



Report Number : ICRR0020885

## 1. Project Data

**Country**

Morocco

**Practice Area(Lead)**

Trade &amp; Competitiveness

**Programmatic DPL**
**Planned Operations:** 0

**Approved Operations:** 0

**Operation ID**

P127038

**Operation Name**

MA-Economic Competitiveness Support Prog

**L/C/TF Number(s)**

IBRD-82200

**Closing Date (Original)**

31-Dec-2013

**Total Financing (USD)**

160,000,000.00

**Bank Approval Date**

12-Mar-2013

**Closing Date (Actual)**

31-Dec-2013

**IBRD/IDA (USD)**
**Co-financing (USD)**

Original Commitment

160,000,000.00

0.00

Revised Commitment

160,000,000.00

0.00

Actual

162,656,322.68

0.00

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**Operation ID**

P128869

**Operation Name**

MA-Second Competitiveness DPL ( P128869 )



<b>L/C/TF Number(s)</b> IBRD-82200,IBRD-84730	<b>Closing Date (Original)</b> 31-Mar-2016	<b>Total Financing (USD)</b> 200,000,000.00
<b>Bank Approval Date</b> 02-Mar-2015	<b>Closing Date (Actual)</b> 31-Mar-2016	
	<b>IBRD/IDA (USD)</b>	<b>Co-financing (USD)</b>
Original Commitment	200,000,000.00	0.00
Revised Commitment	200,000,000.00	0.00
Actual	200,000,000.00	0.00

## 2. Program Objectives and Policy Areas

### a. Objectives

The program development objective (DO) of the First Economic Competitiveness Support Program Development Policy Loan (DPL for ECSP I) was to support policy reforms in three key areas of the Government's comprehensive economic strategy: investment climate, trade policy and trade logistics, and economic governance. (Program Document dated February 11, 2013, page 24, paragraph 74)

The program DO of the Second Economic Competitiveness Support Program DPL (ECSP II) was similar but stated more precisely, i.e., is to support policy reforms in three key areas of the Government's comprehensive economic strategy: (a) Improving the investment climate; (b) Furthering trade policy reform and trade facilitation; and (c) Strengthening economic governance. (Program Document dated February 2, 2015, page i)

This ICR Review assesses the achievement of the program's objectives:

1. Improving the investment climate
2. Furthering trade policy reform and trade facilitation
3. Strengthening economic governance

The program DO is not referenced in the respective Loan Agreements.

### b. Pillars/Policy Areas

The policy pillars for the two DPLs in a series and their respective target outcomes are as follows:

Pillar 1 – Improving the Investment Climate

ECSP I:



- Reduction of barriers to entry to Small and Medium Enterprises (SMEs) by abolishing the mandatory minimum capital requirement for creating a limited liability companies
- Reduction of discretion and arbitrariness by standardizing and simplifying a first set of 20 priority administrative procedures applicable to businesses
- Strengthening of administrative information-sharing among four key agencies interacting with firms
- Reduction of delays in payments to SMEs in commercial transactions

ECSP II:

- Number of newly created corporations that are identified through a unique business identification code
- Number of simplifications and standardizations of administrative procedures made public on the Government website service - public.ma
- Reduction of the formalities and duration for registering property for business
- Reduction by at least 10 percent in average payment delay in sectors where average payment delay is over 100 days
- Number of companies that are reporting in certified accounts their average payment delays as per the new regulations
- Number of Limited Liability Corporation (SARL) companies that are formally registered
- Improvement in the governance and protection of minority shareholders in corporations

Pillar 2 – Furthering Trade Policy Reform and Trade Facilitation

ECSP I:

- Reduced tariff rates for manufacturing goods
- An updated and modernized legal and regulatory framework for import standards and their enforcement
- Reduced delays for trade operations by streamlining port logistics

ECSP II:

- Rationalization of tariff structure on imports through a reduction of maximum tariff quota applicable to industrial products
- Percentage of products put on the market and randomly controlled that complies with the new security regulatory requirements
- Formal processing and publication, according to WTO rules and procedures, of new petitions requesting the application of anti-dumping, anti-subsidy or safeguard measures
- Reduction in average transit times for goods at Casablanca port

Pillar 3 – Improving Economic Governance

ECSP I:

- Increased transparency and accountability in the process by which investment incentives are granted and monitored
- Improved Government coordination and private sector involvement in investment climate reforms
- Reduced monopolistic behavior, by strengthening the competition legal framework and the Competition Council

ECSP II:

- Inclusion of an assessment—of costs and benefits of incentives to investment projects—in the annual



activity report of the National Commission for Investments

- Number of investment climate reforms, as accounted for in the Doing Business methodology, that have been initiated and coordinated by the National Committee for Business Environment
- Number of investigations formally conducted by the Competition Council under the new legal and regulatory framework

### **c. Comments on Program Cost, Financing, and Dates**

Project Cost:

Not applicable.

Project Financing:

ECSP I was originally estimated at US\$160 million; the actual disbursement was US\$162.66 million. ECSP II was estimated at US\$200 million, which was the amount actually disbursed. Both DPLs were single-tranche operations that were disbursed upon effectiveness.

Borrower Contribution:

Not applicable.

Dates:

ECSP I was appraised on March 28, 2012 and approved about one year later on March 12, 2013. It became effective on June 17, 2013 and closed six months later on December 31, 2013 as originally scheduled. ECSP II was appraised about one year later on December 8, 2014 and approved on March 2, 2015. It became effective on August 11, 2015 and closed about 8 months later on March 31, 2016 as originally scheduled.

## **3. Relevance of Objectives & Design**

### **a. Relevance of Objectives**

At their appraisal, the objectives of the ECSP DPL series were substantially relevant to the development priorities of the Government of Morocco (GOM). The two DPLs were timely and responsive to given the Government's macroeconomic and sector strategies—notably its strategic positioning to increase Morocco's exports. Those objectives are even more relevant at present, given the priority that GOM continues to place on its competitiveness agenda at both the national and regional levels. GOM has embedded a strong competitiveness component in its 2012-2016 Government Program, namely through the reinforcement of the rule of law, the advancement of regionalization and governance, enhanced economic governance, and job creation. Although the technological content of its new exports has grown positively under its Industrial Acceleration Plan (PAI) for 2014-2020—which aims at developing “ecosystems” to scale up and better



integrate value chains by improving linkages between large companies and SMEs—Morocco continues to struggle in enhancing the sophistication of its exports and boosting its export volumes.

At appraisal, the DOs were also substantially relevant to the Bank's priorities—as stated in the Country Assistance Strategy (CAS) for FY10-FY13 and the Country Partnership Strategy (CPS) for FY14-FY17—under the respective pillars of (i) “Enhancing growth, competitiveness and employment”, and (ii) “Promoting Competitive and Inclusive Growth”; as well as “Strengthening Governance and Institutions for Improved Service Delivery to All Citizens.” The DOs of the DPL series, which was requested by the Government to support its policy reforms, remain substantially relevant today. To achieve credible results, GOM's numerous sectoral plans depend upon a strong investment climate and a liberalized trade regime that is supported by solid arrangements for economic governance. More specifically, improvements in equalizing opportunities, reducing corruption, and promoting the inclusion of the informal sector into the economy all need to be supported by an environment of improved competition, a transparent investment framework, and regulatory simplification. As noted in Figure 1, page 5 of the ICR, these are GOM's strategic results areas that are also supported by CPS outcome areas.

The DOs remain substantially relevant at present. The Bank's latest Country Economic Memorandum (CEM) of June 2017 identifies competitiveness and inclusive growth as key challenges for Morocco. The CEM emphasizes that promoting private sector development in Morocco requires policies to enhance productivity, encourage innovation, and ensure an enabling environment for doing business.

## **Rating**

Substantial

### **b. Relevance of Design**

The results framework of the ECSP program was well articulated. It showed objectives that were clearly stated and program activities were causally linked to the outcomes for each of the pillars. The policy matrices presented in the ECSP I and II documents explicitly show baselines, targets and specific implementation timeframes, and credibly establish the causal links that connect the program's actions to the achievement of its three policy objectives.

The selected prior actions and was appropriate and was based on extensive consultations with the Ministry of General Affairs and Governance, the Ministry of Economy and Finance and the Ministry of Industry, Commerce and New Technologies. The design choice of two, single-tranche DPL series with triggers for the second operation enabled flexibility in achieving programmatic objectives.

The design of the ECSP program focused on implementing actions to help modernize key pieces of legislation, mainly (i) the law of corporations, (ii) the trade legal framework, and (iii) the competition legal framework. Numerous analytical pieces—complemented by technical assistance in those three policy areas—provided a strong base for the design of the loan series. The program's design was also adaptive to prevailing conditions,



without affecting the desired program results. For example, during the December 2014 appraisal mission, the design of the ECSP II loan was adjusted given the actual competitiveness landscape in Morocco. It was agreed that the adoption of the new Law on external trade (which would modify the Law No 13-89 dated November 9, 1992) would be dropped, given the postponement of the adoption of the draft law on by Moroccan authorities and the lack of draft implementing decrees. The latter meant that a thorough assessment of the law's value-added was not be available, hence its inclusion in the program could not be fully justified. Both the government and the Bank team agreed that, given Morocco's international and bilateral trade obligations at the time, the impact of dropping the adoption of the external trade law would have only a modest impact. Another example is the agreement on a new prior action to establish a systematic process for assessing costs and benefits of investment projects that benefit from incentives approved by the Inter-Ministerial Investment Commission. This was agreed given the delays in the adoption of the draft investment law that was shared by Moroccan authorities during appraisal. This new prior action was appropriate, since it would still achieve the program's objective of strengthening transparency on the costs and benefits of investment incentives, and the manner with which those incentives are granted to investment projects.

## Rating

Substantial

## 4. Achievement of Objectives (Efficacy)

### Objective 1

#### Objective

Improving the investment climate

#### Rationale

The prior actions completed by the Government under ECSP I and II are shown in the table below:

ECSP I	ECSP II
<i>POLICY AREA – IMPROVING THE INVESTMENT CLIMATE</i>	
1. The Inter-Ministerial Committee in charge of Managing the Common Business Entity Identifier has appointed the Tax Administration to be in charge of hosting, managing and operating the database centralizing the common business identification codes in accordance with Decree No 2-11-63.	The database delivering the common identification codes for businesses in accordance with Decree No 2-11-63 published in the National Gazette No 5952 of June 16, 2011 is operational and the first common business identifiers (Identifiants Commun de l'Entreprise) have been issued.
2. The National Business Environment Committee (CNEA) has approved a priority list of at least 20 administrative procedures for businesses that will be simplified and standardized.	At least twenty (20) administrative procedures applicable to business were simplified and standardized on the official government website (service-public.ma), notably for the transfer of property. A supplementary list of at least twenty (20) new simplification and standardization



	procedures were identified and validated by the public-private working group established by MFPMA under the National Business Environment Committee.
3. The Law No 32-10 modifying the Code of Commerce and imposing minimum standards in payment delays in commercial contracts has been approved by Parliament and published in the National Gazette No. 5984 dated October 6, 2011.	Budget Law No. 110-13 has been published in the National Gazette No.6217 bis dated December 31, 2013, which <i>inter alia</i> modified the Tax Code (Code Général des Impôts) to allow the tax deductibility of late payment penalties paid in application of Law No. 32-10.
4. The Law No 24-10 amending the Law No 05-96 and abolishing the requirement of a minimum capital for incorporating a limited liability company (Société à responsabilité limitée - SARL) has been approved by Parliament and published in the National Gazette No 5956 bis dated June 30, 2011.	The Government Council has approved on May 28, 2013 the draft Law No.78-12 modifying and completing Law No 17-95 on corporations (Sociétés anonymes), <i>inter alia</i> simplifying the creation of corporations and improving their governance.
<b>POLICY AREA – FURTHERING TRADE POLICY REFORM AND TRADE FACILITATION</b>	
5. The Ministry of Economy and Finance has issued Circular No. 5306/210 dated December 30, 2011 regarding the tariffs reduction on imports of industrial products for 2012.	
6. The Head of Government has issued the implementing Decree regulating anti-dumping, anti-subsidy and safeguard measures in accordance with the Law No 15-09 on Trade Defense published in the National Gazette No 5956 bis dated June 30, 2011.	Decree No. 2-12-502 for the implementation of Law No. 24-09 of August 17, 2011, relating to the safety of products and services was issued by the Head of Government on May 13, 2013 and published in the National Gazette No. 6158 dated June 6, 2013.
7. The company PORTNET in charge of operating and managing the IT system for data exchange between public authorities and private trade operators has been established by its shareholders on January 19, 2012.	The state-owned company Portnet has put in place a computerized data exchange system for port operations that allows the electronic management of import documents through the interconnection of key public authorities and private trade operators involved in external trade procedures (Customs, traders, banks, Commerce Department, Foreign Exchange Office).
<b>POLICY AREA – STRENGTHENING ECONOMIC GOVERNANCE</b>	
8. The Head of Government has issued a Circular providing for the mandatory preparation of cost and benefit assessments of investment projects submitted to the National Investment Commission.	Circular No. 01/2015 relating to the guide for the assessment of costs and benefits to investment projects submitted for approval to the Investment Commission (Commission des Investissements)





	has been issued by the Head of Government on January 16, 2015.
9. The Ministry of General Affairs and Governance (MAGG) has issued a Decision dated October 29, 2012 establishing within the MAGG a Department in charge of improving the investment climate and acting as the secretariat of the National Business Environment Committee (Comité National pour l'Environnement des Affaires - CNEA).	The National Business Environment Committee (CNEA) has approved on December 17, 2013, its annual reform program for 2014 in accordance with Decree No. 2-10-259 dated October 29, 2010.
10. The Government Council has approved the draft Laws modifying the Competition and Freedom of Pricing Law No 06-99, reinforcing the powers and independence of the Competition Council (Conseil de la Concurrence - CC).	Decree No 2-14-652 for the implementation of the Law No 104-12 of June 30, 2014 relating to the freedom of prices and competition, which, <i>inter alia</i> , reinforces the powers of the CC, was issued by the Head of Government on December 1, 2014 and published in the National Gazette No. 6314 dated December 4, 2014.

The achievement of the first objective -- improving the investment climate -- is discussed immediately below.

The ECSP had four areas of intervention under the policy area of supporting reforms to modernize and simplify the investment climate. Those interventions were to: (i) enhance e-governance for regulatory and administrative simplification; (ii) simplify administrative procedures and improve transparency; (iii) reduce the financial burden of SMEs resulting from excessive payment delays; and (iv) modernize the regulatory environment for corporations and reduce barriers to entry and operations for SMEs. The achievements in each of these four interventions are discussed below.

(i) enhance e-governance for regulatory and administrative simplification - Achieved

An important ECSP reform achievement was the implementation of the Common Business Identifier (CBI), which set up a common identifier for businesses by appointing the Tax Administration as the agency in charge of hosting, managing and operating the database that centralized the common business identification codes. The CBI increased transparency and facilitated access to firm-level information by concerned administrations and non-governmental users. Since March 2015, a CBI is automatically delivered to any new business. In July 2016, the government made it compulsory for firms and regulated professionals to use the CBI on invoices and tax declaration documents. This resulted in improved enforcement and tax compliance as different agencies will be able to share between themselves easily updated firm-level information. Following CBI implementation, the Regional Center of Investment for the Region of Casablanca-Settat requested the Bank to carry out an in-depth survey and assessment of enterprises created in the region during the past decade, which involved interconnecting the databases of the Social Security, the Tax Department and the Commercial registry (OMPIC). The survey was expected to be finalized in September 2017.

(ii) simplify administrative procedures and improve transparency - Achieved





Transparency has improved with respect to formalities applicable to businesses. The administrative burdens of selected procedures have been improved. The Government's launch of an ambitious effort to transcribe and simplify administrative procedures has resulted in the establishment of a national portal describing more than 700 hundred procedures, mostly applicable to citizens. To date, those procedures were outdated or lacked detail and a downloadable form. The ECSP piloted a new approach that focused on common quality standards in how procedures are presented, thus improving transparency, readability and predictability for enterprises. After some piloting, the level of information was improved and simplifications were applied to around 50 procedures following common quality standards that were developed beforehand. The long-term effect of the standardization and simplification on businesses remains to be measured, as it takes time, communication and training for the procedural changes to be fully utilized. The MFPMA has aimed for an awareness campaign and is in the process of redesigning the whole "service-public.ma" portal. Based on recommendations made by the Bank supervision team to ensure harmonization (for end-users) of information on procedures, the MFPMA will integrate in the national portal a set of regional websites describing with a high level of detail a set of key procedures, developed by the CRI of Casablanca region with assistance from the CNEA, GIZ and CNUCED.

(iii) reduce the financial burden of SMEs resulting from excessive payment delays – Partially Achieved

Despite the strong Government and private sector commitment, reforms to reduce payment delays has only been partially achieved. On the positive side, the Code of Commerce was revised to (i) establish limits on payment delays in commercial contracts and (ii) impose mandatory penalties in case of late payment. Moreover, new regulations required businesses with audited accounts to produce and publish statistics on their average payment delays in their certified accounts. These actions were going to be measured by two indicators: (1) a reduction by at least 10 per cent in average payment delay in sectors where average payment delay is over 100 days; and (2) the number of companies that are reporting their average payment delays in their certified accounts, as per the new regulations. Certified accountants have been reporting that companies are broadly complying with the law and including this information in their financial statements; hence, the second indicator has been achieved. However, the indicator to measure actual reduction in payment delays has not been met. The June 2017 report by the Moroccan Central Bank states that payment delays have not improved since 2010, especially for construction and manufacturing sectors. Payment delays between private operators average 85 days, with higher averages for SMEs (152 days) and MSMEs (232 days), while payment delays in the construction sector average a very high level of 557 days. Recognizing the importance of reducing payment delays for the development of MSMEs, the government and the private sector represented by CGEM have committed to continue addressing the issue. In September 2016, an amendment to the law on payment delays for commercial contracts was adopted, which expands the scope of the law to include commercial contracts by SOEs, effective January 1, 2018, as well as other measures. Further, the CGEM and the Ministry of Finance have agreed to implement a number of concrete actions to reduce payment delays in public contracts, which is deemed to have in turn a positive indirect impact on the payment to private suppliers, often SMEs. The Government expects positive impacts from these new measures within the next two to three years.

(iv) modernize the regulatory environment for corporations and reduce barriers to entry and operations for SMEs - Achieved



The modernization of the SA corporations law that the ECSP supported has facilitated the creation of SARL companies and strengthened the governance of SA corporations. The reform of the SA corporations law has had four main positive results. One, the reform has facilitated the disclosure and e-filing of accounts. Two, it has strengthened the regime of prior disclosure and approval of related party transactions, making it mandatory for listed firms to establish an audit committee. Three, it improved the level of disclosure of companies to their shareholders in case of merger and acquisition. Four, it has limited the purchase by a SA of its own shares. This ambitious legal change is in line with recommended international best practices and resulted in an improvement in Morocco's ranking in the Protecting Minority Investors by 31 slots in the Doing Business 2017 published in October 2016 (moving up from 118th place in DB 2016 to 87th place in DB 2017). The impact on investment and business expansion cannot yet be measured, but it is expected that increasing the transparency and disclosure in SA corporations will reenergize equity investment for listed companies in the Casablanca Stock Exchange over the long term. The creation of a company was facilitated by suppressing the legally-binding minimum capital requirements for creating a SARL. This legal change cannot be solely credited for the increase in creation of companies in Morocco; however, it is important to note that the SARL corporate form, particularly with a single partner, has continued to be the main corporate vehicle for entrepreneurs.

**Rating**  
Substantial

## **Objective 2**

### **Objective**

Furthering trade policy reform and trade facilitation

### **Rationale**

The ECSP had three areas of intervention under the policy area of furthering trade policy reform and trade facilitation: (i) harmonizing trade policy by reducing distortions in tariff structure; (ii) modernizing the legal and institutional framework for foreign trade and consumer protection; and (iii) streamlining trade logistics at the ports of entry. The achievements under each intervention area are discussed below.

(i) harmonizing trade policy by reducing distortions in tariff structure - Achieved

With ECSP support, the import tariff structure was rationalized by reducing most-favored nation (MFN) tariffs and the number of tariff bands for industrial goods. Decreasing the maximal tariff quota for industrial products was implemented effectively and is still being applied. Although the overall economic outcome of this tariff reduction is difficult to measure due to many factors that can influence import levels, the change is consistent with international best practices and is a key element for integrating the Moroccan private sector in global value chains.



(ii) modernizing the legal and institutional framework of foreign trade and consumer protection - Achieved

With ECSP support, the Government implemented legal and regulatory changes that (i) transcribed international standards into the national legal framework and (ii) enhanced the transparency and predictability of control mechanisms. On May 13, 2013, the Government adopted the implementing regulations for safety of products and services, which apply to both domestic and imported products. These safety standards help Morocco to be more in line with international practices, thus promoting better integration of its private sector with international trade. Based on Department of Commerce records, the ECSP indicator related to the conformity of 95% of controlled products under the new standards was achieved. The Government also adopted anti-dumping, anti-subsidy and safeguard measures aimed at protecting the Moroccan market from dumping and other non-competitive or illegal practices, while ensuring compliance with WTO rules. The various stages of investigation are published systematically, and the Department of Commerce publishes regularly in its website the latest opinions, investigation reports, and results of the antidumping and safeguard measures. Thus, the ECSP indicator to measure the first impacts of these actions has also been achieved.

(iii) streamlining trade logistics at the ports of entry - Achieved

Through a computerized data exchange system for port operations, Portnet—a state-owned company—has successfully increased transparency and reduced the administrative burdens for importers and exporters. The system allows the electronic management of import documents through the interconnection of key public authorities and private trade operators involved in external trade procedures (Customs, traders, banks, Commerce Department, Foreign Exchange Office). ECSP I established Portnet in January 2012 to develop and manage the computerized data exchange system for port operations. ECSP II interconnected the main public and private operators involved in port procedures to enable the electronic management of import documents. This system has resulted in (i) facilitating procedures, (ii) accelerating international importing and exporting operations, and (iii) improving the maturity of the supply chain. Portnet's latest information estimates the average stay time of a container in the Casablanca Port to be 6.12 days, compared to the indicator target of 7 days by end-2015. The ICR mission also interviewed officials and private operators to ascertain whether the automation of trade operations may have reduced discretion and corruption in port operations.

**Rating**  
Substantial

### **Objective 3**

#### **Objective**

Strengthening economic governance

#### **Rationale**

The ECSP had three areas of intervention under the policy area of strengthening economic governance: (i)



increasing transparency and effectiveness of the Government's interventions in support of investment and selected sectors; (ii) improving the public-private coordination for the monitoring and implementation of business environment reforms; and (iii) strengthening the institutional framework for competition policy. The achievements in each of these areas is assessed below.

(i) increasing the transparency and effectiveness of the Government's interventions to support investments and selected sectors – Partially achieved

The ECSP helped to improve the assessment of impacts of the tax exemption and financial support granted to investment project by the Investment Commission (CI). Under ECSP I, the Government issued a Circular to clarify the conditions for the Moroccan Investment Development Agency (AMDI) as CI secretariat to (i) undertake assessments of investment projects with concerned ministerial departments and public bodies, and (ii) prepare an annual report on investment agreements. The Bank assisted with the preparation of a cost-benefits assessment manual to strengthen AMDI's capacity to evaluate investments, by comparing the incentives (grants and tax relief) to the expected economic impacts (job creation and spillover effects). At end-2014, AMDI published a first report on cost and benefits of incentives to investment projects, covering all investment agreements from 1996-2014. This first analysis allowed AMDI to obtain baseline figures prior to proceeding with subsequent annual reports. A government vacancy has caused delays in approving the 2015 and 2016 reports.

(ii) improving the public-private coordination for the monitoring and implementation of business environment reforms - Achieved

The ECSP strengthened the National Business Environment Commission (CNEA), which has had a positive impact on its role in coordinating and monitoring reforms, and in establishing an effective public-private policy dialogue. Under ECSP I, the Ministry of General Affairs and Governance established formally a dedicated unit to coordinate investment climate reforms and serve as CNEA secretariat. The CNEA has shown many positive results. It has significantly improved inter-ministerial coordination and accelerated the implementation of complex reforms, including business climate improvements through the reform of business law, simplification of procedures, or the development of e-government solutions. The CNEA continues to meet annually under the chairmanship of the Head of Government to discuss and approve its annual reform program. It has improved transparency through a website that includes its annual action plans, results to date, seminars, etc. ([www.cnea.ma](http://www.cnea.ma)). The CNEA played a key role in coordinating and implementing at least six business environment reforms cited by the Doing Business annual reports from 2013 to 2015, thus exceeding the original ECSP target of four reforms during this period.

(iii) strengthening the institutional framework for competition policy – Not Achieved

The goal of ensuring that the Competition Council (CC) had the regulatory powers to investigate and sanction anticompetitive behaviors has not been achieved. The ECSP aimed to support CC's from a being mere advisory body to functioning as an independent agency with the requisite power to investigate and sanction monopolistic behavior, mergers and collusion long entrenched in Morocco. The ECSP-supported legal and regulatory framework integrated best practices on regulating competition and was in line with the new Constitution that provided specifically for CC's independence and expanded scope of responsibilities.



However, despite these reforms, the CC has not yet demonstrated an active anti-trust role; as of the ICR's completion, the President and board members of the Competition Council have yet been nominated. Consequently, the CC has not formally concluded any investigations under the new legal and regulatory framework.

**Rating**  
Modest

## 5. Outcome

The relevance of the ECSP's objectives is substantial, and the relevance of its design is also substantial. The achievement of Objective 1 (improving the investment climate) is substantial, although there were shortcomings in reducing payment delays. Achievement of Objective 2 (furthering trade policy reform and trade facilitation) is substantial. The achievement of Objective 3 (strengthening economic governance) is modest, since the goal of ensuring that the Competition Council (CC) had the regulatory powers to investigate and sanction anticompetitive behaviors has not been achieved. Overall outcome is moderately satisfactory.

### a. Outcome Rating

Moderately Satisfactory

## 6. Rationale for Risk to Development Outcome Rating

Government commitment: The newly formed coalition government of April 2017 has a reform program with a strong emphasis on improving Morocco's competitiveness, through business environment, institutional governance and macro-fiscal reforms, as well as some trade liberalization measures. The new government's priority is to improve the business climate to place Morocco among the top 50 reformers in the Doing Business ranking by 2021. The government's program specifically mentions the reinforcement of the Competition Council's powers, indicating that the members should be nominated during the post-implementation phase of the ECSP DPL series. Regarding trade and logistics, the government program refers to increasing the export potential of enterprises by (i) implementing fiscal and investment incentives and (ii) improving the logistics and transport regime. On the macro-fiscal side, the government has started to liberalize its exchange rate in June 2017.

Sector Strategies and Policies: The new government program commits to improving the efficiency of public policy and ensuring the effectiveness of public investment—by institutionalizing the evaluation of the



management of sector strategies, notably the industrial acceleration programs. As of the ICR date, the Bank (in collaboration with the Ministry of Industry and Trade) was initiating an evaluation of the country's industrial policy, to determine key lessons and ways to further refine policies to improve exports and productivity.

Institutional Capacity for Implementation and Sustainability: MAGG's institutional capacity to continuously track results under the different policy areas remains limited. Hence, there is a risk that, while government is highly committed to reforms, the sustainability of monitoring and evaluation of program outcomes would remain weak. CNEA's coordination of the ECSP's business environment actions partially mitigates this risk. However, to fully capitalize on the ECSP's results, a more holistic, long-term approach is needed that (i) sustains the actions required by the program and (ii) captures the different policy areas such as economic governance and trade liberalization.

It is unlikely that any one of the above risks could substantially reverse the results achieved under the ECSP. Given the Government's strong level of commitment, the risk to development outcome is modest.

#### **a. Risk to Development Outcome Rating**

Modest

### **7. Assessment of Bank Performance**

#### **a. Quality-at-Entry**

At entry, the ECSP was supported by a strong analytical base and technical assistance intended to facilitate the achievement of key prior actions. The Bank's project preparation team ensured close alignment between the Government's program, the Bank's CPS, and the ECSP's key policy areas. The team also considered outcome areas, such as economic governance, that went beyond the traditional business environment reforms. The design of the ECSP series incorporated lessons learned from other operations in Morocco as contained in the FY10-13 CPS. Within the CPS context, the Bank team also ensured complementarity with other Bank operations concurrently under preparation, such as the Second Skills and Employment DPL, the First Capital Market and SME Finance DPL, and the Accountability and Transparency DPL. Risks to PDO achievement, which remain currently relevant, were identified clearly and rated appropriately.

During preparation, the Bank team consulted and coordinated closely with donors regarding the ECSP's design. For example, the program was linked to USAID's Morocco Economic Competitiveness program, which had an investment climate reform component that supported the development of the common business identifier. The Morocco investment climate report of the Organization for Economic Cooperation and Development also helped in selecting key outcome areas for the ECSP, particularly those related to economic governance. ECSP preparation was also aligned with the overall objectives, and supported the activities of the European Union (EU), notably the strengthening of the Competition Council, for which the EU funded a twinning agreement with the German Competition Council. The IMF was also closely involved in program design: IMF staff participated in Bank project reviews and the IMF's macro-economic analytical work informed the ECSP's design.





## **Quality-at-Entry Rating**

Satisfactory

### **b. Quality of supervision**

The Moroccan implementing agencies were satisfied with the ease of access to Bank staff and the Bank's overall performance during implementation, as was expressed during the April 2017 ICR mission. Both the TTL and Co-TTL for the ECSP were based in Morocco during the entire duration of ECSP I and II, which enabled close monitoring and frequent interactions with the Government and other entities directly responsible for achieving each of the outcome areas. The Bank team reported candidly on the ECSP's progress through detailed aide-memoires and semi-annual supervision reports that focused on the program's development impact. Through close consultation between the Bank team and government counterparts, the policy areas were identified—such as business environment, and trade facilitation and logistics—for which the Bank designed downstream technical assistance programs. The Bank also identified proactively and addressed any program performance issues with the concerned Moroccan authorities. Despite this consistent proactivity with the highest levels of government, it was beyond the Bank's influence to cause the Government to implement the nomination of the members of the Competition Council—an indicator that was not achieved.

## **Quality of Supervision Rating**

Satisfactory

## **Overall Bank Performance Rating**

Satisfactory

## **8. Assessment of Borrower Performance**

### **a. Government Performance**

During the ECSP's design and preparation, the Government's commitment and ownership to the policy areas was consistently strong. During implementation, the Government's momentum for reform was maintained throughout ECSP I and II. This stems from the constitutional referendum of 2011, which led to a strong focus in the government's strategy on implementing the reforms, especially in the policy areas related to economic development and job creation. During implementation, the various ECSP stakeholders within Government were strongly supportive during all the Bank supervision missions and consistently provided data, supporting documents, and the feedback necessary to assess the ECSP's progress. The ICR (page 29) indicates that the Government's fiduciary performance was highly satisfactory, as financial management, governance and compliance with the covenants experienced no shortcomings and the loan tranches were disbursed as foreseen. One significant shortcoming, however, was the Government's inability to deliver on the reduction of payment delays and the operationalization of the Competition Council, as discussed above under Section 4 on Efficacy.





### **Government Performance Rating**

Moderately Satisfactory

### **b. Implementing Agency Performance**

Not applicable.

### **Implementing Agency Performance Rating**

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### **Overall Borrower Performance Rating**

Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The selected prior actions for ECSP I were suitable and in line with the Government's reform priorities under its 2012-2016 strategy and its renewed focus on governance and equitable reforms. For ECSP II, however, some indicative triggers had to be modified and adapted to fit with the Government's timetable for advancing reforms. Overall, the indicators for ECSP were adequately designed and reflected the expectations of various ministries regarding the results of each prior action for which they were responsible. Indicators were regularly tracked by the ECSP World Bank team through both MAGG and individual ministries.

### **b. M&E Implementation**

The impetus for M&E implementation was the continuous communication with, and supervision missions by the Bank, which were conducted formally for both loans in the series. The location of both the TTL and Co-TTL in rabat reinforced monitoring and enabled the continuous supervision of the ECSP's quantitative and qualitative results from MAGG and individual government counterparts responsible for implementing the program's prior actions of the program. MAGG had no systematic M&E resource and system in place for data collection; however, it assumed the overall coordination role across various interlocutors and systematically sent results for the ECSP performance indicators to the Bank team. In turn, the Bank team verified results by collecting all supporting documentation such as official data, laws and decrees enacted, surveys conducted, etc. The ICR (page 17) indicated that while the absence of a systematic M&E system across Ministries and agencies involved in economic policies did not affect the ECSP Program, it would nevertheless be useful to allow monitoring with indicators systematically, centrally and transparently the progress of all reform actions affecting the economic environment of Morocco. The CNEA for instance could fulfill this task through adding an M&E framework with indicators to monitor the progress of its economic policy actions.



### **c. M&E Utilization**

According to the ICR (page 17), the data collected during the semi-annual Bank supervision missions for the various indicators was appropriately used to (i) assess the advancement of the program's various prior actions and (ii) inform various Bank reports such as Doing Business as well as the trade and competitiveness chapters of the 2017 Country Economic Memorandum.

#### **M&E Quality Rating**

Substantial

## **10. Other Issues**

### **a. Environmental and Social Effects**

Not applicable.

### **b. Fiduciary Compliance**

The ICR (page 29) indicates that the Government's fiduciary performance was highly satisfactory, according to the ICR (page 29). Financial management showed no shortcomings and the single tranches for the two loans were disbursed as foreseen.

### **c. Unintended impacts (Positive or Negative)**

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### **d. Other**

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## **11. Ratings**



Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Satisfactory	Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

### Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 12. Lessons

The following lessons from the ECSP's implementation experience need to be taken into account when designing future interventions intended to enhance competitiveness. The lessons were derived from the ICR, with some adaptation:

**The DPLs should be accompanied by downstream technical assistance to increase their development impact.** The upstream phase could include strong Bank technical assistance for several key prior actions, notably those related to increasing institutional and coordinating capacities, designing legal reforms of the corporate laws, and developing a methodology and a guide for assessing cost and benefits of investment decisions. Moreover, downstream support for achieving the program indicators should also be envisioned to help maximize the impact of the program.

**The satisfactory involvement of the private sector could prove to be a key factor in delivering strong reforms.** The Bank should ensure that private sector is involved in defining prior actions and reform areas with the government. In this Morocco DPL series, the private sector indicated satisfactory collaboration with the Government on the implementation of business environment reforms, especially those related to the Common Business Identifier, the revised law on payment delays, and the suppression of minimum capital requirements for limited liability companies. The National Business Environment Commission has also gone beyond just involving the private sector in the implementation phase, but has now started involving the private sector in the identification phase of reforms to undertake.

**Strong ownership, coupled with robust coordinating body at the implementing agency level, need to be prerequisites for loan disbursement.** In the case of this Morocco ECSP loan series, the implementation agency was not responsible for driving the key reforms. This fostered a dispersed program, involving multiple ministries, without one that fully owns the program. One implementing agency (CNEA in this case) should be in charge of cross-cutting competitiveness topics, considering its specific role for business environment



reforms and its mandate as coordinator of reforms across multiple ministries in the competitiveness space. Also, loan operations should focus on a limited number of issues in the competitiveness and private sector development realms to avoid such dispersion and ensure strong ownership.

**Continued coordination among ministries and a reinforced dialogue at the national-regional level is key for the competitiveness agenda going forward.** The Bank was able to act as a catalyst to harness a strong coordination of business environment reforms by providing upstream and downstream technical support to CNEA. The Bank should continue to push for inter-ministerial coordination beyond the realm of business environment, and move toward inclusion of other competitiveness topic areas within the framework of a robust inter-ministerial dialogue. Further, going forward, coordination and collaboration needs to also occur at the national-regional level, in light of the new advanced decentralization program that is a key priority area of the new Government program.

**The implementation of a monitoring and evaluation (M&E) system is key to determining the long-term efficacy of reforms.** A strong M&E system is key to track program results in a timely manner, proactively identify issues with program performance and continue tracking results beyond the life of the program. The limited resources dedicated to M&E for this program resulted in Bank-driven data-collection efforts at the request of the Bank team conducting supervision missions.

### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The ICR was clear, well-written, and focused strongly on accounting for results, which were discussed comprehensively in the ICR's Section 3 on "Assessment of Outcomes" (pages 18 to 25) and presented succinctly in Annex 2 on the "ECSP Results Matrix." Baselines were often provided in the text to strengthen the evidence on the value-added of the ECSP. The distinctions and progress on results between ECSP I and II were well articulated. Annex 3 was especially useful in substantiating the ICR's assessment regarding the high quality of the analytical products underpinning the ECSP series. However, the ICR was long at 30 pages. Although hard to avoid, given the two loans involved, this could have been mitigated by avoiding the repetitiveness in some parts of the report.

#### a. Quality of ICR Rating

Substantial

