1. Operation Information

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<td>MA: Finan'l Inclus'n &amp; Digital Eco. DP</td>
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<td>Country</td>
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<td>Practice Area (Lead)</td>
<td>Finance, Competitiveness and Innovation</td>
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Non-Programmatic DPF

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<tr>
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<td>Actual</td>
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Prepared by Nestor Ntungwanayo
Reviewed by Christopher David Nelson
ICR Review Coordinator Christopher David Nelson
Group IEGSD

2. Program Objectives and Pillars/Policy Areas

a. Objectives

As per the Program Document on page 3, "the Program Development Objective (PDO) is to foster financial inclusion and contribute to digital transformation for individuals, enterprises, and entrepreneurs".
b. Pillars/Policy Areas

The programmatic operation was underpinned by ten Prior Actions (PAs), which were structured around the three pillars delineated below, and completed before disbursement.

**Pillar 1: Enhancing financial inclusion for individuals and MSMEs:**

The five PAs under the first pillar are presented below, and were completed ahead of the operation approval:

**PA#1:** To allow microfinance institutions to expand their portfolio and respond to credit demand of MSME, the Council of Government has approved and submitted to Parliament on November 13, 2018, Draft Law No. 85-18 amending Law No. 18-97 on Microcredit authorizing an increase in the maximum lending size from MAD 50,000 to MAD 150,000.

**PA#2:** To increase access to finance for small farmers, the Ministry of Economy and Finance and the Credit Agricole du Maroc have raised the ceiling of loans guaranteed to small farmers by the Fonds de Stabilisation Prudentielle from MAD 100,000 to MAD 200,000, pursuant to an amendment to the Convention establishing de Fonds de Stabilisation Prudentielle “FSP” dated November 2, 2018.

**PA#3:** To enhance oversight of gender gaps in financial inclusion of women and female-owned enterprises, have gender data in the credit information system, and support modernization of Morocco’s credit information system, BAM has issued Notice No. L/BKAM/2018/9632 dated December 20, 2018, making it mandatory for payment companies to report gender-disaggregated data.

**PA#4:** To improve health insurance coverage, the Borrower has adopted on September 13, 2018 and published in the Official Gazette dated January 21, 2019, Decrees No. 2.18.622, 2.18.623 and 2.18.624 implementing Law No. 98-15 to expand basic compulsory health insurance coverage to professionals, self-employed individuals, and non-salary individuals.

**PA#5:** To develop Islamic Finance (Finance Participative): (a) the Borrower has enacted Law No. 69-17 amending and supplementing Law No. 33-06 related to the issuance of Sukuk certificates published in the Official Gazette No. 6667 dated April 23, 2018; and (b) the Council of Government has approved and submitted to Parliament on October 24, 2018, Draft Law No. 87-18 amending and supplementing Law No. 17-99 on the Insurance Code relating to Takaful insurance.

**Pillar 2: Supporting the development of digital platforms and digital infrastructure**

The three PAs under the first pillar are presented below, and were completed ahead of the operation approval:

**PA#6:** To promote the development of mobile payments, the BAM has adopted Decision No. 392/W/2018 on mobile payments, dated November 12, 2018 setting the conditions and modalities of mobile payments in Morocco, including interoperability of mobile wallets (m-wallets).

**PA#7:** In order to create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market, the ANRT has adopted Decision No. ANRT/DG/No.12/18 dated July 27, 2018 approving a wholesale offer to access passive infrastructure of Maroc Telecom (Offre Génie Civil).
PA#8: To promote private investment in digital infrastructure in local communities (Collectivités Territoriales) including in remote areas, the Minister of Interior has adopted Circular No. F/2166 dated June 14, 2018 establishing a uniform ceiling for fees to be paid by investors to deploy their infrastructure in the municipal public domain.

**Pillar 3: Enhancing support to digital entrepreneurs**

The two PAs under the first pillar are presented below, and were completed ahead of the operation approval:

**PA#9**: To streamline and facilitate enterprise creation by electronic means, the Borrower has enacted Law No. 87-17 amending and supplementing Law No. 13-99 establishing the OMPIC, published in the Official Gazette No. 6722 dated November 1, 2018; and the Council of Government has approved and submitted to Parliament on March 19, 2018: (i) Draft Law No. 89-17 amending and supplementing Law No. 15-95 on the Commercial Code for the establishment of a centralized electronic commerce register and decentralized electronic commerce registries; and (ii) Draft Law No. 88-17 on the electronic creation and support to enterprises.

**PA#10**: To promote the development of a new asset class to bridge the early stage finance gap of digital entrepreneurs, the Fonds Innov Invest’s Technical Committee has adopted the technical specifications (Cahier de Charge) dated December 26, 2018 outlining eligibility criteria for business angels to receive financing from the Caisse Centrale de Garantie.

c. Comments on Program Cost, Financing and Dates

The Financial Inclusion and Digital Economy DPF was funded by a US$700 million loan from the International Bank for Reconstruction and Development (IBRD) and disbursed in one tranche. The operation was approved on February 19, 2019, became effective on April 10, 2019, and closed on schedule on December 31, 2020.

3. Relevance of Design

a. Relevance of Objectives

The PDO for this operation was consistent with Morocco’s five-year Government Program (2017–2021) and sector-level strategies supporting financial inclusion and digital transformation. In 2019, the Government, through the joint initiative of the Central Bank of Morocco (Bank Al Maghrib, BAM) and the Ministry of Economy and Finance (MEF), launched the National Financial Inclusion Strategy (NFIS). This strategy was developed through a participatory approach and defined a common vision and national guidelines to reduce the disparities that persisted in terms of access and penetration of financial services. The Government developed an updated national strategy to drive digital transformation (*Plan Maroc Numérique*) in 2020. The NFIS focused principally on rolling out mobile payments, microfinance, and inclusive insurance; facilitating the emergence of innovative financing tools for micro, small, and medium enterprise and start-ups and digitizing of government-to-person payments. The *Plan Maroc Numérique* aims to (a) digitalize government services; (b) promote the use of digital services to increase efficiency and the creation of new
business models in priority sectors; and (c) position Morocco as a digital hub for West Africa and outsourcing market for Europe.

**The Systematic Country Diagnostic (SCD) and the Country Partnership Framework (CPF) both emphasized the critical importance of greater socioeconomic inclusion.** In the telecom sector, the SCD called upon the authorities to update the legal and regulatory framework to attract new players. In the financial sector, the SCD called for enhanced SMEs’ access to equity financing and better access to a range of financial services (savings, remittances, credit, insurance, and digital payments). The CPF for FY19–FY24 set the overarching goal to “contribute to social cohesion by improving the conditions for growth and job creation and reducing social and territorial disparities” and included two cross-cutting themes: gender and digital technology. The design of this DPF thus had strong links to the SCD and the CPF.

The DPF built upon the World Bank Group’s active support of financial sector development for over a decade. The World Bank Group delivered a strategic set of analytical and advisory services (ASAs) and financing through both DPF and Investment Project Financing (IPF) in the period leading up to this operation. Therefore, each prior action and results area was informed by careful analytical work and a continuous reform dialogue.

**b. Relevance of Prior Actions**

**Rationale**

The assessment of the relevance of the Prior Actions (PAs) draws from the material presented in paragraphs 24-38 of the ICR.

**PDO 1: To foster financial inclusion for individuals, enterprises, and entrepreneurs.**

Toward the above-mentioned PDO, five PAs were identified (PA#1 to PA#5) and their relevance and rating are discussed below:

**PA#1: To allow microfinance institutions to expand their portfolio and respond to credit demand of MSME, the Council of Government has approved and submitted to Parliament on November 13, 2018, Draft Law No. 85-18 amending Law No. 18-97 on Microcredit authorizing an increase in the maximum lending size from MAD 50,000 to MAD 150,000.**

**Relevance Rating: Satisfactory**

The PA#1 aimed to contribute to an improved legal framework, which would allow Microfinance Institutions (MFIs) to acquire new clients through small enterprise lending. The reforms were intended to expand the business line for MFIs and address gaps in small enterprise finance as there was a segment of the market that was above the ceiling of MFIs, but below the amounts SME banks typically would lend. The increase in the ceiling was viewed as a mechanism to boost financial inclusion. The two reforms had substantial potential to positively affect financial inclusion and the stability of the microfinance sector.

The updated regulatory framework would allow MFIs to strengthen and diversify their funding source, and the new law had the potential to promote continued financial stability in the sector, because corporate governance standards were to be improved by the new legislation. The expected outcome was an increase the gross loan
portfolio in the sector. The PA#1 addressed a key business impediment and aimed to expand financial inclusion by allowing MFIs to serve more affluent categories of customers. It was realistic, timely and aligned with the PDO, and could generate results in the short term. The relevance of the PA#1 is rated Satisfactory.

PA#2: To increase access to finance for small farmers, the Ministry of Economy and Finance and the Credit Agricole du Maroc (CAM) have raised the ceiling of loans guaranteed to small farmers by the Fonds de Stabilisation Prudentielle from Moroccan Dinars (MAD) 100,000 to MAD 200,000, pursuant to an amendment to the Convention establishing de Fonds de Stabilisation Prudentielle “FSP” dated November 2, 2018.

Relevance Rating:  Moderately Satisfactory

The Moroccan Ministry of finance and the country's financial institution overseeing agriculture sector credit signed a convention raising the ceiling of loans guaranteed by the Prudential Stabilization Fund (PSF) from MAD 100,000 to MAD 200,000. Increasing the ceiling of the PSF guarantees would allow the Agricultural Development Finance Corporation (TEF) to increase its credit portfolio and serve a larger number of smallholder farmer enterprises that lacked adequate access to finance for business expansion and investment, and to establish a more efficient program with improved outreach potential. The expected result was an increase in volume of cumulative TEF loans disbursed, and an improved framework for TEF and CAM to fulfill their mandate of promoting employment and growth in the agricultural sector in Morocco.

The PA#2 addressed a key business impediment and aimed to serve a larger number of smallholder farmer enterprises that lacked adequate access to finance for business expansion and investment, and to establish a more efficient program with improved outreach potential. The PA#2 was timely and aligned with the PDO-1, and could generate results in the medium to long-term, because of difficulties inherent to the change in the financial and agriculture sector and the large number of intervening institutions. The relevance of the PA#2 is rated Moderately Satisfactory.

PA#3: To enhance oversight of gender gaps in financial inclusion of women and female-owned enterprises, have gender data in the credit information system, and support modernization of Morocco's credit information system, BAM has issued Notice No. L/BKAM/2018/9632 dated December 20, 2018, making it mandatory for payment companies to report gender-disaggregated data.

Relevance Rating:  Moderately Unsatisfactory

The Moroccan Central Bank (BAM) adopted a Technical Notice, making it mandatory for payment companies to report gender-disaggregated data. The policy aimed to develop and implement a data collection center on the financing of women and women-owned enterprises, to better monitor gender gaps in access and use of the formal financial system, and enhance their capacity to make credit and product allocation decisions to female individuals and small businesses. The PA#3 aimed to better monitor gender gaps and inform financial sector policy makers to address those gaps, and improve women and women-led companies access to finance in particular through Government programs supported under PA#1 and PA#2.

The NFIS had a target of reducing the gender gap in the number of adults with access to financial accounts. The PA was a logical evolution and a major building block for ensuring good quality data on the gender gap and for achieving the PDO through financial inclusion. The PA#3 addressed a key business impediment to financial inclusion. While it was timely and aligned with the PDO-1, in hindsight, it could not generate results in the short term, because of social and institutional inertia. In addition, the presumption the data would be default influence
a shift in women's participation was a stretch given the layers working against women's access to finance. Thus, the relevance of the PA#3 is rated Moderately Unsatisfactory.

**PA4: To improve health insurance coverage, the Borrower has adopted on September 13, 2018 and published in the Official Gazette dated January 21, 2019, Decrees No. 2.18.622, 2.18.623 and 2.18.624 implementing Law No. 98-15 to expand basic compulsory health insurance coverage to professionals, self-employed individuals, and non-salary individuals.**

*Relevance Rating: Moderately Satisfactory*

The Moroccan Government adopted three Decrees aimed at expanding basic health insurance coverage to formal self-entrepreneurs, thus providing self-entrepreneurs with a critical social safety net and incentives for them to formalize, and promoting transparency in the business environment and links with formal sector business opportunities, and improving the business enabling environment. The PA#4 intended to improve the overall health insurance coverage of underbanked Moroccans and in doing so promote financial resiliency of low-income Moroccans. This reform could contribute to the financial resilience of a large segment of the population and was fully aligned with the PDO.

The PA#4 addressed a key business impediment and aimed to expand financial inclusion by ensuring basic health insurance coverage to formal self-entrepreneurs. The PA#4 was timely and aligned with PDO-1, and could generate results in the medium and long-term term. The relevance of the PA#1 is rated Moderately Satisfactory.

**PA5: To develop Islamic Finance (Finance Participative): (a) the Borrower has enacted Law No. 69-17 amending and supplementing Law No. 33-06 related to the issuance of Sukuk certificates published in the Official Gazette No. 6667 dated April 23, 2018; and (b) the Council of Government has approved and submitted to Parliament on October 24, 2018, Draft Law No. 87-18 amending and supplementing Law No. 17-99 on the Insurance Code relating to Takaful insurance.**

*Relevance Rating: Moderately Satisfactory*

The development of Islamic finance can be an important accelerator of financial inclusion, as it allows participative banks, insurance and finance companies to offer new instruments to develop Morocco’s Islamic financial sector, and allows institutional investors to have additional instruments contributing to deepening and diversifying Morocco’s capital markets. The PA was supported by complementary market development mechanisms, including the establishment of an entity which validates and approves this regulatory activity and the adoption of a circular detailing capital requirements and prudential ratios for Islamic banks. The complementary action supports strengthened oversight of participative financial institutions and ensured continued financial stability of these new entities. The expected result was an increase in volume of Sukuk certificate issuances which would contribute to increased diversification of the financial sector with regards to investment and insurance product options.

The PA#5 addressed a key business impediment and aimed to expand financial inclusion by developing Morocco’s Islamic financial sector, and by allowing institutional investors to have additional instruments contributing to deepening and diversifying Morocco’s capital markets. The PA#5 was timely and aligned with PDO-1, and could generate results in the medium to long-term period. In order to achieve results, the Parliament needed to approve the draft law, and second, and the Government needed to issue the executive regulations. The relevance of the PA#5 is rated Moderately Satisfactory.
PDO 2: To contribute to digital transformation for individuals, enterprises, and entrepreneurs.

Toward the above-mentioned PDO-2, five PAs were identified (PA#6 to PA#10) and their relevance and rating are discussed below:

PA#6: To promote the development of mobile payments, the BAM has adopted the Decision No. 392/W/2018 on mobile payments, dated November 12, 2018 setting the conditions and modalities of mobile payments in Morocco, including interoperability of mobile wallets (m-wallets).

Relevance Rating: Highly Satisfactory

The PA#6 supported measures setting the conditions and modalities of mobile payments in Morocco, and in particular, it established a level playing field among three types of operators: (a) banks that leverage existing payment networks to offer mobile payment services; (b) telecommunications operators that leverage the existing mobile customer base to enable mobile payments between mobile customers and to Points of Sale (POS); and (c) ‘over-the-top’ operators, leveraging the mobile broadband infrastructure to offer mobile payment services.

Digital financial services are considered an important element of financial inclusion as they connect ‘unbanked’ populations and microenterprise segments to the formal financial services market and can help increase the reach and transparency of social cash transfer programs. A comprehensive technical interoperability test was carried out, successfully linking two entities (Wafa Cash and Barid Bank) and testing all the functionalities and integrity of the system. The operationalization of the mobile switch and the strengthening of the mobile payment market in Morocco resulted in an increased number of mobile wallets issued in Morocco.

The PA#6 addressed a key business impediment and aimed to expand financial inclusion by facilitating access to mobile e-wallets in the country. The PA#6 was timely and aligned with the PDO-2, and could generate substantial results in the short term. The relevance of the PA#6 is rated Highly Satisfactory.

PA#7: In order to create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market, the ANRT has adopted Decision No. ANRT/DG/No.12/18 dated July 27, 2018 approving a wholesale offer to access passive infrastructure of Maroc Telecom (Offre Génie Civil).

Relevance Rating: Highly Satisfactory

The ability of a competitor to effectively deploy a fiber plan depends on the regulatory framework, including the ability of telecom regulators and competition authorities to enforce fair competition rules. The creation of Fiber Regulatory Package (FRP), an appropriate regulatory package to facilitate the deployment of fiber. The first measure of this FRP was the approval by the National Telecommunications Authority (ANRT) of a comprehensive offer of incumbent operator Maroc Telecom to allow access to its conduits and passive infrastructure elements to new competitors. In this way, new competitors will not need to deploy new civil works to reach the final customer (household or business). Enabling greater access to passive infrastructure, thus decreasing the cost of expansion of broadband and potentially enabling increased competition, could logically lead to expansion of broadband infrastructure and thus increased potential for digital transformation.

The PA#7 minimized the amount of civil works by allowing access to existing passive infrastructure and positively impacted the business plan of operators. The introduction of a regulatory environment around the Civil Engineering Offer of Maroc Telecom improved access to telecommunication infrastructure and lowered the
cost of broadband infrastructure, thus the fixed broadband penetration. The PA#7 addressed a key business regulatory impediment and fostered digital transformation. The PA#7 was timely and aligned with the PDO-2, and could generate substantial results in the short term. The relevance of the PA#1 is rated **Highly Satisfactory**.

**PA#8:** To promote private investment in digital infrastructure in local communities (Collectivités Territoriales) including in remote areas, the Minister of Interior has adopted Circular No. F/2166 dated June 14, 2018 establishing a uniform ceiling for fees to be paid by investors to deploy their infrastructure in the municipal public domain.

**Relevance Rating:** **Satisfactory**

The Circular adopted by the Ministry of Interior set uniform prices, reducing the regulatory uncertainty and facilitating investment and access to broadband services to the citizens and the firms in Morocco. This measure was part of a ‘fiber regulatory package’ aimed at stimulating investment. In addition, operators were called to abide by the Circular of the Ministry of Health regulating the distance of building from radio equipment. The prior action was expected to facilitate the deployment of fiber to second tier cities, remote areas, and local communities; and to promote a more balanced deployment of high-speed Internet infrastructure. As a result, percentage of rural households with Internet access is expected to increase. **Reforms were thus needed to encourage investment in lower-income, lower-density areas, complementing the role of the Universal Service Telecommunications Fund**

The PA#8 addressed a key business regulatory impediment and fostered digital transformation. It was timely and aligned with the PDO-2, and could generate results in the short term. The relevance of the PA#8 is rated **Satisfactory**.

**PA#9:** To streamline and facilitate enterprise creation by electronic means, the Borrower has enacted Law No. 87-17 amending and supplementing Law No. 13-99 establishing the Moroccan Office for Industrial and Commercial Property (OMPIC) published in the Official Gazette No. 6722 dated November 1, 2018; and the Council of Government has approved and submitted to Parliament on March 19, 2018: (i) Draft Law No. 89-17 amending and supplementing Law No. 15-95 on the Commercial Code for the establishment of a centralized electronic commerce register and decentralized electronic commerce registries; and (ii) Draft Law No. 88-17 on the electronic creation and support to enterprises.

**Relevance Rating:** **Satisfactory**

The PA#9 aimed to improve overall competitiveness for new businesses related to starting a business in Morocco, in addition to promoting greater efficiency and transparency in the economy and firm-level productivity. The policy innovations were expected to stimulate digital entrepreneurship by: (i) making it easier for digital entrepreneurs to create a business; (ii) stimulating the growth of a category of self-entrepreneurs whose services digital entrepreneurs increasingly depend on to build lean businesses to create digital marketplaces; and (iii) improving the experience of foreign investors, who represent a major source of diffusion of digital technology from abroad. The expected result was that the electronic system would be operational and used by businesses and public authorities. The Moroccan Office for Industrial and Commercial Property (OMPIC) would be in a better position to track data and support business creation through electronic filing of key documents, and develop value-added services on the portal and at a later stage.
The PA#9 addressed a key business regulatory impediment and fostered digital transformation. It was timely and aligned with the PDO-2, and could generate results in the short term. The relevance of the PA#9 is rated **Satisfactory**.

PA#10: To promote the development of a new asset class to bridge the early stage finance gap of digital entrepreneurs, the Fonds Innov Invest’s Technical Committee has adopted the technical specifications (Cahier de Charges) dated December 26, 2018 outlining eligibility criteria for business angels to receive financing from the Central Guarantee Agency (CGA)

**Relevance Rating: Moderately Satisfactory**

The proposed introduction by the Central Guarantee Agency (CGA) of official recognition requirements for business angels established the required policies for business angels to organize themselves in networks. Once published, the technical specifications would include terms and conditions for business angel groups to apply for official recognition by the state and to qualify for public funding managed by Central Guarantee Agency. Angel groups would be critical to the emergence of early stage angel investments in Morocco because they create strong economies of scale, network economies and economies of learning, and diffuse the culture of angel investing. CCG’s incentives for angel groups can therefore trigger a chain of systemic changes that will unlock a new investment class and conducive policies for early stage investment in Morocco. The PA could thus be viewed as a building block toward availing greater public support for business angel financing, a valuable tool to support technology start-ups, and thus achievement of the digital transformation objective of the PDO.

The prior action supports not only the introduction of business angels in Morocco but the definition of eligibility criteria for CCG financing to expand operations. The expected key results were: (a) an increase in the number of business angel networks that have been certified by the CCG; and (b) an increase in the number of start-up projects submitted to business angels for funding. The PA#10 addressed a key business regulatory impediment and fostered digital transformation. It was timely and aligned with the PDO-2, and could generate results in the short term. The relevance of the PA#10 is rated **Satisfactory**.

Table 1. Rating of Relevance of Prior Actions

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<th>PDO</th>
<th>PAs</th>
<th>Rating of Relevance</th>
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<td>PDO 1: To foster financial inclusion of individuals, enterprises, and entrepreneurs.</td>
<td>(i) To allow microfinance institutions to expand their portfolio and respond to credit demand of MSME;</td>
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<td></td>
<td>(ii) To increase access to finance for small farmers;</td>
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<td></td>
<td>(iii) To enhance oversight of gender gaps in financial inclusion of women and female-owned enterprises, have gender data in the credit information system, and support modernization of Morocco’s credit information system;</td>
<td>Moderately Satisfactory</td>
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<td></td>
<td>(iv) To improve health insurance coverage;</td>
<td></td>
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<tr>
<td></td>
<td>(v) To develop Islamic Finance (Finance Participative);</td>
<td>Moderately Satisfactory</td>
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<tr>
<td>PDO 2: To contribute to digital transformation for individuals, enterprises, and</td>
<td>(vi) To promote the development of mobile payments;</td>
<td>Highly Satisfactory</td>
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<td></td>
<td>(vii) To create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(viii) To promote private investment in digital infrastructure in local communities (Collectivités Territoriales) including in remote areas;</td>
<td>Satisfactory</td>
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(ix) To streamline and facilitate enterprise creation by electronic means;  

(x) To promote the development of a new asset class to bridge the early stage finance gap of digital entrepreneurs.

| Overall Rating of the Relevance of PAs | Satisfactory |

### Rating

**Satisfactory**

### 4. Relevance of Results Indicators

**Rationale**

To measure the performance of the operation, seven Results Indicators (RIs) were identified at appraisal. Three PAs having two RIs, PA#1, PA#2 and PA#5, which had two indicators each, and the remaining PA# had one RI each. Below is the discussion and rating of each result indicator identified to assess the outcome arising from the PAs.

**PDO 1: To foster financial inclusion of individuals, enterprises, and entrepreneurs.**

**PA#1: To allow microfinance institutions to expand their portfolio and respond to credit demand of MSME, the Council of Government has approved and submitted to Parliament on November 13, 2018, Draft Law No. 85-18 amending Law No. 18-97 on Microcredit authorizing an increase in the maximum lending size from MAD 50,000 to MAD 150,000.**

- **RI#1: Gross loan portfolio for the microfinance sector (MAD billion; percentage of women borrowers).**
- **Rating: Moderately Satisfactory**

The Results Indicator #1 was to measure the change in the gross loan portfolio for the microfinance sector. The 2017 baseline was MAD 6.7 billion, and the target was MAD 7.5 billion, with 50 percent of women borrowers. This was an outcome indicator to assess progress toward the change in the gross loan portfolio for microfinance. The expected result was an increase in the gross loan portfolio in the sector, and female beneficiaries would be tracked through the results indicator for this prior action. The policy reform aimed to improve the institutional capacity of MFIs for longer-term transformation and their ability to provide finance for households and micro firms.
While the indicator was specific and measurable, an increase of 12 percent of the gross loan portfolio for the microfinance sector over 3 years was not an ambitious target. Moreover, why the indicator was to be assessed after 3 years for an annual stand-alone DPF is difficult to understand. There was room to identify a better indicator recording short-term changes resulting from the new policy initiative by the Government. Overall, the relevance of the Result Indicator #1 is rated Moderately Satisfactory.

PA#2: To increase access to finance for small farmers, the Ministry of Economy and Finance and the Credit Agricole du Maroc have raised the ceiling of loans guaranteed to small farmers by the Fonds de Stabilisation Prudentielle from MAD 100,000 to MAD 200,000, pursuant to an amendment to the Convention establishing de Fonds de Stabilisation Prudentielle “FSP” dated November 2, 2018.

- **RI#2:** (i) **Volume of cumulative Tamwil El Fellah (TEF) loans disbursed (MAD billion),** (ii) **Number of female beneficiaries of TEF**
- **Rating:** Moderately Satisfactory

The two indicators identified to assess performance of the PA#2 were as follows: (i) the volume of cumulative Tamwil El Fellah (TEF) loans disbursed would reach MAD 2.3 billion at end-2020, against a 2017 baseline of MAD 1.7 billion, and (ii) the number of female beneficiaries of TEF would reach the number of 2,000 at end-2020, from a baseline of 927 at end-2017. As was the case for the RIs under the PA#1, these indicators were specific, measurable, and achievable, but there was room for improvement. Again, it is difficult to understand why the assessment period is three years for a one-year stand-alone operation. Overall, the relevance of the RIs for the PA#2 is rated Moderately Satisfactory.

PA#3: To enhance oversight of gender gaps in financial inclusion of women and female-owned enterprises, have gender data in the credit information system, and support modernization of Morocco’s credit information system, BAM has issued Notice No. L/BKAM/2018/9632 dated December 20, 2018, making it mandatory for payment companies to report gender-disaggregated data.

- **RI#3:** Percentage of payment companies reporting gender-disaggregated performance data
- **Rating:** Moderately Satisfactory.

One indicator was identified to measure the performance of the PA#3. The indicator aimed to ensure that financial inclusion is taking place by monitoring the share of women accessing to credit and using the new modern payments system. The indicator was specific and measurable, as the percentage of payment companies reporting gender-disaggregated performance data would increase from 0 percent at end-2017 to 75 percent at end-2020. In the banking and the financial sector, when the Central Bank issues a policy or an instruction, a higher compliance is expected, and the target should have been at a higher end. The relevance of the indicator is rated as Moderately Satisfactory.

PA#4: To improve health insurance coverage, the Borrower has adopted on September 13, 2018 and published in the Official Gazette dated January 21, 2019, Decrees No. 2.18.622, 2.18.623 and 2.18.624 implementing Law No. 98-15 to expand basic compulsory health insurance coverage to professionals, self-employed individuals, and non-salary individuals.

- **RI#4:** Number of independent professionals, self-employed individuals, and non-salary individuals with health insurance coverage
**Rating: Satisfactory**

The only indicator to assess performance of the PA#4 identified in the context of this operation was the number of independent professionals, self-employed individuals, and non-salary individuals with health insurance coverage, which would reach a target of 50,000 at end-2020, from an end-2017 baseline of 0. This was a specific and measurable indicator, and the target reflected the importance of the policy reform. The expected results reflected the importance of the new legislation, although a one-off change would have been more appropriate in the context of a stand-alone DPF. The relevance of the RI for the PA#4 is rated Satisfactory.

**PA#5: To develop Islamic Finance (Finance Participative):** (a) the Borrower has enacted Law No. 69-17 amending and supplementing Law No. 33-06 related to the issuance of Sukuk certificates published in the Official Gazette No. 6667 dated April 23, 2018; and (b) the Council of Government has approved and submitted to Parliament on October 24, 2018, Draft Law No. 87-18 amending and supplementing Law No. 17-99 on the Insurance Code relating to Takaful insurance.

- **RI#5: (i) Volume of Sukuk certificate issuances (MAD billion), (ii) Number of insurance companies issuing Takaful products**
- **Relevance Rating: Satisfactory**

Two indicators were identified to assess the performance of the PA#5 as follows: (i) the target for the volume of Sukuk certificate issuances (MAD billion) was expected to increase from a nil 2017 baseline to a target of MAD 2 billion at end-2020, and (ii) the target for the number of insurance companies issuing Takaful products would increase from a 2017 baseline of zero to a target of 3. The two indicators were specific, achievable, and aligned with the PDO-1, and had the potential to measure the performance resulting from the policy measures initiated in the area of Islamic finance development to tackle financial inclusion. The relevance of the results indicators is rated as Satisfactory.

**PDO 2: To contribute to digital transformation for individuals, enterprises, and entrepreneurs.**

**PA#6: To promote the development of mobile payments, the BAM has adopted Decision No. 392/W/2018 on mobile payments, dated November 12, 2018 setting the conditions and modalities of mobile payments in Morocco, including interoperability of mobile wallets (m-wallets).**

- **RI#6: Number of m-wallets issued**
- **Relevance Rating: Satisfactory**

The unique performance indicator identified to measure the progress toward the PA#6 was the number of m-wallets issued. The target for this the number of m-wallet by end-2020 was 20,000, against a nil baseline at end-2017. The result indicator was simple, measurable and aligned with the PDO-2, geared to contributing to digital transformation in Morocco. While the target level was not justified, the indicator was adequate and its relevance is rated Satisfactory.

**PA#7: In order to create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market, the ANRT has adopted Decision No. ANRT/DG/No.12/18 dated July 27, 2018 approving a wholesale offer to access passive infrastructure of Maroc Telecom (Offre Génie Civil).**
- **RI#7: Fixed broadband penetration as a percentage of households**  
  **Relevance Rating:** Satisfactory

The results indicator selected to measure the performance achieved after implementing the PA#7 was an increase in the fixed broadband penetration as a percentage of households from a 2017 baseline of 19.4 percent to a 2020 target of 22 percent. The result indicator was specific, measurable and aligned with the PDO-2, geared to contributing to digital transformation in Morocco. While the target level was not justified, the indicator was adequate and its relevance is rated Satisfactory.

**PA#8:** To promote private investment in digital infrastructure in local communities (Collectivités Territoriales) including in remote areas, the Minister of Interior has adopted Circular No. F/2166 dated June 14, 2018 establishing a uniform ceiling for fees to be paid by investors to deploy their infrastructure in the municipal public domain.

- **RI#8: Percentage of rural households with Internet access**  
  **Relevance Rating:** Satisfactory

The results indicator selected to measure the performance achieved after implementing the PA#8 was an increase in the percentage of rural households with internet access from an end-2017 baseline of 53.1 percent to a 2020 target of 56 percent. The result indicator was specific, measurable and aligned with the PDO-2, geared to contributing to digital transformation in Morocco. While the target level was not justified, the indicator was adequate and its relevance is rated Satisfactory.

**PA#9:** To streamline and facilitate enterprise creation by electronic means, the Borrower has enacted Law No. 87-17 amending and supplementing Law No. 13-99 establishing the Moroccan Office for Industrial and Commercial Property (OMPIC) published in the Official Gazette No. 6722 dated November 1, 2018; and the Council of Government has approved and submitted to Parliament on March 19, 2018: (i) Draft Law No. 89-17 amending and supplementing Law No. 15-95 on the Commercial Code for the establishment of a centralized electronic commerce register and decentralized electronic commerce registries; and (ii) Draft Law No. 88-17 on the electronic creation and support to enterprises.

- **RI#9: The new electronic portal is operational**  
  **Relevance Rating:** Moderately Satisfactory

The results indicator selected to measure the performance achieved after implementing the PA#7 was an output indicator consisting in having in place a new electronic portal which is operational. The result indicator was an output indicator, was specific and was aligned with the PDO-2, geared to contributing to digital transformation in Morocco. While an outcome indicator would have captured better the impact of the operation, the indicator was adequate and its relevance is rated Moderately Satisfactory.

**PA#10:** To promote the development of a new asset class to bridge the early stage finance gap of digital entrepreneurs, the Fonds Innov Invest’s Technical Committee has adopted the technical specifications (Cahier de Charges) dated December 26, 2018 outlining eligibility criteria for business angels to receive financing from the Caisse Centrale de Garantie.

- **RI#10: (i) Number of business angel networks that have been certified by the CCG, and (ii) Number of start-up projects submitted to business angels for financing**
Relevance Rating: Satisfactory

Two indicators were identified to assess the performance achieved after implementing the PA#10 as follows: (i) the number of business angel networks that have been certified by the CCG would increase from an end-2017 baseline of zero to an end-2020 target of 2, and (ii) the number of start-up projects submitted to business angels for financing would increase from an end-2017 baseline of zero to an end-2020 target of 30. The result indicators were specific, measurable and aligned with the PDO-2, and geared to contributing to digital transformation in Morocco. While the target levels were not justified, the indicators were adequate and their relevance is rated Satisfactory.

Table 2: Rating of Relevance of Results Indicators

<table>
<thead>
<tr>
<th>PDO</th>
<th>Prior Actions</th>
<th>Rating of Relevance of Results Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDO 1: To foster financial inclusion of individuals, enterprises, and entrepreneurs.</td>
<td>PA#1: To allow microfinance institutions to expand their portfolio and respond to credit demand of MSME</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#2: To increase access to finance for small farmers</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#3: To enhance oversight of gender gaps in financial inclusion of women and female-owned enterprises, have gender data in the credit information system, and support modernization of Morocco’s credit information system</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#4: To improve health insurance coverage</td>
<td>Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#5: To develop Islamic Finance (Finance Participative)</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td>PDO 2: To contribute to digital transformation for individuals, enterprises, and entrepreneurs.</td>
<td>PA#6: To promote the development of mobile payments</td>
<td>Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#7: To create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market</td>
<td>Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#8: To promote private investment in digital infrastructure in local communities (Collectivités Territoriales) including in remote areas</td>
<td>Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#9: To streamline and facilitate enterprise creation by electronic means</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td></td>
<td>PA#10: To promote the development of a new asset class to bridge the early stage finance gap of digital entrepreneurs</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall rating of the Relevance of Results Indicators</td>
<td></td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

Rating

Satisfactory
5. Achievement of Objectives (Efficacy)

OBJECTIVE 1
Objective
PDO 1: To foster financial inclusion of individuals, enterprises, and entrepreneurs.

Rationale
The assessment of achieved results toward the PDO-1 draws from the material presented in paragraphs 44-53 of the ICR. The five PAs under the PDO-1 aimed to increase financial inclusion of individuals, smallholder farmers, and microenterprises.

- PA#1: To allow microfinance institutions to expand their portfolio and respond to credit demand of MSME.
- Rating: Modest

The goal was to boost access to finance for an underserved segment of microenterprises by authorizing microcredit institutions to increase the maximum lending size from MAD 50,000 to MAD 150,000. The RI#1 aimed to increase the gross loan portfolio for the microfinance sector of by MAD 0.8 billion. As of end-June, 2021, this target had reached 0.9 MAD billion. However, the upward trend is skewed by the significant restructuring of the loan portfolio that occurred because of the COVID-19 crisis. The loan amounts that were restructured due to COVID-19 measures appear as new loans in the gross loan portfolio. While the statistic indicates growth, there was an actual decrease in the microfinance beneficiaries and lending volume. Few MFIs have started introducing the higher loan amounts, but they consider that the loans above the new ceiling currently was a ‘negligible proportion’ of the total portfolio. Overall, it is too early to assess the full effect of this PA, and the observed impact should be measured again when the financial situation of the MFI stabilizes.

The target related to the percentage of women borrowers maintained to 50 percent was fully achieved in June 2021. While there was a slight drop in the percentage of women borrowers to 48 percent in 2020, a recovery up to 53.4 percent was recorded in the first half of 2021. Interviews with the MFI association indicate that the temporary drop was driven by women trying to recover from the COVID-19 impact. However, the implementation of the PA did not necessarily contribute to this trend as few MFIs had introduced lending above the new ceiling.

Overall, the performance of the PA#1 toward the PDO is rated as Modest.

- PA#2: To increase access to finance for small farmers.
- High

The PA #2 aimed to boost access to finance for underserved smallholders by raising the ceiling of loans that could be guaranteed to smallholders through the Agricultural Development Finance Corporation (Tamwil El Fellah, TEF). The measure was introduced in response to the financial needs of small and medium farmers, traders, and agro-processors with turnover of US$10,000–500,000 a year, which were considered too small to be considered by traditional banks or investments funds, given that they had no collateral and were too large to be considered by MFIs.
The RI#2a targeted a 35 percent increase in the volume of cumulative TEF loans disbursed from MAD 1.7 billion in 2017 to MAD 2.3 billion in 2020. As of December 31, 2020, the volume of cumulative TEF loans disbursed was MAD 3.1 billion, representing 58.9 percent increase, significantly above the target. According to the latest figures provided by Crédit Agricole du Maroc, the lending above the new ceiling represented 20 percent of the lending committed as of June 30, 2021. However, the full effect of this loan category on the results metric had not materialized yet, given that most of the loans were committed, but have yet to be fully disbursed. Overall, the RI#2a was fully achieved.

Regarding the R#2b, the growth in female beneficiaries between 2018 and 2019 reached 93.15 percent, but the pace was likely disrupted by the onset of the COVID-19 crisis, which was reflected in a timid 3 percent growth in 2020. By June 30, 2021, the number of female beneficiaries had reached more than 4,000, thus quadrupling the number of female beneficiaries compared to the 2017 figures. According to the MEF, the significant increase in the number of women TEF beneficiaries can be explained by the in-depth work carried out by the TEF sales and marketing team to effectively target women's cooperatives that are very active in the sectors dedicated to local products. But there no data on the proportion of women beneficiaries of the loans above the old lending ceiling.

Based on the above discussion on achievements by the RI#2a and RI#2b, he efficacy of the PA#2 is assessed as High

- PA#3 To enhance gender gaps in oversight of financial inclusion of women and female-owned enterprises, have gender data in the credit information system, and support modernization of Morocco’s credit information system.
- Rating: Negligible

The goal of the PA#3 was to enhance financial inclusion of women and female-owned enterprise by monitoring gender gaps in access to finance. The RI#3 aimed to strengthen data availability on women’s access to finance by making it mandatory for payment companies to report gender-disaggregated data. The PA was a logical evolution and indeed a fundamental building block for ensuring good quality data on the gender gap and for achieving the PDO.

According to BAM, there are currently 20 payment companies licensed with the central bank. It has been mandatory for payment companies to provide gender-disaggregated data since the end of 2018, but such data are not yet published as part of the BAM annual reports on banking supervision or on payment systems. While gender-disaggregated data for Level 2 and 3 customers can be generated without any adaptations to existing regulatory frameworks, BAM and the Professional Association of Payment Establishments are in dialogue to find a solution to the challenges associated with tracking gender-disaggregated data for Level 1 customers.

Based on the achieved results described above, the PA#3 is assessed as Negligible

PA#4: To improve health insurance coverage.

- Rating: Modest

The PA#4 aimed at expanding compulsory basic health insurance coverage to formal self-entrepreneurs, thus providing them with a critical social safety net and incentives for them to formalize and become financially included. The PA#4 intended to improve the overall health insurance coverage of underbanked Moroccans
and in doing so promote financial resiliency of low-income Moroccans. The RI#4 aimed to have 50,000 independent professionals, self-employed individuals, and non-salary individuals enrolled in compulsory health insurance, against a baseline of 0. The number of beneficiaries by end-June 30 stood at 17,103.

The intent was for the compulsory health insurance law to go into effect in March 2020. However, given the time needed to determine the basis for the health insurance premiums, and the onset of the COVID-19 pandemic in the same month, the implementation deadline was pushed to August 2020. The 2021 Finance Law approved in December 2020 introduced a single professional contribution to allow certain groups of independent professionals and workers previously subject to the flat rate profit regime to pay a single tax replacing three taxes. Negotiations to settle the flat income amount upon which the contribution rate would be applied has now been completed with additional categories of workers, including traders, medical professionals, pharmacists and auto-entrepreneurs to be subscribed by the first quarter of calendar year 2022. Due to accelerated progress, more than 600,000 individuals were likely to be covered by the compulsory health insurance within the first quarter of 2022.

Based on the above account of achievements in relation to the PA#4, the efficacy rating is assessed as Modest

- **PA#5: To develop Islamic Finance (Finance Participative).**
- **Rating: Negligible**

The PA#5 goal was to expand financial inclusion by developing the Morocco’s Islamic financial sector, and by allowing institutional investors to have additional instruments contributing to deepening and diversifying Morocco’s capital markets. The RI#5a had an end-2020 target of Sukuk certificate issuances of MAD 2 billion, from a 2017 baseline of zero. By end-June 2020, no Sukuk certificate had been issued. Neither the Government nor the private sector have made use of this instrument, because the regulations were not yet in place. However, the Government completed the first billion Moroccan dirham sovereign issuance aimed to be a base index and a catalyst for use of Sukuk as a mechanism for financing state expenditures and private institutions. The RI#5b had a 2020 target of 3 insurance companies issuing Takaful products Baseline from a baseline of zero. By end-June 2020, three insurance companies had issued Takaful products, but the decrees setting the standard general conditions of the three Takaful products were not adopted yet.

Based on the limited results described above, the PA#5 is assessed as **Negligible**

**Rating**

Moderately Unsatisfactory

**OBJECTIVE 2**

**Objective**

PDO 2: To contribute to digital transformation for individuals, enterprises, and entrepreneurs.

**Rationale**
The assessment of achieved results toward the PDO-2 draws from the material presented in paragraphs 54-68 of the ICR. The five PAs under the PDO-2 aimed to contribute to digital transformation for individuals, enterprises, and entrepreneurs.

- **PA#6: To promote the development of mobile payments**
  - **Rating: High**

The goal of the PA#6 was to establish a level playing field among the banks, the telecommunications operators, and the ‘over-the-top’ operators, in order to leverage the mobile broadband infrastructure and offer mobile payment services. The RI#6 had a 2020 target of 20,000 beneficiaries from a 2017 baseline of zero. By end-June 2021, the target was largely exceeded, and achieved result amounted to 3.9 million of beneficiaries of mobile payment facilities. In total, 20 payment companies were licensed including 16 that are full service and 4 that specialize exclusively in cash-to-cash transfers. By December 2020, almost 1.4 million mobile wallets had been issued, and by mid-2021 that number reached 3.9 million. The onset of the COVID-19 pandemic accelerated reforms related to digital payments in Morocco as elsewhere in the world. In line with the increase in issuance of mobile wallets, mobile transactions increased. According to BAM, in 2020, the total volume of transactions reached MAD 443 million.

Based on the level of achievements described above in relation to the PA#6, the efficacy rating is rated as **High**.

- **PA#7: To create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market.**
  - **Rating: High**

The goal of the PA#7 was to create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market. The key expected outcome was the creation of an appropriate regulatory package to facilitate the deployment of fiber. The RI #7 had an end-2020 target of achieving a fixed broadband penetration as a percentage of households of 22 percent, from a 2017 baseline of 19.4 percent. The fixed broadband penetration reached 23 percent of households by end-2020, which was above the target of 22 percent.

With the advent of the COVID-19 pandemic, virtual work and online school activities became prevalent, and in parallel, mobile broadband prices were dropping, thus increasing the affordability of internet access. Morocco also became a new candidate among the 2020 among economies meeting the ‘2 percent of GDP per capita’ affordability target of the Broadband Commission for Sustainable Development. However, the regulations related to shared infrastructure from planning the digital development of the territory to the supervision of infrastructure deployment by operators were not yet fully implemented.

Based on the level of achievements described above in relation to the PA#7, the efficacy rating is assessed as **High**.

- **PA#8 To promote private investment in digital infrastructure in local communities (Collectivités Territoriales) including in remote areas**
  - **Rating: Substantial**
Policy measures promoted by the PA#8 were expected to facilitate the deployment of fiber to second tier-cities, remote areas, and local communities and led to a more balanced deployment of high-speed Internet infrastructure. The RI#8 aimed to increase the percentage of rural households with internet access to an end-2020 of 56 percent from an end-2017 baseline of 53.1 percent. The penetration rate for rural households with internet access reached 71.9 percent in 2020, which was significantly above the target of 56 percent. The onset of the COVID-19 pandemic and the rapid shift to conduct work and attend school remotely likely also boosted the subscription rates.

While the upward trend in mobile broadband subscriptions has accelerated, the main driver for this result seems to be the success of the National Plan for Broadband and UltraBroadband rather than the implementation of the PA. There were no data indicating the extent to which implementation of the reform supported by the PA contributed to this development.

Based on the level of achievements described above in relation to the PA#8, the efficacy rating is assessed as Substantial.

- **PA#9 To streamline and facilitate enterprise creation by electronic means**
  - **Rating: Modest**

The intent of the PA#9 was to improve overall competitiveness for new businesses starting a business in Morocco. The target for the RI#9 was to have in place an operational electronic portal. Several regulatory steps were needed in order to implement the electronic portal for business registration. The final step before the electronic portal can go live was the approval by the Secretary General of the Government of the operational and technical procedures. The planned portal is ambitious in scope and aims to integrate registration, tax, and social security in one application. All in all, while the results target was not achieved, significant progress has been made.

Based on the level of achievements described above in relation to the PA#9, the efficacy rating is assessed as Modest.

- **PA#10 To promote the development of a new asset class to bridge the early stage finance gap of digital entrepreneurs**
  - **Rating: Modest**

Expected outcome from the PA#10 was the introduction by the Central Guarantee Agency (CGA) of official recognition requirements for business angels to organize themselves in networks. The RI#10a was to increase the number of business angel networks that have been certified by the CCG to a 2020 target of 2 from an end-2017 baseline of zero. While the CCG has taken the preparatory steps to introduce the CCG certification, the advent of COVID-19 in March 2020 disrupted progress. The target was not achieved; but the certification process is in progress. The RI#10b aimed to increase the number of start-up projects submitted to business angels for financing to an end-2020 target of 30, from an end-2017 baseline of zero. The target was not achieved either; as the result is pending the completion of the certification process.

Toward the PA#10 goal, discussions are under way between the CCG and the angel networks concerning the requirements for the certification to benefit from the CCG’s co-investment facility, a draft certification manual has been completed, and preparations of due diligence requirements and risk management strategies are ongoing.
Based on the level of achievements described above in relation to the PA#10, the efficacy rating is assessed as Modest.

Rating
Satisfactory

Overall Achievement of Objectives (Efficacy)
Rationale

Overall, the operation efficacy is rated Moderately Satisfactory.

On progress towards DPO-1, efficacy was Moderately Unsatisfactory, based on strong performance with regards to the increase in access to finance for small farmers, and weaker progress in the response to credit demand by MSMEs, in the oversight of gender gaps of financial inclusion of women and female-owned enterprises, in the improvement in health insurance coverage, and in the development of Islamic Finance.

In terms of progress on the DPO-2, efficacy was Satisfactory, based on strong results as regards the development of mobile payments, and the creation of an environment conducive to the deployment of telecommunications infrastructure and the competition in the fiber access market. Moderate results were achieved in the areas of (i) expanding private investment in digital infrastructure in local communities and in remote areas, (ii) streamline and facilitate enterprise creation by electronic means, (iii) development of a new asset class to bridge the early stage finance gap of digital entrepreneurs.

Overall Efficacy Rating
Moderately Satisfactory

6. Outcome
Rationale

Both the rating of the relevance of design of PAs and that of the results indicators was Satisfactory (see tables 1& 2). The overall rating of the efficacy of the PAs was Moderately Satisfactory, resulting in an overall outcome rating of Moderately Satisfactory, as summarized in the table 3 below.

<table>
<thead>
<tr>
<th>Table 3. Overall Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDO</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
**PDO 1: To foster financial inclusion of individuals, enterprises, and entrepreneurs.**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Satisfactory</th>
<th>Modest</th>
<th>Negligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) To allow microfinance institutions to expand their portfolio and respond to credit demand of MSME;</td>
<td>Satisfactory</td>
<td>Modest</td>
<td></td>
</tr>
<tr>
<td>(ii) To increase access to finance for small farmers;</td>
<td>Moderately Satisfactory</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>(iii) To enhance oversight of gender gaps in financial inclusion of women and female-owned enterprises, have gender data in the credit information system, and support modernization of Morocco’s credit information system;</td>
<td>Moderately Unsatisfactory</td>
<td>Negligible</td>
<td></td>
</tr>
<tr>
<td>(iv) To improve health insurance coverage;</td>
<td>Moderately Satisfactory</td>
<td>Modest</td>
<td></td>
</tr>
<tr>
<td>(v) To develop Islamic Finance (Finance Participative);</td>
<td>Moderately Satisfactory</td>
<td>Negligible</td>
<td></td>
</tr>
<tr>
<td><strong>Rating of PDO-1</strong></td>
<td><strong>Moderately Satisfactory</strong></td>
<td><strong>Moderately Unsatisfactory</strong></td>
<td><strong>Negligible</strong></td>
</tr>
</tbody>
</table>

**PDO 2: To contribute to digital transformation for individuals, enterprises, and entrepreneurs.**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Satisfactory</th>
<th>Substantial</th>
</tr>
</thead>
<tbody>
<tr>
<td>(vi) To promote the development of mobile payments;</td>
<td>Highly Satisfactory</td>
<td>High</td>
</tr>
<tr>
<td>(vii) To create an environment conducive to the deployment of telecommunications infrastructure and strengthen competition in the fiber access market;</td>
<td>Highly Satisfactory</td>
<td>High</td>
</tr>
<tr>
<td>(viii) To promote private investment in digital infrastructure in local communities (Collectivités Territoriales) including in remote areas;</td>
<td>Satisfactory</td>
<td>Substantial</td>
</tr>
<tr>
<td>(ix) To streamline and facilitate enterprise creation by electronic means;</td>
<td>Satisfactory</td>
<td>Modest</td>
</tr>
</tbody>
</table>
a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

Our assessment of the risk to development outcome draws from the information provided in paragraphs 84-85 of the ICR.

Overall, the risk to development outcome is assessed to be low. There is a high probability that the achieved results will be sustained, and that those not achieved yet will be completed in the near future. The GOM has demonstrated clear commitment to the DPF goal with the adoption of a National Pact for Economic Recovery and Employment adopted in July 2020, which outlined measures to boost access to finance for firms, expand insurance access, accelerate financial inclusion and improve business digitization. Furthermore, the 2020 and 2021 budget had clear targets and specific fiscal policies to accelerate the access of 22 million additional people to compulsory basic health care by 2022, and finally, the May 2021 New Development Model report outlined a vision for development and inclusion that is driven by entrepreneurship and leverages digitization.

Most importantly, the new DPF series (Financial and Digital Inclusion DPF P171587, P174004) was approved in 2020 with an overarching development objective of improving financial inclusion, digital entrepreneurship, accessing to digital infrastructure and services for individuals and businesses and strengthening resilience of households and firms.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale
Our assessment of the Bank performance in designing this operation draws from the material presented in paragraphs 75-79 of the ICR.

The operation was closely aligned with Morocco’s priorities, was underpinned by strong analytical and advisory work, and was supported by other external donors. This DPF was strategically positioned as a key element of the authorities’ implementation of the 2019 National Financial Inclusion Strategy which defined a common vision and national guidelines to reduce the disparities that persist in terms of access and penetration of financial services. It was also aligned with the 2020 Morocco Digital Plan (*Plan Maroc Numérique*), which aimed to digitalize government services, promote the use of digital services to increase efficiency and the creation of new business models in priority sectors; and position Morocco as a digital hub for West Africa and outsourcing market for Europe. The reform agenda was supported by extensive analytical and advisory work, and was underpinned by a solid understanding of the real constraints of the financial and telecommunications sectors. Finally, key external partners (The French Development Agency the African Development Bank, and the German development cooperation were all in support of one or more measures promoted by the DPF. For instance, the French Development Agency indicated that the PA 2 built upon its work with *Groupe Crédit du Maroc* on the agricultural development, agricultural digital technologies’ deployment, and financial inclusion among women (*ICR*, para 76)

Potential risks to the DPF performance were well identified and mitigated. While the overall risk of the operation was rated Moderate, both (i) stakeholders and (i) institutional capacity for implementation and sustainability, were rated Substantial. The reforms supported by this operation involved various public stakeholders as well as institutional and political support, and interagency coordination. Many of the reforms also required legislative approvals and subsequent regulatory developments for the law to take effect, some of which were in new legislative areas. The completion of program reforms generally would imply that the implementing organizations adapt to new ways of doing things. One key mitigation factor was that the World Bank continuously provided advisory and technical assistance supporting the DPF measures.

While performance indicators were overall relevant, measurable and appropriate, their definition and targets could have been more refined. The DPF result framework was generally well designed, but there was room to improve outcome definition and attribution. For instance, under Pillar 1, an increase in the gross loan portfolio could also be achieved by lending more below the new ceiling. A better approach to measuring the effect of the introduction of the higher ceiling may have been to measure the volume of loans extended between the old and the new ceiling and the number of new borrowers borrowing between the old and the new ceiling. Moreover, a number of PDO targets were pitched at the output-level.

Rating
Satisfactory

b. Bank Performance – Implementation
Rationale
Our assessment of the Bank performance in implementing this operation draws from the material presented in paragraphs 80-82 of the ICR.

The supervision and M&E remained a challenge throughout the period of implementation because of the short-term nature of the operation. The ICR did not provide any documentation related to the supervision and the M&E of the operation. As the DPF was a one-year operation, the Bank did not conduct any supervision mission, and no Aide-Memoires or ISRs were prepared.

The World Bank appropriately supported the Government’s commitment to the reform agenda through sustained lending and ASA instruments. The World Bank prepared (i) a direct follow-on Financial and Digital Inclusion DPF series which covered most of the reform areas in the stand-alone DPF, (ii) a social protection loan (P172809), and (iii) an IPF (P150928) initiated the early-stage finance agenda. Moreover, the World Bank continued to support the Government with technical assistance, including (i) a review of the microfinance law and the design of a new microfinance guarantee fund to mitigate the impact of the COVID-19 crisis, (ii) a review of key reforms needed to accelerate the expansion of high-speed internet infrastructure and a digital economy assessment (P165244), and (iii) a digital entrepreneurship policy note and open date readiness assessment report (P169007).

Rating

Satisfactory

c. Overall Bank Performance

Rationale

The overall Bank performance is rated as Satisfactory.

Bank performance in designing the operation was Satisfactory, because the operation was closely aligned with Morocco’s priorities, was underpinned by strong analytical and advisory work, and was supported by other external donors. Potential risks to the program performance were well identified and mitigated. However, the definition of PDO targets could have been refined.

Bank performance in implementing the operation is rated Satisfactory. The World Bank appropriately supported the Government’s commitment to the reform agenda through lending and ASA instruments, although supervision and M&E remained a challenge because of the short-term nature of the operation.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty
The ICR did not present any other impacts in the social and poverty areas, beyond what was developed under the Section 5 discussing the operation efficacy. It is actually too early to capture specific impacts in the social and poverty areas.

b. Environmental

This operation was a DPL, and no environmental policies were triggered, because no significant negative environmental impacts were expected as an outcome of the PAs, and there are no indications that such negative effects have occurred. The country already had environmental systems that could mitigate any potential negative effects resulting from the supported policy reforms.

c. Gender

The ICR indicates that gender inequality may have worsened both in rural and urban areas during the pandemic, but this trend can hardly be associated to the reforms supported by the DPL. In 2020, this rate increased in both rural and urban areas, respectively, from 2.7 percent to 3.9 percent and from 21.8 percent to 24.7 percent, HCP estimated. Moreover, the target for the RI#3 related to the percentage of payment service providers that report gender-disaggregated data was not achieved, reflecting the challenges to be overcome when designing the results framework for a one-year standalone DPL.

d. Other

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10. Quality of ICR

Rationale

The ICR is overall well-written, evidence-based and internally consistent. It provides a detailed storyline of the operation context, implementation and the achieved results. In particular, the macroeconomic context of the operation was well analyzed, including a detailed discussion of the financing instrument and the COVID-19 impact on some of the policy measures supported by the operation. The results orientation and the quality of analysis were superior, as illustrated by detailed figures and annotated tables and graphs, and annexes. Thus, the quality of the ICR is rated High.
a. Rating
High

11. Ratings

<table>
<thead>
<tr>
<th>Ratings</th>
<th>ICR</th>
<th>IEG</th>
<th>Reason for Disagreement/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
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<tr>
<td>Bank Performance</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td></td>
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<tr>
<td>Relevance of Results Indicators</td>
<td>---</td>
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<td></td>
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<tr>
<td>Quality of ICR</td>
<td>---</td>
<td>High</td>
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</tbody>
</table>

12. Lessons

The ICR identified lessons presented in the paragraphs 86-92, and this review is in agreement with the three lessons summarized below:

(i) **Strong analytical work, borrower commitment and follow-on implementation support are factors that can help mitigate the risk of non-sustainability that could otherwise occur with a stand-alone DPF.** This operation arose from the World Bank Group's cumulative support of the country's financial sector development for over a decade. Each PA and results area were informed by careful analytical work and a continuous reform dialogue and support. If this DPL had occurred without the wealth of both lending, continuous dialogue and advisory work in the financial sector, there would likely have been significant risk to adopt such a complex stand-alone DPL. The World Bank understood and valued well the level of commitment of the client and all preparatory work completed ahead of approval, and moved ahead with the standalone DPL.

(ii) **The World Bank teams should be cautious to expect results at the outcome level when adopting output-level structural reform as PAs in stand-alone DPFs.** There might be a long lead time between the law submission to Parliament and its eventual approval. Moreover, the implementation of the law requires several regulatory steps before institutions can translate the new law in practice, making results at the outcome level unachievable within the implementation duration of a stand-alone DPL. Results at the outcome level are only likely to be achieved after the end of a stand-alone DPL. While submission of draft laws might be included as a PA; the Bank team should ensure that the laws have been drafted based on best practices and are in a domain with significant development impact, and are supported by a strong policy dialogue with the Borrower, and there is either strong commitment from the Borrower, and the possibility of follow-on programmatic DPLs.

(iii) **The theory of change and the M&E system for a stand-alone DPL instrument remain a challenge.** The short term nature of a stand-alone DPL operation makes difficult to identify policy measures which can generate outcome-level impact. In the case of this operation, there were some shortcomings in having a more precise measurement of the effect of some PA on the final outcomes. The result targets for some of the PAs were mostly outputs, while others were more ambitious, and all of them had to be achieved during
the same timeline. The idea that the reforms supported by the operation would have a causal impact becomes elusive, as it is difficult to ensure that all PAs will generate outcomes.

13. Project Performance Assessment Report (PPAR) Recommended?

Yes

Please explain

Because follow-on programmatic DPLs have already been approved and implemented, and their design was underpinned by the results achieved under this DPL, it makes sense that IEG would gain in preparing a PPAR covering both this stand-alone DPO and the programmatic DPLs.