

AFRICAN DEVELOPMENT BANK



**PROGRAMME : GREEN MOROCCO PLAN SUPPORT
PROGRAMME – PHASE TWO (PAPMV-2)**

COUNTRY : KINGDOM OF MOROCCO

APPRAISAL REPORT

OSAN DEPARTMENT

September 2015

Translated Document

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CURRENCY EQUIVALENTS

(June 2015)

1 UA	=	MAD 13.67 (Moroccan Dirham)
1 UA	=	EUR 1.27
1 UA	=	USD 1.39

FISCAL YEAR

1 January - 31 December

WEIGHTS AND MEASURES

1 ton	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft.)
1 millimetre (mm)	=	0.03937 inch (")
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

ACRONYMS AND ABBREVIATIONS

ACFA	Accelerated Co-financing Facility for Africa
ADA	Agency for Agricultural Development
ADEREE	Agency for Renewable Energy Development and Efficiency
AFD	French Development Agency
AfDB	African Development Bank
AMABIO	Moroccan Organic Farming Sub-sector Association
AS	Agricultural Sector
AUEA	Association of Agricultural Water Users
AWF	African Water Facility
BAM	<i>Bank Al Maghrib</i> (Moroccan Central Bank)
CAM	<i>Crédit Agricole du Maroc</i> Bank
CMP	Performance Measurement Framework
CPS	Strategic Steering Committee
DDFP	Directorate of Production Sectors Development
DEFR	Directorate of Education, Training and Research
DF	Directorate of Finance
DIAEA	Directorate of Agricultural Land Irrigation and Development
DSS	Directorate of Strategy and Statistics
EHF	Gender Equity
ESMP	Environmental and Social Management Plan
EU	European Union
FAO	Food and Agriculture Organisation
FDA	Agricultural Development Fund
GoM	Government of Morocco
GDP	Gross Domestic Product
GIS	Geographic Information System
IBM	Impact-Based Monitoring
IGF	General Inspectorate of Finance
IMF	International Monetary Fund
IS	Irrigation Scheme
IWRM	Integrated Water Resources Management
JEA	Young Agricultural Entrepreneurs
JEV	Young Green Entrepreneurs

JICA	Japanese International Cooperation Agency
LOLF	Organic Law on the Appropriations Act
MAD	Dirham
MAPM	Ministry of Agriculture and Marine Fisheries
MDG	Millennium Development Goals
MEF	Ministry of Economy and Finance
MEMEE	Ministry of Energy, Mines, Water and the Environment
MIC	Middle Income Country
MIC/TAF	Middle Income Countries /Technical Assistance Fund
MTEF	Medium-Term Expenditure Framework
NA	North Africa
NAMA	Nationally Appropriate Mitigation Actions
OG	Official Gazette
OMPIC	Moroccan Industrial and Commercial Property Agency
ONCA	National Agricultural Advisory Agency
ORMVA	Regional Agricultural Development Agency
PADESFI	Financial Sector Support Programme
PAPMV	Green Morocco Plan Support Programme
PAPNEEI	National Irrigation Water Conservation Programme Support Project
PBO	Programme-Based Operations
PEI	Irrigation Extension Programme
PGE	Government Plan for Equity
PMV	Green Morocco Plan
PNEEI	National Irrigation Water Conservation Programme
PPP	Public-Private Partnership
REUT	Re-use of Treated Waste Water
SFDA	Agricultural Development Financing Company (<i>Société de Financement du Développement Agricole</i>)
SGG	Secretary General of Government
SNE	National Water Strategy
TA	Technical Assistance
UA	Unit of Account
UAA	Useable Agricultural Area
VAT	Value Added Tax
WB	World Bank

PROGRAMME INFORMATION

INSTRUMENT	:	Sector Budget Support
PBO DESIGN MODEL	:	Autonomous Programme-Based Operation

LOAN/GRANT INFORMATION

Client Information

BORROWER	:	Government of Morocco
EXECUTING AGENCY	:	Directorate of Strategy and Statistics (DSS) of the Ministry of Agriculture

Financing Plan

<u>Source</u>	<u>Amount (USD)</u>	<u>Instrument</u>
AfDB	132 million	Loan
JICA	132 million (JPY 16.374 billion)	Loan
TOTAL COST	264 million	

Key AfDB/ADF Financing Information

Loan Currency	US Dollar (USD)
Interest Rate Type*	Floating base rate with free fixing option
Base Rate (Floating)	USD 6-month Libor
Contractual Margin	60 basis points (bps)
Lending Margin:	Bank lending margin in relation to the 6-month Libor. This margin is revised yearly on 1 January and 1 July.
Commitment Fee	In the event of disbursement delays with reference to the initial schedule (specified in the loan agreement), a commission of 25 bps per annum will be applied to the undisbursed amounts. This charge will be increased by 25 bps every six months up to a maximum of 75 bps per annum.
Other Charges	None
Tenor	20 years maximum
Grace Period	5 years maximum

Implementation Schedule – Key Milestones (expected)

Concept Note Approval	April 2015
Programme Approval	October 2015
Effectiveness	November 2015
Disbursement 1	December 2015
Disbursement 2	December 2016
Completion	December 2016
Programme Closing	December 2016

EXECUTIVE SUMMARY

This proposal concerns the granting of a loan of one hundred and thirty-two million US dollars (USD 132 million) to the Kingdom of Morocco to finance the second phase of the Green Morocco Plan Support Programme (PAPMV-2). It involves a sector budget support to be implemented from October 2015 for a 15-month period expiring on 31 December 2016. It is a good practical reflection of the Bank's Ten-Year Strategy (2013-2022) and new Agricultural Sector Strategy (2015-2019) based on an innovative approach. Adopting a participatory, inter-sector approach, this proposal indeed offers an opportunity to rethink agriculture (as an innovative business sector, which not only complements and synergizes with other sectors but also gives value to its stakeholders, especially women and youth, and strengthens its resilience, among others).

The programme's general objective is to contribute to strengthening agricultural sector (AS) competitiveness for inclusive and green economic growth. In particular, PAPMV-2 supports the Green Morocco Plan (PMV), which is the instrument for implementing the Agricultural Strategy 2008-2020. Its specific objective is to improve sustainable natural resource management through green governance in the agricultural sector and the inclusive development of agricultural sector value chains. It rests on the following two components:

The first component, "Promotion of green agriculture sector governance", will help to: (a) strengthen the legal, regulatory and institutional framework of green governance in the agricultural sector (through the Cabinet's adoption of the National Sustainable Development Strategy and forwarding to SGG of the bill to revise the Water Act); (b) operationalise green governance in the agricultural sector (through the development of a PPP project bank); and (c) ensure natural resource monitoring/evaluation with a view to their sound management and preservation (by institutionalizing six (6) regional environmental and sustainable development observatories). These actions will, among other things, allow for the conservation of an additional 210 million m³ of water in 2016 and reconversion of 317,000 ha to localised irrigation in 2016.

The second component "Inclusive development of agricultural sector value chains" will help to: (a) structure value chains (through Official Gazette (OG) publication of the implementing decrees of the Law on agricultural aggregation or the launching of *Souss Agropolis* activities); (b) upgrade value chains (through the launching of integrated platforms such as the Casablanca *Zoopolis* and Meknès *Qualipolis*, and the signing of management agreements with stakeholders, OG publication of the implementing decree of the law organizing the private agricultural adviser profession); and (c) ensure the inclusive mobilisation of vulnerable stakeholders (youths, women). These actions will attract an additional MAD 1,200 million of private investments for programme contracts in the sector in 2016 and create 3,300 jobs for youths and women in 2016.

The choice of the agricultural sector for this budget support is justified by its economic (14% of GDP) and social weight (39.7% of employment, 80% of rural dwellers), and is a prolongation and consolidation of the first phase of the programme (PAPMV-1). Improving the agricultural sector by developing its resilience and intensifying/strengthening value chains will enable it to play a leading role in the economic and social transformation of the Moroccan economy. The Bank is in a better position to support Morocco with reforms in this sector, judging from investments being financed therein, the numerous technical assistance packages being provided and the success of the first budget support (86% of measures achieved).

This operation will be co-financed by JICA (JPY 16.347 billion, equivalent to USD 132 million) through the Accelerated Co-financing Facility for Africa (ACFA). Project structuring was jointly done, with the Bank assuming leadership during preparation and appraisal. Additionally, a joint matrix of measures was formulated and a joint Donor/Government Group set up in 2010 to coordinate the PMV

support (the Bank plays an important role in this group through its Field Office, MAFO). Hence, PAPMV-2 was designed with the close cooperation and coordination of partners, particularly the World Bank, the European Union, French Cooperation and Belgian Cooperation.

The programme pays special attention to rural women, who occupy 61% of agricultural jobs, and youths. This will require the creation of a budget item on gender in the investment budget of the Ministry of Agriculture under the 2015 Appropriations Act. Additionally, a study to design a strategy for mainstreaming gender in agricultural sub-sectors as well as measures for encouraging young green agricultural entrepreneurs will be finalised.

During programme implementation, dialogue will concern inter-sector coordination and the two main areas of budget support: (i) Support for green agricultural sector governance; and (ii) Inclusive development of agricultural sector value chains. This dialogue and these reforms are accompanied by such technical assistance packages as “Support for inclusive green growth”; “Support for irrigation infrastructure development”; “Support to young agricultural entrepreneurs” and “Support for PPPs” as well as better synergy between Support for Economic Competitiveness in Morocco (PACEM, which is a general budget support operation) and Support for the Green Morocco Plan (a sector budget support operation).

RESULTS-BASED LOGICAL FRAMEWORK

Country and Programme Name: Morocco – Green Morocco Plan Support Programme, Phase II – (PAPMV-2)

Programme Goal: Contribute to strengthen agricultural sector competitiveness for inclusive green growth by improving the business climate and the sustainable management of natural resources.

RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS / MITIGATION MEASURES
		Indicators (including CSI)	Baseline Situation (2014)	Targets		
IMPACT	Agricultural sector (AS) productivity and competitiveness improved	Increase of agricultural GDP (MAD billion)	105 in 2014	117 in 2016 and 130 in 2020	MEF/MAPM Monitoring report	
	OUTCOMES	I. Green agricultural sector governance improved	Additional millions of m ³ (mm ³) of water conserved	570 mm ³ (for the 2008-14 period)	210 mm ³ and total 780 mm ³ in 2016	DIAEA/MAPM Reports
Additional hectares equipped with localised irrigation			232,000 ha in 2014 (for the 2008-14 period)	317,000 ha converted to localised irrigation in 2016	DIAEA/MAPM Reports	
II. Inclusive value chains development strengthened		Budget allocated to the development of production sub-sectors (MAD billion)	3.3	3.8 in 2016	ADA/DDFP/MAPM Reports	
		Additional jobs for youths and women (job stations)	2,500	3,300 in 2016	ADA/DSS/MAPM Reports	
OUTPUTS	COMPONENT I - PROMOTION OF GREEN AGRICULTURAL SECTOR GOVERNANCE					Risks:
	I.1. Strengthening of the legal, regulatory and institutional framework governing green governance in the agricultural sector					- Insufficient inter-sector coordination capacity between various Government departments involved in implementing programme reforms
	Putting in place of the global governance framework	Adoption of the National Sustainable Development Strategy	Strategy finalised end-2014	New strategy adopted in 2016	D. Env/MEMEE: SNDD Approval Report	- Divergent interests of stakeholders
	Improvement of sustainable water resource management	Submission to SGG of the bill to revise Law No. 10-95 on water	Former Law No. 10-95	Bill forwarded to SGG	D. Env/MEMEE Transmittal latter	- Weak user capacity and socio-cultural resistance to gender issues
	Improvement of the agricultural land management framework	Submission to SGG of the bill to regularise private land parcels ceded from private State land (land reform)	Stakeholders' consultative meetings organised	Bill forwarded to SGG in 2015	D. Env/MEMEE Transmittal letter	Mitigation measures:
	I.2. Operationalisation of green agricultural sector governance					- Institution of the steering committee in MEF and strengthening of the Agriculture/PMV Thematic Group
	Strengthening of planning and programming	Irrigation investment planning and programming tools	Intermediate tools developed by PAPMV-1	Functional programming implemented by end-2016	Summary Note DIAEA/MAPM	- Strengthening of inter-sector and inter-departmental consultation, and setting up of focal points
	Promotion of PPPs in irrigation and mobilisation of private stakeholders	PPP projects (project bank) eligible for PPP financing	NA	Inventory of PPP projects available in 2016	Summary Note DIAEA/MAPM	- Design and implementation of training and capacity-building programme backed by sensitisation and communication actions, especially for gender and associations
	Support for innovative approaches to natural resource development and preservation	Multi-year action plan to promote the use of treated waste water in agriculture	Study started	REUT action plan available in 2016	Action Plan DIAEA/MAPM	
		Promotion of green sub-sectors (agricultural waste recycling....)	Diagnostics initiated	Convention signed and business plans validated end-2015	MAPM and D/Env conventions and reports	
		Preparation of a NAMA for solar-powered pumping in irrigation	NA	NAMA available in 2016	DSS/MAPM ADEREE	
	I.3. Monitoring/evaluation of the use of natural resources for their management and conservation					
	Development of monitoring and management tools	Institutionalisation of 6 Regional Sustainable Development Observatories (OREDD)	NA	Organisation order promulgated in 2016	MEMEE/DE note and order promulgated	
		Assessment of progress in putting the agricultural register in place.	First works initiated	Implementation report available end-2016	DSS/MAPM note and implementation report	
	Strengthening of stakeholder accountability	Assessment of AUEA performance and preparation of a capacity-building programme	NA	Diagnostics Note and TOR available end-2015, and appraisal end-2016	DIAEA/MAPM appraisal note and TOR	
	COMPONENT II – INCLUSIVE DEVELOPMENT OF AGRICULTURAL SECTOR VALUE CHAINS					
	II.1. Structuring of value chains					
	Development of a strategic vision	Preparation of roadmap for developing the agro-industrial strategy	TOR prepared	Roadmap validated in 2016	Summary Note DSS/MAPM	
	Integration of small-holders	Publication of implementing decrees on Law 04-12 on aggregation	Decrees prepared	Decrees published in the OG in 2015	Copy of OG of publication ADA/DAAJ/MAPM	
	Development of agro-industrial poles	Launching of the installation of the <i>Tadla</i> and <i>Souss agropoles</i>	NA	Installation started in 2015 (<i>Tadla</i>) and 2016 (<i>Souss</i>)	DDFP/MAPM note on the installation progress of the two agropoles	

II.2. Upgrading of value chains				
Training of actors and promotion of research	Launching of the Casablanca <i>Zoopolis</i> activities and transfer of management to inter-trade organisations	NA	Convention signed in 2015	Copy of DDFP/MAPM convention
	Forwarding to SGG of the bill to set up the higher education polytechnic pole	NA	Bill forwarded to SGG before end-2016	Law and transmittal letter DDAJ/MAPM :
	Creation of the Strategic Guidance Committee on Agricultural Research (COSRA)	NA	COSRA set up in 2015	Circular note DEFR/MAPM
Improvement of quality and standards	Launching of the Meknès <i>Qualipolis</i> activities and signing of the management convention	NA	Convention signed before end-2015	Signed convention and DDFP/MAPM reports
Private sector involvement in building the capacity of production units	Publication of implementing decrees of Law 62-12 on the organisation of the private agricultural adviser profession	NA	Decrees published in OG and decrees signed before end-2015	: Copy of OG and signed decrees DDAJ/MAPM
II.3. Inclusive mobilisation of vulnerable actors				
Definition of a framework protecting and enhancing the value of the intangible heritage of producers	Validation of a strategic guidance note for implementing the NAGOYA Protocol	NA	Guidance note validated in 2015	D. Env/MEMEE note and report
	Creation and registration of the collective trademark <i>Terroir du Maroc</i> at OMPIC	NA	Collective trademark created and registered at OMPIC in 2015	Attestation of registration ADA/MAPM :
Enhanced inclusion of smallholders and strengthening of their resilience	Broadening of climate risk comprehensive insurance to all arboreal sub-sectors	Product in place	Guarantees extended and launched before end-2015	Monitoring note/guarantees and convention signed. DF/MAPM
	Increase of <i>Tamwil El Falleh</i> ceiling from MAD 100,000 to MAD 200,000	MAD 100,000	MAD 200,000 ceiling raised before end-2016	Rationale for adoption and guarantee fund convention. MEF and CAM
Integration of youths and women	Preparation of a Young Agricultural Entrepreneurs (JEA) incubator concept and drafting of a JEA guide	NA	Road map and guidelines prepared in 2015	Monitoring and Concept Note ADA/MAPM
	Finalisation of the study to prepare a strategy for mainstreaming gender in agricultural projects	Gender mainstreaming concept prepared	Study completed before end-2016	Copy of study and study presentation note DEFR/MAPM
Key Activities: - Signing of loan agreements and fulfilment of conditions precedent to effectiveness and disbursement - Implementation of selected reforms and Government's half-yearly and annual progress report, Bank supervision and mid-term review reports and the programme completion report				Financing: ▪ AfDB Loan: USD132 million in 2 Tranches - 2015 and 2016 ▪ JICA Loan of USD 132 million in 2 Tranches - 2015 and 2016

Implementation Schedule of PAPMV-2 Activities

[illegible]

- GOM's Actions
- AfDB's Actions
- JICA's Actions
- AfDB and JICA's joint Actions

I. INTRODUCTION: THE PROPOSAL

1.1. **This proposal concerns the granting of a loan of one hundred and thirty-two million US dollars (USD 132 million) to the Kingdom of Morocco to finance the second phase of the Green Morocco Plan Support Programme (PAPMV-2).** It involves a two-tranche sector budget support to be implemented from October 2015 for a 15-month period expiring on 31 December 2016. It comes on the heels of the first phase (PAPMV-1) implemented between mid-2012 and mid-2014. Lessons learned from Phase I, the Paris Declaration principles as well as good conditionality practices were reflected in its design. Co-financed by JICA (USD 132 million) through the Accelerated Co-financing Facility for Africa – ACFA (cf. 4.3.1), the programme will complement other operations funded by the European Union and the World Bank. The approval of co-financing announced by the Japanese Government on 7 August 2015 was formally submitted to the Bank.

1.2. **The programme's objective is to contribute to strengthen agricultural sector competitiveness for inclusive, green and gender-sensitive economic growth.** PAPMV-2 rests on the strategic guidelines of Government's Medium-Term Development Programme, in particular the Green Morocco Plan (PMV), which is an instrument for implementing the Agricultural Strategy 2008-2020. Its specific objective is to improve the sustainable management of natural resources through green governance and the inclusive development of agricultural sector value chains. It is consistent with the orientations of the Bank's Strategy for Morocco since it promotes sector governance and the creation of inclusive value chains to bridge regional disparities while supporting the sustainable sophistication of the economy (matrix of measures attached as Annex 3).

1.3. **The programme also aligns with efforts to consolidate and deepen reforms already undertaken under PAPMV-1.** This phased approach makes it possible to accompany the authorities in designing and implementing strategic and institutional reforms supported by the nation. Particularly, it involves a programme-based operation (PBO) in support of autonomous reforms pursuant to Section 7.6 of Bank Policy on Programme-Based Operations. The proposed operation covering the 2015-2016 period will support reforms benefiting from strong Government commitment.

II. COUNTRY CONTEXT

2.1. *Political Situation and Governance Context*

2.1.1 **While implementing in-depth reforms, Morocco also enjoys solid political stability.** The Constitution was revised by referendum in July 2011 to strengthen pluralism, human rights and individual freedoms. A first coalition government was formed on 3 January 2012 and a second in October 2013 after the *Istiqlal* Party withdrew from the coalition. The next Parliamentary elections that will determine the composition of the Government are scheduled in 2016. Council and regional elections as well as those for prefectural and provincial boards, and the Chamber of Counsellors were organised in September 2015. Internationally, commitment to the reform process was crowned in 2011 by the country obtaining the European Council status of "*Partner for Democracy*". Although the regional context remains preoccupying, the security situation in Morocco is under control.

2.1.2 **With regard to the improvement of governance, Morocco undertook a series of in-depth reforms in public sector management, access to information, judiciary reform and the fight against corruption.** The tools of public administration were modernised to boost the sector's efficiency and offer better services to citizens. A bill on access to information is being finalised to implement Section 27 of the Constitution related to citizens' right to information on public affairs management. The Bank supported these efforts under a series of Public Administration Reform Support Programmes (PARAPs 2002 – 2011) and the Economic and Financial Management Improvement Support Programme (PARGEF 2012-2014). To strengthen the fight against corruption, Bill No. 12-114 on the National Authority for Probity, Corruption Prevention and Control, initiated in 2013, is expected to mark a milestone for Morocco in the moralisation of public life. This new authority, which replaces the central corruption prevention body (ICPC), will benefit from broadened prerogatives, especially in pre-judicial investigation. Morocco has made progress in good governance and the fight against corruption (ranked 80th out of 175 countries in 2014 – a progression of 11 spots compared to the previous year, according to Transparency International).

2.2. Recent Economic Trends, Macro-economic and Budgetary Analysis

2.2.1. Morocco's economic performance is good, recording an average annual growth rate of 4.1% in the 2009-2013 period. In 2014, although economic growth fell to 2.5%, the industrial sector bounced back to 4.3% against 0.1% in 2013. This advance is mainly attributable to an upturn in the mining sector and growth consolidation in the manufacturing industries, especially agri-business and the new trades in Morocco (automobile, electronics and aviation). Furthermore, tertiary sector activities (especially lodging, catering and tourism), which accounted for over 55% of value added, continued to support the economy. The decline in growth is caused, in particular, by a 3% contraction of agricultural sector value added. The primary sector witnessed unfavourable climatic conditions during the 2013/2014 farming season. The shortage of rainfall by up to 27% compared to the normal season led to lower value added in the sector. This observation in 2014 points to why it is important for Morocco to intensify agricultural production in sustainable ways and strengthen the sector's value chains in order to make growth less volatile and maximize the sector's knock-on effect on the economy and job creation.

2.2.2. Over the last few years, Morocco has pursued a prudent monetary policy based on inflation control, while supporting economic growth. Inflation was low between 2009 and 2012 (1%) but rose to 1.9% in 2013. It remained stable in 2014 in line with *Bank Al-Maghrib*'s forecasts (0.94%), despite the entry into force of gradual fuel price decompensation measures in January 2014. Therefore, at its last quarter meeting the same year, the *Bank Al-Maghrib* board decided to reduce by one quarter point its lending rate from 2.75% to 2.5% (the highest in 20 years). That decision aimed to further support the upturn of economic activities against a backdrop of low inflation, mastery of macro-economic balances and lower petroleum product prices.

2.2.3. Furthermore, the outstanding public debt continued to increase but at a slower pace, thanks to lower primary and overall deficits. The Treasury's indebtedness ratio represented 64.3% of GDP at end-2014 compared to 63.5% in 2013. That notwithstanding, the analysis of the main risks reveals that the country's debt remains sustainable in the medium term, provided the reform process is pursued. Moreover, in July 2014, the IMF approved a new arrangement with Morocco under the Precautionary and Liquidity Line (PLL) for about USD 5 billion. The first PLL review conducted in February 2015 was deemed satisfactory. The process of coordinating the debt management policy with other macro-economic policies enabled Moody's Rating Agency to confirm Morocco's score in 2014 at "Ba1". For its part, Fitch maintained the credit risk score for long-term debts contracted in local currency and foreign exchange at BBB- and BBB, with stable prospects.

2.2.4. Internally, the commercial debt continued to improve with exports growing faster (+ 7.9%) than imports (+0.6%) in 2014. However, the geographic concentration of exports to Europe (66%) makes it difficult to expand Morocco's market share in the context of weak growth in the Euro zone. Besides, sub-regional integration still lacks dynamism, despite the avowed will of the Moroccan authorities to become a regional trade hub. FDI flows increased 8.5% during the same period. Based on these trends, the current account deficit is expected to shrink to 5.8% of GDP at end-2014 against 7.9% in 2013. Thanks to the lightening of the trade deficit, the Treasury's outings on the international financial market (USD 1 billion) and grants leveraged from Gulf States, net international reserves improved to ensure coverage of 5 months, 5 days of goods and services imports at end-2014, against 4 months 9 days at end-2013.

2.2.5. With regard to prospects, growth forecasts for 2015 and 2016 show a revival of economic growth at estimated rates of 4.5 % and 5%, respectively. Growth is expected to benefit from the upturn of non-agricultural activities and higher agricultural value addition. Rainfall conditions are favourable, rising by 76% compared to a normal year and by 142% relative to the 2014 farming season. However, macro-economic prospects in the medium term will largely depend on the scope, depth and pace of implementation of reform programmes and the recovery of European economies. The improvement of the agricultural sector through resilience strengthening and value chain intensification and reinforcement will help the sector to play a leading role in the economic and social transformation of the Moroccan economy (cf. 2.3.1).

Table 1
Key Macro-economic Indicators – PEA, 2015
(% of GDP, except otherwise indicated)

Description	2013	2014	2015	2016
GDP growth	4.7	2.7	4.5	5
Agriculture GDP	-1.3	3.5	4.3	4.7
Real GDP growth rate per capita	3.2	1.3	3.1	3.7
Inflation	1.9	0.9	1.2	1.4
Budgetary balance (% GDP)	-5.5	-4.9	-4.2	-3.8
Current account (% GDP)	-7.3	-6	-6.1	-5.6

2.3. *Public Finance Management*

2.3.1. **At the public finance level, the Moroccan Government continued its fiscal consolidation policy while accelerating the pace of structural budgetary reforms.** Thus, subsidy-related expenditure reduced by 21.5%, thanks to the combined efforts of the petroleum products pricing system, other de-compensation measures and the steady drop in the prices of petroleum products on the international market. Revenue increased by 4.6% compared to 2013, attributable to higher tax (+1.9%) and non-tax (+21.7%) receipts, transfers received from the Gulf Economic Council (MAD 13.1 billion) and proceeds from privatisation. All these measures will lead to a budgetary deficit of 3% by 2017ⁱ (after 4.9% of GDP in 2014 and 5.2% in 2013).

2.4. *Economic and Agricultural Sector Competitiveness*

2.4.1 **The State plays a preponderant role in supporting competitiveness and improving general conditions for the conduct of business.** The 2015 *Doing Business Report* ranked Morocco 71st compared to 87th in 2014, thereby demonstrating the country's strong dynamism in terms of ease of doing business and the competitiveness of its economy. In a bid to improve the business climate and the competitiveness of the economy, major structural reforms were implemented to facilitate the access of businesses and households to the credit market and develop infrastructure with a view to reducing factor costs. Although Morocco's exports structure shows little diversification and its specialisation in products with marginal value added, this trend has turned around since 2013 with an increase of exports of products from new trades (automobile, aviation, etc.).

2.4.2 **The first challenge facing the agricultural sector is the promotion of value chains to enhance resource value.** In fact, competitiveness gains are to be expected since the value chain is currently poorly developed and highly fragmented. Agricultural production is characterised by the coexistence of a high number of smallholdings (close to 70% of 1.5 million farms occupy an area below five hectares), poor quality yields, very limited market integration and a limited number of large, high value-added farms, most of whose production is exported. In fact, the 1.5 million farms make up only 4% of exports while the agri-business sector, which is less labour-intensive (60,000 people), represents 2%. However, the coverage rate has diminished since 1990, indicating a deficit in agricultural products.

2.4.3 **Nonetheless, the sector presents huge development opportunities in value chain structuring and product upgrading.** Value chain development is expected to improve people's living conditions and food security, as well as strengthen the country's macro-economic stability. This will depend on: (i) greater upstream transformation and marketing through better contractual relations among private sector actors, investors, agro-industrialists, cooperatives and inter-trade organisations; and (ii) promotion of the sub-sector approach, technological innovation and local agricultural advice.

2.4.4 **The Green Morocco Plan contributed to improving the sector's competitiveness.** This strategy rests on two main foundations: (i) make agriculture the main lever of growth for the next 10-15 years with a significant impact on GDP, employment, exports and poverty reduction in rural areas; and (ii) promote private investment, especially through a system of targeted, customised public aid. The plan enabled agricultural GDP to increase significantly (at current price) to MAD 124 billion in 2013 compared to MAD 83 billion in 2008. Thanks to the Water Resource Management Strategy aligned on the Irrigation Extension Programme (PEI) and the National Irrigation Water Conservation Programme (PNEEI) supported by Bank investment projects,

irrigated schemes reached 1.64 million hectares in 2013, corresponding to a 173,000-hectare growth in 6 years. This enabled the vegetable sub-sectors to create over 51% additional value added from irrigation schemes, thus contributing largely to agricultural GDP's greater resilience to lack of rain. Production of key agricultural products improved significantly, especially fruits which rose from 1.3 million tons in 2008 to 2.2 million tons in 2013, corresponding to an increase of approximately 70% increase and additional annual value added of MAD 2.2 billion created. Besides, agri-food exports rose sharply to over MAD 32.5 billion in 2013, corresponding to a progression of 123% since 2001. Despite increasingly stiff competition especially among Mediterranean Basin countries, Morocco is classified among the world's top five exporters.

2.5. Inclusive Growth, Poverty Situation and Social Context

2.5.1 Socially, despite sound macro-economic performance and better living standards of its population, Morocco has still not fully addressed the challenge of persisting vulnerabilities and social, spatial and gender inequalities. The trend of the Gini Indexⁱⁱ, higher in 2011 (0.406) than in 1991 (0.393), corroborates this observation. National strategies were put in place to strengthen social cohesion and further improve the human development indicators in all regions.

2.5.2 The aim of fighting unemployment is to reach an unemployment rate of 8% in 2016. The programmes in place helped to obtain tangible results. Unemployment dropped over the past decade to stand at 9.9% in 2014. However, some population segments are at risk: unemployment among secondary school leavers and higher education graduates is 15.5% and 20%, in that order. Women's participation in the labour market remains weak (26% in 2014).

2.5.3 The agricultural sector plays a key role in this dynamic as it absorbs most of the Moroccan workforce. Although on a steady decline since 1999, agriculture offered 39.7% of jobs in 2011, 61% of them occupied by women. The sector mobilises 80% of the rural population or 18 million people (49% of the Moroccan population).

2.5.4 Therefore, the challenge confronting the sector is to make value chain development inclusive in order to reduce poverty and create jobs especially for youths. Regional disparities in terms of poverty are wide and poverty remains a rural phenomenon. According to the Households Survey conducted by HCP, although poverty receded from 15.3% to 9% at national level, it dropped from 25.1% to 14.5% in rural areas. Similarly, although vulnerability reduced from 22.8% to 17.5% nationally, the drop was from 30.5% to 23.6% in rural areas. Poverty is a major obstacle to inclusive growth and engenders migratory movements within and outside regions. It is associated with illiteracy and more broadly with the absence of training.

2.5.5 Support for the sector's transformation can only be inclusive if special attention is paid to rural women, who constitute a fragile actor: (i) 64.7% of illiterates are rural women; (ii) they are employed in branches of activity that prefer unskilled labour and/or offer low wages; (iii) the secondary school enrolment rate of rural girls is only 23.6%; and (iv) women's access to land is often constrained. Nevertheless, to entrench the equality of citizens of both sexes, much progress was made during 2012-2014 at the legislative and regulatory levels to harmonise national legislation with the provisions of international conventions on the protection and promotion of gender equality. Apart from the National Gender Strategy, Government adopted its Gender Equality Agenda 2011-2015. MDG 3 relating to the promotion of gender equality and the empowerment of women is considered achievable in 2015, although the gender-sensitivity development indicator (0.625 in 2007) is still at the level of the average of developing countries (0.696)ⁱⁱⁱ. Women make up only 25% of the labour force.

III. GOVERNMENT'S DEVELOPMENT PROGRAMME

3.1 Government's Development Strategy and Medium-Term Priorities

3.1.1 Government delineated its 2022 strategic vision for the agricultural sector and put in place the Green Morocco Plan in 2008, whose main objectives are to improve agricultural GDP, exports, private

investment and food security, strengthen capacity to tackle climate- and market-related uncertainties, and address the challenge posed by the increasing scarcity of water resources.

3.1.2 The agricultural sector has a number of other strategies. Through the National Industrial Acceleration Plan for the 2014-2020 period, the State undertakes to support the agri-food sector by promoting and restructuring strategic sub-sectors (especially staple foodstuffs and food exports) and the development of *agropoles* (integrated logistics platforms). The National Sustainable Development Strategy - SNDD (2015-2020), the National Water Strategy (2009-2030) and the National Energy Strategy (2008-2030) emphasize sustainable development and natural resources protection. Apart from the Green Morocco Plan, PAPMV-2 is aligned on all these strategies and Government's Gender Equality Plan (PGE). Therefore, it will support inter-sector coordination. The proposed programme is also fully consistent with the establishment of the advanced regionalisation system. In this context, decentralisation and devolution will help to streamline State structures in the regions and promote integrated sustainable development.

3.2 Constraints to the Implementation of the National/Sector Development Programme

3.2.1 The growth diagnostics conducted by the Bank in collaboration with the authorities highlighted the challenge of coordination. The level of sophistication of Moroccan exports is weak compared to its per capita income level and the outcome of structural transformation remains relatively modest in relation to comparable countries. Although State policies for encouraging innovation and value chain development are quite liberal, coordination is weak among public actors (agencies and ministries), private actors (within value chains) and between the public and private sectors (promotion of trade agreements, for instance). This underlying issue is crucial for agricultural development. In fact, this sector's development demands support for joint countrywide actions at different levels: (i) between departments and agencies of the Ministry of Agriculture and Marine Fisheries; (ii) inter-ministerial coordination; and (iii) coordination between central and decentralised structures. Such coordination at the natural resources level requires the development of tools for cross-cutting governance and transparent investment planning as well as the sharing of available tools for monitoring natural resource use.

3.2.2 Establishing green governance to avoid resource over-exploitation. From an environmental viewpoint, the agricultural sector today holds the key to Morocco's sustainable development. It is the first user of water and land resources and is among the leading users of energy resources directly (pumping, machine tools) or indirectly (fertilizers). Agriculture also uses 80 to 85% of the country's water resources. Therefore, another challenge concerns achieving sustainable development through agriculture, given the fragility of natural resources. This problem is all the more acute since Morocco is water-stressed. Rainfall is very low and water is unequally distributed in the different regions. In 2011, with slightly over 904 m³ of renewable water resources per inhabitant per year, Morocco had the lowest level of resources in the world. According to Government forecasts, this rate will fall to 625 m³/inh./year in 2020 (it should be borne in mind that the critical threshold is 1,000 m³/inh./year). In fact, 5 of the 9 water basins are already water-stressed. Hence, it is necessary to efficiently manage the demand for water through investment planning, dam water resource synchronisation, usage control and stakeholder organisation, while furthering the search for new non-conventional water resources. The issue of managing land and energy (in particular, butane gas subsidised by this sector) is also high on the agenda (cf. 5.2.6).

3.2.3 The business environment should be more conducive to the development of the private sector in the regions in order to boost investment. The growth diagnostics identify education as a major constraint to private sector development. The agricultural sector is confronted by three main challenges: (1) skills developed should be those demanded by sector actors; hence, it is essential to involve the inter-trade organisations in the training cycle and rationalise higher studies; (2) research and development conducted by public training/research bodies should provide practical answers to the needs of field actors; (3) adults who lack skills should not be excluded from the development of value chains. Human capital development through vocational training in the regions is indispensable. Besides, encouraging investments in the agricultural sector raises other challenges: (A) investment in agricultural land is low in Morocco due to land insecurity in rural

areas, on the one hand, and problems of collective ownership and parcelling, on the other; (B) investors need greater visibility in the agricultural sector; (C) recourse to PPPs should be better promoted; (D) dedicated logistical platforms to foster synergy in the private sector are lacking; (E) tools are needed to enable smallholders group themselves and offer joint and sufficiently wider services to other actors of the chain; (F) advisory services (with private offer) aimed at accompanying agricultural production (both qualitatively and quantitatively) should be strengthened.

3.2.4 **Lastly, special attention should be paid to rural women who occupy 61% of agricultural jobs^{iv}.** Support for the sector's transformation cannot be inclusive without giving special importance to rural women, considered as a fragile actor (cf. 2.5.5).

3.3 *Consultative and Participatory Process*

3.3.1 **The programme design was done jointly with stakeholders, highlighting a participatory and integrated approach.** The relevant stakeholders (various administrative entities, representatives of professionals, private operators, civil society, etc.) and beneficiaries were involved throughout the process. During the preparation phase, the process was reinforced through several workshops: (i) two consultation workshops with all parties concerned (five departments) during the three programme design missions; and (ii) two consultation workshops with civil society (NGOs, the private sector, women's organisations) to discuss the relevance and impact of proposed measures. A specific workshop involving the public sector, private sector and civil society was organised during appraisal in June 2015 to create ownership for measures. In this context and signalling a marked departure from standard supply-based design, the programme follows a demand-driven approach where coordination was led by the Bank team to explore issues together and find points of convergence that best suit the interests of stakeholders. These workshops helped to produce a validated matrix of measures as well as programme performance indicators in consultation with the actors concerned. During implementation, the inter-sector steering committee will be a privileged framework of consultation.

IV. **BANK SUPPORT FOR GOVERNMENT'S STRATEGY**

4.1. *Linkage with the Bank Strategy*

4.1.1. **With regard to the Bank, this operation aligns with: (i) the Bank's Ten-Year Strategy (2013-2022); (ii) the CSP (2012-2016); (iii) the Agriculture Sector Strategy (2015-2019) being finalised; and (iv) the Gender Strategy (2014-2018).** PAPMV-2 is consistent with the CSP 2012-2016 orientations, especially Pillar I (strengthening of governance). PMV, which has innovative concepts, offers an opportunity to create other complementary synergies (water, energy, environment, industrial emergence, gender). By supporting Government's efforts in these areas, the Bank fosters poverty reduction, sustainable natural resource management, gender mainstreaming, business climate improvement and private sector development.

Table 2: Linkage between PRSP/PND, CSP and the PAPMV-2

<p>Green Morocco Plan</p> <ul style="list-style-type: none"> • Pillar I : Consolidate and develop a high performing agriculture suited to the market, by fostering private investments and new patterns of equitable aggregation. • Pillar II: Reduce rural poverty by significantly increasing agricultural income in the most disadvantaged zones
<p>Sector Strategy for Agriculture and Agro-industry - AfDB/OSAN</p> <ul style="list-style-type: none"> • Agribusiness and innovation • Agricultural infrastructure • Resilience and natural resources management
<p>Morocco Country Strategy Paper - ORNA</p> <ul style="list-style-type: none"> • Governance : Better stakeholder coordination to lift impediments to value chain development; better stakeholder coordination to preserve resources. • Infrastructure: Improve the business climate and competitiveness while at the same time serving as means of innovation; bridge regional disparities by developing infrastructure.
<p>PAPMV 2</p> <ul style="list-style-type: none"> • I - Promotion of green agricultural sector governance : I.1. Strengthening of the legal, regulatory and institutional framework governing green governance in the agricultural sector; I.2. Operationalization of green governance in the agricultural sector. • II - Inclusive development of value chains in the agricultural sector: II.1 Structuring of value chains; II.2 Upgrading of value chains; and II.3 Inclusive mobilization of vulnerable actors.

4.2. *Compliance with Eligibility Criteria*

4.2.1. **Morocco fulfils preconditions for using the budget support instrument** (Technical Annex). The authorities are keeping to their commitment to implement structural reforms to support growth and reduce poverty. The country enjoys macro-economic stability thanks to fiscal consolidation reforms and a lighter compensation burden. The public finance management framework also underwent major reforms over the last few years to raise it to international standard as reflected in the satisfactory reviews conducted by the Bank and other partners. Political stability has been consolidated after the 2011 constitutional reform that marked a major turning point following the period of instability that rocked North Africa. It is also worth noting that donor interventions in Morocco are characterised by a high degree of harmonisation and ownership by the authorities.

4.3. *Collaboration and Coordination with Other Partners*

4.3.1 **This operation will be co-financed by JICA (JPY 16.347 billion, equivalent to USD 132 million) through the Accelerated Co-financing Facility for Africa (ACFA), pursuant to the convention signed by AfDB and Japan on 6 February 2012.** This operation (preparation and appraisal) was mounted jointly under Bank leadership and a joint matrix of measures was formulated. An effort was also made to harmonise procedures (supervision, mid-term review, audit, completion). Under this convention, the Bank will be the cooperating institution and will be charged with the operation's financial management on behalf of the Japanese Government. Supervision, mid-term review and completion report drafting missions will be fielded jointly by AfDB and JICA. The Japanese Government approved the AfDB/JICA co-financing arrangement on 7 August 2015 and the Bank was formally notified.

4.3.2 **Further, MAPM has since 2010 led a donor coordination process to coordinate the PMV support.** Regular meetings were held (two meetings in 2014 on 18 February and 12 September). Through its Field Office (MAFO), the Bank plays an important role in this process. PAPMV-2 design benefited from close consultation and coordination with partners, particularly the World Bank (development of solidarity-based green growth), the European Union (Agriculture Programme II and Support to the Agricultural Council), French Cooperation (AFD) and Belgian Cooperation (CTB). Considering the programming schedules of the interventions of the European Union (started up in early 2015) and the World Bank (Board presentation took place end-December 2015), the parallel programme approach became absolutely necessary. Moreover, the Moroccan authorities also ensure the harmonisation of interventions through MEF.

4.4. Linkage with Other Bank Operations

4.4.1. **The Bank's active portfolio in Morocco has 30 ongoing operations^v for a net commitment of UA 1.6 billion.** The Bank portfolio's performance remained satisfactory overall with global scores averaging 2.53 over 3 in 2014. The portfolio covers seven sectors: Energy (48.6%), Transport (22.3%), Water and Sanitation (15.7%), Private Sector (10.4%), and Agriculture (2.9%).

4.4.2. **The Bank has special interest in promoting green inclusive growth.** This programme has linkages with the Bank's agricultural sector investment operations in Morocco, especially PAPNEEI which supports the irrigation sector, but also operations that support renewable energies. Furthermore, PAPMV-2 complements budget support operations to buttress reforms targeting the improvement of the business climate and competitiveness (PACEM), financial inclusion and insurance (PADESFI) and training-employment matching (PAAFE). It consolidates actions contained in budget support packages and develops their application within the agricultural sector. PAPMV includes measures aimed at improving financial inclusion (synergy with PADESFI), enhancing value chains, promoting PPPs and reducing micro-economic distortions (land, in synergy with PACEM), and training actors - with private sector involvement (PAAFE).

4.4.3. **Furthermore, the programme's impact is reinforced by technical assistance operations:**

Support for inclusive green growth: Approved during the PAPMV 2 preparation, this MIC-TAF grant will support the authorities in the preparation of strategic and operational tools for inclusive green growth promotion, implementation of the Transition Roadmap towards the green economy with the Region, and support for the development of green entrepreneurship (young and women entrepreneurs). Approved in May 2015, this assistance will directly support Components I.1 and II.1
Support for irrigation infrastructure development: Approved in 2011, this MIC-TAF grant funded the preparation of the national irrigation map, PNEI's monitoring/evaluation system, and strategic tools for irrigation scheme management and planning. This TA supports Components I.2 and I.3.
Support for young agricultural entrepreneurs: Approved in 2012, this MIC-TAF grant aims to develop agricultural entrepreneurship and fight unemployment of young graduates. This TA supports Component II.3.
Support for the promotion of value chains and green sub-sectors: The request for this TA was forwarded to the Bank. This TA will help to support Components II.1 and II.3.
Support for PPPs: Technical assistance from DEPP is ongoing to enable the operationalisation of the new law on PPPs

4.4.4. **The first phase of support to PMV (PAPMV-1) gave convincing results. Programme performance was deemed highly satisfactory** since virtually all proposed measures were implemented (out of 56 planned measures, 45 were fully achieved and 11 partially so). Progress on some measures was so significant that initial commitments taken were exceeded (national irrigation charter, inter-sector coordination mechanism, roadmap of institutional reforms, measures to promote homeland ("terroir") products and organic farming, agricultural insurance, support to agriculture development fund). The main lessons from Phase I were used in strengthening the design of phase II (PAPMV-2) (Table 3 and details in the Technical Annex).

Table 3 :

Lessons from Past Bank Operations in the Country

Main Lessons	Measures taken to Reflect Lessons in the Programme
Inter-sector approach at the core of achievements and capable of generating institutional value addition	An inter-sector approach was adopted to foster complementarity and synergy among departments and strategies. Explore areas of convergence and inter-sector interests in PAPMV-2.
Importance of joint approach and inter-departmental management	Joint design was ensured at the base (organisation of consultation workshops with stakeholders during design) and strengthening of the inter-departmental steering committee was recommended.
Ownership of measures that guarantee sustainability	Ownership of measures was taken into consideration and the necessary support packages (measure form, ownership workshop, joint validation process, etc.) were envisaged.

4.5. Analytical Underpinnings

4.5.1 **The programme design benefited from a number of analyses undertaken by the Bank, Government and technical and financial partners.** In particular, the growth diagnostics conducted by the Bank in 2014 clearly underlines the economic and social role of the agricultural sector, which offered 39.7% of jobs in 2011, 61% of them occupied by women. However, the report highlights a number of sector-related challenges: (a) human capital particularly in rural areas; (b) micro-economic distortions, especially access to

land with title deed; (c) lack of coordination among actors preventing the development of value chains; and (d) the worrying water resources situation. The operation's proposed approach supports the authorities in tackling these challenges. Component II.1 'Training of value chain actors' allows for improving the stock of skills in the regions. The issue of land at local level is considered in Component I.1 and I.3. Lastly, the issue of stakeholder coordination is at the heart of this budget support as far as improvement of resource management (particularly water) or creation of value chains are concerned.

Table 4
List of AfDB's Sector Work (with Partners)

Studies	Contribution to Programme Design
Growth diagnostic conducted in 2014	Underlined the agricultural sector's important economic and social role, its challenges and development options
Promotion of inclusive green growth in Morocco	The strategic and operational tools programmed in this support will help to provide material for policy dialogue
Comparative study of export policies in Morocco, Egypt and Tunisia	Underscores that an exports-driven job creation strategy must be based on agriculture
Innovation and productivity in North Africa (NA)	Underlines the importance of developing human capital in North Africa to improve innovation
Promote resilient growth in North Africa: the political economy of food security in North Africa	Underlines the need to strengthen food sovereignty in North Africa to make the countries less sensitive to international crises
Promote women's employment in North Africa through SMEs	Underline the challenges confronting rural women in developing these activities
Towards an appropriate tax system for Moroccan agriculture	Points out the inconsistencies of the tax system and identifies avenues for greater social justice
Agricultural production, food security and higher value added in North Africa	Identifies constraints encountered by SMEs in agricultural value chain development

V. PROPOSED PROGRAMME

5.1. Programme Goal and Objective

This operation proposes to support the implementation of the Green Morocco Plan – PMV [2008-2020]. Its goal is to contribute to strengthen agriculture sector competitiveness for inclusive green economic growth. Its specific objective is to improve the sustainable management of natural resources through green governance^{vi} in the agricultural sector and the inclusive development of the sector's value chains. In addition to tackling the above socio-economic and environmental challenges, the proposed programme is a good opportunity to strengthen PMV's impact and develop the resilience of the agricultural sector. It is an important institutional lever to synergize strategies on water, agriculture, energy and the environment. The programme is also justified by: (i) the extension of localised irrigation to 50% of irrigated surfaces; (ii) improvement of the performance of AUEAs, support for delegated water management, control of ground water extraction to eventually attain a true Integrated Water Resources Management (IWRM); (iii) promotion of agricultural production value addition; (iv) strengthening of private sector development at all levels of the chain; (v) improvement of the visibility of actions taken to give value to local skills and expertise, mainstream women's and youth participation in the agricultural sector; and (vi) the important potential residing in renewable energies to supply the sector's energy needs.

5.2. Programme Components

5.2.1. Judging from the selected focus areas, the programme has two components. The first component [*Green agriculture sector governance*] aims to improve governance in the agricultural sector's use of water to ensure its sustainable development. Emphasis will be placed on the conservation of irrigation water, the use of green energies and the rational management of agricultural land. The second component [*Inclusive development of agriculture sector value chains*] targets a better integration of actors to foster the inclusive development of value chains. Concretely, this will be achieved through measures fostering: the integration of smallholders in value chains and bridging of regional disparities; the development of vulnerable people's skills, especially youths and women; and the effective integration of women and youths in green agriculture sub-sectors.

5.2.2. **The first component is naturally aligned on the first objective of the Bank's 2013-2022 Strategy and will cover operational priorities: governance, infrastructure (through planning), technologies and skills (by strengthening actors' capacity and promoting the adoption and use of innovative infrastructure).** The second component, aligned on the second objective, will help to support the private sector and technological/skills development. By virtue of its nature, the programme will help to improve food security and tackle some of the country's challenges (youth unemployment, trade balance improvement) while also enabling women to better integrate rural economic dynamics and support all cross-cutting themes of the Bank's Ten-Year Strategy (2013-2022).

Component 1: Promote Green Governance in the Agricultural Sector

5.2.3. This component has three sub-components: I.1 - Strengthen the legal, regulatory and institutional framework governing green governance in the agricultural sector; I.2 - Operationalise green governance in the agricultural sector; and I.3 - Monitoring-evaluation of natural resource use to ensure their management and preservation. It aims to establish the institutional and operational bases of green governance, monitor resource use more closely and make actors more accountable.

Sub-component I.1 Strengthen the legal, regulatory and institutional framework governing green governance in the agricultural sector

Issues and Challenges: As part of the Rio de Janeiro and Johannesburg Summit processes, Morocco committed itself to consolidate the legal, regulatory and institutional framework for environmental preservation and protection, and to put in place sustainable development. Pursuant to resolutions adopted in Johannesburg, all countries had to design a *National Sustainable Development Strategy* (SNDD). SNDD aims to integrate the social and economic dimensions not sufficiently reflected in the 1995 strategy and the *National Action Plan for the Environment* adopted in 2002. It reflects the *National Vision and Guidance Framework* for achieving sustainable development in Morocco, with targets for 2030. Since this strategy covers all sectors of the economy, a framework agreement should be developed with all key stakeholders involved in the sustainable development of the sector. Next, management frameworks should be established for each resource. The guarantee of good water governance is an appropriate water legislation obtainable through the revision of Law No. 10-95 on water, with a view to preparing a bill to accompany developments currently taking place in the area of water resource planning and management at the national and international level. With regard to land, there is need to promote the establishment of sustainable farms in order to foster intensification of production processes and guarantee farmers conditions of stability, sustainability and security. This will encourage investments and lift all legal constraints that might stand in the way of development. The promotion of agricultural activities will also help to support agro-biodiversity through the use of environmentally-friendly techniques.

5.2.4. **Recent measures adopted by the Government:** The *framework law on the environment and sustainable development*, supported by PAPMV-1, recommended that an SNDD be prepared. This strategy, which was the subject of consultation with all ministries and stakeholders especially business operators and civil society, was forwarded to the other ministries and to the Head of Government for adoption by the Cabinet. A conventional mechanism was initiated to accelerate the SNDD objectives concerning the development of the circular economy, the fight against climate change and the conservation of biodiversity. The revision of the water law was backed by a preliminary diagnostic study and an enlarged consultation mechanism. Effort was also made to simplify the procedure for regularizing the administrative and legal status of farmers having benefited from plots of land during the agrarian reform. A programme contract was signed by the public authorities and the Moroccan Organic Farming Sub-sector Association (AMABIO), targeting a production of 400,000 tons of organic-certified products, of which 60,000 tons meant for export by 2020.

5.2.5. **Programme Activities and Expected Outcomes:** These include: (i) the adoption and publication of SNDD after significant effort, thematic studies and enlarged consultations; (ii) the signing of a tripartite framework convention between three ministries – MDE, MAPM and MEF – to implement the sustainable development strategy, since this will fast-track attainment of the SNDD objectives in the agricultural sector;

(iii) the forwarding to SGG of the bill on revision of Law No. 10-95 on water. This revision was proposed following diagnosis of the implementation of the water law (as recommended by studies undertaken by the Ministry Delegate in charge Water, the SNE guidelines and the PNE project, the 2011 Constitution and the international benchmark); (iv) the submission to the SGG of the bill to regularise the situation of farmers granted private State land to be used for farming or agricultural purposes (agrarian reform); (v) the forwarding to MEF and MI of the bill to revise Law No. 07-01 on cooperatives arising from the agrarian reform; (vi) the forwarding to SGG of eight draft implementing decrees concerning Law No. 39-12 on the organic farming of agricultural and fishery products. The implementation of these measures will help to establish a global framework of green governance and promote private investments.

Sub-component 1.2: Operationalisation of Green Governance in the Agricultural Sector

5.2.6. Issues and Challenges: Under PMV, two investment programmes (PNEEI and PEI) aim to promote efficient management of water demand by planning irrigation scheme investments, synchronizing dam water resources, organizing actors under delegated management of irrigation schemes, while also stimulating research on new non-conventional water resources. To best decide, from a strategic point of view, where these investments will be made and further attract the private sector (either in works implementation or under a PPP arrangement), planning tools are necessary. Additionally, environmental challenges require rapid operational answers. The agricultural sector produces a lot of wastes from production itself (organic wastes) or from production tools (plastic pipes used in localised irrigation). These wastes are neither collected nor recycled and may clutter and pollute the rural space. The sector is also the first consumer of water. To make this consumption efficient beyond promoting localised irrigation, reusing treated agricultural waste water is certainly an option to be considered, but it requires that standards be defined to protect consumers. Operational environmentally-friendly options must be found, given the disturbing trend towards using butane gas for agricultural irrigation. Although most irrigation motor-pumps traditionally run on diesel, farmers have converted them to operate on the heavily subsidised butane gas. The Ministry of Agriculture indicates that over 100,000 irrigated ha use butane. According to MEMEE figures, average butane consumption in agriculture is estimated at about 841 *ktep* yearly. Therefore, the underlying issue of energy in small-scale irrigation schemes in Morocco presents two major facets: the vulnerability of smallholders to diesel price hikes and an increasing recourse to butane gas in irrigation, which further deepens the deficit of the compensation fund.

5.2.7. Recent Measures adopted by Government: Government prepared a *Roadmap for Irrigation Water Conservation* and irrigation extension, and a *National Irrigation Charter* (CNI), supported by PAPMV-1. It also embarked on its first PPP experience with the *El Guerdane* Irrigation Scheme (10,000 ha) and conducted structuring studies to set up a second generation of irrigation projects under a PPP arrangement. These studies were structured in two phases (feasibility study and international bidding process for the choice of private partner). The delegation contract is signed for one project (*Azemour Bir Jdid* PPP: 3,200 ha) and construction works are at the launching stage. Structuring studies are also ongoing for five projects (see details in Annex 1). With regard to *Re-use of Treated Irrigation Waste Water* (REUTI), a master plan study is at the finalisation stage and is expected to culminate in a list of projects. Concerning the promotion of green sub-sectors, a partnership framework has been set up between three ministries (MDE, MAPM and MEF) to protect the environment and promote the circular economy.

5.2.8. Programme Activities and Expected Outcomes: The programme involves: (i) putting in place a multi-year irrigation investment planning and programming tool aligned on the results of the irrigation map to improve surface water management and development; (ii) preparing a list of irrigation projects eligible for PPP financing; (iii) designing a multi-year action plan for the re-use of treated agricultural waste water, preparing a concerted draft of updated standards on the re-use of agricultural waste water and launching the preparation of a REUTI investment programme; (iv) signing a special convention between three ministries (MDE, MAPM and MEF) to promote green sub-sectors (enhancing the value of olive residue) and launching the agricultural plastics recycling study (irrigation materials and stringers); and (v) designing Nationally Appropriate Mitigation Actions (NAMA) for solar-powered irrigation pumping. Specifically, the implementation of these measures will help to promote the operational tools of green governance (aid to decision-making, PPP bank, treated waste water standards, green sub-sectors, NAMA for solar-powered irrigation pumps).

Sub-component I.3: Monitoring/Evaluation of Natural Resource Use to ensure their Management and Preservation

5.2.9. **Issues and Challenges:** Resource management can only be efficient if monitoring and evaluation systems exist to assess status and utilisation. However, challenges remain in terms of systems development, their devolution and ownership among resource end users. In this context, it is important to support the decentralisation of the services of the Department of Environment; develop tools for monitoring resource use by the agricultural sector and strengthen the capacity of irrigation user organisations to further empower them.

5.2.10. **Recent Measures adopted by the Government:** To concretise the new vision, Government embarked on the ongoing re-organisation of the Department of Environment. Regional Directorates now have *Regional Environment and Sustainable Development Observatories* (OREDD). Government also opened an *agricultural register* identifying farmers and their holdings or properties with a single identification number at the national level, to better track their development and resource use. A technical, economic, institutional and legal feasibility study of this register has been started.

5.2.11. **Programme Activities and Expected Outcomes:** The programme targets: (i) the institutionalisation of twelve Regional Environment and Sustainable Development Observatories (OREDD) within the regional directorates under the Department of Environment; (ii) the preparation of a progress report on the status of the agricultural register; (iii) the forwarding to SGG of draft revision of Law No. 12-03 on environmental impact assessments to reflect the strategic environmental assessment; (iv) the launching (and finalisation) of a performance evaluation of agricultural water users' associations (AUEA) to build on achievements and the preparation (and launching) of a capacity-building programme for AUEAs.

Component 2: Inclusive Development of Value Chains in the Agricultural Sector

5.2.12. This component has three sub-components: II.1 - Structuring of value chains; II.2 - Upgrading of value chains (training, research and quality); and II.3 - Inclusive mobilisation of vulnerable actors. It aims to develop the inclusion of smallholder farmers and strengthen their resilience by promoting value chains and locally-based services provided by the private sector, as well as better integration of youths and women.

Sub-component II.1 Structuring of Value Chains

5.2.13. **Issues and Challenges.** Despite the economic performance recorded by the sector, Moroccan agriculture remains confronted by development and competitiveness challenges. Commendable efforts have concentrated much more upstream of production (scheme modernisation and upgrade, and productivity/production improvement). More effort should be channelled to value chain promotion, and agricultural produce processing and development (agribusiness, etc.) – hence raising the issue of structuring value chains at all levels. Indeed, apart from strategic instruments needed for developing a vision for value chains, in general, and agro-industry, in particular, it is necessary to structure smallholder farmers to enable them integrate from the bottom of the chain, develop logistics sites for agro-industrial processing plants and forge synergy within inter-trade organisations.

5.2.14. **Recent Measures adopted by the Government:** Aware of the need to foster downstream production and promote value chains, the Government proceeded to: (i) restructure inter-professional organisations; (ii) identify strategic sub-sectors; and (iii) put in place programme contracts by sub-sector (19 programme contracts prepared and signed with the inter-profession). It also established an institutional mechanism to: (i) define a strategic vision of value chain promotion and establish a development strategy for the agri-food industry sector; (ii) enforce the law regulating the aggregation process (Law No. 04-12 published in July 2012 in the Official Gazette (OG) and supported by PAPMV-1), as well as implementing decrees. Government also engaged an ambitious strategy to put in place six *agropoles*, two of them (*Berkane* and *Meknès*) supported by PAPMV-1.

5.2.15. **Programme Activities and Expected Outcomes.** The programme comprises: (i) the preparation of a development strategy for the agri-food industry sector; (ii) the launching of the study on value chains promotion; (iii) the publication of implementing decrees of Law No. 04-12 on agricultural aggregation in the

OG; (iv) the inception of the *Tadla* and *Souss agropoles*. The implementation of these measures will help to improve private investments, ensure better integration of smallholders and create new local jobs.

Sub-component II.2. Upgrading of Value Chains

5.2.16. **Issues and Challenges:** Value-chain structuring is not the only challenge affecting the creation of value added. Upgrading by improving product quality is another major challenge. This upgrade can come about only if trained human capital and Research and Development serve to accelerate the process. In this regard, private sector involvement through the inter-trade organisations is fundamental to better align skills, research and development with sub-sector needs. Needless to say, such upgrade is contingent on better consultancy services at both the processing and production level (which rests exclusively on public advisory services), to provide agro-industry with better quality inputs. It is also worth noting that the development of human capital in the regions is key to the inclusive development of value chains in an environment of high illiteracy.

5.2.17. **Recent Measures adopted by Government:** Government prepared a master plan for the installation of six *agropoles*^{vii} and for an agricultural advisory strategy. An action plan was put in place to promote and market the *Meknès* and *Berkane agropoles* (supported by PAPMV-1). A *zoopolis* is being developed to kick-start skills promotion in the regions. Three inter-trade organisations in the *zoopolis* (milk, red meat and white meat) will offer a certified professional training programme to train the required skills in these sub-sectors. To train engineers and conduct research, a series of reforms were undertaken as set out under the 2013 agricultural training and research strategy. Furthermore, quality promotion is ensured by a *qualipolis* that will offer services to agro-industry, while agricultural advisory services will be supported locally by organizing the private agricultural adviser profession (Law supported by PAPMV-1 was published in the OG in May 2014).

5.2.18. **Programme Activities and Expected Outcomes:** The programme comprises: (i) launching the activities of the Casablanca *Zoopolis* and signing the management transfer agreement with stakeholders (inter-trade organisations); (ii) forwarding the bill to establish an agricultural polytechnic (ESA) to SGG and signing an MoU with Japanese universities; (iii) creating a strategic guidance council for agricultural research (COSRA); (iv) launching the activities of the *Meknès Qualipolis*, signing the management agreement with stakeholders and consolidating the activities of the *Berkane Qualipolis*; (v) publishing the implementing decree of Law No. 62-12 to organise the private agricultural adviser position (CAP) in OG and signing of orders by the Minister of MAPM. The implementation of these measures will help in particular to: (a) strengthen private sector involvement; (b) streamline higher education and training services; and (c) create a common pool and promote locally-based services.

Sub-component II.3: Inclusive Mobilisation of Vulnerable Actors

5.2.19. **Issues and Challenges:** For value chain development to be sustainable, all sector stakeholders, particularly the most vulnerable ones (smallholder farmers, women, youths, and holders of a poorly developed patrimony) should be mobilised. In the first instance, this objective can be achieved by: (i) valuing and protecting local expertise and patrimony; (ii) developing the resilience of actors by promoting insurance systems and supporting the investment; and (iii) facilitating the integration of youths and women in the value chains.

5.2.20. **Recent Measures adopted by Government:** As concerns the valuing and protection of the local patrimony, Morocco signed the Nagoya Protocol^{viii} and efforts were made to label and promote homeland products in terms of certification. To develop the resilience of actors, a comprehensive insurance covering climate risks on cereals and leguminous harvests was adopted. This product was marketed by MAMDA and tested on an insured area estimated at 720,000 ha. On 23 April 2014, the State and MAMDA signed a programme guarantee convention “*Multirisque Climatique Arboriculture Fruitière*” (comprehensive climate insurance policy covering arboreal and fruit risks) to cover arboreal fruit tree sub-sectors at national level against six specific climate risks: hail, frost, violent winds, excess water, high temperatures and *chergui*

(Translator's note: a hot and dry continental easterly or south-easterly wind from the Sahara Desert, which blows on most of Morocco). To encourage young entrepreneurs, Government embarked on a programme to train and establish 200 JEAs. It also carried out diagnostic work to mainstream gender in PMV.

5.2.21. Programme Activities and Expected Outcomes: The programme comprises: (i) the validation of a strategic guidance note to enforce the Nagoya Protocol; (ii) the creation and registration at OMPIC of the collective trademark *Terroir du Maroc*; (iii) the enlargement of the comprehensive climate insurance product to all arboreal sub-sectors and provinces, and the launching of a pilot parametric insurance project; (iv) the design of an ecological agriculture sub-sector development strategy and launching of pilot activities; (v) raising the *Tamwil El Falleh* ceiling from MAD 100,000 to MAD 200,000 to promote the financial inclusion of smallholder farmers; (vi) the preparation of a Young Agricultural Entrepreneurs (JEA) incubator concept and a JEA guide; (vii) the creation of a gender budget chapter in the investment budget of the Ministry of Agriculture in the 2015 Appropriations Act; and (viii) the finalisation of a gender mainstreaming strategy study in the agricultural sub-sectors (capitalizing on the outcomes of the diagnostics conducted under n PAPMV-1). The implementation of these measures will specifically help to: (a) define a framework for protecting and valuing the intangible assets of men and women farmers; (b) strengthen the inclusion and resilience of smallholder farmers; and (c) strengthen youth and women's integration in PMV.

5.3. Policy Dialogue

Following the programme's mid-term review, Government's focus has shifted towards the acceleration phase of PMV leading to 2020. The major themes of policy dialogue treated during the implementation period are: inter-sector coordination; sustainable natural resource management (reforms linked to agricultural water, agricultural land and support for renewable energies and energy efficiency, agricultural institutions and capacity building (farm register, alert system, irrigation observatory, etc.), development of green sub-sectors and ecological agriculture, promotion of agro-industry and value chains. It is also recommended to encourage a more active participation of citizens and civil society in public policy debates through the organisation of seminars and workshops to share the prospects of the PMV and PNEEI. Policy dialogue on coordination with other development partners will also be conducted by the PMV reform support thematic group that will be set up.

5.4. Loan Conditions

5.4.1. Measures Precedent: Dialogue with the Government helped to identify relevant measures that the Government pledged to implement prior to the presentation of the programme to the Board. The selection of these preliminary measures was based on their maturity and structuring nature. The measures are summarised in the following table:

Table 5
Measures Precedent - Triggers

Component	Measures Precedent
<i>Measure 1</i>	Forwarding to SGG of bill on the revision of Law No. 10-95 on water.
	Copy of letter to SGG.
<i>Measure 2</i>	Publication in OG of implementing decrees of Law 04-12 on agricultural aggregation.
	Copy of the Official Gazette (OG).
<i>Measure 3</i>	Launching of the establishment of the <i>Souss Agropolis</i> , the <i>Casablanca Zoopolis</i> , the <i>Meknès Qualipolis</i>
	Copy of the amendment to the <i>Souss</i> convention, Casablanca management transfer convention and the Meknès draft convention.
<i>Measure 4</i>	Publication in OG of implementing decree of Law No. 62-12 and organisation of the private agricultural adviser profession.
	Copy of the Official Gazette (OG) and signed orders.
<i>Measure 5</i>	Creation of a budget chapter on gender in the Ministry of Agriculture's investment budget under the 2015 Appropriations Act.
	Copy of the draft budget.

5.5. *Good Practice Principles for the Application of Conditionality*

Pursuant to the Bank Policy on Programme-Based Operations, the PAPMV-2 design complied with five good practice principles on conditionality: (i) ownership of PAPMV-2 design with the active collaboration of the authorities; (ii) existence of a momentum of committed TFP coordination; (iii) alignment of Bank support requirements on national priorities; (iv) reduced number of disbursement conditions; and (v) alignment of Bank support on the country's budget cycle, especially FY 2015 and 2016.

5.6. *Financing Needs and Mechanisms*

5.6.1. According to projections, the financing needs of the Treasury of the Kingdom of Morocco for 2015 stand at MAD 103.789 billion, or approximately USD 10.66 billion (see table below). These needs will be covered by Morocco's own resources as well as external resources. For 2015, the first tranche is expected to cover 3.3% of external financing needs and 2.0% of balance-of-payment financing needs. The second tranche for 2016 is expected to cover (if needs remain identical, since discussions of the 2016 Appropriations Act were ongoing at the time of during the PAPMV-2 preparation) 2.0% of external financing needs and 1.2% of balance-of-payments financing needs (6.6% and 4%, respectively, with the JICA co-financing).

Table 6
Projected Financing Needs and Sources in MAD/USD Million

	Headings	2015 (MAD Million)	2015 (USD Million)
A	Total receipts and grants	213,114	22,374.20
	<i>comprising: grants (excluding budget support)</i>	13,000	1,364.80
B	Total of net expenditure and loans	316,903	33 270.70
	<i>comprising: interest payments</i>	26,560	2,788.50
	<i>comprising : capital expenditure (*)</i>	54,091	5,678.80
C	Overall balance (settlements base) (A - B)	-103,789	-10,896.50
D	Accumulated arrears	0	0
E	Overall balance (commitment) (C + D)	-103,789	-10,896.50
F	External financing (without AfDB support in 2015)	22,020	2,311.90
G	External financing AfDB (PACEM)	1,072	112.5
H	External financing AfDB (PAPMV-2)	1,258	132.00
I	External financing (net)	42,000	4,409.40
J	Financing (F + G+H+I)	66,350	6,965.90
K	Financing gap	-37,439	-3,930.60

Source: 2015 Appropriations Act

5.7. *Application of Bank Group Policy on Accumulation of Non-Concessional Debts*

5.7.1. According to the Bank's classification, Morocco is a middle-income country and consequently eligible for the African Development Bank Window. It has benefited from several sovereign loans from the Bank and other technical and financial partners to finance reform support programmes and structuring investment projects. The country also leverages external financing through bond issues on international

markets, based on a prudent debt management strategy. Its recent outings on external financial markets have been successful, thanks mostly to its favourable rating by various international rating agencies. In 2014, Morocco launched a bond issue on the international financial market worth EUR 1 billion with a ten-year tenor, at 3.5% interest rate. Furthermore, after analysing the country's key risks (as part of PLL), the Bank and IMF concluded that the debt situation remains sustainable in the medium term, provided the reforms process is sustained (cf. 2.2.3).

VI. IMPLEMENTATION OF THE OPERATION

6.1. *Programme Beneficiaries*

PAPMV-2 will benefit the entire Moroccan population, especially the vulnerable and “most destitute” segments (youths and women) who will benefit from a national development or reform strategy aiming to reduce poverty, create jobs and strengthen inclusion. In particular, it will benefit: (i) the State and local authorities; (ii) SMEs and agricultural organisations; (iii) the private sector (aggregation, private agricultural advisory services, etc.); (iv) project developers and young agricultural entrepreneurs and rural dwellers due to the improvement of the business climate; and (v) rural women (through access to value chains, land security and locally-based services, etc.).

6.2. *Impact on Gender, Poverty and Vulnerable Groups*

PAPMV-2 supports cross-cutting reforms targeting the poor and vulnerable groups, particularly women and youths. It supports three levers that will help to reduce gender inequalities, namely: (i) promotion of agricultural and rural entrepreneurship focused on youths and women; (ii) promotion of gender-sensitive budgeting; and (iii) preparation of a strategy for mainstreaming gender in agricultural development projects. The programme takes a particular interest in gender and includes measures for improving the lot of women.

6.3. *Impact on the Environment and Climate Change*

PAPMV-2 is basically a climate change adaptation and mitigation project. As such, it is classified in Category 3 according to Bank assessment procedures. By virtue of the reforms contemplated, it will contribute to: (i) the improvement of the environmental and social performance of agricultural activities through the development and dissemination of good agricultural practice guides; and (ii) the promotion of sustainable agriculture through operationalisation of the National Sustainable Development Strategy (SNDD, 2015-2020) in the agricultural sector and the reduction of GHG emissions from irrigation activities by replacing diesel- and/or gas pumps with solar-powered pumps. PAPMV-1 was the subject of a Strategic Environmental and Social Assessment (SESA) in 2012 and ADA also did a SESA of PMV in 2013. PAPMV-2 will support the implementation of measures listed in both SESAs. The programme's expected environmental and social outcomes include: (i) the operationalisation of SNDD (2015-2020) in the agricultural sector; (ii) the development and dissemination of agricultural good practice guides, tailored to agro-systems and Moroccan markets; and (iii) the operationalisation of environmental monitoring observatories in the country's 12 regions. It is worth noting that all projects to convert irrigation schemes into water conservation (drip) systems, undertaken as part of PMV, will be the subject of environmental and social assessments as required by Moroccan law. The environmental and social assessments conducted by observatories will allow for periodic assessment of the real impacts of the programme and make adjustments as needed.

6.4. *Impact on Other Areas*

The programme can generate secondary impacts in other areas, including regional integration (development of regional agricultural trade and exports), skills development (PMV actors), development of private initiatives (from the promotion of value chains), and food security (higher agricultural production and product development). The programme also targets synergy between PACEM (general budget support) and PAPMV (sector budget support).

6.5. Implementation, Monitoring and Evaluation

6.5.1. As a follow-up to PAPMV-1, the PAPMV-2 executing agency will be the Directorate of Strategy and Statistics (DSS) in the Ministry of Agriculture and Marine Fisheries (MAPM), with support and strategic coordination of the programme from the Ministry of Economy and Finance (MEF) through the Directorate of Budget (for inter-sector measures). These directorates are qualified and adequately skilled. There are provisions under the programme to set up a technical committee in MAPM and a strategic committee in MEF. The Bank's approach is to stimulate synergy among various sector strategies, ensure stakeholder involvement and strengthen complementarity of donor interventions. Particular attention is given to results-based management. This operation will be of particular interest to five Departments: i) MAPM – DSS, DIAEA, DF, DDFP, DEFR, ADA, ORMVA – and ii) the following sector Departments: Water, Environment, Energy and Industry (agro-industry).

6.5.2. The matrix of agreed measures and the Performance Measurement Framework will be common frameworks for the monitoring/evaluation of PAPMV-2 (Annex 3). MAPM will collect data, coordinate monitoring/evaluation and make information available to the Bank. In this regard, it will produce half-yearly reports to better inform on the programme's implementation status. Joint AfDB/JICA supervision missions are also planned during the programme implementation phase to assess progress. Meanwhile, the Bank's Morocco Field Office will monitor programme reforms on an ongoing basis. At the end of the programme, the Government will prepare a completion report.

6.6. Financial, Disbursement and Procurement Management

6.6.1. **Assessment of Country Fiduciary Risk.** An update of the assessment of the fiduciary risks associated with public finance management was conducted by the Bank in June 2014 during the mid-term review of Morocco's CSP 2012-2016. It concluded that the overall country fiduciary risk is moderate due overall to satisfactory public finance management processes (budget planning and budgeting, budget execution control, management accounting and reporting, external audits). Previous studies – PEFA (2009), CFAA (2007) and CPAR (2008) – and public expenditure reviews came to the same conclusion. However, the weaknesses identified enabled Morocco to gear up for LOLF reforms. To comply with the effectiveness dates set for various LOLF reforms, Morocco initiated and/or formalised a good number of reforms in advance via regulatory and enabling instruments. These reforms concerned: (i) budget programming and multi-year programming; (ii) the limiting nature of staff appropriations; (iii) certification of the accuracy and reliability of State accounts by the Court of Auditors; (iv) annual performance reports and performance audit reports; and (v) programmatic nomenclature of State budget expenditure. Cross-cutting reforms to accompany LOLF have already been completed. These include the establishment of a new GFP control committee in Parliament. At sector level, the programme-based approach was introduced in advance during the preparation of the FY 2014 and 2015 budgets of nine ministries.

6.6.2. **Financial Management and Disbursement Arrangements.** Given the nature of the operation (budget support), the use of financial resources will be in accordance with national regulations governing public finances. The two-tranche disbursement of this budget support in 2015 and 2016 will help to cover the FY 2015 and 2016 budget deficits. The Ministry of Economy and Finance will be responsible for the financial management of the operation. However, the five ministries particularly involved, especially MAPM which will have to implement close to 85% of measures, must ensure that provisions are made in the 2015 and 2016 Appropriations Bills for expenditures related to 2015 and 2016 measures with a financial impact, as well as ensure their implementation and tracking in the public expenditure circuit. Accordingly, MAPM has prepared its draft performance document for the 2015 Appropriation Act. Internal control in the five ministries rests on: (i) pre-audit by treasury officers (TGR) at the central, regional and provincial level, and by State controllers for their EEP (DEPP); and (ii) ex post control by Inspectorates General of Ministries. Similarly, these ministries are the subject of systematic verifications by IGFs. Since PAPMV-2 is jointly financed (same matrix of measures and same conditions) by the Bank and JICA, financial management arrangements will be harmonised at the level of disbursement authorisations by the Bank, reporting and audit. The degree of country-level and sector-level fiduciary risk is moderate, with a joint supervision of the two partners to take place once yearly.

6.6.3 The USD 132 million loan will be disbursed in two tranches, subject to the Borrower's fulfilment of the general and specific conditions of the operation. At the Borrower's request, the Bank will disburse funds in foreign exchange into an account in the Central Bank of Morocco (*Bank Al Maghrib*), which will credit the single Treasury account (CUT) with the equivalent of funds received in local currency. Moreover, with regard to reporting, the Moroccan Government every year tables before Parliament the Draft Appropriations Bills (LR) linked to the implementation of the Appropriations Act (LF_n) in Year n+2. This LR is submitted along with a Court of Auditors' report on LF implementation and the general declaration of conformity between the management accounts and the general account of the Kingdom. Lastly, the internal audit of PAPMV-2 will be performed by the IGF, which will conduct a specific audit of financial flows of the Bank support and a performance audit of PAPMV-2. The deadline for submitting this audit report to the Bank will be six months following the programme's closure.

6.6.4. **Procurement.** Public procurements in Morocco are currently governed by Decree No. 2-12-349 of 30 March 2013. In the last decade, Morocco's public procurement system has witnessed several qualitative reforms. These dynamic and successive reforms translate the desire of national authorities to constantly streamline the legislative and regulatory framework of public procurements in Morocco to raise them to international standards. The Bank assessed Moroccan national procedures in 2011-2012 with a view to their use for national competitive bidding (NCB) for goods and works. This assessment concluded that national procedures were acceptable to the Bank and enabled the country in May 2013 to sign a first Letter of Agreement (with the Bank) for the use of Moroccan procedures for NCB of goods and works financed by the Bank. Several other assessments have been conducted by various institutions in the last few years^{ix}. All concluded that the system was satisfactory overall; but also identified some areas for improvement, many of which have recently been implemented while others are ongoing, for instance: (i) the right of access to public information and promotion of good governance, transparency and integrity in public procurements enshrined in the new Constitution promulgated on 1 July 2011; (ii) the entry into force on 1 January 2014 of the new Decree No. 2-12-349 of 30 March 2013 relating to public procurements and introducing major innovations especially on: (a) the partial unification of the regulatory framework; (b) the simplification and clarification of procedures; (c) the improvement of remedies and appeal mechanisms; and (d) the introduction of modern tools like e-procurement in the regulatory framework to boost effectiveness and transparency. During the budget support period, the Government undertook a series of actions to implement the objectives indicated in points (c) and (d) above, via measures to facilitate the adoption of implementing decrees on dematerialisation, the effective operationalisation of the National Public Procurement Commission (CNMP) and the passing of the law on collateral to facilitate SME financing. The effective implementation of these measures will significantly help to strengthen the national procurement system. To conclude, the new Decree No. 2-12-349 of 30 March 2013 on public procurements, its implementing instruments and the new fiduciary environment (fiduciary risk judged moderate) attest to the transparent use of resources to be granted by this operation through clear, transparent and acceptable procurement procedures, and a reassuring control mechanism.

VII. LEGAL DOCUMENTATION AND AUTHORITY

7.1. Legal Documentation

7.1.1. **The legal document to be used within the programme framework is the Loan Agreement. Parties to the Loan Agreement are the African Development Bank and the Government of the Kingdom of Morocco.** Loan effectiveness shall be subject to the fulfilment of conditions stipulated in Section 12.01 of the General Conditions Applicable to Loan Agreements.

7.2. Conditions Associated with the Bank Intervention

7.2.1. **Conditions precedent to Board presentation of the programme:** Based on dialogue with the Government, it was understood that the Government will implement measures precedent to presentation of the programme to the Board. These conditions are presented on Table 5 related to conditions precedent.

7.2.2. **Disbursement in Two Tranches:** Disbursement of the loan shall be subject to fulfilment of the following conditions:

Tranche I (USD 77 million in 2015): Forward to the Bank evidence of: (i) opening a Treasury account in *Bank-al-Maghrib* acceptable to the Bank and meant to receive loan resources; (ii) adoption by the CAM Supervisory Board of the decision raising the *Tamwil El Falleh* ceiling from MAD 100 000 to MAD 200 000 to promote the financial inclusion of men and women smallholders; (iii) establishment of an inter-sector coordination mechanism (coordination and decision chart of the operational and strategic steering committee), the PMV reform support thematic group and the programme monitoring support packages (reform and CMP measurement sheets).

Tranche II (USD 55 million in 2016): Forward to the Bank evidence of: (i) validation of manuals, finalisation of the AUEA assessment and launching of the AUEA capacity-building programme; (ii) forwarding to SGG of the bill on the creation of an agricultural polytechnic (ESA); (iii) adoption of the National Sustainable Development Strategy (2015-2020) by the Council of Government; and (iv) finalisation of a design study on a strategy for mainstreaming gender in agricultural development projects (building on the outcome of the diagnostic conducted in PAPMV-1).

7.3. *Compliance with Bank Group Policies*

The key Bank Group guidelines and others applicable to this programme were used, especially those related to programme-based reform support operations (2012). No waiver request has been made in this proposal regarding these guidelines.

VIII. RISK MANAGEMENT

8.1. **The main risks will likely come from external shocks stemming from an unfavourable international economic context and socio-political demands.** These are compounded by climatic uncertainties and an overall weak inter-sector coordination capacity. The risks at the level of programme components come from the over-exploitation of natural resources, marginalisation of certain groups of actors, divergent interests of stakeholders, weak capacity of users and actors of the cooperative sector, and socio-cultural resistance on gender issues. The programme's major challenge is that of inter-sector coordination.

8.2. **The mitigation of the expected risks passes through Government's capacity to propose reforms (including insurance to mitigate the climate risk), the strengthening of inter-sector coordination through a high-level support of the country's authorities and the strengthening of the TFP Agriculture/PMV Thematic Group.** With regard to the components, plans have been made to set up consultation committees (working groups) to facilitate the search for solutions mostly on the key question (water, environment, energy), and to take institutional and legal measures to secure various stakeholders involved. Each reform is also accompanied with sensitisation and communication actions, especially for aspects on gender and user associations.

IX. RECOMMENDATION

It is recommended that the Board of Directors approve an African Development Bank loan not exceeding USD 132 million to the Kingdom of Morocco to finance the Green Morocco Plan Support Programme – Phase II (PAPMV-2) in line with conditions stated in this report.

LETTER OF DEVELOPMENT POLICY

KINGDOM OF MOROCCO

Ministry of Agriculture and Marine Fisheries

No. 1771/DSS

Rabat, 15 July 2015

The Minister of Agriculture and Marine Fisheries

To:

**Mr. Donald KABERUKA
President of the African Development Bank
Abidjan, Cote d'Ivoire**

Subject: Letter of Agricultural Sector Development Policy

Mr. President,

In Morocco, agriculture is considered as a strategic priority for the country's economic and human development. Many underlying stakes justify this priority, including the direct and indirect contribution to economic growth, its significant contribution to the employment market and its impact on macro-economic stability via the trade balance.

The importance of the agricultural sector is reflected in its significant contribution to the country's GDP formation (15% to 20%) and job creation (40%), particularly in rural areas where agriculture remains the leading employer (80%) and the main source of income. It is also worth noting that this sector has a great responsibility in the food security of close to 34 million consumers.

Agriculture is also the leading sector of the national industry and one of the country's finest development assets. The agri-food industries are a pillar of the economy with a production value of close to MAD 150 billion.

I- PRESENTATION OF THE AGRICULTURAL SECTOR

Moroccan agriculture stands at the crossroads in a strategic context of profound change: on the one hand, there is a truly huge potential to make further inroads into the domestic and international markets; and on the other, a risk of acceleration marked by rural poverty.

The trend of agricultural GDP has been upward since early 2000. Between 2008 and 2016, agricultural GDP has always stood above MAD 100 billion yearly against an average of MAD 75 billion prior to then.

National agriculture partially or completely covers domestic market needs in food products. The coverage rates of domestic needs by domestic production have been consolidated at 68% for cereals, 100% for fruits and vegetables, 40% for sugar, 20% for oils, 90% for milk, and up to 100% for meats.

Food exports represent 11% of the country's total exports, or MAD 22 billion. These comprise essentially fruits (mainly citrus fruits) fresh vegetables (principally tomatoes) and canned vegetables, which account for 26%, 28% and 10% of average agricultural export value, respectively.

Irrigated areas, which cover close to 1.5 million hectares or 16% of the farm area, account for 45% of agricultural value added. Although unevenly distributed across the national territory, these areas constitute growth poles that contribute significantly to strengthening and stabilizing the country's food security and improving living conditions in rural areas.

Furthermore, our agriculture is mainly in cereals-dominated *Bour* areas, and therefore subjected to vagaries of the weather. Therefore, it is important to tailor agricultural policies to accommodate the country's agro-ecological diversity and the effects of climate change.

National agriculture is resolutely being opened up to the global market, either through unilateral trade liberalisation initiatives or through bilateral or multilateral free trade agreements. This momentum is based on the key strengths of the agricultural sector:

- Morocco's geographic location and the immediate proximity of the European market with very advanced logistical resources;
- A skilled and highly competitive agricultural labour force relative to comparable countries;
- Clear competitive advantage in certain products (fruits and vegetables, etc.);
- The presence in the country of several successful models of agricultural and agro-industrial enterprises.

This opening has enabled the sector to externalise its productive potential, and thus help to capitalise on achievements on external markets. Given the global market situation and long-term trends in global markets for agricultural products (upturn in demand, recovery of the prices of food products, increase in demand for bio-fuels, agricultural commodity price fluctuations, etc.), adjustment of tariff protection measures should be accompanied by the establishment of a conducive and incentive framework for better allocation of the sector's resources and improvement of the competitiveness of domestic sub-sectors, which guarantee growth in the sector and the country's food security.

To make agriculture the driver of economic growth and an effective tool of rural poverty reduction, Morocco has, for eight years now, been implementing its new roadmap for the agricultural sector – the Green Morocco Plan, whose objective is to modernise agriculture to seamlessly integrate the national and international economy. This Plan aims to make the agricultural sector the main engine of the country's economic and social development by 2020. Well-defined and quantified production targets have been set and included at territorial level in Regional Agricultural Plans.

II- GOVERNMENT'S AGRICULTURAL STRATEGY – GREEN MOROCCO PLAN

II.1 PRESENTATION

In 2008, the Kingdom of Morocco launched a new long-term agricultural strategy for a competitive, socially integrated and sustainable agriculture.

The Green Morocco Plan (PMV), aimed at growth acceleration, poverty reduction and the long-term sustainability of agriculture to consolidate its integration in national and international markets, is global in scope and takes into consideration:

- All the agricultural regions of Morocco;
- All sub-sectors: crystallized by the adoption of programme contracts between the Government and inter-trade organisations;
- All farmers: seen in the choice of bi-polar development based on modern agriculture and solidarity agriculture.

PMV is subdivided into 16 regional agricultural sub-plans (PAR) in consultation with local partners (local authorities, chambers of agriculture, and the relevant ministries). These sub-plans are roadmaps for the development of agriculture in each region and concrete representations of the Plan therein in terms of projects, investments, employment and exports.

Furthermore, from 2008 to 2015, 19 sub-sector programme contracts binding Government and professional organisations were adopted. These contracts, with clear, global and coherent objectives, reflect the commitment and determination of the Department and professionals to work together for the upgrade and development of the main sub-sectors by 2020. Apart from quantitative goals, these programme contracts also target better stakeholder organisation within structured inter-trade organisations.

To reach all farmers in the sector, the strategy adopted a portfolio of projects in modern intensive agriculture (Pillar I) and in family, solidarity-based agriculture (Pillar II).

- **Pillar I:** based on the accelerated development of high value added agriculture. Its objective is to consolidate and develop high-yield agriculture, adapted to market rules, thanks to a new wave of private investors organised on new patterns of aggregation;
- **Pillar II:** based on farmer upgrading in disadvantaged areas. Its objective is to develop an approach based on poverty reduction through a significant rise in the income of the most fragile farmers.

To support these two pillars, several cross-cutting measures were put in place to guarantee the sector's development:

- Mobilisation of agricultural land and better management of irrigation water;
- Improvement of access to financing and revitalisation of investments;
- Modernisation of the internal market;
- Policy of trade promotion;
- Improvement of the business climate;
- Development of agro-industry.

II.2. ACHIEVEMENTS

By virtue of its structured and responsible mode of governance, PMV lent fresh momentum to the agricultural sector, which is already bearing fruit. Thanks to the combined efforts of the Department of Agriculture and the sector's professionals, the GDP posted an upward trend of up to MAD 105 billion in 2014 against approximately MAD 70 billion in 2008.

II.2.1. Momentum of Investment Projects

- *Pillar I Projects*

The total number of Pillar I projects launched at end-2014 is 163 for overall investments of MAD 35.3 billion, and concern a surface area of 410 thousand hectares with 294,000 beneficiaries.

- *Pillar II Projects*

At end-2014, the total number of Pillar II projects was 427 for overall investments of MAD 13.3 billion, covering area of 237 thousand hectares for 750,000 beneficiaries.

- *Public-Private Partnership Projects*

The PPP agricultural operation on State private land consists in making such land available to private investors in the form of long-term lease on attractive terms.

In this framework, 135,000 ha of land have been made available to investors since inception of the Green Morocco Plan (PMV)

- *Irrigation Modernisation Programmes*

The Green Morocco Plan focuses primarily on the control and rational management of water as a strategic lever for the development of agriculture. Three main structuring programmes were adopted to address this issue:

- *The National Irrigation Water Conservation Programme* (PNEI, 2008-2020) aims to modernise existing irrigation systems (current systems are inefficient) in terms of localised irrigation water use on about 550,000 ha to help conserve close to 1.4 billion m³. Close to 400,000 m³ have been realised.
- *The Irrigation Extension Programme* (PEI, 2008-2020) addresses the gap between dams built and irrigation schemes by equipping irrigated areas dominated by existing dams or new ones under construction. This programme concerning close to 160 thousand hectares associated with 16 dams will enable the development of nearly 1.2 billion m³ of water resources currently mobilised but under-developed due to lack of financing for irrigation infrastructure. Studies have started and have covered 50% of the total PEI area. Works have started on 42,380 ha (26% of PEI), of which 5,000 ha have been completed and commissioned.
- *Promotion of Public-Private Partnership for the development and management of irrigation:*
 - The *El Guerdane* (10,000 ha) and *Azemmour Bir Jdid* (3,200 ha) projects have started while the *Chtouka Ait Baha* project (seawater desalination project, 13,600 ha) is about to start;
 - Studies to structure the delegated management of the water service have started for the following projects and schemes: *Loukkos* (32,000 ha); *Tadla* (98,000 ha); *Doukkala* (95,000 ha); *Gharb* (42,800 ha); *Saïss*

(30,000 ha), *Moulouya* (65,400 ha); *Haouz* (131,000 ha) and *Dar Khrofa* (21,000) (studies completed).

II.2.2. Improvement of the Business Environment

- ***Strengthening of the Role of Actors***

The Green Morocco Plan opted for a participatory partnering approach that guarantees a greater involvement of different actors operating in the sector through:

- The signing of 11 sub-sector programme contracts since 2008 between the State and professionals,
- The creation of 19 inter-trade organisations bringing together all value chain actors,
- The signing of 16 regional agricultural contracts representing the concretisation of each PMV region in terms of project, investment, employment and export,
- The establishment of a Project Management Office to manage State/Profession programme contracts,
- The conclusion of partnership contracts between the State and local banks to ensure financial accompaniment.

- ***Reform of the Agricultural Development Fund (FDA)***

FDA is an essential tool for modernizing the agricultural sector and enables farmers to obtain production tools (tractors, drip materials, etc.) necessary to improve the productivity of production sub-sectors for the local market and export.

The main amendments introduced by the new agricultural subsidies system, which came into force in March 2010, are:

- The introduction of new subsidies affecting plant and animal sub-sectors upstream and downstream and concerning mainly agricultural equipment, plantations, intensification of livestock production, development units and promotion of exports,
- The strengthening of aid granted to certain categories, especially localised irrigation operating equipment which are now subsidised 100% for smallholders having less than 5 hectares and farmers who join an aggregation project, and a rate of 80% for other categories of farmers (instead of 60% previously),
- The encouragement of aggregation projects through an incentives scheme benefiting the aggregator who is a project developer, and the aggregated farmers.

- ***Improvement of the Insurance System***

The agricultural sector is confronted by a multitude of risks, which include climatic uncertainties, health and phyto-sanitary diseases and market fluctuations. The challenge here is pursuing the implementation of the strategic thrusts of the Green Morocco Plan, especially

through mastery of the risk dimension and promotion of new risk management methods based on an ex ante approach, agricultural insurance risk prevention and transfer tools.

To do that, the Department of Agriculture designed an ambitious strategy to manage risks and set up an agricultural risk insurance suited to each type of actor and covering the range of key sub-sectors of our economy.

It is against this backdrop that the comprehensive insurance, *Assurance Multirisque Climatique*, was launched in the 2011/2012 agricultural season to insure the cereals and vegetable harvests against all climate risks, including drought. Since its launching, this first product has generated a lot of interest from farmers. The area of insured land continued to rise over the last three seasons from 300,000 ha to 700,000 ha currently, with a rate of penetration of up to 17% of all surfaces under cereals and vegetables.

Buoyed by this success, the Department of Agriculture launched a second guarantee programme specific to fruit cultivation and covering the principal risks in this sub-sector. In the same vein, the Department launched futuristic projects such as parametric insurance to improve coverage, enhance the reliability of expertise, reduce overheads and accelerate the compensation process.

- ***Improvement of Agricultural Statistics***

The Green Morocco Plan seeks to sustainably improve productivity especially by increasing agricultural investments and empowering actors through the organisation, contracting and intelligent use of natural resources.

In this context, the Department plans to set up a countrywide national agricultural register (RNA) that contains the list of farmers and their plantations, in order to:

- Enhance monitoring capacity and better knowledge of the agricultural fabric;
- Ensure better targeting of PMV actions and measures,
- Modernise methods of governance of projects and actions undertaken,
- Structure agricultural actors and activities,
- Accelerate the modernisation of small- and medium-sized plantations,
- Evaluate the degree of penetration of public agricultural policies.

The creation of the register will be preceded by a General Agricultural Census. The database thus created will provide a list of farmers and their geo-localised plantations. This register will be the Department of Agriculture's official register, consecrated by a regulatory instrument.

It will be backed up by an IT platform for the collection, transmission, storage, processing and sharing of data in tabular and geographic form. This platform will be so designed as to ensure interface with other information systems and the Department's sub-registers (SNIT, ONSSA, SABA FDA, ORMVA Registers).

The National Agriculture Register will be a reference helping to monitor the impact and depth of penetration of public policies, especially for:

- FDA: better targeting of beneficiaries of State aid and subsidies;
- ONSSA: traceability and food security;

- ONCA: development of agricultural productivity;
- Investors: better knowledge of the agricultural potential.

II.2.3. Adaptation of Public Service

○ *Institutional Adaptation*

Far-reaching reforms of modes of public intervention and supervision were conducted as part of PMV. These reforms have a significant impact on all agricultural sub-sectors:

- Reorganisation of the Department of Agriculture at the central and regional level, giving greater decision-making powers to the regions,
- Establishment of the Agricultural Development Agency (ADA) to promote private investment in the agricultural sector and a National Authority for Food Security and Safety,
- Establishment of 16 regional directorates of agriculture (DRA) and 16 chambers of agriculture;
- Creation of a centre for the promotion of Pillar II resources (CRPII) at IFRANE,
- Creation of the Agency for Development of Oasis and Argan Zones;
- Establishment of a National Agricultural Advisory Agency (ONCA),
- Establishment of the Directorate of Rural Development and Mountainous Zones in 2013.

● *Regulatory Adaptation*

An important aspect of support for the implementation of the Green Morocco Plan was the legal update of legislative and regulatory instruments governing the agricultural sector. Since 2008, many draft legal instruments have been initiated. These were conceived to reflect the Plan's vision in terms of sector supervision, improvement of its norms and support to farmers.

The principal instruments and reforms published include:

- The legal framework governing agricultural production: Decree No. 2-13-359 of 10 March 2014 to implement Law No. 39-12 on the organic farming of agricultural and fishery products (published in Official Gazette (OG) No. 6240 of 20 March 2014,
- Dahir No. 1-14-94 of 12 May 2015 to promulgate Law No. 62-12 on the organisation of the profession of agricultural adviser (published in OG No. 6259 of 18 September 2014,
- The legal framework governing the safety of food products, protection of the quality of local products: Law No. 39-12 on the organic farming of agricultural and fishery products (published in OG No. 6128 of 21 February 2013,
- The legal framework governing agricultural counsel: Law No. 58-12 to create the National Agricultural Advisory Agency (published in OG No. 6128 of 21 January 2013),

- The legal framework governing aggregation: Law No. 04-12 on agricultural aggregation (published in OG No. 6070 of 2 August 2013),
- The legal framework governing inter-trade organisations: Law No. 03-13 on agricultural and fishery inter-trade organisations (published in OG 6070 of 2 August 2013).

II.2.4. Development and Marketing of Agricultural Products

- ***Promotion of Agricultural Exports***

The improvement of agricultural and food exports has always been a fundamental objective of the agricultural policy. In 2014, these exports were estimated at MAD 22.2 billion, rising by 31% relative to 2008 and contributing 11% to total exports.

Currently, Moroccan agricultural and food products are recognised as of very high quality in several countries that are very demanding when it comes to imported food products. This attests to the level of expertise and professionalism of our producers.

The Department of Agriculture also concentrated on developing export market access. In 2012, Morocco and the European Union signed a free trade agreement in agriculture, which opened the European market to Moroccan agricultural products including those for which Morocco has proven production and export potential (olive oil, poultry products, local products, etc.) thanks to efforts to improve the quality, value and labelling of local products.

Furthermore, PMV also enabled the development of logistics through:

- The start-up of containerisation on the Agadir-St Petersburg direct line in 2010. It mostly covers the citrus fruits and fresh vegetables sub-sector,
- The launching in July 2012 of the direct link Tanger-Med at Newark, combining land and sea transport with a weekly stopover between Morocco and the United States of America. This line allows direct access to the Canadian market.

- ***Development of Local Products***

The Department of Agriculture designed a global strategy for increasing existing supply of local products and established a legal framework encouraging farmers to promote and market their production.

Regarding achievements since entry into force of Law No. 25-06, in recognizing distinctive marks of origin and quality (SDOQ), the Ministry of Agriculture and Marine Fisheries recognised 29 SDOQs (end-2014).

- ***Agropoles for Enhancing the Value of Agricultural Products***

To implement the Green Morocco Plan, the Department of Agriculture established 6 agropoles at *Meknès, Berkane, Tadla, Souss, Haouz* and *Gharb* to enhance the value of agricultural products through agro-industry.

The marketing of plots for the *Meknès* and *Berkane agropoles* was launched in April and March 2011, respectively. Sales at the two *agropoles* concerned 47 of the 140.3 ha to be ceded. Five investors have completed construction of their units and started business, while 13 are still under construction.

For the *Talda Agropolis*, development works launched at in September 2013 are still ongoing.

For the *Souss Agropolis*, feasibility studies have been completed. It will be set up within the Agadir *Haliopolis* Park on an area of 73.6 ha. The additional clause to the contract for the construction of the park to host the *Agropolis* was signed in April 2015.

With regard to the *Haouz Agropolis*, project feasibility and concept studies have been completed. The choice of project site is being finalised at the regional level.

For the *Gharb/Loukkos Agropolis*, the feasibility and location study has started.

Furthermore, in a bid to strengthen actors' capacity and accompany professionals in their effort to improve the productivity of competitive and high-potential sub-sectors and enhance the value of each region's agricultural products, the Department of Agriculture set up in each Agropolis a food *qualipolis* comprising 3 groups of specific operational laboratories (ONSSA, INRA and EACCE) and common spaces (reception centre, conference centre, accommodation area and restaurant).

The *Berkane Food Qualipolis* was inaugurated in June 2013. Construction works and the equipment of the *Meknès Food Qualipolis* are nearing completion. It will be inaugurated in the days ahead. The convention relating to the management method of this *qualipolis* is in the process of signature. Construction works of the *Talda Food Qualipolis* were launched in May 2014 and are still ongoing. The convention for the procurement of land to host the *Souss Food Qualipolis* has been prepared and is in the process of signature.

II.2.5. Financing of Agricultural Investments

The Medium-Term Expenditure Framework, signed by the Departments of Agriculture and Finance for the 2009 and 2015 period worth MAD 66 billion, denotes the place that investment occupies in the approach advocated by PMV. Between 2009 and 2015, the public support mobilised to finance PMV reached MAD 52.1 billion. It is worth noting that the public budget mobilised annually increased by nearly 87% from MAD 4.65 billion in 2009 to MAD 8.7 billion in 2015.

Since the implementation of the Green Morocco Plan, private investments estimated at MAD 28 billion have been absorbed by the sector.

The agricultural impetus was hailed by several national and international donors. In fact, the Green Morocco Plan made it possible to emphasize the crucial role of financial institutions in aggregation mechanisms, the revival of agricultural investments and the rural world's access to financing. Thus, since 2008, the Department of Agriculture has raised close to MAD 21 billion (about MAD 10 billion as grant and MAD 11 billion as loan).

III- AFRICAN DEVELOPMENT BANK SUPPORT FOR THE GREEN MOROCCO PLAN

The Moroccan Government via its agricultural strategy (the Green Morocco Plan) is building on its experience and wishes to deepen its cooperation with the African Development Bank through a second Green Morocco Plan Support Programme on the following components:

- Promotion of “green” governance in the agricultural sector;
- Inclusive development in the value chains of the agricultural sector.

III.1. Promotion of Green Governance in the Agricultural Sector

This component targets the following objectives:

- Strengthening of the legal, regulatory and institutional framework governing green governance in the agricultural sector,
- Operationalisation of green governance in the agricultural sector,
- Monitoring/evaluation of the use of natural resources for their management and preservation.

To attain this objective, the State will implement the following actions:

- Put in place a comprehensive framework of green governance applied to the agricultural sector,
- Strengthen the framework for sustainable management of water resources,
- Strengthen the framework for sustainable management of agricultural land,
- Strengthen the tools for planning and programming irrigation schemes investments,
- Support the mobilisation of private partners,
- Support innovative approaches to the development and preservation of natural resources,
- Develop monitoring and management tools,
- Conduct evaluation to strengthen the empowerment of actors.

III.2. Inclusive Development of Value Chains in the Agricultural Sector

This component targets the following objectives

- Structuring of value chains,
- Upgrading of value chains (training, quality research, etc.)
- Mobilisation of all actors.

To attain this objective, the State will carry out the following actions;

- Definition of a strategic vision of development of the agro-industries sector,
- Integration of smallholder farmers,
- Development of agro-industrial poles,
- Training of actors and promotion of research,
- Improvement of quality and standards,
- Involvement of private operators in the capacity-building of production units,
- Definition of a framework protecting and valuing the intangible patrimony of producers,
- Development of the inclusion of smallholders and strengthening of their resilience.

III.3. PROGRAMME MONITORING AND IMPLEMENTATION ARRANGEMENTS

Based on experience gained from the African Development Bank's first Green Morocco Plan Support Programme, an institutional arrangement will be formalised based on the technical responsibility of the Directorate of Strategy and Statistics and the strategic coordination of the Directorate of Budget at the Ministry of Economy and Finance.

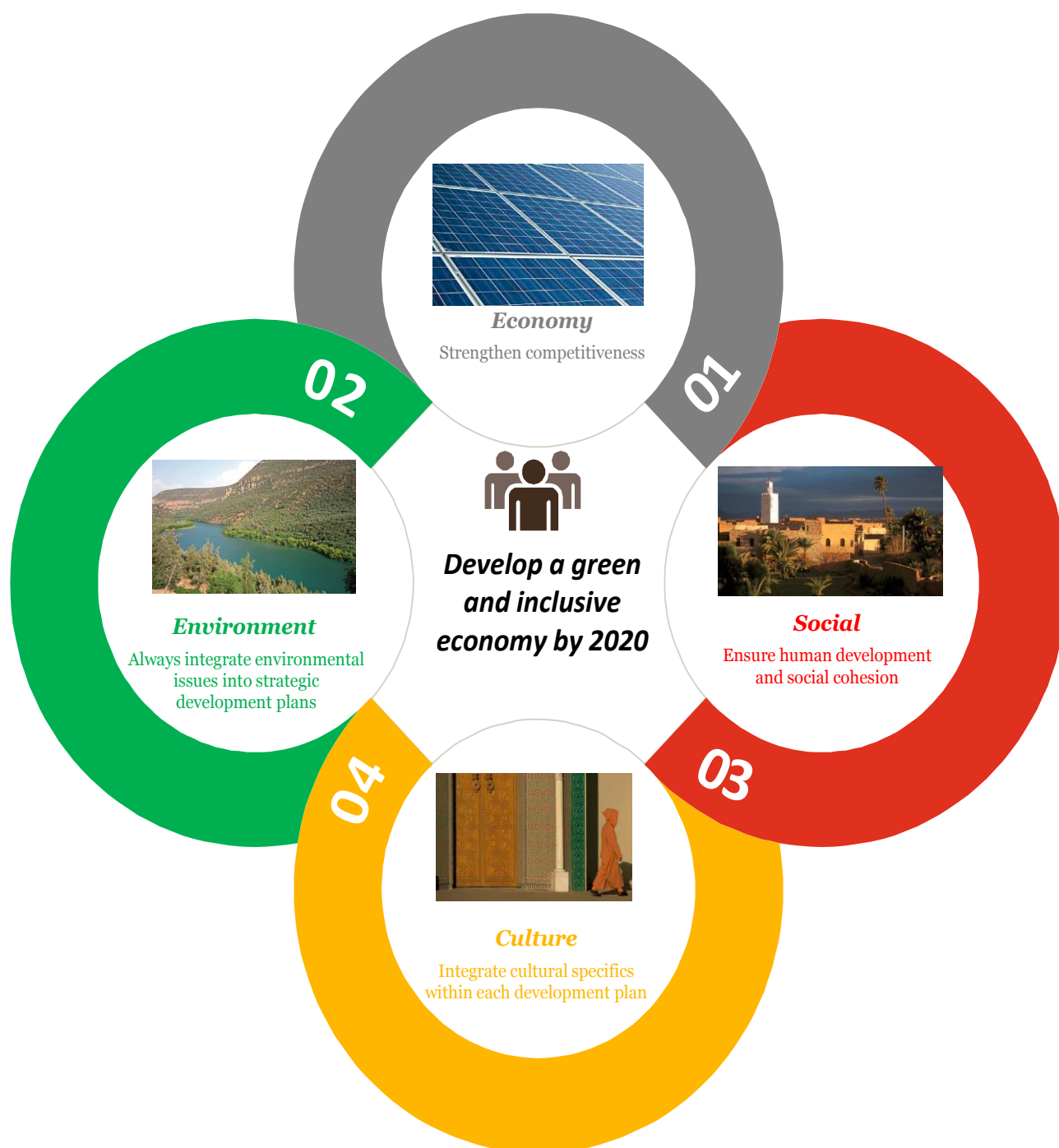
Considering the scope of this programme, which is a continuation of efforts already undertaken, the Government of Morocco is counting on the support of your institution in the form of a sector budget support.

As we thank you for the African Development Bank's interest in the development of this sector.

Please accept, Mr. President, the assurances of my highest consideration.

AZIZ AKHANNOUCH,
Minister of Agriculture and Marine Fisheries
(signed)

Vision for Implementing a Green Inclusive Economy in Morocco by 2020



Source: National Sustainable Development Strategy (SNDD, 2015-2020) Report

MOROCCO – Morocco Green Plan Support Programme, Phase II – PAPMV-2
MATRIX OF PROGRAMME REFORM MEASURES

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
I. Promotion of Green Governance in the Agricultural Sector						
I.1. Strengthening the Legal, Regulatory and Institutional Framework of Green Governance in the Agricultural Sector						
<i>Establishment of the global framework of green governance in the agricultural sector</i>	<ul style="list-style-type: none"> Support for the National Environment and Sustainable Development Charter (EDD) and adoption of Framework Law No. 99-12 on the National Environment and Sustainable Development Chart. TA – Support for the promotion of green growth in Morocco. 		<i>Adoption by the Council of Government the National Sustainable Development Strategy (2015-2020) (as provided for by the framework law supported by PAPMV-1)</i>	SNDD is adopted by CG before end-2016.	Global framework of green governance put in place	<u>SV</u> : Copy of report of Cabinet Meeting <u>RE</u> : M. D. Envi.
		Signing of tripartite framework agreement between three ministries (MDE, MAPM and MEF) for the implementation of the sustainable development strategy		Convention signed in 2015 by MEF, MD Envi. and MAPM		<u>SV</u> : Copy of convention <u>RE</u> : M.D. Env ; MAPM
<i>Strengthening of framework for sustainable management of water resources</i>	<ul style="list-style-type: none"> Conduct of study to analyse the political economy of the irrigation sector reform Initiation of reflection on prospects for the institutional reform of ORMVAs Conduct of water table contract studies (CdN) and approval of contracts for two water tables Initiation of the establishment of a system for monitoring and controlling ground water extraction. 	<i>Forwarding to SGG of the bill on the revision of Law No. 10-95 on water</i>		Bill forwarded to SGG before end-2015	Regulatory framework for sustainable water resource management improved, governance strengthened, coordination and consistency of water programmes and policies strengthened; water resources developed and preserved.	<u>SV</u> : Copy of letter to SGG <u>RE</u> : M. D. water

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
<i>Strengthening of the framework for sustainable management of agricultural land</i>		Forwarding to SGG of bill on the regularisation of the situation of farmers granted parcels of farmland or land for agricultural purpose from private State land (agrarian reform).		Bill forwarded to SGG before end-2015	Aggregation of parcels is facilitated Private investments promoted	<u>SV</u> : Copy of letter to SGG <u>RE</u> : DAAJ
			Forwarding to MEF and MI of the bill on the revision of Law No. 07-01 on cooperatives stemming from the agrarian reform.	Bill forwarded to MEF and MI before end-2016		<u>SV</u> : Copy of letter to MEF/MI <u>RE</u> : DAAJ
<i>Strengthening of the framework for promoting biodiversity</i>	Forwarding to SGG of the bill on the organic farming of agricultural and fishery products		Forwarding to SGG of eight draft implementing decrees of Law No. 39-12 on the organic farming of agricultural and fishery products.	All implementing decrees signed and forwarded to SGG before end-2015	Institutional and organisational framework of organic farming is put in place	<u>SV</u> : Copies forwarded to SGG and signed orders <u>RE</u> : DDFP*, DAAJ
<i>1.2. Operationalisation of Green Governance in the Agricultural Sector</i>						
<i>Strengthening of tools for planning and programming irrigation scheme investments</i>	<ul style="list-style-type: none"> Preparation of a National EEI Investment Programme by 2020 (PNIEEI); a national irrigation Charterer (CNI) of Morocco; a Roadmap (Roadmap) for the EEI by 2020. Finalisation of Tranche 2 studies on collective reconversion (20,000 ha), feasibility of projects to develop 4 GH schemes (108,800 ha), and development of 4 programmed PMH schemes (11,300 ha) Setting up of an inter-departmental committee (MEF, MAPM, MEMEE, ...) to promote the integrated programming of dams and associated schemes 	Establishment of a multi-year planning and programming tool based on the criteria of prioritisation of irrigation investment in line with the outcomes of the irrigation map to improve the management and development of surface water.		Planning, programming and decision-making tool implemented in 2016	Programming of irrigation investments improved.	<u>SV</u> : Presentation note of the tool. <u>RE</u> : DIAEA

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
<i>Support for the mobilisation of private partners</i>	<ul style="list-style-type: none"> • Launching of the Dar Khroufa Irrigation PPP structuring study • Preparation of the feasibility study of the Dar Khroufa irrigation PPP 		Prepare a list of irrigation projects (project bank) eligible for PPP financing	Project list (bank) prepared before end-2016	Portfolio of PPP irrigation projects consolidated Visibility of private investors improved.	<u>SV</u> : Note on Bank projects. <u>RE</u> : DIAEA
<i>Support for innovative approaches to the development and preservation of natural resources</i>	<ul style="list-style-type: none"> • Launching of the Master Plan for the re-use of treated irrigation waste water (EUT) • Preparation of tools for promoting the re-use of treated irrigation waste water 		Preparation of a multi-year action plan for the re-use of treated waste water in agriculture and a draft concerted norms for the re-use of waste water in agriculture and launch the preparation of an investment programme for UET.	Action plans and guides prepared before end-2016	Programme of re-use of treated agricultural waste water consolidated.	<u>SV</u> : Copies of action plan, updated standards project and guide. <u>ER</u> : DIAEA*/M.D. Eau*; M.D. Env.
	<ul style="list-style-type: none"> • Finalisation of regional biomass Master Plans in four regions • Identification of portfolios of investment projects in two regions • Conduct of energy audits on agro-industrial units (UAI) and agricultural plantations • Launching of the implementation of energy performance Plan (PPE) in agro-industrial units and agricultural plantations (EA) 	Signing of a specific convention between three ministries (MDE, MAPM and MEF) for the promotion of green sub-sectors (including the development of olive husks) and launching of the study on recycling agricultural plastics (irrigation materials and stringers)		Convention signed before end-2015 TOR available before end-2015	Green sub-sectors developed	<u>SV</u> : Tripartite convention signed; TOR approved <u>RE</u> : M.D.Env.* MEF and MAPM
			Preparation of a NAMA (Nationally Appropriate Mitigation Actions) for solar-powered pumping in irrigation	NAMA for solar-powered pumping in irrigation designed before end-2016	Use of renewable energies in irrigation developed to reduce greenhouse gas emissions from agriculture	<u>SV</u> : NAMA <u>RE</u> : ADEREE*; M.D.En; MEF; MEMEE (D.Energy)

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
I.3. Monitoring-Evaluation of Natural Resources Use for their Management and Preservation						
Development of monitoring and management tools	<ul style="list-style-type: none">Support for the establishment of Regional Environmental Observatories and DD (OREDD)Putting in place of ME system in PNEEI and PEI as part of PAPMV-1 and TA-Promotion of irrigation infrastructurePreparation of Roadmap to address the gap observed until end-2011 between surfaces dominated by dams and those laid out for irrigation	Institutionalisation of six Regional Departments for the Environment and Sustainable Development (OREDD) within Regional Directorates under the Department of the Environment (devolution).		6 observatories operational at end-2015 and 12 in 2016	Environmental monitoring strengthened Production of status reports on the environment in the 12 regions of Morocco ensured	<u>SV</u> : Order to organise the Ministry promulgated <u>RE</u> : MD Envi.* ; DRA ; ABH ; ORMVA, Sector Regional Directorates
			Preparation of progress report on establishment of the agricultural register	Implementation report available at end-2016	Monitoring of soil use established	<u>SV</u> : Progress report <u>RE</u> : DSS
Evaluation for strengthening accountability among actors			Forwarding to SGG of the draft revision of Law No. 12-03 on environmental impact assessments to reflect the strategic environmental assessment	Bill forwarded to SGG before end-2016	Environmental dimension reflected in development policies	<u>SV</u> : Copy of letter to SGG <u>RE</u> : M.D. Envi.*/ Sector departments
	<ul style="list-style-type: none">Initiation of the reflection on the role of agricultural water users' associations (AUEA) in modernised irrigation systems.	Launching of an AUEA performance assessment to build on achievements and a capacity-building programme for AUEAs		TOR of the assessment available before end-2015	AUEA performance improved.	<u>SV</u> : Copy of TOR approved <u>RE</u> : DIAEA
			Validation of manuals, finalisation of AUEA evaluation and launching of the AUEA capacity-building programme	Manuals available and programmes started before end-2016		<u>SV</u> : Note on assessment and programme, validated manuals, workshop report. <u>RE</u> : DIAEA
II. Inclusive Development of Value Chains in the Agricultural Sector						
II.1. Structuring of Value Chains						
Definition of a strategic vision			Completion of the study for the agri-food industrial sector development strategy.	Approved report available before end-2016	Private investments in industry improved	<u>SV</u> : Report approved and summary note and

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
		Launching of value chains promotion study		TOR available before end-2015 and first deliverables at end-2016	Value chains promotion strengthened Private investments improved	joint recommendations. <u>RE</u> : DSS*/DDFP/ ONSA /Min Industry EACCE <u>SV</u> : TOR of study and 1 st deliverables. <u>RE</u> : ADA*; DDFP; DRA <u>SV</u> : Copy of OG <u>RE</u> : DAAJ*; ADA
Integration of small holders	<ul style="list-style-type: none"> Forwarding to SGG of bill on agricultural aggregation Preparation of implementing instruments of the law on agricultural aggregation 	Publication in OG of implementing decrees of Law No. 04-12 on agricultural aggregation		Orders published in OG before end-2015		
Development of agro-industrial poles	<ul style="list-style-type: none"> Forwarding to SGG of bill on inter-professional organisations Preparation of texts of application of the law on inter-professional organisations Preparation of an action plan to promote and market agropoles Launching of studies to put in place regional agri-food sub-sector competitiveness poles around the Meknès and Berkane agropoles 	Start of putting in place of the Tadla and Souss agropoles.		Putting in place of Tadla (2015) and Souss (2016) agropoles	Private investments improved Additional local jobs created	<u>SV</u> : Tadla works progress note and copy of Souss Convention <u>RE</u> : DDFP
II.2. Upgrading of Value Chains (Training, Research and Quality, etc.)						
Training of actors and promotion of research		Launching of Casablanca Zoopolis activities and signing of the management transfer convention with stakeholders (inter-trade organisations)		Convention signed at end-2015	Private sector involvement (inter-profession) in human capital formation strengthened	<u>SV</u> : Copy of Convention <u>RE</u> : DDFP
			Forwarding to SGG of the bill relating to the creation of an higher agricultural	Bill forwarded to SGG and MOU	ESA service pooled	<u>SV</u> : Copy of letter to SGG; Copy of signed MOU

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
			<i>polytechnic pole (ESA) and signing of MOU with Japanese universities</i>	signed before end-2016	Skills produced for the private sector streamlined	<u>RE</u> : DEFR
	<ul style="list-style-type: none"> Conduct of the study of the National Agricultural Research Training Strategy (SNFRA) 	Creation of a strategic agricultural research guidance council (COSRA)		Circular note signed before end-2015	Balance between inter-professional needs (private sector) and research produced improved	<u>SV</u> : Copy of circular note <u>RE</u> : DEFR
<i>Improvement of quality and standards</i>		<i>Launching of the implementation of Meknès Qualipolis activities and signing of management convention with stakeholders and consolidation of the Berkane Qualipolis activities</i>		Meknès qualipolis convention signed before end-2015	Neighbourhood services are of good quality	<u>SV</u> : Copy of convention <u>ER</u> : DDFP
<i>Private sector involvement in the capacity-building of production units</i>	<ul style="list-style-type: none"> Forwarding to SGG of the bill on the National Agricultural Advisory Agency (ONCA) Forwarding to SGG of the bill relating to the organisation of the profession of private agricultural adviser (CP) 	<i>Publication in BO of the implementing decree of Law No. 62-12 to organise the profession of private agricultural adviser (CAP) and signing of orders by the Minister of MAPM</i>		Implementing decree published in OG and orders signed before 2015	Institutional and organisational framework of CAP profession put in place	<u>SV</u> : Copy of OG, copy of signed orders <u>RE</u> : DAAJ
II.3. Inclusive Mobilisation of Actors (particularly vulnerable)						
<i>Definition of a framework for protecting and giving value to the intangible patrimony of producers</i>	<ul style="list-style-type: none"> Launching of a communication plan to promote home-made products (PT) Implementation of an action plan for the promotion of homemade products Preparation of specifications for products likely to benefit from a signe distinctif d'origine et de qualité (distinctive marks of origin and quality - SDOQ) (apples of Midelt, almonds of Tafraout and Ouazanne olive oil) 	Validation of a strategic guidance note for implementation of the Nagoya Protocol		Validated guidance note available before end-2015	Inclusive equitable and green development strengthened	<u>SV</u> : Validated guidance note <u>RE</u> : MD Envi.
		Creation and registration at OMPIC of the “Terroir du Maroc” collective trademark		The <i>Terroir du Maroc</i> collective trademark registered at OMPIC before end-2015		<u>SV</u> : Attestation of registry of trademark and regulation of use <u>RE</u> : ADA

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
	<ul style="list-style-type: none"> Implementation of the geographic indication of 3 products – pomegranate of Sefri, apples of Midelt, almond of Tafraout.) 					
Development of the inclusion of small holders and strengthening of their resilience	<ul style="list-style-type: none"> Finalisation of the agricultural insurance study and establishment of Roadmap Improvement of the penetration rate of agricultural insurance (AA) in the cereals sub-sector Launching of new AA products covering the priority sectors of PMV and several risks 	Broadening of the comprehensive insurance on climate-related fruit growing risk to all arboreal sub-sectors and provinces and launching of a pilot project for parametric insurance		The comprehensive insurance guarantee is broadened and the pilot parametric insurance project launched before end-2015	Inclusion and resilience of smallholders developed	<u>SV</u> : Copies of the additional clauses of the Convention governing the arboreal guarantee and the agreement with INRA for the parametric index. <u>RE</u> : DF*; MAPM
	<ul style="list-style-type: none"> Forwarding to SGG of the bill on the organic farming of agricultural and fishery products 		Preparation of an “ecological agriculture” sub-sector development strategy and launching of pilot activities.	Draft strategy available before end-2016	“Ecological agriculture” sub-sector developed and Roadmap drafted	<u>SV</u> : Note on strategy and pilots <u>RE</u> : ADA*; DDFP; DSS
		Increase the Tamwil El Falleh ceiling from MAD 100 000 to MAD 200 000 to promote the financial inclusion of men and women smallholders		Ceiling raised before end-2016	Smallholders’ access to productive loans strengthened	<u>SV</u> : Convention between the State and CAM <u>RE</u> : MEF; CAM
Integration of youths and women	<ul style="list-style-type: none"> Initiation of study to support young agricultural entrepreneurs (young graduates), training of young graduates 	Preparation of a Young Agricultural Entrepreneurs (JEA) incubator concept and a Young Agricultural Entrepreneur’s (JEA) guide		Roadmap to implement a JEA incubator and guide available at end-2015	JEA incubator bases available and guide disseminated	<u>SV</u> : Road map and JEA Guide <u>RE</u> : ADA
	<ul style="list-style-type: none"> Launching of a diagnosis and action plan for mainstreaming gender in PMV 	Creation of a budget item related to gender in the investment budget of the Ministry of Agriculture under the 2015 Appropriations Acts		Item related to gender inscribed in the draft budget	Strategic vision and action plan on gender mainstreaming in PMV are crafted	<u>SV</u> :Summary note and copy of draft budget <u>RE</u> : DB/MEF DF/DEFR MAPM

Objectives	PAPMV-1: Measures Accomplished 2012-2014 and Linkages with Other Operations	PAPMV-2 : 2015 Measures	PAPMV-2 : 2016 Measures	Target Output Indicators	Target Outcome Indicators	Sources of Verification and Responsible Entities
			<i>Finalisation of study to design a strategy for mainstreaming gender in the agricultural sub-sectors (building on the results of the diagnostic conducted in PAPMV-1)</i>	Study started before end-2015 and strategy available before end-2016		<u>SV</u> : Copy of study and short form prospectus <u>RE</u> : DEFR

NOTE ON RELATIONS WITH THE IMF

IMF Executive Board Completes the Second Review of the Current PLL Arrangement for Morocco and the Ex Post Evaluation of the First PLL
Press Release No. 15/357 - July 24, 2015

On July 24, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the second review of Morocco's economic performance under a program supported by a two-year Precautionary and Liquidity line (PLL) arrangement and the Ex Post Evaluation of exceptional access (EPE) under the 2012-14 PLL arrangement.

The current PLL arrangement was approved in July 2014. ([See Press Release No. 14/368](#)). Access under this arrangement in the second year is equivalent to SDR 3.2351 billion (US\$5 billion, or 550 percent of Morocco's quota at the IMF). Morocco's first 24-month PLL arrangement was approved on August 3, 2012, with an access equivalent to 700 percent of the quota.

The PLL arrangement has provided insurance against external risks. The Moroccan authorities are treating the arrangement as precautionary, as they did with the 2012-14 PLL, and do not intend to draw under the arrangement unless Morocco experiences actual balance of payments needs from a significant deterioration of external conditions.

The [PLL](#) facility, which was introduced in 2011, provides financing to meet actual or potential balance of payments needs of countries with sound policies, and is intended to serve as insurance or help resolve crises under wide-ranging situations. Fund policy calls for an EPE within one year of the end of an arrangement with exceptional access.

Following the Executive Board discussion on Morocco, Mr. Min Zhu, IMF Deputy Managing Director and Acting Chair of the Board, made the following statement regarding the second review of the current arrangement:

"Morocco's overall economic performance has been strong. Following a slowdown in 2014, growth is expected to pick up in 2015. Policy action has helped reduce fiscal and external vulnerabilities and significant progress has been achieved on reforms. In an environment that remains subject to important downside risks, sustaining the momentum will be important to reduce remaining vulnerabilities and achieve higher and more inclusive growth.

"The arrangement under the Fund's Precautionary and Liquidity Line (PLL), which the authorities continue to treat as precautionary, has provided insurance against external risks. The program remains on track.

"Fiscal developments have been consistent with the authorities' objective to reduce the deficit to 4.3 percent of GDP in 2015. Progress continued on the subsidy reform, while support to the most vulnerable has expanded. The recent adoption of a new organic budget strengthens the fiscal framework. The timely adoption of the pension reform will be key to ensure the viability of the system.

"Progress has also been made in upgrading the financial policy framework, including by moving to Basel III standards and implementing the new banking law. An important further step should be the timely adoption of a new central bank law. Ongoing work toward a more flexible exchange rate regime and a new monetary policy framework, in coordination with other macroeconomic and structural policies, is welcome.

"Morocco's external position has continued to improve owing to strong export performance and lower oil prices. Further progress on structural reforms, including improving the business environment, governance, transparency and the job market will help strengthen competitiveness, growth and employment and enhance the economy's resilience to shocks."

Regarding the ex post evaluation of the first PLL arrangement, Executive Directors considered that the 2012-14 PLL arrangement appropriately provided temporary insurance against exogenous shocks and signaled Morocco's sound economic fundamentals to meet potential balance-of-payments needs at a time of significant external risks. They agreed that the arrangement was consistent with the PLL qualification standards and requirements under the exceptional access policy, while commending the authorities for not drawing on the arrangement in spite of external economic headwinds. Directors concurred that the authorities' policies helped reduce fiscal and external vulnerabilities, with subsidy reform as a major achievement. Directors noted that Morocco still faced a number of medium-term policy challenges at the end of the arrangement given external risks and remaining vulnerabilities. With the benefit of hindsight, Directors also noted some useful lessons learned with regard to program design and implementation.

Portfolio of Bank Operations in Morocco

Portfolio Performance

Performance Indicators

Disbursements

The disbursement rate is up to 42.34%. The breakdown of the current overall disbursement rate is 42.26% for loans, which has increased markedly since January, and close to 63.65% for grants. Disbursement forecasts target a rate of 59.6% at end-2015

Overall portfolio score

The overall portfolio score remains stable at 2.53.

Number of projects at risk (PAR)

PAR = 0

Number of aged projects

The portfolio has no aged project.

Average volume by loan (in UA)

140,520,401

Average effectiveness timeframe

4,2

This timeframe has dropped compared to 2014 – 5.1 months for loans and 2.1 months for grants.

MAROC - PORTEFEUILLE DES OPERATIONS EN COURS D'EXECUTION AU 14 Septembre 2015

Nbre	Nom du Projet	Date d'approbation	Date de signature	Date de mise en vigueur	Date de clôture	Age moyen projet (an)	Age relatif du projet (an)	délai mise en vigueur (mois)	Monnaie du prêt	Montant approuvé		Décaissement cumulé en monnaie du prêt par projet / en euro par secteur	Annulation en monnaie du prêt	Montant non décaissé en monnaie du prêt par projet / en EUR par secteur	Taux décaissements cumés (en %)		Part dans le portefeuille	
										en Unités de compte	en monnaie du prêt (total par sect. en EUR)				Actuel	Project. 2015		
SECTEUR AGRICOLE											45 670 584	54 710 282	26 654 098	266	28 056 186	48,7%	70,6%	2,5%
1	Projet d'ap. tech. prom. jeunes entrepreneurs - DON PRI	12-janv.-12	4-May-12	4-May-12	31-déc.-15	3,7	0,9	3,8	UC	497 200	497 200	496 965	235	235	100,0%	100,0%		
2	Projet d'ap. au Prog. nat. d'eco. d'eau d'irrig. (PAPNEI)	14-déc.-09	01-mai-14	2-Jul-10	31-Déc-16	5,8	0,8	6,7	EUR	44 679 184	53 590 000	25 534 080		28 055 920	47,6%	70,0%		
3	Appui tech. dev. infrastr. d'irrigation - DON PRI	21-févr.-11	17-mars-11	17-mars-11	30-juin-15	4,6	1,0	0,8	UC	494 200	494 200	494 200		0	100,0%	100,0%		
SECTEUR TRANSPORTS											450 210 098	540 000 000	121 161 348	112 436 639	306 402 011	28,3%	50,2%	24,6%
4	3ème Projet aéroportuaire	16-avr.-09	8-mai-09	22-oct.-09	31-déc.-15	6,4	1,0	0,3	EUR	200 093 377	240 000 000	44 612 563	112 436 639	82 950 796	35,0%	63,0%		
5	Projet d'augm. de capa. Ferrov. Tanger-Marrakech	17-déc.-10	17-mars-11	30-Jun-11	31-déc.-16	4,7	0,8	6,5	EUR	250 116 721	300 000 000	76 548 785		223 451 215	25,5%	40,0%		
SECTEUR ENERGIE											844 820 014	1 049 860 000	418 980 856	68 000 000	864 879 144	42,6%	50,8%	47,7%
6	Progr. deve. réseau transp. et réparti. élect.	02-déc.-09	11-déc.-09	29-Apr-10	31-déc.-17	5,8	0,7	4,9	EUR	91 599 394	109 620 000	52 165 533		57 454 467	47,5%	67,0%		
7	Projet de la centrale solaire de Ouarzazate	16-mai-12	19-nov.-12	19-nov.-12	31-déc.-16	3,3	0,7	6,2	EUR	140 065 364	168 000 000	48 628 764	68 000 000	50 371 236	49,6%	100,0%		
8	Projet de la centrale solaire de Ouarzazate (CTF)	16-mai-12	19-nov.-12	19-nov.-12	31-déc.-16	3,3	0,7	6,2	USD	65 461 734	100 000 000	100 000 000		0	100,0%	100,0%		
	Complexe Solaire Ouarzazate NOORo II	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	0,8	0,1	0,5	EUR	61 138 189	72 000 000	11 543 210		60 456 790	16,0%	15,0%		
	Complexe Solaire Ouarzazate NOORo II (CTF)	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	0,8	0,1	0,5	USD	47 369 288	69 000 000	69 000 000		0	100,0%	40,0%		
	Complexe Solaire Ouarzazate NOORo III	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	0,8	0,1	0,5	EUR	23 775 962	28 000 000	1 660 365		26 339 635	5,9%	15,0%		
	Complexe Solaire Ouarzazate NOORo III (CTF)	03-déc.-14	19-déc.-14	19-déc.-14	31-déc.-19	0,8	0,1	0,5	USD	34 325 671	50 000 000	50 000 000		0	100,0%	40,0%		
	PERO	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	EUR	112 552 525	135 000 000	95 623 370		39 376 630	71,0%	86,0%		
	Parc Eolien AL KOUDIA AL BAIDA	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	EUR	41 686 120	50 000 000	6 869 614		43 130 386	13,7%	30,0%		
	Complexe Hydro M'Dez El Menzel	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	EUR	61 695 458	74 000 000	74 000 000		0	0,0%	0,0%		
	Parc Eolien Tanger 2	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	EUR	33 348 896	40 000 000	40 000 000		0	0,0%	0,0%		
	Step Abdel Moumen	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	EUR	50 023 344	60 000 000	60 000 000		0	0,0%	0,0%		
	Parc Eolien AL KOUDIA AL BAIDA (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	USD	22 258 990	34 000 000	34 000 000		0	0,0%	38,0%		
	Complexe Hydro M'Dez El Menzel (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	USD	19 638 520	30 000 000	30 000 000		0	0,0%	0,0%		
	Parc Eolien Tanger 2 (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	USD	20 293 138	31 000 000	31 000 000		0	0,0%	0,0%		
	Step Abdel Moumen (FTP)	13-juin-12	19-déc.-12	19-déc.-12	31-déc.-16	3,3	0,7	6,3	USD	19 638 520	30 000 000	30 000 000		0	0,0%	0,0%		
SECTEUR SOCIAL											1 620 406	1 850 324	1 143 235		0	0,0%	57,6%	0,1%
10	Appui strat. dével. enseig. Privés - DON PRI	11-mars-11	17-mars-11	09-juin-11	31-déc.-14	4,5	1,2	3,0	UC	470 406	470 406	470 406		0	100,0%	100,0%		
11	Système Information Carte Sanitaire Don PRI	30-juil-13	30-déc-13	30-déc-13	31-déc-16	2,1		0,2	UC	380 800	380 800	227 362		153 438	59,7%	60,0%		
12	Université numérique UIR	10-oct-13	27-févr-14	27-févr-14	31-déc-17	1,9		0,2	UC	774 600	774 600	246 632		527 968	31,8%	31,8%		
SECTEUR EAU ET ASSAINISSEMENT											296 793 578	350 666 043	73 177 308	66 480 000	269 718 671	24,9%	40,8%	15,9%
13	Onzième projet d'AEP/A Rabat-Casa	12-mai-10	19-aout-10	13-janv.-11	31-déc.-16	5,3	0,8	8,2	EUR	135 321 483	162 310 000	39 949 174		95 480 000	36,6%	60,0%		
	Onzième projet d'AEP/A Rabat-Casa	12-mai-10	19-aout-10	13-janv.-11	31-déc.-16	5,3	0,8	8,2	USD	36 043 231	55 060 000	27 951 703		14 680 000	69,0%	60,0%		
14	Douzième projet d'AEP de Marrakech	7-nov-12	19-déc.-12	19-déc.-12	31-déc.-18	2,9	0,5	1,4	EUR	101 206 800	120 000 000	9 193 152		110 806 848	7,7%	10,0%		
	Douzième projet d'AEP de Marrakech	7-nov-12	19-déc.-12	19-déc.-12	31-déc.-18	2,9	0,5	1,4	USD	24 017 070	37 000 000	5 666 322		31 333 678	15,3%	10,0%		
15	Etude schéma directeur AEP MOULOUYA - DON PRI	10-janv-13	22-mai-13	22-mai-13	31-déc.-15	2,7	0,9	4,4	UC	204 994	204 994	204 994		0	100,0%	100,0%		
SECTEUR MULTISECTEUR											2 568 772	2 891 412	1 986 798		904 614	68,2%	72,7%	0,1%
16	Projet d'améliorat. du syst. de garantie - DON PRI	19-janv.-11	17-mars-11	17-mars-11	31-déc.-15	4,7	0,9	1,9	UC	464 988	464 988	464 988		0	100,0%	100,0%		
17	Projet de renf. du contr. march. fin. - DON PRI	13-déc.-10	17-mars-11	17-mars-11	31-déc.-14	4,8	1,2	3,1	UC	480 350	480 350	480 350		0	100,0%	100,0%		
18	Appui à la modernisation du cadre organisationnel de gestion de la dette - DON PRI	27-févr.-13	31-mai-13	31-mai-13	31-déc.-18	2,5	0,4	3,1	UC	536 976	536 976	79 705		457 271	14,8%	30,0%		
19	Etude sur la croissance et l'emploi au Maroc - DON PRI	27-juin-12	7-sept.-12	7-sept.-12	31-déc.-15	3,2	0,9	2,4	UC	587 200	587 200	587 200		0	100,0%	100,0%		
PACEM																		
	Appui à la Primature (Don PRI)																	
	Etude Stratégique DTFE (DON PRI)	21-mai-15	28-jul-15		31-déc.-17				UC	797 600								
20	Projet d'Appui à l'élaboration du code monétaire et financier marocain - DON PRI	20-sept.-12	19-déc.-12	19-déc.-12	31-déc.-15	3,0	0,9	3,0	UC	489 258	489 258	145 986		343 272	29,8%	60,0%		
SECTEUR PRIVE											177 133 336	198 877 124	189 600 000		10 391 000	95,3%	95,3%	9,0%
21	Fond Argan pour le développement des infrastr.	17-févr.-10	21-jul.-10	21-jul.-10	31-déc.-18	5,6	0,6	5,1	EUR	13 479 000	15 000 000	4 609 000		10 391 000	30,7%	30,7%		
22	Prêt à l'Office Chérifien des Phosphates	29-juin-11	10-mai-12	10-mai-12	31-déc.-15	4,2	1,1	10,5	USD	163 654 336	250 000 000	250 000 000		0	100,0%	100,0%		

Récapitulatif

Montant du portefeuille

En Unités de compte

Prêts (11 projets)

Dons (11 projets)

En Euros

Actuel

Projet. 2015

Taux de décaissement global

Prêts

Dons

Montant moyen par prêt (en UC)

Délai moyen de mise en vigueur (mois)

Prêts

Dons

Age relatif du portefeuille (an) ***

Prêts

Dons

Age moyen du portefeuille (an)

Prêts

Dons

Multisect.

Sect. privé

Agric.

Eau/ass.

Energie

Social

2009

2010

2011

2012

2013

2014

Agric.

Transp.

Energie

Social

Eau/ass.

Multisect.

Sect. privé

Moyenne

-
- i This 3% deficit target, initially planned in 2017, could be achieved in the second half of 2016, thanks to the continuous fall in oil prices.
- ii Statistics of the High Commission for Planning (HCP).
- iii This indicator is 0.91 in developed countries.
- iv This indicator is 0.91 in developed countries.
- v The portfolio has 30 operations: 9 sovereign operations, 2 non sovereign operations and 19 technical assistance projects.
- vi Green governance englobes all necessary conditions for the collective governance of natural resources. Since State institutions are established and developed in a hierarchical and sector-based order, they are generally unsuitable to treat the collective governance of common property. In addition to institutional and legal requirements, green governance also comprises the definition of standards, stakeholder involvement, resource mobilization and planning and communication
- vii These *agropoles* concern Meknès and Berkane (supported by PAPMV-1), Tadla and Souss (supported by PAPMV-2), Haouz and Gharb at the study stage.
- viii Nagoya Protocol on access to genetic resources and the fair and equitable sharing of benefits derived from the use of these genetic resources (plants, animals, bacteria or other organisms) effective on 12 October 2014 to control bio-piracy.
- ix Mention can be made of the Maghreb Procurements Conference, which commissioned a broad benchmarking study; the World Bank which produced: (i) Country Financial Accountability Assessment (CFAA) Reports on Morocco in 2003 and 2006; (ii) a Country Procurement Assessment Review (CPAR) in 2000 and updated in 2007; (iii) an Evaluation based on AECD/DAC methodology conducted in 2008; and the Bank, which, in 2011, produced an assessment of the regulatory framework governing procurements.