

Ex-Ante Evaluation

Middle East Division 1, Middle East and Europe Department, JICA

1. Basic Information

Country: Kingdom of Morocco (Morocco)

Program: COVID-19 Response Support Program Loan

Loan Agreement: December 2, 2020

2. Background and Necessity of the Program

(1) Current State and Issues with the Coronavirus Disease Response in Morocco

In the Kingdom of Morocco, after the first case of coronavirus disease (hereinafter “COVID-19”) was confirmed in March 2020, the virus was confirmed to have spread with a total of 330,000 cases and a death toll of more than 5,400 as of late November 2020, marking the highest level of cases per 1 million population, in the Maghreb. Although the Moroccan government is trying to expand the testing system for COVID-19, increase the number of beds for the infected, and provide artificial respirators, the system is still not sufficient to cope with the increasing number of new patients.

The Moroccan government announced the Public Health Emergency Declaration in March 2020 for the containment of COVID-19, closing down the national borders on land, air, and sea and also taking measures such as restriction of movement. Although they have gradually lifted these restrictions since June, the Public Health Emergency Declaration is still extended through December 10. Economic activities have significantly been restricted after the influence from various measures to suppress the spread of COVID-19, and the economy and finances of the country have been severely damaged. As the result, GDP growth for 2020 is expected to be minus 7.0% (IMF, 2020). Also, after the breakout of COVID-19, 600,000 formal workers alone had been dismissed by June, and the unemployment rate has soared from 9.2% at the end of 2019 to 12.5% at the end of the second quarter of 2020 (Haut Commissariat au Plan, 2020).

To counter these economic and social influences from COVID-19, the government took a budgetary measure equivalent to approximately 10% of GDP and announced implementation of various measures including those in the health and medical area, the social security area, and the economic support area. The government established the Economy Surveillance Committee, mainly targeting policy making for COVID-19 countermeasures, and, under the Committee, they are currently taking such measures as (i) strengthening the health-medical system, (ii) expanding the social security system (for the support of both formal and informal workers), and (iii) supporting cash management for micro-enterprises and SMEs. Regarding (i) and (ii) above, the government is using the “COVID-19 Special Fund” (hereinafter called “Special Fund”) of a total amount about 3.6 billion USD, which was established in March, with the core fund from governmental budget and donations collected from enterprises and individuals, and also the government guarantee portion of (iii) above coming from credit accommodation newly provided by the Moroccan government (loans

provided to 49,000 companies totaling about 1.9 billion USD at the end of September 2020).

As above, since the government is expanding its spending in multiple areas and its income from tax and other sources is expected to decrease, the fiscal deficit ratio to GDP is expected to grow from 4.1% (2019) to 7.8% (2020) according to IMF 2020. As the financial situation of the government is critical, assuring the necessary funds to cope with COVID-19 is becoming an urgent issue for the country.

“COVID-19 Response Support Program Loan” (hereinafter “the Program”), based on the financial needs mentioned above, is targeted to promote the execution of measures related to COVID-19 in Morocco and is identified as a high priority project within the Moroccan government’s COVID-19 response.

(2) Japan’s and JICA’s Cooperation Policy and Operations regarding Responding to COVID-19

As the priority area in our Country Assistance Policy for the Kingdom of Morocco (2012), “Strengthening of Economic Competitiveness and Sustainable Economic Growth” has already been defined. The Program is consistent with the “Industrial Infrastructure Program,” and matches “Strengthening of Economic Competitiveness and Sustainable Economic Growth” introduced by JICA in the JICA Country Analysis Paper for the Kingdom of Morocco, which is a part of nation-by-nation analysis (2012). Furthermore, the Program is to support economic and social stability against the impact of COVID-19 through budget support and is considered to contribute to the SDGs: Goal 1 (No Poverty), Goal 3 (Good Health and Well-being), Goal 8 (Decent Work and Economic Growth), and Goal 10 (Reduced Inequalities). Note that Japan has already provided Grant Aid project “Economic Social Development Plan” to implement provision of medical equipment and materials as COVID-19 Rescue Support (E/N agreed in July 2020, the amount of 500 million yen).

(3) Other Donors’ Activities

African Development Bank (AfDB) approved a Loan of “Covid-19 Response Support Programme” (hereinafter “PARC-19”) (in the amount of 264 million Euros) in May 2020, and the Program is to serve as co-financing with PARC-19.

As the COVID-19 Response Support by other donors, IMF has already disbursed 3 billion USD from the Precautionary and Liquidity Line to this country in April 2020. World Bank has already disbursed 275 million USD from the on-going Development Policy Loan for disaster prevention in April 2020, 13 million USD from Program-for-Results (PforR) for the health sector in June, 35 million USD from World Bank COVID-19 Fast Track Loan in June, and 500 million USD of unused amount from Financial Digital Inclusive Development Policy Loan in June, all for COVID-19 support measures. AFD (Agence Française de Développement) has disbursed 300 million Euros by April 2020 from unused amount of on-going loans and Non-Sovereign Loans for economic stability and support for micro-enterprises. They also approved in May 2020 a program (100 million Euros) aimed at strengthening ability and resilience of local governments affected by

COVID-19. KFW (Kreditanstalt für Wiederaufbau) is examining co-financing (300 million Euros) for PARC-19. EU has already provided 150 million Euros of Grant project for special funds.

3. Program Description

(1) Program Objective

The Program is to strengthen the health and medical system, expand the social security system and financial support for micro, small and medium sized enterprises in consideration with COVID-19 pandemic in Morocco, through providing budget support, thereby contributing to economic stabilization and development efforts of the Kingdom of Morocco.

(2) Program Site / Target Area

Nationwide

(3) Program Components

The Program is, based on the policy matrix (appended) comprising the following three areas and four policy actions that have been agreed upon with the Moroccan government and AfDB, to support the promotion of policies related to COVID-19 measures of each area.

1) Strengthening healthcare system

(Policy action: Creation of the Special Fund aimed at upgrading of medical equipment and salary compensation for workers of private sector)

2) Expansion of social security system

(Policy action: Commencement of salary compensation for employees (including both formal and informal workers) from the Special Fund)

3) Financial support for micro, small and medium sized enterprises

(Policy action: Establishment of financial support measures for enterprises which are in management crisis due to COVID-19 (credit guarantee, working capital loan, etc.) and establishment of a moratorium system for repayment of bank credit)

(4) Estimated Program Cost (Loan Amount): 200 million USD (equivalent to 21,076 million yen)

(5) Schedule: The program period shall be from May 2020 to December 2020 (8 months). Since the achievement goal of policy actions set up as the Japanese ODA loan disbursement requirement is May 2020 and all the policy actions at this stage have been achieved, the Program shall be considered to have been completed at the disbursement of loan after the signature and effectuation of L/A (estimated to be December 2020).

(6) Program Implementation Structure

1) Borrower: The Government of the Kingdom of Morocco

2) Executing Agency: Ministry of Economy, Finance and Administration Reform

(7) Cooperation and Sharing of Roles with Other Donors.

1) Japan's Assistance Activities: As 2. (2) above, Japan has already provided a Grant Aid project "Economic Social Development Plan" to implement provision of medical equipment and materials as COVID-19 Rescue Support (E/N agreed in July 2020, the amount of 500 million yen).

2) Other Donors' Assistance Activities: This Program is co-financing with AfDB, and the monitoring of policy achievement status will be executed together with AfDB.

(8) Environmental and Social Considerations / Cross-Cutting Issues / Gender Category

1) Environmental and Social Considerations

(i) Category: C

(ii) Reason for Categorization: Since the Program consists of financial support loans, no undesirable impacts to the environment are considered based on "JICA Environment and Social Consideration Guideline" (published in April 2010).

2) Cross-Cutting Issues

(i) Matters related to Combating Climate Change: None in particular

(ii) Measures for Infectious Diseases Including HIV/AIDS: None in particular

(iii) Participatory Development: None in particular

(iv) Considerations for Persons with Disability: None in particular

3) Gender Category: (N/A) ■GI (Gender Mainstreaming Needs Study/Analysis Project)

<Reason for Categorization> Although gender mainstreaming needs were studied during the appraisal, no concrete engagements sufficient to contribute to gender equality or empowerment of females were confirmed. On the other hand, about half of the beneficiaries of wage compensation included in Support area 2) of the Program are estimated to be female.

(9) Other Important Issues

This Program is planned to be co-financing with AfDB, and will contribute to the realization of "Enhanced Private Sector Assistance for Africa" (EPSA4) announced by Japanese Government in the Seventh Tokyo International Conference on African Development (TICAD 7).

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance indicators (Operation and Effect Indicator): The criteria and the targets of indicators to measure the effects won by the achievement of policy actions of each area are as shown in the Appendix.

2) Internal Rate of Return: IRR will not be calculated, due to the nature of program-type loan.

(2) Qualitative Effects

Recovery/stabilization of economy and social activities, strengthening of health and medical systems, life stabilization of fragile layers, and so on.

5. External Factors and Risk Control

(1) Preconditions: None in particular

(2) External Factors: The measures against confinement of COVID-19 are maintained and drastic deterioration worldwide is prevented.

6. Lessons Learned from Past Programs
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Ex-post evaluation result and other sources of the Philippines “Emergency Financial Support Loan” (evaluated in 2011) point out the following; rapid economic recovery could be achieved because, after the economic crisis, the government correctly understood the issues facing the country, and quickly put together financial expenditure and tax reduction measures, social security related policy, and demand stimulus measures including financial policy, while the donors, including JICA, provided appropriate supports at the right timing responding to the government’s urgent needs. Based on the above lessons, the Program will also monitor engagements of the Moroccan government on multiple policies such as strengthening of the health and medical system, expansion of the social security system, and promotion of cash management support for micro-enterprises and SMEs, and upon such efforts, will implement the loans quickly to give right support at the right timing through collaboration with the co-financing partners by using the common policy matrix and monitoring framework.

7. Evaluation Results

The Program is consistent with the development issues and policy of said government as well as JICA’s cooperation policy and analysis. Since the Program is aiming to contribute to the economic and social stabilization against COVID-19 impacts through budget support, the Program can also be regarded as contributing to the SDGs: Goal 1 of SDGs (No Poverty), Goal 3 (Good Health and Well-being), Goal 8 (Decent Work and Economic Growth) and Goal 10 (Reduced Inequalities), the necessity to support the implementation of this Program is high.

8. Plan for Future Evaluation

(1) Indicators to be Used

As above 4.

(2) Timing

Ex-post evaluation: 2 years after the program completion

Appendix: COVID-19 Response Support Program Loan Policy Matrix

COVID-19 Response Support Program Loan Policy Matrix

Policy Area	Policy Action (May 2020)	Operational Effect Indicators	Baseline (Actual Value in February 2020)	Target (December 2020) (At the completion of the program)
Strengthening healthcare system	(1) Creation of the Special Coronavirus Pandemic Management Fund for the upgrading of medical system (including medical equipment) and salary compensation for workers	COVID-19 test cases (number)	0	2,500,000
		Screening laboratories for PCR test in operation (number)	0	30
Expansion of social security system	(2) Commencement of salary compensation for employees who lost their income due to the COVID-19 pandemic through the Special Coronavirus Pandemic Fund	Households working in informal sector and benefiting from the Special Coronavirus Pandemic Management Fund (number)	0	5,500,000
Financial support for micro, small and medium sized enterprises (MSMEs)	(3) Establishment of financial support measures such as credit guarantee (Damane Oxygene) and working capital loan for enterprises which face financial difficulties because of COVID-19	MSMEs which have benefited from financial support measures (number)	0	49,000
	(4) Establishment of a moratorium system for repayment of bank credit	MSMEs which have benefited from moratorium system for repayment of bank credit (number)	0	18,500