affected by increased food prices, with short (periods of 6 months to a year) and medium to long term measures (over 3 years and beyond) to the value of UA 472 million and UA 1.4 billion respectively. One of the short-term measures is the use of a budget support instrument for quick disbursement of resources to RMCs (UA 304 million).</p>		<p>King Mohammed, forms an alliance around his new Authenticity and Modernity Party. This party has the potential to dominate parliament.</p> <p><b>2008 October:</b> Alleged al-Qaeda leader in Morocco, Abdelkader Belliraj, goes on trial accused of planning to kill senior officials. He was extradited in February from Belgium.</p>
<b>2009</b>	<p>In <b>2009</b> PBL type instruments were used to respond to the financial crisis in 2009. In March 2009, the Bank developed the '<u>Bank Response to the Economic Impact of the</u></p>		<p><b>March 2009:</b> Morocco breaks off relations with Iran after an Iranian politician claimed that Bahrain used to be</p>

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

**Country case study: Morocco**

Time period	AfDB HQ Policy Changes	AfDB Morocco Lending Instruments	Morocco Country Context
	<u>Financial Crisis'</u> .		<p>an Iranian province.</p> <p><b>July 2009:</b> Abdelkader Belliraj, who is allegedly an al-Qaeda leader in Morocco, is imprisoned for life having been found guilty of leading an Islamist militant group and committing six murders in Belgium.</p>
<b>2010</b>		<p><b>July 2010:</b> Morocco and the Bank Group signed a €100 million agreement for the financing of the fourth phase of the country's public service reform support project (PARAP IV). The project falls within the framework of the country's public service and governance reforms that began in 2002. The project aims to improve governance and the effectiveness of public services with a view to enhancing human development and providing quality services in line with international standards.</p>	

## Annex C List of people met

Donors		
AfDB, Morocco	Ms Leila Jaafor Kilani	Social Development Specialist
AfDB, Morocco	Mr Wadii Rais	Financial Analyst
AfDB, Morocco	Mr Boubacar-Sid, Barry	Economist
AfDB, Tunis	Mr. Fabrice Sergent	Principal Health Analyst
AfDB, Tunis	Mr. Amadou Ba	Country Economist for Morocco
AfDB	Mr. Emmanuel Diarra	Task Manager Morocco
European Union	Mr Pablo Cendoya Revenga	Institutional reform and economic cooperation
European Union	Ms Fatima El Kesri	Assistant coordinating cooperation
European Union	Ms Sandra Bareyre	Education, Literacy and Gender
World Bank	Khalid El Massnaoui	Senior Economist
UNDP	Renée Madrolle	Programme specialist
Government of Morocco		
Ministry of Finance and Economic Affairs	Ms Malika Dhif	Head of Multilateral Relations and Finance Division
Ministry of Finance and Economic Affairs	Mr Khalid Kensi	Head of Relations with the Regional Organisations
Ministry of Finance and Economic Affairs	Mohammed Badir	Financing Division Multilateral Fund and Arabs
Ministry of Finance and Economic Affairs	Rachid Attouani	Programs to support education sector
Ministry of Finance and Economic Affairs	Riad Rachid	Programs to support health sector
Ministry of Finance and Economic Affairs	Brahim Boufkiri	Budget Directorate
Ministry of Health	Mr Semlali Hassan	Department of Planning and Financial Resources
Ministry of Health	Mr Benamar Anouar	Department of Planning and Financial Resources
Ministry of Agriculture	Mr Bara Said	Head of Cooperation Division
Ministry of Education	Mohammed Benabdulkader	Director of Cooperation
Ministry of Education	Abdelkbéir Tiwari	Head of Cooperation Division
Ministry of Education	Bendaoud Merzaki	Direktorate of Private Education and Preschool
Ministry of Education	Aziza Elhchalfa	Cooperation Directorate
Ministry of Education	Zakia El Adnani	Cooperation Directorate
Ministry of Education	Imane Balafrej	Department of General Affairs
Ministry of Education	Thami Ouakili	Department of General Affairs, Budget and Heritage

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**  
***Country case study: Morocco***

Ministry of Education	Jamal Eddine Essbai	Department of General Affairs, Budget and Heritage
Ministry of Education	Brahim Benbrahim	Directorate for upgrading facilities and projects funded

## Annex D Key data on PBOs

**Table D.1: Total AfDB Approvals Morocco: 1999–2008 (UA million)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Project Lending</b>	19.60	79.87	54.51	59.71	-	56.51	175.71	171.53	180.78	93.99
% Project lending	100%	100%	41%	24%	0%	15.3%	100%	69.7%	100%	43%
<b>Policy based lending</b>	-	-	79.32	185.56	176.65	312.49	-	73.20	-	123.03
% Policy based lending	0%	0%	59%	76%	98.8%	84.6%	0%	29.8%	0%	57%
<b>Grants</b>	-	-	-		0.36	0.34	-	1.20	-	-
% Grants	0%	0%	0%	0%	0.2%	0.09%	0%	0.5%	0%	0%
<b>Technical Assistance</b>	-	-	-		-	-	-	-	-	-
% Technical Assistance	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Debt &amp; debt service reduction</b>	-	-	-		-	-	-	-	-	-
% Debt Service	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total Approvals</b>	<b>19.60</b>	<b>79.87</b>	<b>133.83</b>	<b>245.27</b>	<b>177.01</b>	<b>369.34</b>	<b>175.71</b>	<b>245.93</b>	<b>180.78</b>	<b>217.02</b>

Source: AfDB (2010b and 2009i)

**Table D.2: Comparison of the Performance of PARAP I-IV and PARCOUM I-II**

	PARAP I	PARAP II	PARAP III	PARAP IV*	PARCOUM I	PARCOUM II*
<b>Performance</b>						
Year of Approval	Dec 2004	Jun 2006	Oct 2007	April 2010	Dec 2002	Aug 2008
<b>Conditions:</b> Number	13	5	9	Only general Bank conditions	23	7
<b>Tranches:</b> Number	1	1	1	1	2	2
<b>Sectors:</b> Number (consistency with previous operation)	4 sectors	3 sectors	4 sectors building on PARAP II	4 sectors	1 sector	1 sector
<b>Harmonisation:</b> Number of donors with similar conditions	3 donors WB and AfDB both used budget support	3 donors	3 donors	3 donors	EC and Govt designed programme	Two donors Harmonisation of conditions but EC had 6 extra ones
<b>Predictability:</b> Delays overall programme	None	None	Delayed start date	Unknown programme ongoing	47 month slippage in schedule	Unknown
<b>Predictability:</b> % of funds not disbursed in programmes fiscal year	0%	0%	0%	Unknown programme ongoing	100%	Unknown
<b>In-year Predictability:</b> Delay in fund disbursement from planned timing	None	None	4 month delay on disbursement	Unknown programme ongoing	1 <sup>st</sup> tranche 22 months late 2 <sup>nd</sup> tranche 47 months late	Unknown
<b>Overall</b>						
<b>Ranking:</b> PCR rating	3.0	3.25	3.0	Unknown	2.8	Unknown
<b>Amount:</b> UA million	100	71	43	86	98	63
<b>Volume:</b> % of ADB allocation	34%	66%	14%	Data not available	1 <sup>st</sup> tranche-73% 2 <sup>nd</sup> tranche-38%	Data not available
<b>CPIA/CPA:</b> average score						

\*These programmes do not yet have a PCR therefore it is not possible to ascertain certain things about project completion.

Source: AfDB PARCOUM and PARAP Appraisal Reports and PCRs

**Table D.3: PARAP Commitments and Disbursements: 2008–2010**

Date of Disbursement	Actual Disbursement Date	Amount Committed (million UA)	Amount Disbursed
2005	19 December 2005	100	100
2007	31 May 2007	71	71
May 2008	25 September 2008	49	49
August 2010		116	116

**Table D.4: PARCOUM Commitments and Disbursements**

Date of Disbursement	Actual Disbursement Date	Amount Committed	Amount Disbursed
April 2003	February 2005	64 (55m Euros)	64
March 2004	February 2008	59 (55m Euros)	59
2009		55 (50m Euros)	
2010		22 (20m Euros)	

Source: AfDB PARCOUM and PARAP Appraisal Reports and PCRs