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Report No: ICR00004419

IMPLEMENTATION COMPLETION AND RESULTS REPORT

(Loan No. 8182-MA)

ON A

LOAN

IN THE AMOUNT OF EURO 37.9 MILLION

(US$ 50 MILLION EQUIVALENT)

TO THE

Kingdom of Morocco

FOR THE

MA MSME DEVELOPMENT PROJECT (P129326)

June 7, 2018

Finance, Competitiveness & Innovation Global Practice
Middle East And North Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective April 5, 2018)

Currency Unit =	Moroccan Dirhams
MAD 1 =	US$0.11
US$ 1 =	MAD 9.22

FISCAL YEAR
July 1 - June 30

Regional Vice President:	Hafez Ghanem
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ABBREVIATIONS AND ACRONYMS

APL	Adaptable program Loan
BCP	Banque Centrale Populaire
BMCE	Banque Marocaine du Commerce Exterieur
CCG	Caisse Centrale de Garantie
CGS	Credit Guarantee Schemes
CPF	Country Partnership Framework
GDP	Gross Domestic Product
ESMF	Environmental and Social Management Framework
ICR	Implementation and Completion Report
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MoEF	Ministry of Economy and Finance
MSMEs	Micro, Small and Medium enterprises
PAD	Project Appraisal Document
PCGs	Partial Credit Guarantees
PDO	Project Development Objective
PFI	Participating Financial Institution
PIU	Project Implementation Unit
SGMB	Societe Generale Marocaine de Banque
SMEs	Small and Medium Enterprises
TA	Technical Assistance
VSEs	Very Small Enterprises
UIFR	Unaudited Interim Financial Reports

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P129326	MA MSME Development Project
Country	**Financing Instrument**
Morocco	Investment Project Financing
Original EA Category	**Revised EA Category**
Financial Intermediary Assessment (F)	

Organizations

Borrower	Implementing Agency
Kingdom of Morocco	Caisse Centrale de Garantie

Project Development Objective (PDO)

Original PDO

To improve access to finance for MSMEs in Morocco

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
IBRD-81820	50,000,000	50,000,000	49,206,619
Total	**50,000,000**	**50,000,000**	**49,206,619**
Non-World Bank Financing			
Borrower	0	0	0
Total	**0**	**0**	**0**
Total Project Cost	**50,000,000**	**50,000,000**	**49,206,619**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
28-Jun-2012	20-Feb-2013	19-Dec-2014	31-Dec-2017	31-Dec-2017

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Satisfactory	Moderately Satisfactory	Modest

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	18-Aug-2012	Satisfactory	Satisfactory	0
02	31-Mar-2013	Satisfactory	Satisfactory	.12
03	29-Nov-2013	Satisfactory	Satisfactory	49.21

04	01-Jul-2014	Satisfactory	Satisfactory	49.21
05	13-Jan-2015	Satisfactory	Satisfactory	49.21
06	19-Aug-2015	Satisfactory	Satisfactory	49.21
07	10-Jun-2016	Satisfactory	Satisfactory	49.21
08	18-Dec-2016	Satisfactory	Satisfactory	49.21
09	21-Jul-2017	Satisfactory	Satisfactory	49.21

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Financial Sector	**100**
Banking Institutions	74
Other Non-bank Financial Institutions	26

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Private Sector Development	**150**
Jobs	100
Enterprise Development	50
MSME Development	50
Finance	**50**
Financial Infrastructure and Access	50
MSME Finance	50

ADM STAFF

Role	At Approval	At ICR
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I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

1. At the time of project preparation, Morocco's economy was performing well: sound macroeconomic policies and sustained structural reforms contributed to higher growth, averaging 4.9 percent over 2001-11. Inflation level was low (0.9 percent in 2011). In the face of the global economic slowdown, the Moroccan economy proved resilient in 2011. The economy grew at 4.8 percent, recovering from the lower 3.7 percent registered in 2010.

2. By 2011, Morocco had already made significant progress in developing its financial sector. The total assets of Moroccan financial institutions had grown significantly and exceeded 200 percent of the Gross Domestic Product (GDP). Credit to the economy from the banking sector was growing: it increased by 10.3 percent in 2011 compared to 10.7 percent in 2010. A World Bank survey featured Morocco as a regional leader in providing small and medium enterprises (SMEs) with access to credit: the share of SME loans in total loans amounted to 24 percent, the highest ratio in the Middle East and North Africa (MENA) Region.

3. The progress in financial development has been the result of sound macroeconomic policies and important financial sector reforms earlier in the decade, which allowed Morocco to take advantage of favorable conditions (e.g. abundant liquidity and global economic growth). These financial reforms were supported by the World Bank through two Financial Sector Development Policy Loans in 2005 and 2009, and included the restructuring of state-owned financial institutions, the strengthening of the regulatory framework and the improvement of financial infrastructure. The country's achievements in expanding financial inclusion for individuals and MSMEs were underpinned by important regulatory reforms and policies. The financial infrastructure was substantially strengthened through the establishment of a modern credit bureau.

4. While economic and financial sector development progress of Morocco was impressive, many challenges remained. The "Arab Spring" has shown the powerful consequences of exclusion and high levels of youth unemployment in the MENA Region and this was also at the forefront of the street protests in Morocco during 2011. Jobs were at the forefront of attention and unemployment was the main political and economic issue facing the new government. Despite a relatively favorable socio-political situation compared to some other MENA countries, the Moroccan population expressed their demands for improved governance, social inclusion, economic development and employment opportunities. Medium-term macroeconomic prospects of Morocco were expected to be partially affected by the developments in the global economy and particularly in Europe, Morocco's main trade partner. The turmoil in the euro area in 2012 were expected to negatively impact Morocco's exports and growth, though the extent and duration of the subsequent slowdown were not known.

Remaining agenda in improving access to credit for MSMEs

5. Inadequate access to credit was frequently cited as one of the population's main grievances and the private sector continued to state that it was one of the biggest obstacles to the development of business, especially when it comes to SMEs, defined as enterprises with a turnover of 175 million Moroccan dirhams (MAD) or less. This segment was very important for Morocco's economy as SMEs account for more than 90 percent of the total number of operating enterprises in Morocco, contributing to over 20 percent to GDP, to over 30 percent of exports and 50 percent to total employment.

6. While Morocco had made progress in expanding access to credit to private enterprises[1], a number of challenges still remained. Collateral requirements were high in Morocco: the proportion of loans requiring collateral was 84 percent according to the World Bank's Enterprise Survey 2013, compared to 79.7 percent in MENA countries on average and 79.3 percent worldwide.

7. Moreover, the largest part of bank financing was still going to the larger enterprise part of the SME spectrum, while the smaller ones remain unserved. They tended to have less collateral, weaker management capabilities and were overall more vulnerable to information asymmetry, reducing the likelihood of receiving bank credit. Banks found it risky to lend to such enterprises, and they were underserved by the existing financial system, situated between SMEs (served by the commercial banking sector), and microenterprises (served by an extensive network of microcredit providers). In order to design more precise instruments to these firms, Morocco introduced a definition of *Very Small Enterprises (VSEs)*, defined as firms with a turnover of less than MAD 3 million[2].

8. In this context, partial credit guarantees (PCGs) for lenders could help to reduce their risk aversion for MSME segment, reduce collateral requirements, and particularly unlock lending to the segment of VSEs. Credit guarantee schemes (CGSs) have gained prominence in many countries, especially emerging markets, as a common form of government intervention in MSME credit markets. Set up by the government with the purpose of covering some portion of the losses incurred by lenders when MSME borrowers default on loans, public CGSs can alleviate the problems faced by MSMEs seeking financing, thus contributing to their development. CGSs can play an even more important role, especially in countries with weak institutional environments, by improving the information available on borrowers in coordination with credit registries and bureaus, and by building the credit origination and risk management capacity of participating lenders, for example through technical assistance for the setup of SME units in commercial banks. Moreover, CGSs can also play an important countercyclical role, providing support to small businesses during a downward economic cycle. Overall, in those countries where they are designed properly, CGSs have contributed to the expansion of MSME finance.

9. Against this background, the Government of Morocco had requested a World Bank investment loan in support of access to finance for MSMEs by providing PCGs for MSME loans through the existing provider of PCGs in Morocco- the Caisse Centrale de Garantie (CCG).

Overview of the CCG and its products

[1] 52 percent of firms in Morocco had a loan or credit line according to Enterprise Survey (compared to 26 percent in MENA on average)

[2] Microfirms in Morocco are usually served by the microfinance sector

10. The CCG, a licensed financial institution supervised by the Central Bank, is the provider of PCGs in the Moroccan financial system. The agency was established in 1949 as a credit institution and one of three institutions providing PCGs to financial institutions for MSME loans.

11. As part of its 2009-2012 development plan, the CCG underwent a complete overhaul of its product offering. It introduced six new guarantee products focused on MSMEs. The guarantee products were designed to better match SMEs' financial needs according to their life cycle (investment loans, working capital, restructuring, change of ownership). Damane Crea was introduced to address investment needs of start-ups and Damane Dev – the needs of existing MSMEs. Working capital loans became eligible the Damane Exploitation product. New products were introduced to cater for the needs of firms undergoing a restructuring (Damane Istimrar). The unique needs of MSMEs in the textile industry fell under a new product Integra-Textile. The parameters of the guarantees were also revised in line with best practices (fees, simplification and harmonization of eligibility criteria). Damane export was introduced to stimulate export oriented firms. No guarantee could exceed 10 million MAD, per loan and combined guarantees on a single borrower cannot exceed 15 million MAD, which ensures that guarantees are used for MSMEs[3]. This redesign helped to streamline and strengthen the national credit guarantee mechanism, which was previously considered too complex and fragmented. Further improvements were made in the claims payment process, reducing the administrative burden for client bank.

12. While the new design of the guarantee system has had a significant impact on the volume of guarantees, it did not help to broaden the base of the recipient firms. In fact, the number of guarantees issued annually has almost stagnated between 2008 and 2010, largely due to global financial crisis. At that time, banks which wanted to guarantee credits for VSEs needed to go through the same procedures as for larger SMEs, even though loans were much smaller in size. As a result, the number of guarantees issued to VSEs decreased in 2010-11 compared to previous several years.

13. With this backdrop, the CCG started developing a new PCG product to accompany (and leverage on) banks' strategies towards VSEs, which this project aimed to support. This new product, Damane Express, relied on simplified financial eligibility criteria for borrowers and introduced a new 'delegated approach' (i.e. individual applications were not going to be reviewed ex-ante by the CCG) and would not differentiate among various types of credit (only requiring that they do not exceed one million MAD). The WB project support came at a highly opportune time and provided financing for CCG to enable it to scale up its products, including the Damane Express product aimed at VSEs. The CCG guarantees were essential for expanding credit for MSMEs: without guarantees, banks continued being reluctant to lend to small enterprises, but they were willing to do so with the CCG guarantee. Please refer to **Annex 6** for a detailed description of current CCG products and their analysis against regional benchmarks and international best practices.

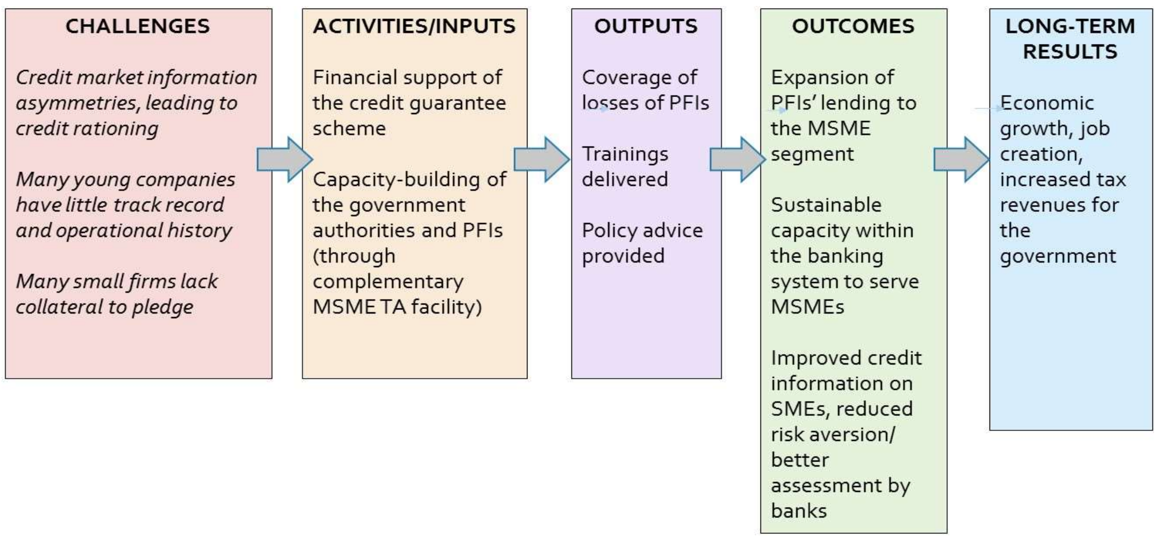
Theory of Change (Results Chain)

14. The results chain diagram below (**Figure 1**) has been prepared by the Implementation and Completion Report (ICR) author.

[3] In 201?, the ceiling for combined guarantees of a single borrower was increased to 20 million MAD

15. The project provided financing to the public CGS to enable it to scale up its existing MSME guarantee products, which catered to the needs of MSMEs at different stages of their development, as well as introduce a new guarantee product (Damane Express) geared towards the VSEs. Due to the funding provided by the project, CCG had sufficient capacity to expand its operations and provide more guarantees to lenders which lend to MSMEs. A complementary MSME Technical Assistance (TA) facility (P132884/TF013603) financed by a grant of US$763,000 under the MENA Regional MSME TA Facility, provided support with strengthening the capacity of authorities and Participating Financial Institutions (PFIs) in MSME lending through various trainings, policy advice etc.

Figure 1. Theory of Change



16. The main outcome of the project, which was tracked by PDO-level indicators, involved expansion of PFIs' lending to the MSME segment in terms of both volume and number of loans. The project also aimed at building sustainable capacity within the banking system to serve the MSME segment. By mitigating the risk to PFIs of providing loans to riskier areas of the market, PFIs were able to develop deeper understanding of the market segment and were able to address this segment more effectively and profitably in the future. This had societal benefits (MSMEs are the job creators in Morocco), benefits to PFIs (lower risk entry into an important market segment, future profits supporting MSMEs as they develop and grow), and benefits to government (a reduction in the need for CCG provision over time i.e. sustainability). More businesses were able to obtain loans and generate credit history, which in turn would lead to more lending to them in future. Credit information generated by the PFIs is fed to Morocco's two private credit bureaus, which in turn make the information available to the financial system. This chain helps lending by other banks (BAM regulations require credit bureau information in credit files), and also draws MSMEs into the formal economy.

17. The ultimate long-term result is economic growth and job creation by the small enterprises which are supported under the project. Similar to other countries, MSMEs in Morocco make a great contribution to employment (as mentioned earlier, MSMEs provide 50 percent of employment in Morocco and 20 percent of GDP). As such, increase in their access to credit helps their expansion and further increase in contribution to GDP and employment.

Project Development Objectives (PDOs)

18. The regional Adaptable Program Loan (APL) of the MENA MSME Facility was approved by the World Bank Board of Executive Directors on July 14, 2011 jointly with the presentation of the first loan to Tunisia (MSME Development Project)[4]. The APL is the IBRD financing mechanism for the MSME Facility. Morocco met borrowing country eligibility criteria for the APL[5]. The Morocco MSME Development project was the second operation under the APL. No other projects were approved under the APL.

19. Given that the project was part of the APL, its PDO was presented at three levels:

- MENA MSME Facility: to catalyze financing, risk-sharing and technical assistance to address policy, legal, institutional, capacity, and informational constraints holding back MSME access to finance in the MENA Region, and thereby to support improvements in MSME employment, competitiveness, and incomes.
- APL: to improve access to finance for micro, small and medium enterprises in the MENA Region.
- APL 2 (Morocco MSME Development Project): to improve access to finance for MSMEs in Morocco.

Key Expected Outcomes and Outcome Indicators

20. The project identified MSME as the final beneficiaries. A wider definition of beneficiaries included governments, regulators, and financial institutions benefitting from financing, partial credit guarantee facilities and technical assistance. The main outcomes expected were expansion of PFIs' lending to MSMEs and development of sustainable capacity within the banking system to serve MSMEs.

21. The project included two PDO Level Results Indicators:
1) Increase in total number of MSME loans of PFIs by at least 20 percent within 5 years; and
2) Increase in the total volume of outstanding MSME portfolio of PFIs by at least 10 percent within 5 years (MAD million).

22. **The exact same PDO-level indicators were used for the Tunisia project, with the only difference that targets were reversed (Tunisia project aimed to achieve 10 percent increase in the total number of MSME loans and 20 percent increase in the total volume of outstanding MSME portfolio of PFIs).** The Morocco project also monitored eight intermediate results indicators which are related to numbers and volumes of lending covered by guarantees in various categories (MSMEs overall, SME startups, existing SMEs, VSEs).

[4] The Tunisia MSME Development Project, which supported a credit line for on-lending to MSMEs, is still active due to the fact that additional financing for the project was provided in 2014 after fast disbursement of the original loan. The project is expected to close on December 31, 2018. As such, there is no ICR prepared yet for the first loan under the APL.

[5] i) IBRD borrowing country in the MENA region, ii) Government or Regulator commitment to improved MSME Access to Finance, demonstrated through specific policy measures, legal reforms, or other good practice public interventions as assessed by the World Bank in economic and sector work or mission reports, and iii) Government or Regulator commitment to environmental and social sustainability

Components

23. The project had only one component (Component 1 - Support for the Provision of Partial Credit Guarantees) which provided financing to support the provision of PCGs to PFIs to mitigate their credit risks on loans to MSMEs. The project financed the expected losses of the CCG, and the issuance of PCGs enabled loans by PFIs to MSMEs for sub-projects. The project was designed to advance funds for expected losses of CCG on guaranteed loans and later CCG would submit statements of expenditures to substantiate that losses materialized (all losses did by the end of the project). The project was implemented through the CCG. The funding from the loan for the PCGs allowed the CCG to scale up its existing MSME guarantee products, which catered to the needs of MSMEs at different stages of their development. These included guarantee products for loans to start-ups (Damane Crea), for expansion projects of existing SMEs (Damane Dev), for loans to SMEs undergoing a restructuring (Damane Istimrar), for loans to SMEs in the textile industry (Integra-Textile) and for working capital loans (Damane Exploitation). The project also supported introduction and scale-up of Damane Express, a product geared towards smaller enterprises.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

Revised PDOs and Outcome Targets

Not applicable

Revised PDO Indicators

Not applicable

Revised Components

Not applicable

Other Changes

Not applicable

Rationale for Changes and Their Implication on the Original Theory of Change

II. OUTCOME

A. RELEVANCE OF PDOs

24. The relevance of the project's objective is rated as **High**.

Assessment of Relevance of PDOs and Rating

25. The proposed operation contributed directly to the objectives of the Country Partnership Strategy (CPS) for Morocco (FY2010-2013), in particular, the first pillar which stated that the structural transformation of the Moroccan economy would require a comprehensive and coordinated set of policies in many areas, underpinned by a financial sector that better serves smaller firms. The proposed operation was targeting precisely the financial inclusion of this underserved segment of the Moroccan economy.

26. The operation's development objectives are also consistent with the current World Bank Country Partnership Framework (CPF) for 2014-17 and have remained highly relevant for the CPF throughout the life of the project. The project is aligned with the CPF Outcome 1.2 "*Improve access to finance with a particular focus on low income households, micro, small and young firms, and youth and women*". The indicator on MSME finance tracks volume of outstanding MSME portfolio of PFIs and number of new and small firms reached by the CCG (which are both part of the project's results framework). The operation had an additionality effect: support of the credit guarantee scheme enabled PFIs to grant many loans which they otherwise would have not given to enterprises with insufficient collateral and limited credit history.

B. ACHIEVEMENT OF PDOs (EFFICACY)

27. Achievement of PDO/efficacy is rated as **Substantial**. The rating is based on substantial achievements in increasing MSME lending by PFIs. All PDO indicators and all intermediate results indicators surpassed the end-of-project target. CCG also compares favorably to other PCGs in the region in terms of its product offering, coverage ratio and other characteristics, further confirming the success of the project. Please refer to **Annex 6** for the overview of CCG achievements and comparison to international benchmarks and **Annex 7** for details of calculations performed to derive at results indicators.

Assessment of Achievement of Each Objective/Outcome

PDO and intermediate level results – actuals vs targets

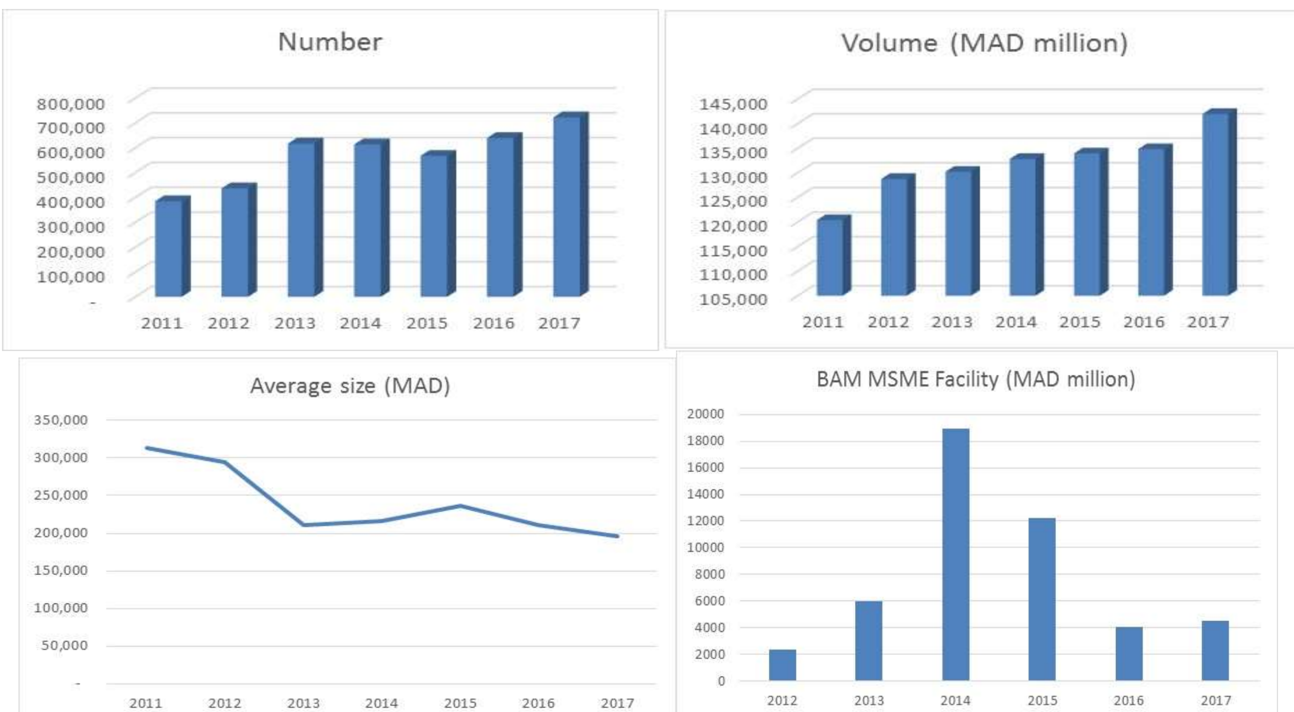
28. The project had only one expected outcome – increase in access to finance for MSMEs in Morocco. Progress was expected to be measured by tracking growth in the number and volume of MSME loans by PFIs at PDO level and growth in numbers and volumes of loans covered by guarantees at the intermediate level. We note that, as mentioned earlier, according to the official definition, an enterprise is considered an MSME in Morocco if its turnover is less than MAD 175 million (~US$ 20 million). There were eight PFIs under the project- financial institutions which utilized CCG credit guarantees.

29. The results for this objective have exceeded expectations at time of project preparation (e.g., actual outcomes greatly surpassed targets), both on the PDO level results and intermediary results. Both the number and volume of MSME loans of PFIs (tracked as part of PDO level indicators) have been increasing throughout the project and surpassed both end targets, especially the target related to number

of loans, meaning that many more MSMEs than originally forecasted were served with credit. The number of MSME loans is estimated to have increased by 88 percent since end 2011 (against the target of only 20 percent), while the volume of MSME loans is estimated to have increased by 18 percent since end 2011 (against the target for 10 percent). Given that the number of loans was growing faster than the volume, average size of the loans has been declining. The average size was MAD 312,747 in 2011 (approximately US$ 35,000) and declined significantly to MAD 196,456 in 2017 (approximately US$ 22,000). **Figure 2** below shows the trend in numbers, volumes and average size of MSME loans by PFIs during the period of the project (2011-2017).

30. One of the plausible reasons for the significant increase in the lending to MSMEs and subsequent demand for CCG guarantees during the period is the refinancing facility provided by Bank Al-Maghrib. The facility was provided starting with 2012 as part of the countercyclical policy of the central bank. One-year funding was provided at the refinancing rate of the central bank and there was significant uptake from the industry. **Figure 2** demonstrates the annual amounts of funding which were provided through the facility.

Figure 2. MSME Loans of Project PFIs: Number, Volume, Average Size (2011-2017)



31. End targets for intermediate results indicators were also surpassed by a large margin. Cumulative values for MSME loans covered by guarantees are presented in **Table 1** below. As demonstrated in the table, the increases from 2011 to 2017 are remarkable. Especially strong results were posted for VSEs and existing SMEs. As reported by CCG, the most widely used product for existing SMEs is Damane Exploitation (guarantee for working capital). Increase in the number and volume of loans covered by guarantees for startups was the lowest among the groups, but very high in general (increase of 4-5-fold over the period). Start-ups are mostly in need of investment capital (equity and not debt).

Table 1. MSME loans covered by guarantees- cumulative values (numbers and volumes in MAD)

Year	MSME loans		SME start-ups		Existing SMEs		VSEs	
	Number	Volume	Number	Volume	Number	Volume	Number	Volume
2011	685	1,089,199,704	134	483,914,600	122	490,906,700	429	114,378,404
2012	1,905	2,977,558,467	260	893,997,000	495	1,772,054,060	1,150	311,507,407
2013	3,934	5,484,742,941	383	1,236,791,500	1,032	3,618,936,599	2,519	629,014,842
2014	6,968	9,149,472,928	501	1,623,853,500	1,909	6,433,896,920	4,558	1,091,722,508
2015	11,973	14,670,593,912	657	2,157,311,658	3,247	10,731,895,924	8,069	1,781,386,330
2016	18,959	22,117,561,902	827	2,694,754,142	5,070	17,214,343,727	12,959	2,745,906,517
2017	27,857	31,768,401,902	1,037	3,968,284,142	7,459	24,901,253,727	19,199	3,958,786,517

32. There were some additional benefits from the project, beyond the tracked indicators. With significantly increased lending supported by guarantees, PFIs were able to continue building their knowledge of MSME customers, refining their systems to serve them more effectively and efficiently. Owing to guarantees, many first-time borrowers were able to generate credit history, which made it easier for them to obtain loans in future. Morocco has a rather strong credit reporting system (CRS), as evidenced by the Doing Business score of 7 (out of 8) for the depth of credit information index. Two credit bureaus in the country cover 278,652 businesses and are widely used by the banking industry to assess borrower creditworthiness. It is therefore highly beneficial for businesses to be included in the CRS.

33. The results targets of the project seem to be set somewhat low compared to the actual results. Based on the discussions with the Task Team Leader (TTL) at preparation, there were several reasons for setting the targets at such low levels. Back when the project was being designed (2011), Euro zone - Morocco's main trading partner - experienced a slowdown in growth. In addition, growth in the guarantee program in the years preceding 2012 (project start) was rather slow. In the case of guarantees for VSEs - which are at the core of the MSME development project - there has been a declining trend. Finally, the implementing agency (CCG) has been reluctant to setting ambitious targets given that there was no certainty in the new products' uptake and argued for targets which would be easier to meet. In light of the uncertain macroeconomic outlook in 2011, moderate/declining trend of guarantees issued in preceding years and the uncertainties on the uptake of Damane Express, the moderate growth targets proposed by the team at project inception were validated by management, OPCS and peer reviewers.

34. We also consider that BAM refinancing facility for MSMEs played a role in increasing MSME lending in the country, and introduction of the facility coincided with the commencement of project activities. Given that the project team was not aware of the plans to set up such a facility, targets were set at levels which were realistic at the time of preparation.

Analysis of the use of CCG guarantees by banks

35. Four large banks represent the main users of the CCG facility (Banque Centrale Populaire- BCP, Banque Marocaine du Commerce Exterier- BMCE, La Societe Generale Marocaine de Banque- SGMB, and Attijariwafa Bank). The share of these banks in the use of guarantees was over 90 percent both by number of loans and by volume during 2016-17, according to the data of CCG. The portfolio of MSME loans of these banks kept increasing over the period of the project, as tracked by PDO level indicators.

36. High concentration of guarantees among these banks is not surprising due to structural characteristics of the Moroccan banking system, which is highly concentrated in general. Among the 19 banks, the top three account for over two-thirds of the banking system deposits and assets. SME finance in particular is highly concentrated among several banks: the leading five banks account for more than 95 percent of SME loans. They have developed specialized SME units and have been actively serving this segment for many years and benefitted from IFC "SME banking" package of advisory services. CCG reports that share of banks in the use of its guaranties mirrors the market share of these banks in lending to MSMEs, so there is no surprise that main MSME lenders account for the vast majority of guarantees. Experience of the project shows that no new strong players appeared in the market for MSME lending, but rather portfolios of existing leaders significantly grew.

37. BCP is a market leader with a strong foothold in retail and SME finance due to its cooperative structure and large branch network. Attijariwafa Bank, BMCE and SGMB also have sizeable SME portfolios. These are the banks which have been actively using CCG guarantees. Farmers and agricultural SMEs are predominantly served by Crédit Agricole Maroc. This bank is also among the users of the CCG guarantees, but smaller than the other four banks because in the agricultural sector there is less need for the CCG guaranty (borrowers usually possess land and land title can be used to obtain a loan). Several other banks also take advantage of the facility (Credit du Maroc, Banque Marocaine pour le Commerce et Industrie), but their use of the facility was very small compared to main financiers, due to their smaller market share in the MSME market. **Table 2** below shows the share of various banks in the usage of CCG guarantees by number of loans and volume of loans.

Table 2. Use of CCG SME Guarantees by Bank (% of Number and Volume of Loans Covered by Guarantees)

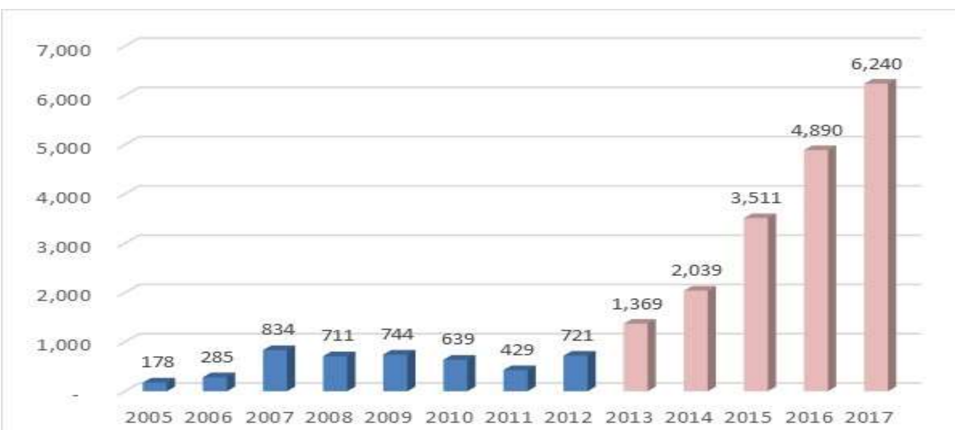
Bank	%	Number of loans	Volume
BMCE	2015	22%	35%
	2016	23%	35%
	2017	26%	30%
BCP	2015	42%	34%
	2016	38%	29%
	2017	37%	27%
AWB	2015	14%	15%
	2016	17%	19%
	2017	16%	25%
SGMB	2015	17%	8%
	2016	16%	8%
	2017	15%	9%
CAM	2015	3%	3%
	2016	2%	3%
	2017	2%	3%
CIH	2015	1%	2%
	2016	2%	2%
	2017	1%	3%
BMCI	2015	0%	1%
	2016	0%	1%
	2017	0%	1%
CDM	2015	2%	3%
	2016	2%	3%
	2017	2%	3%

Guarantee program for the VSE Segment

38. The guarantee program for VSEs, which is in the center of this project, has witnessed the strongest growth since the project commencement in 2012 (**Figure 4**), which supported the launch of 'Damane Express', the new guarantee product offering focusing on this segment. Damane Express guarantee can be used for any type of loan and the ceiling is MAD 1 million. There is currently no official definition of a VSE in Morocco and therefore, the product targeting this segment simply has a ceiling and any enterprise can use it.

39. The usage of Damane Express is correlated to the overall lending portfolio to this segment: the bank with the highest share of lending to VSEs (BCP) is also the largest user of 'Damane Express'. This bank has been able to grow its VSE business, to a large extent, due to the Damane Express product because it significantly limits the risk the bank takes on with VSE borrowers. The bank can lend to VSE borrowers much more efficiently owing to the Damane Express product, leading to higher profitability of this segment for the bank and consequently, increased attractiveness for the bank. Discussions with this bank, as well as other banks involved in VSE lending, confirmed that the guarantee product is highly valued by the financiers and its introduction helped many small businesses obtain loans. In Damane Express, granting of guarantees is delegated to banks and information exchange is fully electronic between CCG and the banks. Essentially, the bank fills out an application online and if all the conditions are met, it generates approval for guarantee. These guarantees are approved within 48 hours. Simplicity and efficiency are two on the main advantages of this product for the financiers.

Figure 4. Number of VSE Guarantees Issued per Annum (2005- 2017)



40. Concentration of bank lending to the VSE segment has been declining over the life of the project, which is a positive tendency. CCG data indicates that BCP was responsible for using over 60 percent of the guarantees in 2010 but its share has been declining over the years while some other banks increased their shares. In 2016, there were 4 active users of the guarantees for the VSE segment: BCP, BMCE, SGMB and AWB (**Annex 8**).

C. EFFICIENCY

Assessment of Efficiency and Rating

41. The project's efficiency is rated as **Substantial**. The operation supported improving access to finance for MSMEs by providing credit guarantees to financial institutions, which leveraged their own resources and systems to lend to MSMEs. The project only covered losses of financial institutions in case of borrower default (while the level of defaults for the overall MSME portfolio is very low, below 2 percent, as experience of the project has shown- see **Annex 6** for more information).

42. In cumulative terms, the volume of loans backed by CCG guarantees during the life of the project was MAD 31.8 billion, which is 60+ times the size of the World Bank loan to support provision of guarantees. This is clearly a very efficient deployment of project's resources, compared to, for example, providing a line of credit when the full amount of project resources goes to lending and we can only hope that financial institutions will use their own resources as well to increase lending to the MSME segment. In case of credit guarantees, financial institutions utilize only their own funds for lending, meaning that all resources lent to MSMEs have actually been mobilized from the private sector. Another benefit compared to a credit line is that there are smaller administration costs: there is very little hassle for the lender/CGS administrator from the standpoint of getting loans pre-financed/refinanced by the project (lenders simply grant the loan using their own processes and only go back to CCG when there is a case of default, which is rather rare). Support of CGS is highly in line with the Maximizing Finance for Development (MFD) approach which the WBG is trying to promote.

43. The available data on the project unfortunately does not allow to precisely calculate financial additionality of the project (what amount of lending would not have happened without a guarantee) or economic additionality (what is the outcome in the performance of firms which were able to obtain loans backed by credit guarantees- employment, investment, innovation etc.). In fact, few credit guarantee schemes in the world calculate these metrics. However, based on discussions with banks and beneficiaries, we have been able to conclude that most MSME loans in Morocco would not have been granted in the absence of the CCG guarantee, proving financial additionality. As to the economic additionality, literature on MSME access to finance does show that MSME sector employment and labor intensity is much higher than large firms, indicating that by supporting MSME access to finance, there is a good potential to generate jobs.

44. The project was also managed efficiently, further justifying the rating of Substantial. There were no project extensions, all the funds have been disbursed and the budget of the project was not exceeded. By the end of the project, all of the project funds have been deployed to cover materialized losses of the PFIs. The Ministry of Economy and Finance (MoEF) and CCG established a Project Implementing Unit (PIU), which was comprised of existing staff responsible for the implementation of the project. The PIU was headed by the MoEF and included staff from several key units within the CCG. The project was implemented by the CCG which had been appraised during project preparation and demonstrated

adequate management and satisfactory institutional capacity according to an onsite inspection carried out by Moroccan Central Bank in 2010. Project implementation was guided by the operations manual.

45. The project was managed by highly committed existing staff with strong capacity and there were no delays in implementation. While CCG did not have experience with implementation of WB projects previously, it had strong capacity and ample experience in granting PCGs to financial institutions as part of its ongoing guarantee business, and was able to perform their functions very efficiently, as demonstrated by completion of activities during the implementation period, no project restructurings, and low turnover of staff managing project activities. Given that the project did not involve procurement, inherently there were no issues with cost overruns or procurement delays which happen frequently in other projects. The design of the project promoted efficiency.

46. The responsibilities of the CCG, as the project's implementing entity were to: (i) review all relevant documentation of the loans and/or portfolios to be guaranteed; (ii) approve the granting of partial credit guarantees; (iii) collect fee payments from participating institutions; (iv) verify eligibility of loans, compliance with all the covenants of the guarantee, and payment of all guarantee fees up to date; and (v) verify that participating institutions maintain their eligibility status in time as outlined in the project's Operations Manual.

47. After the project closing, CCG will continue implementing actions to improve access to finance for MSMEs, assuring project sustainability. First, CCG will continue administering PCGs to financial institutions in order to further contribute to building sustainable MSME banking capacity within the Moroccan banking system. Second, CCG will also be administering a new WB project, the design of which was underpinned by the study on 'Financing Innovation in Morocco: Challenges and Solutions to Accelerate Growth' - produced and financed by the MSME TA facility. This new project, "Financing Innovative Start-ups and SMEs" funded by the Government of Morocco through a US$ 50 million World Bank investment project financing (IPF), aims to address a market gap in the supply of equity financing for innovative young SMEs and create a demonstration effect of successful early-stage equity investments to help catalyze a venture capital (VC) market. This will be done through a funding program that will invest in innovative SMEs alongside private investors, who will play an important role in the selection of investments. The program will also address weakness in the investment know-how of ecosystem agencies supporting entrepreneurs (which were identified in the study produced under the MSME TA facility) and boost scale in the creation of financially viable enterprises. The new project was approved by the WB board on March 10, 2017 and implementation is in progress.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

48. The overall outcome is rated as satisfactory on the basis of High relevance of PDO and substantial efficacy and efficiency, as presented in table below.

Overall outcome rating	Relevance of PDO	Efficacy	Efficiency
Satisfactory	High	Substantial	Substantial

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

Gender

49. Unfortunately, the project did not track indicators disaggregated by gender. Originally, the project was expected to monitor such indicators unofficially, on a supplementary basis (as these were not part of the official the results framework), and discussions on this were held both at concept review and decision review. However, this did not occur in practice.

50. At ICR stage, discussions were held with CCG as to the monitoring of gender disaggregated data and it was determined that this was never monitored as it was not in the official results framework. At this late stage, it would not be possible to collect gender disaggregated data as there was no field in the dataset to identify women-owned. Discussions with PFIs under the project also confirmed that they are not monitoring gender dimensions of their MSME portfolio. The percentage of women owned enterprises, in PFIs view, remains very small. Going forward, it would be important to address the data gap related to financing of women entrepreneurs. World Bank results monitoring framework for most projects now includes gender disaggregated data, but this was not the case back in 2011, hence the lack of data on results for women-owned enterprises in this project.

Institutional Strengthening

51. This operation contributed to strengthening the capacity of relevant authorities, such as the CCG (implementing agency) and Ministry of Finance and Economy (borrower), through the complementary TA provided to the project by the MSME TA facility. While the project itself did not have a TA element, the parallel MSME TA facility was very useful in providing TA alongside with financing. Financial institutions also received some limited capacity-building on environmental screening of projects. The banks' completion of this training was a pre-condition for the fast-track processing of category B projects of the CCG (payment of claims with no subsequent review of compliance of defaulting loans with national environmental and social laws).

Mobilizing Private Sector Financing

52. The nature of the project is such that it supports provision of guarantees, which facilitate financing for MSMEs by private financial institutions. The risk-sharing mechanism supported through the project makes financial institutions less risk averse when lending to MSMEs, especially small enterprises, and thus increases volumes of financing provided (see **Box 1** for the mechanism how the CCG guarantee works). The project tracks total financing provided by the PFIs for MSMEs as part of the project, which is the private sector financing mobilized. At project closing, the volume of financing to MSMEs by PFI was MAD 141,993 million (approximately US$ 15.7 billion).

Box 1. Credit guarantee mechanism.

Financial institutions in Morocco use CCG credit guarantees in order to reduce the risk of loans to MSMEs, especially for those businesses which lack collateral. CCGs guarantees cover a certain percentage of the loan (depending on the type of the guarantee product, this can be 50-80 percent). The lender retains the risk for the remaining part of the loan to ensure that moral hazard issue does not arise (with a 100 percent coverage, the lender would be tempted not to exercise appropriate due diligence and monitoring of the loan, since no risk is involved). In case the loan is not repaid, the CCG reimburses the lender for guaranteed part of the loss.

Poverty Reduction and Shared Prosperity

53. The operation has a positive effect on poverty due to targeting VSEs, which are likely to be owned by poor individuals. By providing guarantees for loans to VSEs, the project helped to facilitate increase in lending to this group. CCG is currently thinking of even offering a microfinance product (currently under development), which will further contribute to poverty reduction. The project also had a positive effect on shared prosperity by allowing smaller enterprises to play a larger role in the economic development of the country and grow the business. Therefore, the project is considered as pro-poor and reduced inequity. As demonstrated by the numbers of enterprises at various stages of development financed under the project, the main focus was on existing enterprises (while some start-ups were financed, numbers are rather small and these types of businesses are more suited for equity financing). The project therefore largely contributed to maintaining jobs which is important in preventing people from falling into poverty.

Other Unintended Outcomes and Impacts

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

54. As described by the project team, the preparation of the project was rather fast as there was pressure to deliver one more operation under the regional APL. APL 1 (Tunisia operation) was already approved, and senior management was interested in quickly delivering one more operation. Morocco made a perfect candidate for the new operation given that they already accomplished significant progress in the MSME finance and would be able to deliver good results again. The team brainstormed with the counterparts in Morocco multiple times and eventually zeroed in on the support to the PCG scheme, as this was a rather straightforward activity with an existing agency (CCG), required minimum preparation and had potential to deliver rather powerful results. Given the high capacity of counterparts and MSME finance being one of the key priorities for the government, the project was designed and approved in a relatively short timeframe. Preparation time from Concept meeting to Board approval for this project was 7.3 months, while average for the region is about 13 months This would not be possible in a different context (e.g., in a country with low capacity of counterparts which has many competing priorities).

B. KEY FACTORS DURING IMPLEMENTATION

55. The project was endorsed by the WB's Board of Executive Directors on June 28, 2012. Signing of the legal agreements took place on July 27, 2012 in Rabat. Effectiveness deadline was extended by 90 days from its initial deadline of November 24, 2012 to February 22, 2013, as two of the effectiveness conditions could not be satisfied in time. The loan was subsequently declared effective on February 20, 2013. As of November 6, 2013, it already disbursed 99.4% of the total loan amount (US$ 50 million) for materialized losses and expected losses (advance). The government decided not to utilize the residual amount as it was very small.

56. The disbursement for 'expected losses' was classified as an 'advance payment' for WB accounting purposes. Since the 'final use' of the provisions are used to pay out guarantee claims (materialized losses), these 'materialized losses' constitute the 'final eligible expenditure' from a WB accounting perspective. As these losses were materializing over the life-cycle of a guaranteed loan, which could have a maturity of up to 10 years, the project team had to monitor and validate justifications on the use of the advance funds to cover materialized losses (through statement of expenditures) throughout the project lifetime. By the end of the project, payouts on all guarantee claims which were backed by the WB loan materialized. This was partly because the loan backed not only new guarantees but also some existing guarantees.

57. Several factors positively affected project implementation, as detailed below. The project did not face any significant challenges, as the environment was highly favorable for the activities supported through this operation.

i. High capacity of the implementing agency. Overall, Morocco has institutions with high capacity and CCG was no exception. The project was therefore implemented by highly professional and capable counterparts already highly experienced in granting PCGs. While they did not have experience implementing WB projects, they quickly learned and did an excellent job.
ii. Moroccan government commitment to MSME agenda. The operation supported the Moroccan government's increased efforts to support the development of MSMEs. At the time of the project preparation, the government had drafted a new strategy aimed at supporting the development of VSEs, with measures to enhance their job-creation potential, which included a simplified taxation system, adapted social charges, extended social security coverage, and specific banking products backed by a guarantee fund, which are in the process of being developed. The Budget

Law 2011 had introduced major incentives for VSE, which included a reduction of the corporate profit tax from 30 percent to 15 percent, tax incentives for businesses that integrate into the formal sector, and tax incentives for individual VSEs opting to transform into a corporation.

iii. Simple design. The project had only one component (support for provision of partial credit guarantees). There were no other components in the project, making implementation very straightforward. The CCG did introduce new products as part of the project, but overall it already had well-established operations and there was little room for error.

iv. Complementary technical assistance. The project was accompanied by extensive technical assistance further strengthening the capacity of CCG, other agencies relevant for the project and supporting MSME finance growth in the country, which further contributed to positive outcomes of the operation.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

58. Quality of M&E design is rated as **Modest**.

59. An important strength of the M&E framework was its simplicity, both in terms of PDO-level indicators (only 2) and intermediate indicators (only 8). This made monitoring not burdensome, and provided an opportunity to track key results of the project.

60. It would be important to highlight that the project's PDO was rather general and while it correctly reflected the stride of the project, it somewhat failed to cover the unique focus of the project, such as increasing access to credit for VSEs. As mentioned earlier, share of loans going to MSMEs in Morocco was already the highest in the region and while there is always potential to do better, this was not the main objective. The PDO therefore needed to better zoom in on the target beneficiaries of the program. Nevertheless, intermediate results indicators have compensated for the lack of specificity in the PDO, as increase in the number and volume of guaranteed loans to startups and VSEs were tracked. The overall volume and number of bank loans to VSEs was, however, not tracked. The project also failed to track some other dimensions which could have been useful in determining project additionality- for example, changes in collateral requirements of banks, changes in interest rates.

61. The M&E framework unfortunately did not include some important dimensions, such as gender-related aspects. While the PAD specified that female entrepreneurs were amongst the key beneficiaries of PCG schemes and the CCG benefited many female entrepreneurs[6], no analysis was done in practice. In fact, it is unclear why this indicator was not included in the results framework. Ideally, all indicators should have been gender disaggregated. There was high likelihood that guarantees for small enterprises benefitted women, but this data was not collected. In addition to gender, the M&E framework could have also tracked youth-disaggregated indicators, which was another focus on the authorities. Unfortunately,

[6] The share of women-owned SMEs covered by guarantees of the CCG was at 30 percent in 2011, which was significantly higher than the national average of 12 percent

M&E was not designed to track either of these aspects. Going forward, there appears to be a large unfinished agenda of designing products geared specifically towards women and youth and tracking progress via carefully designed indicators.

62. The M&E could also have included an indicator to track the loss ratio or number of guarantees paid out. Given that materialized losses constituted eligible expenditures, it would have been useful to track some of these indicators.

M&E Implementation

63. M&E implementation is rated as **Modest**. Reporting of indicators was facing some challenges which were not fully addressed until the very end of the project. Data on some indicators was not readily available during supervision missions and it took a long time for the ICR team to get values of some indicators (especially PDO level). During the last ISR in July 2017 the WB team started recalculating the indicators, as PM suggested that calculations were incorrect. Overall, it appears that the project would have benefitted from an M&E expert at the outset of the program to set up M&E system and make sure that all data was collected and reported correctly. While there is no question about successful achievement of project targets (they were significantly over-achieved regardless of calculation method), better M&E design and implementation would be desired.

M&E Utilization

64. Quality of M&E utilization is rated as **Modest**. M&E was utilized by the MoEF and CCG to monitor the developments in the MSME finance in the country, the numbers of guarantees issued and especially the breakdown between different types of enterprises whose loans were guaranteed.

Justification of Overall Rating of Quality of M&E

65. The overall quality rating for M&E is Modest, due to Modest ratings for M&E design, implementation and utilization.

Overall rating	M&E Design	M&E Implementation	M&E Utilization
Modest	Modest	Modest	Modest

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

Environmental compliance

66. This project is covered by the World Bank's operational policies on Environmental Assessment (OP/BP 4.01). The Morocco loan falls under the regional MSME Facility APL, for which a Master Environmental and Social Management Framework (ESMF) was prepared, which identifies, minimizes, avoids, screens out, mitigates and monitors potential social and environmental impacts. The Master ESMF was customized for the Morocco APL, to the satisfaction of the World Bank, and was disclosed in-country

on May 4, 2012 and in the World Bank website on May 9, 2012. The ESMF was also an integral part of the Operations Manual. One of the effectiveness conditions was for the Project Implementing Entity to have established the ESSU (Environmental and Social Screening Unit) in a form and with functions, staffing, and resources satisfactory to the Bank, and the ESSU is operational.

67. Overall, there was considerable difficulty in putting in place an environmental screening mechanism for the use of the funds as required for Financial Intermediary projects for both Tunisia and Morocco projects. In-country consultations in Morocco showed that banks which would be lending to MSMEs were somewhat reluctant to do extensive environmental impact assessment, screening, and monitoring for small loans, as, in their opinion, they did not represent much risk. After a lot of discussions, the compromise was reached that PFIs under the project will be required to take a specialized training in the environmental procedures. The banks' completion of this training was a pre-condition for the fast-track processing of category B projects of the CCG (payment of claims with no subsequent review of compliance of defaulting loans with national environmental and social laws).

68. In line with the project requirements, the CCG implemented the ESMF, with a screening mechanism for the loans to be covered by guarantees. The CCG established a properly staffed and trained environmental and social screening unit, which was part of the PIU, prior to project effectiveness. The unit was required to screen projects based on their environmental impact into A (high impact), B (moderate impact, mitigatable) and C (insignificant or no impact). Category A projects, projects leading to involuntary resettlement, activities falling under the IFC's exclusion list and additional selected activities that are expected to have a significant negative environmental and/or social impact were excluded from this project. According to CCG, during project life, about 10 percent of projects have been rejected due to their potential of having an adverse environmental impact.

69. The World Bank assisted the CCG to build up its capacity on the management of environmental and social risks, which includes the screening of projects and their classification into different risk types, as well as building up knowledge about Morocco's environmental and social laws, and the WB's environmental and social norms. As part of the capacity-building program implemented under the project, CCG staff attended a training on environmental safeguards in Tunis. CCG now has strong capacity to perform environmental screening: this was confirmed by WB environmental experts during preparation of the WB Financing Innovative Startups and SMEs Project (approved in March 2017) which is implemented by CCG.

Social (including safeguards)

70. Social safeguards were not triggered by this operation. The social impacts of the project were positive. The final beneficiaries were MSMEs. Investment in these enterprises led to the creation of job opportunities for local people, and eventually would help increase local people's income, diversify livelihoods, and contribute to poverty reduction.

Financial management (FM) compliance

71. The Financial arrangements under the MSME Project consisted of the production by the CCG of annual audited Financial Statements which included a detailed statement of commitments and

disbursement by PFIs, as well as a consolidated bi-annual Unaudited Interim Financial Reports (UIFR). Delays in submitting the UIFRs and regular documentation of designated account were registered due to the existence of different layers in implementing the financial arrangements of the project. The Department of Treasury and External Financing (DTFE) of the Ministry of Economy and Finance was responsible for validating and transmitting the UIFRs and the withdrawal applications to the Bank. This was timely performed.

72. External annual audit reports of the project did not reveal major shortcomings. One of the main recurrent recommendations throughout covered exercises was related to the need of enhancement of the internal control environment through updating the accounting manual, and mastering and monitoring the risks through a reinforced control system of accounting, and application of the provisions of Bank Al-Maghrib Circular No.4 / W / 2014 on the internal control of credit institutions.

73. The project was closed on December 31, 2017, with a disbursement rate of 99,42%.

Procurement

74. There was no procurement activity for this project. Bank funds were not used to provide any direct financing of goods, works, non-consulting or consulting services by the MSME within the scope of the project. The funds provided by the loan were used to support the provision of PCGs for loans to MSMEs through the CCG. Bank funds provided to the CCG were used to cover losses of PFIs in cases of default of payment by the MSMEs of loans they receive from these financial institutions. By project closing, materialized losses equaled the full amount of the loan.

C. BANK PERFORMANCE

Quality at Entry

75. The Bank’s performance with respect to quality at entry is **Satisfactory**. The project was prepared in a short timeframe, but it was rather simple, supported an existing agency, and had strong engagement from the government counterparts. As such, it was ready to be implemented.

Quality of Supervision

76. Quality of supervision is rated as **Moderately Satisfactory**. The project was supervised by a high caliber and strongly committed World Bank team. There was no change in task leadership and turnover in the World Bank team. Supervision was undertaken regularly, with bi-annual rigorous missions. The team updated the World Bank management of implementation challenges in a timely manner through candid and good quality ISRs. Relevant issues were highlighted to the Bank’s management and based on advice received, the team provided its implementation support. The client specifically noted that access to the World Bank’s implementation support was one of the key reasons why the government made a decision to borrow for this project. The counterparts appreciated support provided by the World Bank team during the project supervision.

77. Some of the weaknesses in the supervision included lack of emphasis on M&E (there were challenges with M&E up until the project closing), lack of filing of some key documents in the WB Docs and lack of continuous engagement of the environmental staff (supervision missions did not include such a staff).

Justification of Overall Rating of Bank Performance

78. With quality at entry rated as Satisfactory and quality of supervision Moderately Satisfactory, overall Bank performance is rated as **Moderately Satisfactory**.

Overall rating	**Quality at entry**	**Quality of supervision**
Moderately Satisfactory	Satisfactory	Moderately Satisfactory

D. RISK TO DEVELOPMENT OUTCOME

79. There are no particular risks to the project's development outcome identified at this stage. MSME finance has been steadily increasing in Morocco and demand for guarantees by financial institutions has been growing. Banks are more and more targeting this segment as their knowledge of MSMEs increased. As such, the expectation is that access to credit for MSMEs, including VSEs, will be increasing over the years in Morocco.

V. LESSONS AND RECOMMENDATIONS

80. The project has yielded a number of useful lessons learned for the preparation and implementation of projects supporting PCGs:

i. **It is essential for task teams to conduct a strong sector assessment during project preparation to determine appropriate design of instruments, baseline data and targets**. In the absence of such an assessment, it is very difficult to assess results after project closing.
ii. **PCG support projects which are implemented by existing entities with a strong capacity and a good track record are likely to be successful**. The implementing agency for the project was CCG which has been in business since 1949 and has successfully administered PCGs to financial institutions for many years. There was no need to set up a new entity as part of this project (unlike in some other countries, where there is no entity established yet, and PCG projects support the establishment of a new entity).
iii. **Even in the case when the results framework is rather simple, the PIU would benefit from an M&E specialist, and it is important to ensure that gender and youth dimensions are properly monitored.** The results framework of this project was very straightforward and only comprised of 10 indicators, which appeared rather simple to calculate. Yet, there were challenges with calculations until the closing of the project and results could not be produced on a demand basis. Moreover, gender/youth dimensions were not monitored on a supplementary basis as originally envisioned. Setting up the M&E correctly from the start would have been very useful.
iv. **Clients see a lot of value in a complementary TA facility and WB experts supporting project**

implementation. TA facility is particularly good to have, as the government then does not need to borrow for TA (some governments prefer to limit amounts borrowed for TA), yet, capacity-building is still provided. Morocco authorities found the TA facility very useful. They also appreciated the caliber of WB experts supervising the project who added a lot of value, in their opinion.

v. **Well-designed CGS can support loans to beneficiaries both in the bottom of the pyramid SMEs with high growth potential.** In the case of Morocco, CCG has been able to serve both groups effectively and this is an excellent outcome. Through Damane Express, CCG facilitates access to credit for the VSEs, and these guarantees far outnumber other CCG products. Banks are very happy with this product due to the easy electronic exchange with CCG and enterprises like it because the process of getting approved is easy and fast. At the same time, CCG has also been able to support some businesses which employ 50 or more people, have a highly sophisticated management team and offer innovative products. CCG guarantees have supported establishment of franchises of some highly successful companies in Morocco. A number of beneficiaries interviewed as part of the ICR preparation report that each one of them had several businesses which benefitted from the CCG guarantee.

81. **As part of ICR preparation and discussions with various stakeholders of the project, a number of recommendations emerged for further improvement of functioning of the mechanism of guarantee in Morocco:**

- From the standpoint of both beneficiaries and banks, the single borrower limit on the credit guarantee amount (up to 20 million MAD) is somewhat low, especially for activities which deal with exports. The overall consensus was that the ceiling could be significantly increased for certain projects which promote export competitiveness and would have a high impact on employment. However, it is important to keep in mind that the government seeks to promote access to finance for smaller enterprises, while large ones appear to be served much better, and therefore increase of the ceiling beyond what is currently offered may not be appropriate.
- From the standpoint of banks, the CCG offerings and professionalism have greatly improved over the years and they have high regard for this institution. In addition to the ceiling which is mentioned above, banks have also urged for more “dematerialization”- implementing paperless process similar to Damane Express whenever possible. Banks also noted that if the government is interested in promoting select sectors (e.g., automobile, aeronautics) or select types of borrowers, they could offer higher coverage percentages for such borrowers. It is important to note that compared to many schemes, the offerings of CCG are already rather diversified and cover various target groups (for example, there is a product for women-owned VSEs). It might be worth considering introducing products targeting youth and women-owned SMEs in general (as currently Iliyaki product only covers the smallest companies- VSEs).

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: Increase in access to finance for MSMEs in Morocco

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in total no of MSME loans of PFIs	Percentage	0.00 31-Dec-2011	20.00 31-Dec-2017		88.00 31-Dec-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in the total volume of outstanding MSME portfolio of PFIs. ($ million)	Percentage	0.00 31-Dec-2011	10.00 31-Dec-2017		18.00 31-Dec-2017

Comments (achievements against targets):

A.2 Intermediate Results Indicators

Component: Support for the provision of partial credit guarantees

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in nr of MSME loans covered by guarantees	Percentage	0.00 31-Dec-2011	20.00 31-Dec-2017		3967.00 31-Dec-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in volume of MSME loans covered by guarantees	Percentage	0.00 31-Dec-2011	10.00 31-Dec-2017		2817.00 31-Dec-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in nr of loans for SME start-ups covered by guarantees	Percentage	0.00 31-Dec-2011	20.00 31-Dec-2017		674.00 31-Dec-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in volume of loans for SME start-ups covered by guarantees	Amount(USD)	0.00 31-Dec-2011	10.00 31-Dec-2017		720.00 31-Dec-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in nr of loans for existing SMEs covered by guarantees	Percentage	0.00 31-Dec-2011	20.00 31-Dec-2017		6014.00 31-Dec-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in volume of loans for existing SMEs covered by guarantees	Percentage	0.00 31-Dec-2011	10.00 31-Dec-2017		4973.00 31-Dec-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in nr of loans for very small enterprises covered by guarantees	Percentage	0.00 31-Dec-2011	20.00 31-Dec-2017		4375.00 31-Dec-2017
Comments (achievements against targets):					

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Increase in volume of loans for very small enterprises covered by guarantees	Percentage	0.00 31-Dec-2011	10.00 31-Dec-2017		3361.00 31-Dec-2017
Comments (achievements against targets):					

B. KEY OUTPUTS BY COMPONENT

N/A (the project only has one component)

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Supervision/ICR	
Valeriya Goffe	Task Team Leader(s)
Abdoulaye Keita	Procurement Specialist(s)
Laila Moudden	Financial Management Specialist
Khalid Alouane	Team Member
Chaogang Wang	Social Safeguards Specialist
Nicolas Kotschoubey	Social Safeguards Specialist
Taoufiq Bennouna	Environmental Safeguards Specialist
Teymour Abdel Aziz	Team Member
Lamis Benjelloun	Team Member

B. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY12	39.145	178,006.52
FY13	0	2,347.00
Total	**39.15**	**180,353.52**
Supervision/ICR		
FY13	30.638	115,431.41
FY14	18.875	82,974.92
FY15	13.500	59,494.64

FY16	7.663	44,224.17
FY17	20.630	95,489.20
FY18	20.168	126,896.59
Total	**111.47**	**524,510.93**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US$M)	Actual at Project Closing (US$M)	Percentage of Approval (US$M)
Support the provision of Partial Credit Guarantees	0	49.87	0
Total	**0.00**	**49.87**	**0.00**

ANNEX 4. EFFICIENCY ANALYSIS

1. The operation supported improving access to finance for MSMEs by providing credit guarantees to financial institutions, which leveraged their own resources and systems to lend to MSMEs. The project only covered losses of financial institutions in case of borrower default (while the level of defaults for the overall MSME portfolio is very low, below 2 percent, as experience of the project has shown- see **Annex 6** for more information).

2. In cumulative terms, the volume of loans backed by CCG guarantees during the life of the project was MAD 31.8 billion, which is 60+ times the size of the World Bank loan to support provision of guarantees. This is clearly a very efficient deployment of project's resources, compared to, for example, providing a line of credit when the full amount of project resources goes to lending and we can only hope that financial institutions will use their own resources as well to increase lending to the MSME segment. In case of credit guarantees, financial institutions utilize only their own funds for lending, meaning that all resources lent to MSMEs have actually been mobilized from the private sector. Another benefit compared to a credit line is that there are smaller administration costs: there is very little hassle for the lender/CGS administrator from the standpoint of getting loans pre-financed/refinanced by the project (lenders simply grant the loan using their own processes and only go back to CCG when there is a case of default, which is rather rare). Support of CGS is highly in line with the Maximizing Finance for Development (MFD) approach which the WBG is trying to promote.

3. The available data on the project unfortunately does not allow to precisely calculate financial additionality of the project (what amount of lending would not have happened without a guarantee) or economic additionality (what is the outcome in the performance of firms which were able to obtain loans backed by credit guarantees- employment, investment, innovation etc.). In fact, few credit guarantee schemes in the world calculate these metrics. However, based on discussions with banks and beneficiaries, we have been able to conclude that most MSME loans in Morocco would not have been granted in the absence of the CCG guarantee, proving financial additionality. As to the economic additionality, literature on MSME access to finance does show that MSME sector employment and labor intensity is much higher than large firms, indicating that by supporting MSME access to finance, there is a good potential to generate jobs.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

Comments related to para 76:

Pour le premier point, et s'agissant du rehaussement du plafond de la garantie, cette question renvoie à une réflexion de fond qui devrait être posée par le Gouvernement concernant le modèle recherché pour le système de garantie, ses priorités, ses capacités en termes de ressources techniques et financières ainsi que son positionnement dans le secteur financier (quel rôle du secteur privé). En fonction des choix stratégiques retenus, la question du rehaussement du niveau de la garantie pourrait être approfondie (opportunité et efficience, ciblage, coût budgétaire, impact sur l'emploi,.….).

Pour le second point , le Ministère est positif quant à la dématérialisation des processus décisionnels entre le gestionnaire et les banques. Toutefois, il convient de préciser que le rehaussement de la quotité de garantie préconisée pour la promotion notamment de l'entreprenariat féminin et les jeunes nous parait inopportune. En effet, notre position est comme suit :

1) nous estimons que les niveaux de quotité aujourd'hui permis est optimal et il n'y a pas besoin pour leur rehaussement (Damane Ilayki pour la promotion de l'entreprenariat féminin dispose déjà d'une quotité de garantie de 80%).
2) le relèvement de la quotité au-delà d'un certain niveau n'apporte plus d'additionnalité en termes de financement des entreprises cibles, au contraire il pourrait se traduire par un aléa moral avec un effet contraire des objectifs visés.

La question du financement n'est pas le seul ou le principal déterminant de l'entreprenariat, d'autres contraintes sont également importante à prendre en compte (accompagnement, accès aux marchés, renforcement des capacités et encadrement, organisation et mise en réseaux, optimisation des circuits de fourniture et de commercialisation,..). Aussi, des solutions globales et intégrées devraient être pensées et mises en œuvre pour accélérer la réalisation des objectifs poursuivis.

ANNEX 6. OVERVIEW OF CCG OPERATIONS AND PRODUCT OFFERINGS AND BENCHMARKING AGAINST INTERNATIONAL BEST PRACTICES

1. The CCG is a public financial institution licensed and supervised by the Central Bank, Bank Al-Maghrib[7]. The agency was established in 1949. The CCG manages state funds and operates the government's credit guarantee offering (loans to enterprises guaranteed by CCG bear state guarantee, which makes guarantees highly attractive for lenders[8]). In addition to guarantees, CCG also operates government funds providing co-financing of SME loans with financial institutions.

2. CCG went through several reorganizations during its existence and as part of its 2009-2012 development plan, it underwent a complete overhaul of its product offering. It introduced new guarantee products to better match SMEs' financial needs according to their life cycle (investment loans, working capital, restructuring). CCG only guarantees loans of formal enterprises, providing a further incentive for businesses to register. The ceiling of the guarantee is MDH 10 million for a project and the single borrower limit is MDH 20 million. All sectors are eligible with the exception of real estate and fisheries. Each CCG product has been designed carefully to meet unique needs of a particular segment of enterprises (and financial institutions funding them). CCG product offering is much broader than many other countries in MENA. The details of the CCG main product offerings are presented in **Table 1** below.

3. CCG varies coverage levels of different types of products, which is in line with international best practices. For example, coverage level is higher for VSEs compared to SMEs (reflecting the risk of this segment and reluctance of banks to provide loans to these types of enterprises). With its different guarantee percentages for different products, CCG ensures that it provides enough coverage to encourage lenders to lend for a particular segment but also makes them retain sufficient risk. This way, CCG is able to ensure that a thorough credit analysis is performed and that the bank uses the same level of care when servicing the loan that it uses on its non-guaranteed loans.

4. The highest coverage (80%) is offered for women-owned businesses VSEs, as this is the segment the government seeks to promote and women-owned businesses usually face more constraints than men in access to collateral, so they are in more need of a guarantee. Start-ups also require a higher guarantee

[7] While CCG is a credit institution subject to the banking law and technically supervised by the central bank, in practice, its financial activities largely escape the prudential control of the central bank, because most of its activities (such as management of funds of guarantee and co-financing on behalf of the state) are off-balance-sheet, and only on-balance-sheet activities (which are quite marginal at this stage) fall under the prudential supervision. As part of the MSME TA Facility provided in complement to this project, report "Evaluation of the Governance Framework and the Activities of the Moroccan Credit Guarantee Scheme" was produced which included a number of recommendations, including strengthening of the prudential control by Bank Al-Maghrib. These recommendations are currently being considered by the authorities.

[8] The report "Evaluation of the Governance Framework and the Activities of the Moroccan Credit Guarantee Scheme" produced as part of the MSME TA Facility includes recommendations to gradually phase out the state guarantee, as it puts an unnecessary burden on public finances. State guarantee could be provided for a longer period of time for some products which target the most underserved segments. If these actions are implemented over a medium-term timeframe, it will be possible to plan progressive capitalization of the CCG which would respond to the risk profile and also provide time for the banking sector to understand the new governance structure and hopefully continue using CCG products even after the state guarantee has been lifted from the majority of products, given good track record of CCG.

percentage compared to existing businesses, so CCG guarantees 70% of loan for them (compared to 60% for existing business). Additional incentive is provided to export-oriented enterprises (70% coverage).

Table 1. CCG Main Guarantee Product Offerings

	Name of product	Target Beneficiary	Loan size/purpose	Coverage Level	Guarantee Fee	Speed of CCG response
1	Damane Express	VSE	<= 1 MDH	70%	0.5% for loans < 12 months; 1.5% for loans >12 months	48 hours
2	Ilyaki	VSE (women-owned)	<= 1 MDH	80%	1.5% of the loan	48 hours
3	Damane Crea	SME – in existence less than 3 years-	> 1 MDH, investment loan	70%	2%	10 business days
4	Damane Dev	SME – 3 or more years in operation	> 1 MDH, investment loan	60%	2%	10 business days
5	Damane Exploitation	SME- working capital loan	> 1 MDH, working capital loan	60%	0.5%	10 business days
6	Damane Export	SME (20% revenue from export activities)	> 1 MDH	70%	0.5%	10 business days
7	Damane Istimrar	SME	Consolidation of bank loans (bank investment/working capital loans except loans secured to public sector or those under litigation)	50%	2%	10 business days
8	Damane Transmission	SME	Transfer of the stake in an enterprise	60%	2%	10 business days

5. Overall, CCG coverage percentage appears in line with coverage levels in the region and helps ensure sustainability of CCG. Morocco, along with several other countries, offers different coverage levels for different borrowers, which is important to stimulate access to credit for the target sectors, such as start-ups. Overall, coverage ratios in MENA range from 50% to 90%. The 50% level is used on loans to larger firms in Egypt. The 90% loans are available in the UAE and on loans to innovative firms in Lebanon. The rest of the guarantee coverage ratios in the region are in the 60% to the 80% range. **Table 2** shows program information for various schemes in the MENA region.

6. Guarantee fees of CCG are in line with international benchmarks for PCGs and help to ensure sustainability of CCG. Some countries in MENA underprice PCGs which can affect sustainability of the scheme, but this is not the case for CCG. CCG is one of the few countries in MENA which links the price of the guarantee to risk exposure.

7. In term of payment rules, compared to other countries in MENA, Morocco and Tunisia provide an advance payment of 50 percent of the claim presented, followed by the balance when all legal means are exhausted. This helps to incentivize lenders to lend more to MSMEs. CCG also made sure that the speed of approval is faster for VSEs (to make it easier for financial institutions to lend to this segment).

Table 2. Coverage Ratios of CGS in MENA

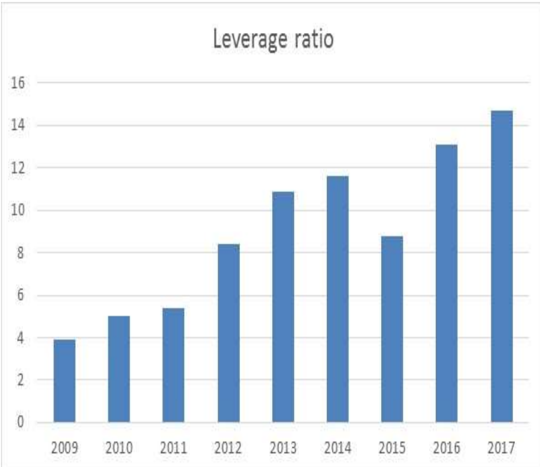
Country	Minimum	Median	Maximum	Description
Egypt	50%	60%	70%	Medium firms 50% (>10 employees); Small firms 75% (< 10 employees),
Iraq	75%	75%	75%	No differentiation in coverage ratio
Jordan	70%	70%	70%	No differentiation in coverage ratio
Lebanon	75%	82.5	90%	Small-sized loans (< US$ 200,000): 75%, Medium-sized loans (< US$ 400,000): 85%, Innovative loans: 90%
Palestine	60%	60%	60%	No differentiation in coverage ratio
Saudi Arabia	50%	62.5%	75%	General: 50%, start-ups: 75%
Tunisia	60%	67.5%	75%	General: 60%; Prioritized firms 75% (Development zones, start-ups)
UAE	90%	90%	90%	No differentiation in coverage ratio [9]

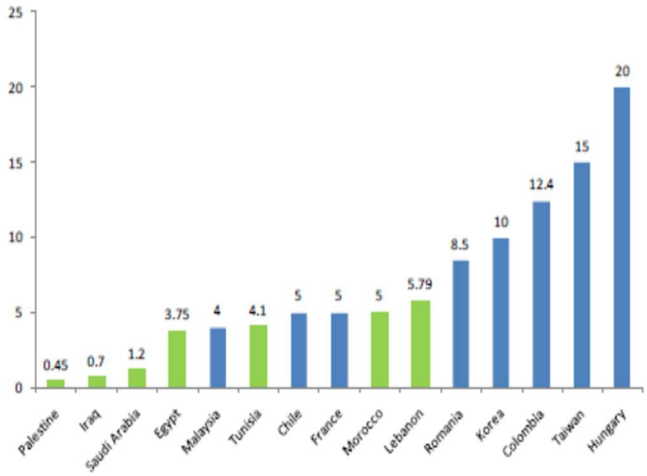
8. Overall, based on the analysis performed as part of the ICR, CCG has implemented a number of good practices in line with the *Principles for design, implementation and evaluation of public CGS* which were developed by the global task force, including Arab Monetary Fund, the Asian Credit Supplementation Institution Confederation, the Association of African Development Finance Institutions, the European Association of Mutual Guarantee Societies, the Ibero-American Guarantee Network, and the Institute of International Finance.

9. Over the years, CCG has been able to significantly increase its leverage ratio (from 4 in 2009 to about 15 in 2017), which led to a significant increase in the number and volume of guarantees issued. Benchmarks in MENA are only available for 2009 when most of the credit guarantee schemes in the region had very low leverage compared to countries with well-developed credit guarantee schemes, and this was one of the criticisms, since CGS in MENA did not sufficiently leverage their capital. Research shows that leverage of guarantee schemes in developing countries are generally lower than developed countries. The leverage ratio of CCG is now in line with ratios of developed countries.

[9] Youssef Saadami, Zsofia Arvai and Roberta Rocha. A review of credit guarantee schemes in the Middle East and North Africa Region (2010).

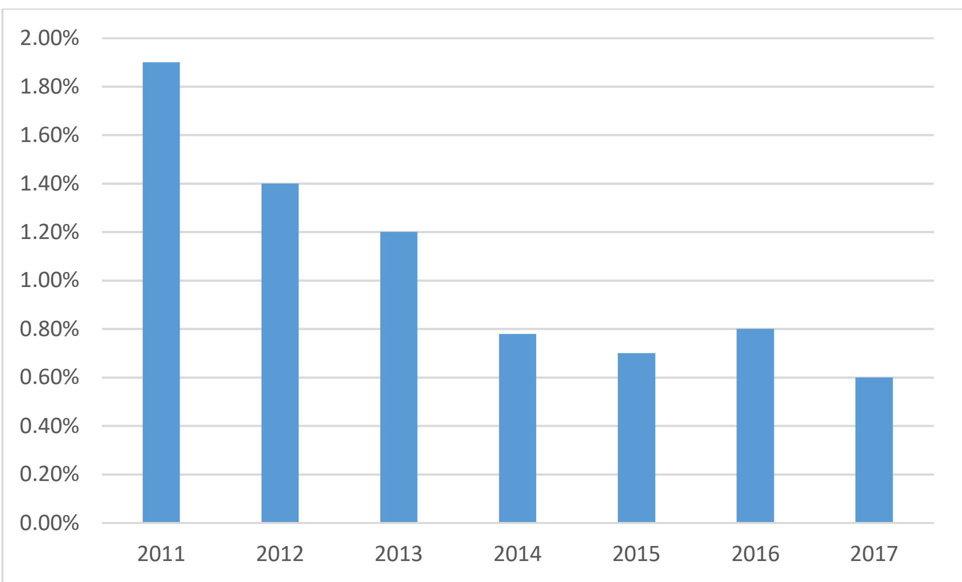
Figure 1a. CCG Leverage Ratio (2009-2017) **Figure 1b. Leverage Ratio in MENA (average 2007-09)**





10. Given that losses are rather low, this appears to be sustainable, however, the leverage ratio may need to be monitored to ensure high leverage does not lead to losses in the future. CCG loss ratio is presented in **Figure 2** below. Losses on the overall portfolio have been declining, which is a good trend. The granular review of various business lines shows that losses on start-ups are relatively high, but this would be expected given the risky nature of this segment. In many CGS, one business line which is more successful may be subsidizing other business lines where there is more potential for a developmental impact and therefore more risk. CCG is able to compensate losses on the startup segment with fees from other segments where losses are negligible.

Figure 2. CCG Losses Dynamic – 2011-2017

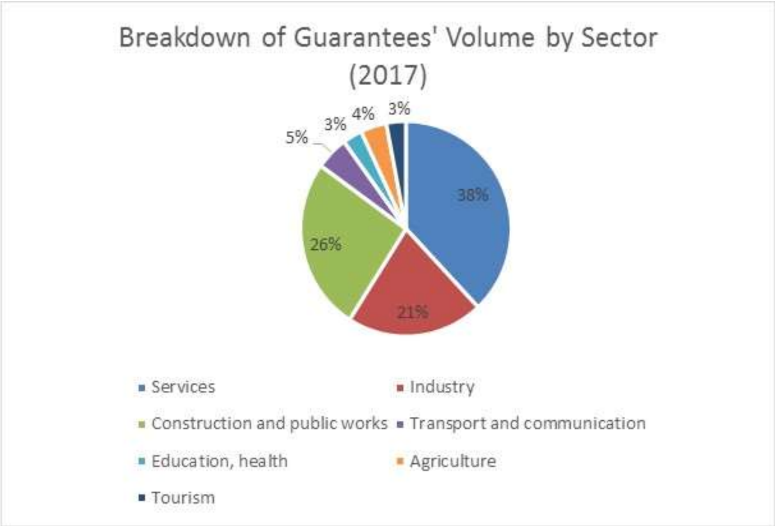


11. CCG is now present in all major Moroccan cities (originally, they only had an office in Rabat). During the life of the project, they have been able to establish service centers in Marrakesh, Casablanca, Tangier, Agadir and others. These service centers are very useful for the entrepreneurs as they are able to call, come in for a consultation, etc. The Casablanca center, for instance, employs five staff who report that interaction with various clients takes place every day. Staff is usually recruited with experience from other financial institutions (e.g., major banks), so they are well qualified. Beneficiaries interviewed as part of the ICR preparation underscored the importance of regional service centers and excellent support they receive there.

12. CCG program not only demonstrated additionality, but also impacted disproportionately small and young firms with a higher impact in lagging regions. The results of the Statistical Study (2016) undertaken under the MSME TA Facility demonstrated that the share of beneficiaries of the guarantee program in lagging regions (excluding the commercial hubs of the greater Casablanca / Rabat areas) was at 66 percent for VSEs and 59 percent for SME start-ups. The Statistical Study was based on robust methodology and while the reference period of the analysis (2010-2014) preceded the project implementation period (2012 onwards), it provided a snapshot of the overall demand and utilization of PCGs by sector and region. The project unfortunately did not track results by gender, so at this stage it is not possible to determine how much the project's interventions supported improvement in access to credit for these groups.

13. Guarantees covered a wide range of sectors, as depicted in **Figure 3** below. Services sector accounted for the largest share (38 percent), followed by industry (21 percent). It is important to note that sector focus varied depending on the location (for example, in Rabat area, there were many guarantee beneficiaries in the services sector, while Casablanca region, which is more of an industrial area, guarantees were largely provided to MSMEs with an industrial focus). We note that by design and according to the government priorities, the CCG guarantees do not cover two sectors: real estate and fisheries.

Figure 3. Breakdown of Guarantees by Sector (2017)



14. CCG did their best to incorporate best practices for the design of credit guarantee schemes in its operations over the years. CCG differentiates among the type of products to determine eligibility of the enterprises for guarantees: for example, for some products, only enterprises which meet the MSME definition (turnover below 175 million MAD) are eligible, while for others, for example, investment capital loans, all enterprises are currently eligible (regardless of turnover size). The only limit in such a case is on the size of guaranteed loan (below 10 million MAD per project, or 20 million MAD for a single borrower). Importantly, CCG does not apply the turnover ceiling to its existing customers and they continue being eligible for all products (for example, if the enterprises originally has turnover of 100 million MAD, then obtains guarantee of CCG and as a result, increases turnover to 200 million MAD, they would continue being eligible for CCG guarantee).

15. CCG is now looking for ways to increase the number of financial institutions utilizing its guarantees to further contribute to the sustainability of its operations. One of the potential new lines of business is serving enterprises which are customers of microfinance institutions. One challenge with these customers is small amount of loans (by Moroccan legislation, loans granted by microfinance institutions cannot exceed 50,000 MAD). CCG is in discussions with the National Federation of Associations of Microcredit regarding potential expansion of their products to microentrepreneurs served by them.

ANNEX 7. DETAILS OF CALCULATIONS OF PDO AND INTERMEDIATE RESULTS INDICATORS

1. Table 1-5 below shows the details of calculation of PDO level and intermediate outcome indicators. For PDO level indicators, the team received information about PFI portfolios for 2011-2017 (number and volume of loans). For intermediate outcome indicators, the team was provided annual production of loans covered by guarantees, then calculated cumulative production and % increase from baseline for each year.

Table 1. Dynamic of MSME loans of PFIs

Year	Number	% Increase from baseline	Volume (million MAD)	% Increase from baseline	Average loan size (MDH)
2011	384,950	-	120,392	-	312,747
2012	436,593	13%	128,767	7%	294,936
2013	617,303	60%	130,233	8%	210,971
2014	613,802	59%	132,831	10%	216,407
2015	567,572	47%	133,963	11%	236,028
2016	639,303	66%	134,829	12%	210,900
2017	722,774	88%	141,993	18%	196,456

Table 2. MSME Loans Covered by Guarantees

Year	Annual production	Cumulative production	% Increase from baseline	Volume (MAD million)	Cumulative volume (MAD million)	% Increase from baseline
2011	685	685	-	1,089,199,704	1,089,199,704	-
2012	1,220	1905	178%	1,888,358,763	2,977,558,467	173%
2013	2,029	3934	474%	2,507,184,474	5,484,742,941	404%
2014	3,034	6968	917%	3,664,729,987	9,149,472,928	740%
2015	5,005	11973	1648%	5,521,120,984	14,670,593,912	1247%
2016	6,986	18959	2668%	7,446,967,990	22,117,561,902	1931%
2017	8,898	27857	3967%	9,650,840,000	31,768,401,902	2817%

Table 3. Loans to SME Start-ups covered by Guarantees

Year	Number	Cumulative number	% Increase from baseline	Volume (MAD million)	Cumulative volume (MAD million)	% Increase from baseline
2011	134	134	-	483,914,600	483,914,600	-
2012	126	260	94%	410,082,400	893,997,000	85%
2013	123	383	186%	342,794,500	1,236,791,500	156%
2014	118	501	274%	387,062,000	1,623,853,500	236%
2015	156	657	390%	533,458,158	2,157,311,658	346%
2016	170	827	517%	537,442,484	2,694,754,142	457%
2017	210	1037	674%	1,273,530,000	3,968,284,142	720%

Table 4. Existing SME loans covered by guarantees

Year	Annual production	Cumulative production	% Increase from baseline	Volume (MAD million)	Cumulative volume (MAD million)	% Increase from baseline
2011	122	122	-	490,906,700	490,906,700	-
2012	373	495	306%	1,281,147,360	1,772,054,060	261%
2013	537	1032	746%	1,846,882,539	3,618,936,599	637%
2014	877	1909	1465%	2,814,960,321	6,433,896,920	1211%
2015	1,338	3247	2561%	4,297,999,004	10,731,895,924	2086%
2016	1,823	5070	4056%	6,482,447,803	17,214,343,727	3407%
2017	2,389	7459	6014%	7,686,910,000	24,901,253,727	4973%

Table 5. VSE Loans covered by guarantees

Year	Annual production	Cumulative production	% Increase from baseline	Volume (MAD million)	Cumulative volume (MAD million)	% Increase from baseline
2011	429	429	-	114,378,404	114,378,404	-
2012	721	1150	168%	197,129,003	311,507,407	172%
2013	1,369	2519	487%	317,507,435	629,014,842	450%
2014	2,039	4558	962%	462,707,666	1,091,722,508	854%
2015	3,511	8069	1781%	689,663,822	1,781,386,330	1457%
2016	4,890	12959	2921%	964,520,187	2,745,906,517	2301%
2017	6,240	19199	4375%	1,212,880,000	3,958,786,517	3361%

ANNEX 8. EVOLUTION OF BANKS' USE OF CCG FACILITY FOR VSES