After two decades of uninterrupted expansion the Morocco economy is facing several challenges. Economic structural reforms launched in the late 1990s led to increase the country·s real gross domestic product (GDP) by nearly 120 percent between 2000 and 2019, expand per capita income by 72 percent, and almost eradicate extreme poverty. However, real GDP fell by 6.3 percent in 2020 · according to recent estimates- due to the COVID-19 pandemic, the largest contraction on record. After the gradual lifting of restrictions, economic activity began to pick up in late 2020, and Morocco·s real GDP grew by 7.9 percent in 2021.

GDP growth dropped to just 1.2 percent in 2022,1 1 resulting from overlapping shocks, including the sharp contraction in agricultural GDP due to the drought, the commodity price shocks triggered by Russia·s invasion of Ukraine, a slowing global economy, and higher global energy and food prices

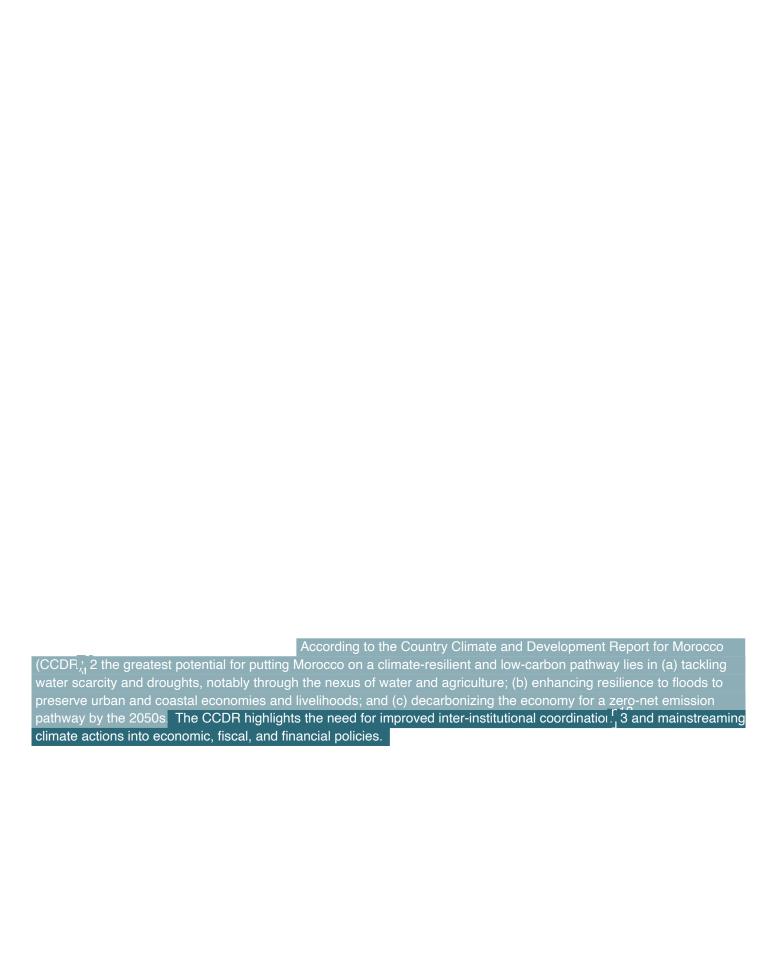
Economic growth is expected to accelerate to 2.5

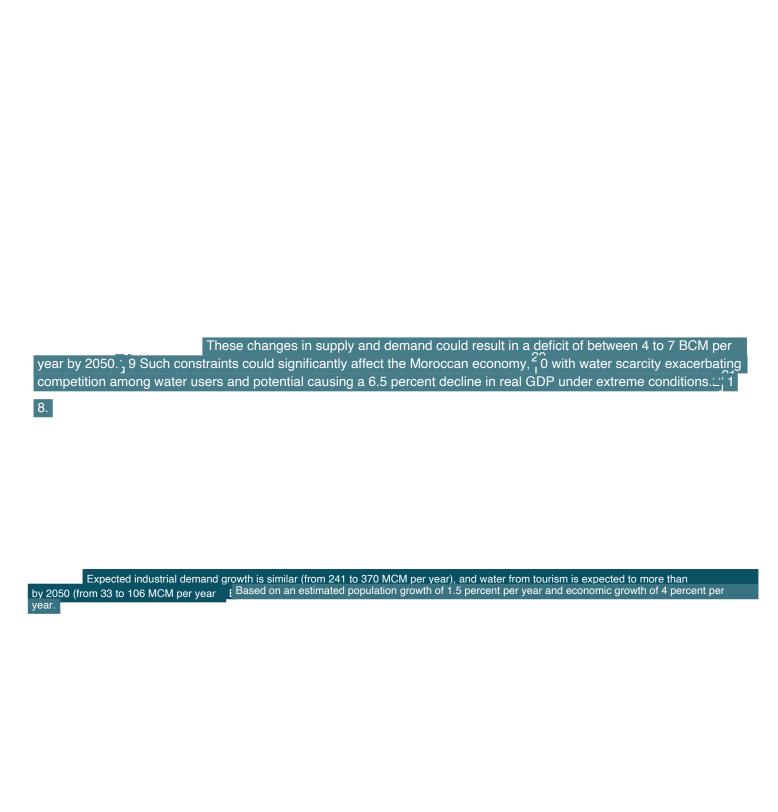
percent in 2023.

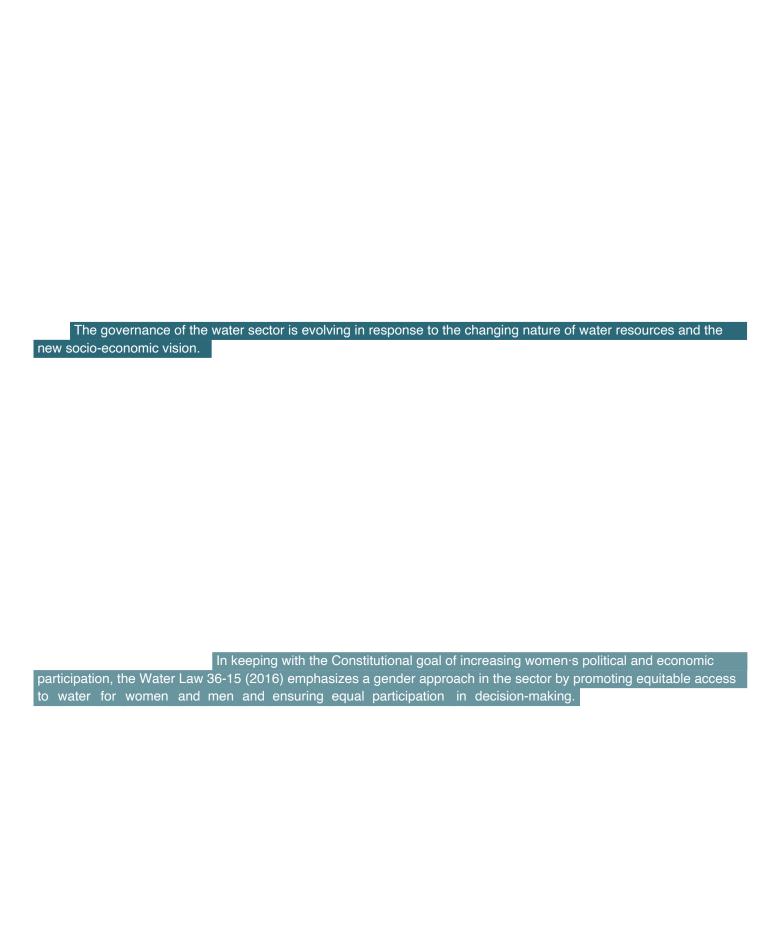
The economic growth model that served Morocco well in recent decades shows signs of slowing down and needing to adapt to changing realities.

More than half of GDP growth in recent decades was driven by fixed capital accumulation, which surpassed 30 percent of GDP since the early 2000s with two-thirds originating from public sources. The economy has not generated enough jobs to absorb a growing working-age population and overall unemployment remains high at around 12.8 percent in 2022, with urban youth unemployment reaching 33.4 percent. The female participation rate in the labor force in Morocco is low and declining, with important implications for women's autonomy and the country's economic potential.

Morocco's New Development Model (NDM) presents a new vision for the country's development. The structural reforms launched two decades ago gave way to a sustained period of economic growth and poverty reduction that is unparalleled in the country's contemporary history. But, even before the abrupt recession triggered by the pandemic, the model exhibited signs of exhaustion, prompting the launch of an inclusive dialogue on how to reinvigorate Morocco's path toward sustained economic growth and social inclusion. This dialogue resulted in 2021 in the NDM, which sets ambitious development targets with a 2035 horizon, including doubling per capita GDP levels.







Finally, the PNAEPI recognizes female empowerment, workplace gender equity, and women's participation as critical aspects of Morocco·s prosperity.

These efforts notwithstanding, the persistent challenges

in the sector require a sustained effort to achieve greater gender equality and ensure women empowerment.

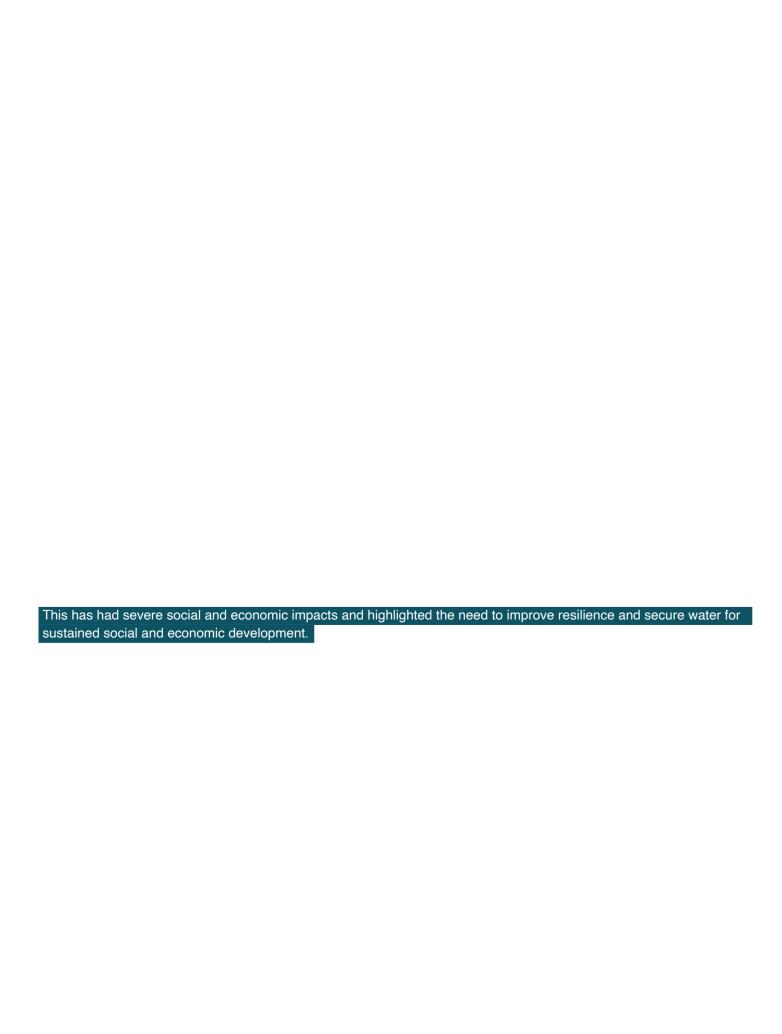
In this context, an enhanced governance model is needed to ensure an integrated approach to water production and distribution, optimize allocation decisions, ensure financial sustainability, and ensure that decisions about water are made to maximize socio-economic outcomes in alignment with the development model for Morocco.

The Program for Results (the Program) aligns with the World Bank's twin goals of ending extreme poverty and promoting shared prosperity within the context of the World Bank Group's Country Partnership Framework (CPF) for Morocco FY19-24. 1 The CPF aims to contribute to social cohesion by improving the conditions for growth and job creation and reducing social and territorial disparities.

It also contributes to improving the

efficiency of public spending and the cross-cutting themes of ·Gender · Empowering Women and Girls for Shared Prosperity· and ·Harnessing Digital Economy for Jobs and Faster Growth.

13.



In
2020, the COVID-19 pandemic, coupled with a poor agricultural harvest due to drought, led to an increase in the budget
deficit and public debt, which reached 7 percent and 67 percent of GDP -respectively.
The budget deficit is MAD 73.1 billion
against an initial forecast of MAD 72.6 billion. 11 The MEF revised its budget deficit and growth forecasts for 2023 to 5.3 percent and 1.5 percent of GDP, respectively.
percent and 1.5 percent of GET, respectively.

Morocco CCDR estimated that a reduction in water availability could reduce GDP by up to 6.5 percent Wateriess reduction in water availability could reduce GDP by up to 6.5 percent

The extension and

rehabilitation of potable water distribution systems and the WWTPs upgrades will positively benefit direct and indirect job creation during the work phase.

A further

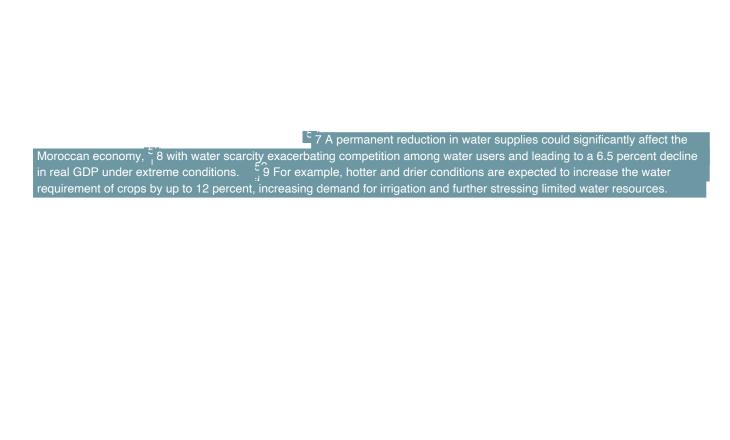
downturn in the global economic outlook could reduce exports, tourism receipts, and foreign direct investment.

Inflationary pressures remain strong, eroding households purchasing power and thus consumption, while the monetary policy tightening has increased the sovereign's domestic borrowing costs.

The IMF has recently approved a precautionary Flexible Credit

ine, which will boost Morocco·s external buffers contributing to mitigate residual macroeconomic risks.

				ctors, such as popu	
in the north, the expansion of irrigation, and exceeding available supply.	d urban, industrial	, and tourism (development, wit	h water demand alı	ready
from tourism is expected to more than triple by	Expected industrial	l demand growth	n is similar (from 24 ar). Based on a	1 to 370 MCM per yen estimated population	ear), and wa on growth of 1.5
from tourism is expected to more than triple by 2 percent per year and economic growth of 4 perc	cent per year.	- Droin por y			







Thus, since the 1970s, the GoM has undertaken efforts for water
resources planning aimed at meeting Morocco·s water needs, with the objectives of (a) integrated planning and conjunctive management of surface and groundwater; (b) optimizing the allocation of water resources to meet present and future demand in the medium and long term in support of Morocco·s economic and social development growth at national and local levels and also between sectors; (c) providing access to water for the various regions of the country to ensure balanced development and the promotion of water-poor regions through water transfers from surplus to deficit regions; and, (d)
protecting water resources.

Groundwater has
come under unprecedented pressure over the past thirty years due to repeated droughts in the country, which have greatly
educed surface water supplies, pushing irrigators to draw more from aquifers, and partly because of the increase in water
needs induced by the country's socio-economic development.

These

policies and regulations will be important to reveal the range of values among different stakeholders and develop a shared vision within communities, to optimize the sustainable and efficient allocation of water, ensure the equitable pricing of water services, and guide investments aimed at safeguarding water security, its contribution to economic growth and development, and maintaining social equilibrium.

The Program will support the Government's efforts to anticipate and address the challenges of financial sustainability in the sector.

The NDM report recommends measures 'reflecting the true value of the water resource and incentivizing a more efficient and rational use and management of the resource. The goal is 'future-orientated' policy processes that anticipate, rather than react to, new challenges and account for the change in socio-economic and environmental conditions, shifts in societal values, and pervasive uncertainty associated with climate change. As part of updating the PNE, the Program will support a qualitative process that can build consensus around national priorities and reveal local values, culminating in adopting principles that will inform the development of quantitative tools to improve financial sustainability.

The Program will build on these principles to identify and update the underlying costs and benefits associated with investments in the water sector to inform the development of a consolidated financial model.

In keeping with the 2011 Constitution·s recognition of the need to increase women·s political and economic participation, Morocco has undertaken concrete steps to promote gender equality and women empowerment in the water sector.

The

PNAEPI recognizes the empowerment of women and girls, the promotion of gender equity in the workplace, and the participation of women and youth as critical aspects of Morocco·s prosperity.

Rising temperatures and erratic rainfall have	
expansion, as well as urban, industrial and tourism development.	

The MEF had revised its budget deficit and growth forecasts for the current year to 5.3 percent of GDP and 1.5 percent, respectively. Under these conditions, the total indebtedness of the Moroccan Treasury, compared to GDP, should exceed the threshold of 80 percent of GDP in 2022. The economic, social, and financial measures	
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	The economic social and financial measures
	taken rapidly by the government to offset the negative economic impact of the crisis have contributed to reducing the
expected to improve thanks to sound fiscal and monetary policies, better governance and more coherent sector strategies,	expected to improve thanks to sound fiscal and monetary policies, better governance and more coherent sector strategies, and an improved investment environment, all of which aim to support gradual gains in competitiveness.

The Government will attach

particular importance to financing large-scale structural reforms initiated in recent years, to mobilize more resources and ensure their sustainability. Thus, the government will ensure the mobilization of all possible budgetary margins and direct them towards sectors with a strong economic and social impact.

The Morocco CCDR estimated that a reduction in water availability could reduce GDP by up to 6.5 percent. d

