Morocco: IMPLEMENTING AN AMBITIOUS SOCIAL AND ECONOMIC TRANSFORMATION AGENDA

SYNOPSIS

Morocco’s sound economic management in recent years has yielded strong growth and investment grade status and it is weathering the negative impacts of the global crisis impressively well. Morocco is now addressing persistent social problems by reducing absolute poverty rates, investing in human capital through quality education, expanding access to drinking water, and linking rural areas to markets through investment in roads.

Challenge

Morocco has launched a far-reaching process of social and economic transformation, positioning itself as one of the leading reformers in the region. During the past ten years, successive governments have invested in solid macro-economic management resulting in sustained output growth, falling unemployment, rising investment, substantial reductions in public debt, and lower inflation. Economic growth averaged 5.1 percent over 2001–2009, almost twice the average of the previous decade. This performance spurred per capita income to almost double, reaching US$2,590 in 2008, and it brought about unprecedented rates of poverty reduction, with absolute poverty decreasing from 15 percent to 9 percent. Unemployment declined to 9.6 percent from 14 percent and private investment (domestic and foreign) increased sharply to 36 percent of gross domestic product (GDP). Morocco is also showing resilience in the global crisis, a result of solid macroeconomic management and strong capacity for managing external shocks. Economic growth is estimated at 5 percent in 2009, a very good outcome brought about by strong agricultural output and a strengthening of the services sector.

Morocco, however, faces challenges on human development outcomes despite progress over the past decade, in particular. Overall illiteracy rates and gender disparity in access to secondary education remain high and the country continues to suffer poor outcomes on infant and maternal mortality. It also needs to diversify its economy, become more competitive, and integrate further into the global economy if it is to reach higher growth levels. The government has recognized this challenge and has put in place an ambitious process of legal, policy, and institutional modernization that has far-reaching political, economic, and social dimensions. It has designed and is now implementing a comprehensive set of new sector strategies that respond to the overall national vision and that target development challenges with clear, measurable goals and indicators.

Approach

The World Bank has focused its program on maintaining flexibility to align support from the International Bank for Reconstruction and Development (IBRD) with the government’s vision. The Bank’s program in Morocco has so far been implemented in a flexible manner that has allowed it to remain aligned with the country’s development program and the government’s vision, including the evolution of sector strategies. This flexibility has been critical to IBRD’s relevance allowing it to respond to new and arising challenges.
IBRD has played a key ‘Knowledge Bank’ role in Morocco. An important element of IBRD’s work in Morocco is its technical and analytical support that is delivered both as an integral part of lending operations as well as through stand-alone reports. The Bank’s analytical and advisory activities (AAA) have nourished strategies in several sectors and its policy dialogue and advocacy roles are also evident in the increasing importance being placed on emerging global issues such as managing the impacts of climate change and developing a comprehensive risk management strategy to mitigate the impacts of external shocks.

IBRD resources have also played an important role in providing comparatively high levels of financing while at the same time catalyzing investments from other donors and actors. From June 2005 to June 2010, the Bank delivered a total of US$1.86 billion, with development policy lending accounting for two-thirds of total new commitments. In fiscal year 2010 alone, lending reached a record level of US$730 million and the same volume of financial support is under preparation for FY11. In parallel, donor coordination has improved and IBRD is delivering its support increasingly through coordinated approaches around clear national sector strategies.

Results

**IBRD is a partner in the main poverty-focused national program.** IBRD is one of several partners with the government that are supporting the National Initiative for Human Development (INDH) which is the main nationwide poverty-fighting program launched by the King in mid-2005. The first phase of the INDH program covering 2005-2010 is for a total of US$1.1 billion, of which IBRD is financing US$100 million. The INDH program relies on bottom-up participation and planning to improve living standards and give greater voice to the poor in targeted communities. More than 20,000 sub-projects have been financed so far and the evaluations currently underway of the first phase are showing some impressive results: (i) the rural poverty rate has decreased from 36 percent in 2001 to 14 percent in 2007; (ii) 19 percent of households reported that they participated in all or part of the INDH participatory process; (iii) 62 percent of households, and 60 percent of women and youth reported increased access and use of basic infrastructure after sub-project implementation; and (iv) 46 percent of households reported that their livelihood has improved. The government and its partners in the INDH are concentrating on ensuring greater inclusion and empowerment of women, youth, and vulnerable groups in all phases of implementation and in all structures as beneficiaries and decision-makers.

**Investing in rural roads to have an impact across multiple sectors.** The National Program of Rural Roads remains a cornerstone of the government’s approach to fighting poverty in rural areas of Morocco. The World Bank and other donors are supporting this program through a sector-wide approach (SWAP), with IBRD delivering financing of US$36.9 million in 2004, US$60 million in 2006, and additional financing of US$81.5 million in FY10. The first phase of the program was implemented between 1995 and 2006 with the goal of increasing rural road accessibility to 54 percent. The second phase of the project began in 2006 and is still under implementation. It expands on these efforts in terms of increasing the percentage of rural population given access to an all-weather road from 54 percent at the start of the program, to 80 percent when the program is completed in 2012. It is doing this by rehabilitating 15,000 kilometers of rural roads. As part of this program, 2.9 million people would benefit directly and about 760,000 people indirectly from roads constructed, representing a total population of nearly 3.6 million people, including people living in villages of less than 50 households.

**Diversified IBRD support for the water sector.** The 2006–2009 Country Assistance Strategy for Morocco substantially contributed to the evolution and implementation of new water policies and infrastructure priorities in Morocco. In 2007, a US$100 million Morocco Water Sector...
development policy loan supported comprehensive water reform in Morocco to address legislative, institutional, financing, and planning gaps, as well as inefficiencies across the sector. In parallel, the Bank carried out comprehensive analytical work that fed into a reform program in which water-demand management, conservation and resource protection became new thrusts in Morocco’s water strategy. In parallel to policy reform, the country’s water sector investment program was designed to build infrastructure while supporting implementation of new policies by central and decentralized agencies on the ground. IBRD provided support through different instruments. In FY06, the Bank approved a Rural Water Supply and Sanitation project which supports the national program to increase sustainable access to potable water in rural areas, while promoting improve wastewater management and hygiene practices. In 2007, the Bank supported an innovative and successful large-scale pilot in poor, unzoned peri-urban neighborhoods of three big cities to demonstrate output-based aid mechanisms for the promotion of water and sanitation service connections in chronically under-served areas. The recently-approved Country Partnership Strategy for FY10-13 confirms the commitment of the Bank to the water sector, underscored by the approval of three new water-related projects in FY10 for a combined total of US$285 million. As a result of an acceleration of rural water supply programs, potable water access has risen to over 87 percent in 2009 from 50 percent in 2004. Morocco is now on track to exceed the targets for water and sanitation services contained in the Millennium Development Goals (MDGs).

Providing Long-Term Support to the Education Sector. IBRD has a long history with and an active engagement in Morocco’s education and other social sectors. Over the past decade, four relevant projects – Social Priorities (Education Program), Alpha Maroc (Adult Literacy) Project, Social Development Agency Project, and the Basic Education reform Support Program were fully executed. These operations assisted the government in increasing access to basic education, literacy and other social services, and improving the quality and effectiveness of service delivery. Overall, these projects were implemented successfully with respect to the objective of increasing access to basic services and promoting participatory approaches and partnership arrangements, although achievements regarding quality of service delivery were less positive. From 1990/91 to 2008/09, national net enrollment rates increased from 52.4 percent to 90.5 percent for primary education, and from 17.5 percent to 42.7 percent in middle school. The Bank recently approved (in FY10) a US$60 million development policy loan to the education sector with the goal of continuing IBRD support to the government for its education reform agenda.

Mobilizing Response to Climate Change. More recently, the Bank has been able to play a greater role in mobilizing and supporting the government’s response to the impacts of climate change in Morocco. The Bank’s support has focused in particular on the water and energy sectors, although it is now expanding to help assess the impact of climate change on coastal cities, agriculture, social development, migration, among other issues. It is also supporting the formulation of a risk management strategy to manage external shocks, and also an adaptation strategy. More recently, the Government of Morocco launched the Morocco Solar Plan with the intention of building the biggest solar power plant in the world and it has asked for IBRD to be a main partner in this project.

Bank Contribution

As of August 2010, IBRD’s lending portfolio in Morocco consists of 12 active projects for a total of US$1.16 billion in sectors such as water, education, rural roads, agricultural development, poverty-reduction (INDH), energy, public administration and financial sector. IBRD lending in FY10 increased considerably to US$730 million and lending levels are expected to remain around US$600-US$700 million for FY12.

In August 2010, Hajar Biyad, 15, was working out on gymnastics equipment in the courtyard of her school in Sale, Morocco. Suspended on ropes high above the ground, she was a picture of grace and strength. Four years ago, Biyad was an 11-year-old runaway on the streets of Rabat and Sale. Today, she is a student at an alternative school, l'Ecole du Cirque, that teaches acrobatics along with reading and math. “God willing, I will be an artist and work in a circus,” she says. Biyad was once one of the 50,000 people living in extreme poverty that Morocco’s 5-year-old National Initiative for Human Development (INDH) seeks to help.
Partners

Donor aid in Morocco accounts for a small proportion of government financing—between 4 and 5 percent in 2007. Aid volumes have been increasing over time, more than doubling from 2004 to 2007. Morocco is the only country in the MENA region to have signed an advanced status agreement with the European Union, which represents both a strong signal of sustained political and legal reform and an act of international recognition for the reform process. The international development community recognizes the relevance and quality of its development program and is providing increased levels of resources and support. Financing from development partners complements the government’s own mobilization of resources and its impact can be assessed as contributing to the overall objectives of the government’s programs. The main donors in Morocco include IBRD, African Development Bank, European Union, European Investment Bank, France, US (through USAID and Millennium Challenge Corporation) and other bilateral agencies such as those from Spain, Japan, German and Italy.

Moving Forward

The World Bank Group’s objective over the next four years—as articulated in the recently-finalized Country Partnership Strategy—is to support implementation of the government’s reform program. The focus of the program will be on facilitating institutional reform, sequencing of reforms and contributing toward the “how to” of implementation. The World Bank Group will continue to work on inter-agency coordination and capacity-building and the program will pay particular attention to results orientation both within World Bank-financed activities and in the government’s overall program.
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