

Evaluation of budget support operations in Morocco from 2013 to 2021

EXECUTIVE SUMMARY
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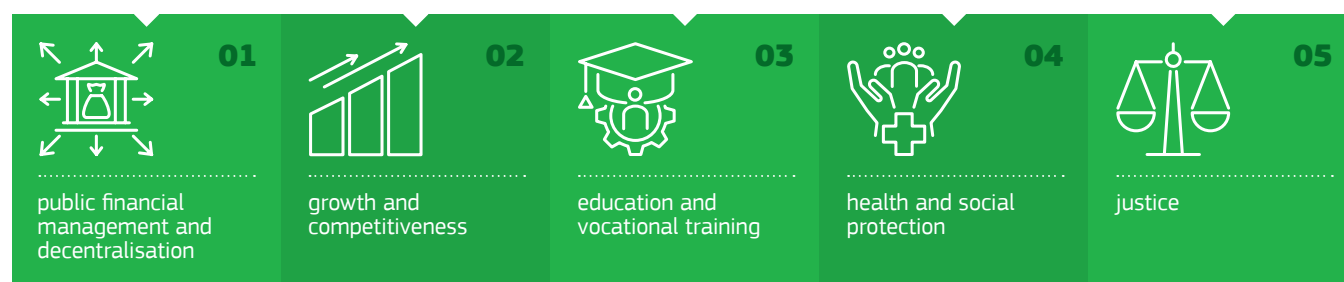
EXECUTIVE SUMMARY

► *An important evaluation in a rapidly evolving context.*

This report presents a comprehensive and independent evaluation of EU budget support (BS) interventions in the Kingdom of Morocco during the period 2013 – 2021. The objective of the evaluation was to assess the extent to which budget support has strengthened the Moroccan government's policies, strategies, institutional capacities, and spending, and thereby contributed to the achievement of the country's development results, promoting growth and poverty reduction.

This evaluation was of particular importance. First, because it focused on the main modality of implementation of cooperation between Morocco and the EU. Second, because it concerns a period of intense reform for Morocco following the adoption of a new Constitution in 2011. Finally, because the evaluation comes at the juncture of the EU's 2014-2020 and 2021-2027 multi-annual financial frameworks and at a time when Morocco and the EU are renewing their partnership. The ambition of the evaluation was to draw lessons from the past period in order to pave the way for a new generation of programmes that will enable Morocco and the EU to continue to build closer ties in a fast-changing context marked by growing uncertainty.

The evaluation covered 17 completed or ongoing BS programmes in the sectors :



The evaluation followed the OECD/DAC methodological approach for budget support evaluations, with the evaluation matrix consisting of twelve questions to assess the evolution of Moroccan public policies supported by EU budget support by highlighting the contribution of the BS programmes to the observed results and impacts. Conducted from February 2020 to June 2021, the evaluation had to cope with the exceptional context of the COVID-19 pandemic, which prevented field visits, substituting them with video-conference interviews.

► *A stable macroeconomic context during the evaluation period challenged by the COVID-19 crisis*

During the evaluation period (2013-2021), the Moroccan economy experienced a stable growth rate of around 3% of GDP, albeit slightly lower than in the years following the international financial crisis of 2008. Growth has been supported by a sound macroeconomic policy which has allowed the gradual reduction of the public accounts deficit and the maintenance of low inflation. Significant public and private investment in economic and social infrastructure and the progress made in opening up the economy to trade also contributed to growth. Foreign trade continued to expand, generating a trade deficit that has added to the negative current account balance observed over the entire period. Economic growth did not lead to a reduction in unemployment, which remained almost constant at around 9% of the active population. On the other hand, poverty has continued to decline overall, but with significant differences between regions. As in other countries, the COVID-19 crisis has had a strong impact on the Moroccan economy creating new challenges for the country.

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- *A range of programmes responding to the objectives and requirements of the Euro-Moroccan partnership well-integrated into the Moroccan reform process...*

The recourse to budget support was motivated by the EU's desire to accompany the far-reaching political, economic, and social reform process launched by Morocco following the adoption of a new Constitution in 2011. The substantial volume of aid granted, and the breadth of policies supported was a strong signal of the EU's engagement with Morocco and of the trust placed in the Moroccan administration's ability to implement its reform agenda. By providing considerable financial and technical support coupled with sustained reform dialogue, the modality has responded to the strategic ambitions of the Euro-Moroccan partnership in a way that the deployment of technical assistance on its own would not have achieved in the same degree. The use of the modality was also justified by a stable macroeconomic policy and the strong commitment of the Moroccan authorities to sound public finance management, budgetary transparency, and oversight. In addition, BS programmes were based on recently adopted sector strategies which allowed for a strong anchoring of the cooperation in the reform process.



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- *... constituting a coherent whole at the heart of Morocco-EU cooperation...*

Budget support was the preferred modality during the period under evaluation, accounting for the bulk of EU assistance to the targeted sectors. The total budget of the programmes under review was EUR 1.087 billion, of which EUR 977.8 million was budget support and EUR 109.2 million was complementary assistance, representing around 74% of the financial commitments over the period. Budget support was coherent with other EU programmes and instruments, including the objectives of project support and blending operations that intersected with the development priorities pursued by the programmes. Furthermore, the complementary assistance accompanying budget support reinforced the regulatory convergence process also supported by the EU's «Achieving Advanced Status» programme.

- *... with a consultative approach that has helped to structure better the offer of international assistance.*

The BS programmes were designed and implemented in consultation with other donors, relying in particular on thematic groups that brought together most of the technical and financial partners (TFPs) working in specific sectors, often set up and led by the EU. This coordination has played an important role in ensuring coherence between the interventions of the various actors, by promoting rather than initiating a global logic of support to the sectors, though it seldom led to common *modus operandi*, due to differences in timetables and internal procedures often difficult to reconcile. The BS programmes have also encouraged close cooperation among the TFPs through delegation agreements entrusting the implementation of part of the complementary assistance to international organisations selected for their familiarity with the reform issues and the actors involved, as well as for their presence in the country.

The total budget of the programmes under review was

**EUR
1.087
billion**

- ▶ *A financial contribution not negligible overall but difficult to discern at the sectoral level.*

The budget support financial transfers, representing about 2% of the state budget's investment expenditure over the period, have improved the Moroccan government's overall budgetary margin of manoeuvre, providing important resources for the implementation of reforms. However, the evaluation did not identify a direct influence on sectoral budgets, which are the result of a trade-off process that budget support does not influence. The diversity of sources of financing for policies combining budget and extra-budgetary resources also makes it difficult to assess the increase observed in certain sectors. Participation in a budget support programme and the financial contribution, which is substantial in relation to the costs of the reforms, may nevertheless have helped to strengthen the credibility of the policies supported and the means available for their implementation.

- ▶ *The BS programmes have sparked a fruitful dialogue between the EU and the Moroccan administration, which has helped to inject dynamism into the reforms.*

A close dialogue between the EU and the Moroccan administration was maintained at all stages of programme implementation, helping to spur reforms and to facilitate the transition from strategy to implementation, a process which programme formulation often accompanied in an effective and structuring manner, albeit at a technical rather than strategic level. In addition, policy dialogue was not always sufficiently formalised and suffered from the difficulties experienced by the joint AA bodies during much of the period under evaluation, which prevented synergies from being achieved between these two levels of dialogue. On the other hand, budget support has made it possible to keep the channels of exchange on reforms with the Moroccan administration alive and open during the freeze in political relations experienced by the EU and Morocco between 2015 and 2019.

- ▶ *Budget support has strengthened dialogue practices within the Moroccan administration, which nevertheless remains highly compartmentalised.*

Steering and coordination bodies set up by the BS programmes have helped to bring together a wider circle of reform stakeholders and to foster closer dialogue and contacts during programme implementation, partly remedying the weaknesses in inter-ministerial coordination within the Moroccan administration, still characterised by strong compartmentalisation. In addition, some programmes have encouraged collaborative approaches between the administration and civil society, contributing to the EU's efforts to increase the latter's involvement in policy definition, implementation and monitoring.

- ▶ *Likewise, budget support had a positive effect on monitoring and evaluation practices within the administration, even if significant improvements are still needed in the steering of public policies.*

The BS programmes have contributed to spreading good practices in monitoring and evaluation through performance matrices and monitoring activities that have yielded a wealth of information on the progress of the reforms supported. Nevertheless, the programmes have not yet been able to build on strong national monitoring and evaluation frameworks and practices, which Morocco needs, independently of the programmes, to learn from reform processes put in place, and to assess and improve the implementation of sector strategies in order to guide future public action.



► *Complementary programme assistance has helped to strengthen the implementation capacity of the administration, but its use has not always been optimal.*

BS programmes have deployed a full range of complementary support (technical assistance, twinning, delegation agreement, grant) with resources in steady increase compared to the budgetary component, reflecting the emphasis laid on capacity development as a factor for programme and reform success. The evaluation found many examples of the contribution of technical assistance to the roll-out of reforms and capacity development in ministries. Ministries repeatedly stressed that the technical support provided by complementary assistance was, in their opinion, one of the main contributions of the programmes. On the other hand, long and cumbersome implementation procedures and occasional delays in mobilising Moroccan institutional partners led to an under-utilisation of the available allocations (with the six completed programmes absorbing only 65% of the funds provided for complementary assistance) and a lack of synchronisation with the financial component of the programmes.

► *The combination of financial flows, policy dialogue and complementary assistance that only the budget support modality can organise in a coherent manner has provided valuable support to the reform process, resulting in progress in all sectors.*

In the area of **governance and public finance management**, the Hakama budget support programme has contributed significantly to the dissemination of the culture related to the new organic budget law within the administration and to the production of knowledge and know-how, contributing to increased overall efficiency of the Moroccan administrative system and a better consideration of public policy results, but with limited progress regarding the convergence of sectoral policies. Albeit still insufficient, the programme has also promoted greater budgetary transparency, while measures to strengthen the efficiency of the tax system have led to a significant increase in tax revenues over the period. It should be noted that all BS programmes have contributed to disseminating the principles and tools of results-based public policy management throughout the Moroccan administration, thus reinforcing the budgetary reform supported by Hakama in a cross-cutting manner, in particular through the preparation of ministerial Performance Projects (PP).

In the area of **growth and competitiveness**, the Employment-SME and the Growth and Competitiveness Support Programme (GCSP) programmes have promoted a comprehensive approach to strengthening growth and competitiveness factors, supporting reform measures essential to the implementation of sectoral strategies, institutional processes (adoption of the status of self-employed entrepreneurs) and various mechanisms, such as the dematerialisation of foreign trade procedures. The GCSP programme has provided support to a non-negligible but relatively small number of beneficiaries (SMEs, start-ups, etc.). The impact of these programmes, sometimes significant at the microeconomic level, is more difficult to assess at the macroeconomic level since it depends on many external factors, the effects of which will only be felt in the medium term. Furthermore, the broad scope of the intervention has probably reduced the leverage effect on the expected results.

In the field of **agriculture and forestry**, the AGRI II programme has contributed to the achievement of some of the objectives of the second pillar of the Green Morocco Plan (GMP-P2), allowing, in particular, an increase in agricultural diversification a greater presence of professional organisations in the governance of social promotion projects and in income-generating activities. The Agricultural Advisory Programme has increased access to quality advice for small farmers, although the training of agricultural advisors remains insufficient. The Forestry programme has contributed to more secured land tenure in the forestry sector by promoting a better articulation of the different components of forestry policy.

In the field of **education**, the EDU II programme has contributed to improving access to the education system and its governance, but the supported reforms have not improved the internal efficiency of the sector and overcome the shortcomings in terms of information systems for policy monitoring. The Vocational Training (VT) programme has been effective in driving and supporting changes that normally take many years, although the sector continues to suffer from structural fragmentation. The Alpha programmes have contributed to reducing illiteracy, increasing territorial accessibility, and improving the quality of service. However, the sector lacks annual quantified data on the professional integration of the literate.

In the area of **health and social protection**, the sustained and trustful dialogue and co-ordination established through the programmes accompanied the important reforms carried out during the period. The PASS II programme has contributed to increased access to and quality of health care, particularly for mothers and children. The PS and CMB III programmes gave decisive impetus to the reforms, creating a conducive framework for the support and coordination of inputs from all partners, which resulted, in particular, in an increase in the number of subscribers to basic health coverage. The enactment of the new Social Protection framework

law in March 2021, which aims to address the fragmentation of the sector, is an important step forward for policy effectiveness which budget support was instrumental in achieving.

In the area of **justice**, budget support has played a significant part in speeding up the implementation of the Justice Charter from the programme's formulation and negotiation phase, and then as payments were made. Well in line with a balanced national strategy document, the coherent budget support-complementary aid package gave impetus to the reforms, accelerating the consolidation of the legislative, regulatory, and institutional framework, which led to greater efficiency in the justice system and improved access to justice for the most vulnerable groups. On the other hand, the programme has not been able to stimulate in-depth transformation of justice practices, either from the point of view of interaction between governance bodies or in terms of the daily practices of magistrates.

The programmes have also supported gender mainstreaming in public policies in a cross-cutting manner jointly with two EU gender budget support programmes, backing Moroccan reform efforts in this respect, with the most significant progress noted in the social sectors.



“The programmes have also supported gender mainstreaming in public policies in a cross-cutting manner jointly with two EU gender budget support programmes.”

► *Nevertheless, the results and impacts observed have often fallen short of the expectations of ambitious and insufficiently interlinked sector strategies.*

Looking only at the seven years of the period under review, the results and impacts of the sectoral policies supported appear to fall short of the objectives set in the strategies. This reflects the occasionally excessive ambition of the latter, with reforms that were more complex and took longer time than anticipated owing to a worsened economic context and various resistances to change. From this point of view, more rigorous diagnoses and a more realistic assessment of the politico-institutional adjustments required to complete reforms could have facilitated the incentive role of budget support. Furthermore, the fragmentation and lack of integration of public policies have reduced the impact of programmes which cannot be expected to ensure, on their own, effective sectoral and intersectoral coordination, for which the Moroccan authorities are primarily responsible, with the further consequence that budget support has sometimes tended to reproduce this segmentation.

Ten recommendations for an even more relevant and effective use of budget support.

Building on the lessons learned over the past period, the evaluation makes ten recommendations to improve the use of the budget support modality in the renewed context of Morocco-EU cooperation.

► Strengthening budget support management

- 1 Retaining the budget support modality as a support mechanism for reforms.**

The benefits of the budget support modality highlighted by the evaluation argue in favour of maintaining it at the heart of EU-Morocco cooperation. DG NEAR and DUE should select in consultation with MEF and with a greater focus than in the past, the sectors and reform priorities for which the budget support modality is most appropriate, maximising new opportunities for synergies between EU instruments. In parallel, the EU could consider the use of BS programmes to support the achievement of the Sustainable Development Goals (SDG Contract). To align budget support with the three-year budget programming and better accompany reforms over time, consideration should be given to improving the linkage of BS programmes with the PPs of the sectors supported and to envisaging a phased implementation in two three-year periods, with a mid-term review at the end of the first period.
- 2 Strengthening policy dialogue at programme level and its articulation with the AA political dialogue and the Advanced Status.**

To enhance sectoral policy dialogue, the priorities, and modalities of dialogue for each programme should be identified in a more structured and detailed way, including through a tentative timetable, detailed agendas, and minutes, with systematic archiving of all official meetings organised in the framework of the programmes. The strategic dimension of the sectoral dialogue and its articulation with the convergence process promoted by the Association Agreement and the Advanced Status should also be reinforced.
- 3 Strengthening synergies with other TFPs.**

Taking advantage of the close contacts established with the main donors, in particular through the Thematic Groups, it is recommended that more joint mechanisms be envisaged between TFPs in priority sectors, allowing for better harmonisation of the respective programmes, starting with information sharing and joint diagnoses (mapping) leading in the long term and if possible to joint identification and formulation missions. This closer cooperation should be carried out on a case-by-case basis, prioritising sectors relating to key challenges for Morocco that attract support from many donors, in particular EU Member States. It should seek greater synergies with the IFIs, notably the EIB, by complementing sector support with investment programmes in the context of EFSD+. Finally, the Moroccan authorities should be encouraged to play a greater role in TFP coordination so as to leverage better the aid provided and to generate more coordination and synergies.



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Building capacity ahead of programmes should involve all ministries concerned, including the MEF as the national budget support coordinator.

► Strengthening programme preparation

4 Strengthening programme formulation through more thorough diagnostics and a more systematic use of the Theory of Change.

It is recommended that Morocco be encouraged and supported in developing ahead of sector strategies more systematic sector diagnoses, with more robust statistical data. Such diagnoses would strengthen policy strategic frameworks and facilitate identification/formulation missions, as well as the selection performance indicators more oriented towards policy results. They would provide EUD staff with relevant and up-to-date information in their policy dialogue activities. The design of programmes should also be based on a rigorous theory of change to identify the actual political-institutional transformations to which the EU intends to contribute in each sector, the hierarchy between these transformations and their relationships, as well as their feasibility in terms of change management.

5 Building stakeholder capacity ahead of programmes (bridging)

It is suggested that consideration be given to the establishment of long-term technical expertise to bridge the gap between the identification/formulation and the implementation of programmes so as to increase their effectiveness. This expertise should, in particular, support the Moroccan administration in strengthening and operationalising the sectoral strategic framework within which the planned budget support programme falls, including through the establishment of robust coordination and monitoring-evaluation mechanisms for the public policies supported. Building capacity ahead of programmes should involve all ministries concerned, including the MEF as the national budget support coordinator.

6 Considering the priorities for possible new BS programmes in the supported sectors

Where possible, the priorities identified by the evaluation should be reflected in the formulation of new BS programmes in the sectors examined. The areas identified may be subject to other implementation modalities, with budget support being prioritised for supporting reforms requiring significant legislative and institutional changes. No specific budget support is recommended for the growth and competitiveness sector, as the needs of this sector overlap with those of the governance sector or require the intervention of other actors (IFIs) and/or other instruments, including blending operations (see recommendation 3).

► Strengthening programme implementation

7 Building capacity for monitoring public policies linking it better with the BS monitoring/evaluation.

Monitoring and evaluation (M&E) mechanisms and capacity within the Moroccan administration should be strengthened over and beyond the BS programmes (starting with data collection and processing), in order to contribute to more effective and transparent public action, including when deploying EU budget support. To this end, complementary assistance could be envisaged to improve M&E in the context of the three-year budgetary cycle, to assist with independent final evaluations of supported public policies and to strengthen the production of reliable and up-to-date statistics on the results and impacts of supported policies. It is also recommended that cooperation be established with Moroccan research and statistical institutes to give EU M&E missions access to recent statistical data and research in the targeted sectors. Stronger integration of programme and public policy M&E is also recommended as a further step towards greater alignment of budget support with the three-year budgetary planning cycle (Recommendation 1).

8 Increasing the articulation and synchronisation of complementary assistance with the financial and policy dialogue components of budget support.

It is recommended to maintain substantial complementary assistance allocations commensurate with the needs of the sectors supported, while promoting better linkages and synchronisation of technical assistance projects with the other BS components to increase the use, effectiveness, and impact of TA on programme implementation.

9 Foster more systematic engagement of civil society in its advocacy, representation and monitoring roles across all sectors covered by BS.

It is suggested to promote further the role of civil society in good governance, social and economic development in the framework of BS, building on the achievements already made in preparing the sector strategies. To this end, it is suggested to carry out a comprehensive mapping of the support available to NGOs from the EU and other TFPs in all BS-covered sectors to identify possible needs for further assistance in this area. It is also recommended to consider, where feasible, the inclusion of disbursement targets linked to the participation of NGOs in the planning, implementation and budgeting processes of reforms receiving budget support.

10 Strengthening the capacity of the European Commission in the management of budget support.

To improve the effectiveness of the modality, it is recommended to optimise the management of budget support by strengthening EUD capacity and working practices through staff workload and training needs analyses, streamlining internal management practices, notably as regards the organisation of sector policy dialogue, and strengthening the information management system, particularly to ensure greater uniformity and easier archiving/access to documentation and information. There is also a need to explore how to strengthen the support from the relevant thematic teams (former CoTE) and the Budget Support Team in the EC, in particular to improve programme targeting and articulation with other EU instruments (Recommendation 1) and contribute to a stronger policy dialogue (Recommendation 2).



It is suggested to promote further the role of civil society in good governance.

