

## Ex-Ante Evaluation Report

### 1. Name of the Project

Country: The Kingdom of Morocco

Project: Green Morocco Plan (Agricultural Sector Reform) Support Program

L/A signed on: March 4, 2016

L/A Amount: 16,347 million yen

Borrower: The Government of the Kingdom of Morocco

### 2. Background and Necessity of the Project

#### (1) Current State and Issues of the Agricultural Sector in Morocco

The agricultural sector in Morocco accounts for 13 percent of the gross domestic product (GDP) and 11 percent of exports (including tomatoes, citrus fruits,[processed] olives, etc.), employing one quarter of the working population (approximately three million people). In particular, most rural agricultural village dwellers (more than 40% of the population) are making their living through agriculture. The main crops are wheat varieties and sugar beets, whose cultivation is mainly dependent on rainwater in the rainy season. Meanwhile, the Government of Morocco has concluded free trade agreements with EU, the United States, and others, with an intention to expand exports, including agricultural products. In recent years, products with high added value (including melons and strawberries) are being cultivated, and commercial development of rare local products (argan, cactus, etc.) has been in progress. Additionally, the agricultural sector has high potential for market expansion, given the maturing domestic market backed up by steady economic growth.

However, due to its climate and topography, Morocco is susceptible to climate change, and agricultural production is affected by the weather (droughts and heavy rains, etc.). It is not rare for yields to drop by 50 percent during seasons with droughts, which significantly affects the GDP growth rate. The fragility of water resources is an issue that must be urgently addressed.

Moreover, there is a huge income disparity in Morocco between people in rural and urban areas. The poverty rate based on the national poverty line is 4.8 percent in urban areas, whereas it is 14.4 percent in rural areas. Three out of four Moroccans living in poverty reside in the rural agricultural villages which are home to 40 percent of the population (approx. 80 percent engaged in farming). The average income of such village dwellers is only approx. 70 percent of that of city dwellers. Most farmers are small-scale farmers who are unable to escape poverty due to the low quality and lack of added value of their products, and due to the fact that, as self-sufficient farmers, their production is dependent on rainfall. From the perspective of regional stability, it is necessary to promote inclusive agriculture development that creates employment in rural agricultural villages. The challenge is to promote capacity building of small-scale farmers and organization (water user associations, etc.), cultivation of high value-added products and commercialization of local specialties (value chain development) through collaboration

with the private sector (contract production) and governmental support (subsidies, disaster compensation schemes, etc.) to include many types of farmers in agricultural promotion projects.

## (2) Development Policy of the Agriculture Sector and Position of the Project in Morocco

In order to address these challenges, in 2008, the Government of Morocco formulated the Green Morocco Plan (Plan Maroc Vert: PMV) with a target year of 2020 for poverty reduction through inclusive development, with agriculture serving as the main driver of economic growth. The PMV, which aims at agricultural modernization, is a long-term national development plan encompassing the whole agricultural sector. The Government's goal on PMV is to accelerate GDP growth, to expand employment opportunities and to alleviate poverty. The PMV has two policy objectives: (I) developing high value-added and highly productive agriculture through agricultural modernization, mainly with private investment, and (II) integrating small-scale farming households into economic systems through public investment, including donor assistance. Reform is implemented in five key points: (i) agrarian reform, (ii) effective use of water resources, (iii) re-vitalization of the domestic market and promotion of exports, (iv) development of agricultural processing centers, and (v) business environment improvement.

The Project will support the achievement of the second policy objective (II) of the PMV. The Project will support the implementation of a variety of policy actions for market-oriented agricultural promotion, and development of a strong agricultural sector, under the following components: (i) sustainable development of the agricultural sector, and (ii) value chain strengthening and inclusive development for the agricultural sector.

## (3) Japan's and JICA's Assistance Policy and Operations in the Agriculture Sector

Key areas of Japan's Country Assistance Policy for the Kingdom of Morocco (May 2012) include "Strengthening of Economic Competitiveness and Sustainable Economic Development" and "Reduction of Regional and Socioeconomic Disparities." JICA's country analysis paper for Morocco (latest revision in November 2014) also includes the "Stabilization of Output and High Value Addition within the Agricultural and Maritime Fisheries Sectors" as a key challenge. The Project is consistent with these analyses and assistance policies for Morocco, and confirms to the focal area of "Empowering Farmers as Mainstream Economic Actors" under the main theme of TICAD V, "Inclusive and Resilient Society."

## (4) Other Donor's Activity

Seventeen donors, including the World Bank (WB), African Development Bank (AfDB), the European Union, and the French Development Agency, are providing assistance to the PMV. WB provides a development policy loan. AfDB also provides a development policy loan "The first phase of the Green Morocco Plan Support Program (PAPMV-1)" and offers comprehensive support incorporating technical assistance and a loan for an irrigation project. The Project is co-financed with its second phase by the African Development Bank.

(5) Necessity of the Project

The Project is consistent with Morocco's development issues and policies, Japan's international commitment and assistance policy, and JICA's country analysis paper. The need and relevance for JICA to support its implementation is high.

**3. Project Description**

(1) Project Objective

The project is to provide budget support for the implementation of the "Green Morocco Plan", the national policy for agricultural sector reform by the Government of the Kingdom of Morocco, to promote sustainable and inclusive development in the agricultural sector including small farmers in rural areas, thereby contributing to the sustainable economic growth and social stability of Morocco.

(2) Project Site/Target Area

Throughout Morocco

(3) Project Outline

The Project provides a loan in the form of general budget support (for domestic public spending) based on an assessment of the achievement of the policy actions set forth by the Government of Morocco, AfDB and JICA in order to realize the PMV by 2020. The Project is executed through the Accelerated Co-financing Facility for Africa (ACFA), a co-financing scheme with AfDB, under the Enhanced Private Sector Assistance for Africa.

In order to promote policy objective (II) of the PMV, for market-oriented agricultural promotion and development of a strong agricultural sector, a total of 33 policy actions with the deadline of 2015 or 2016 were set up for the following two components: (i) sustainable development of the agricultural sector, and (ii) strengthening of value chain and inclusive development in the sector (See Attachment).

(4) Yen Loan Amount: 16,347 million yen

(5) Project Implementation Schedule

The targeted period for policy actions of the Project is from January 2015 to December 2016. The budget support started in January 2015. Achievement of the policy actions have been scheduled for December of 2015 and December 2016, and the Project will be completed upon the completion of the loan (scheduled for December 2016).

(6) Project Implementation Structure

- 1) Borrower: The Government of the Kingdom of Morocco
- 2) Executing Agency: Department of Agriculture, Ministry of Agriculture and Maritime Fisheries
- 3) Operation and Maintenance System: A coordinating mechanism of relevant organizations consisting of the Ministry of Economy and Finance (Budget Department), the Ministry of Agriculture and Maritime Fisheries (Directorate of Strategy and Statistics and Directorate of Agricultural Land Irrigation and Development, Department of Agriculture), and the Ministry of Energy, Mining, Water and the Environment (Directorate of Planning and Prediction, Department of Environment, and Directorate

of Water Planning and Management, Department of Water ) was created in order to execute and monitor the PMV. Cross-sectional monitoring meetings headed by the Ministry of Economy and Finance (Budget Department) are also planned.

(7) Environmental and Social Considerations/Poverty Reduction/Social Development

1) Environmental and Social Considerations

① Category: C

② Grounds for categorization: The Project is deemed to have minimal adverse environmental impacts under *JICA Guidelines for Environmental and Social Considerations* (issued in April 2010).

2) Promotion of Poverty Reduction: The Project promotes poverty reduction, as the Government of the Kingdom of Morocco regards the PMV policy objective (II) as a poverty reduction program, and policy actions contain such measures as capacity building for small-scale farmers, the majority of whom live in poverty.

3) Promotion of Social Development (Gender Perspective, Measure for Infectious Diseases Including HIV / AIDS, Participatory Development, Considerations for Persons with Disabilities, etc.): Given that an addition of a gender item to the 2015 budget of the Ministry of Agriculture and Maritime Fisheries, completion of a survey on gender mainstreaming strategy formulation in agricultural development, etc., is included in the policy actions, the Project is categorized as a gender-activity-integrated project.

(8) Collaboration with Other Donors:

The policy matrix is same as that of AfDB. It is formulated in collaboration with the AfDB, and the status of policy achievement is monitored in close collaboration with AfDB through joint interim reviews, etc.

**4. Targeted Outcomes**

(1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

Indicator	Baseline (2014 Actual)	Target (2016) 【At Project Completion】
Added Value in Agricultural Sector (1 billion Moroccan Dirham)	105	117
Agricultural Export Value (1 billion Moroccan Dirham)	22.2	24.7
Additional Water Saving in Agricultural Sector (million m <sup>3</sup> )	85	125
Annual Increase in Area Covered with Drip Irrigation (10,000 ha)	3.5	5

【Note: Indicators of the entire support program agreed on by the three parties of AfDB, JICA

and executing agency】

## (2) Qualitative Effects

Governance capacity improvement of the Government of the Kingdom of Morocco, employment promotion in rural agricultural areas, improvement of livelihood of small-scale farmers, promotion of public-private sector collaboration, increase in young agricultural entrepreneurs, and measures against climate change (mitigation and adaptation).

## (3) Internal Rate of Return

The internal rate of return is not calculated in the Project as it consists of a number of policy actions and it is impossible to calculate highly reliable internal rate of return for all the items.

## **5. External Factors and Risk Control**

Deterioration of political and economic conditions of the Kingdom of Morocco.

## **6. Lessons Learned from Past Projects and Application in the Current Project**

### (1) Lessons Learned

The following lessons were learned from the ex-post evaluation of development policy loans for Indonesia, etc. First, reform efforts through development policy loans can be further promoted with finely-tuned technical assistance provided on the ground. Second, development policy loans and technical assistance complement each other and synergy effects can be expected in various stages of the reform process.

### (2) Application of Lessons Learned in the Project

Based on the above lesson, outcomes of “The Project for Improvement of Irrigation System at the Abda Doukkala Irrigated Area”, a technical cooperation project that is currently underway, are reflected in the policy matrix in the preparatory stage of the Project. Successive project to the above mentioned project is planned in order to ensure that the agricultural sector reforms will take root. AfDB also plans to provide technical assistance together with the implementation of “the second phase of the Green Morocco Plan Support Program”, and it plans to provide comprehensive support to ensure that the reform will take root, while paying attention to avoidance of redundancy in assistance areas and collaboration among donors.

## **7. Plan for Future Evaluation**

(1) Indicators to be Used: As described in 4. Project Effects (1) Quantitative Effects 1) Outcomes (Operation and Effect Indicators)

(2) Timing: After Project Completion (2017)

Policy Matrix of Green Morocco Plan (Agricultural Sector Reform) Support Program<sup>1</sup>

(Attachment)

	Policy Area (Target)	Main Policy Actions 2015-2016 ●: Actions that were implemented (by 2015) ■: Actions to be implemented in 2016
<b>I. Sustainable Development of the Agricultural Sector</b>		
I.1 Development and improvement of legal system	Development and improvement of policy documentation and legal systems relating to efficient, sustainable water resources and farmland management	■ Approval of “National Strategies on Sustainable Development (2015-2020)”
		● Submission of bill on revision of Water Law
		● Submission of bill on revision of Farmland Reform Promotion Law
I.2 Implementation of environmentally conscious measures	Enhancement of capacity for formulating irrigation facility investment plans and promotion of entry by private sector	● Development of prioritization tool for new irrigation projects and formulation of multiple-year facility investment program
		■ Formulation of database of candidate PPP irrigation projects
	Promotion of utilization of renewable resources	■ Formulation of multiple-year action plan to use treated wastewater for irrigation
		● Signing of framework agreement on environmental considerations (olive pomace recycling, etc.) and beginning of survey on waste plastic recycling
I.3 Capacity enhancement of monitoring and evaluating resources (water, farmland, etc.)	Enhancement of government’s management capacity	● Establishment of regional monitoring agency for environmental and sustainable development in local governments
		■ Implementation of survey on use of farmland registry
	Enhancement of function and capacity of farmers	■ Submission of bill on revision of environmental impact assessment law (enhancement of environmental assessment of farming and irrigation projects)
		● Beginning of performance evaluation of water use association and formulation of capacity development program
		■ Government approval of 3 manuals on capacity development of water use associations and implementation of seminar to spread it nationwide

<sup>1</sup> Main policy actions out of all 33 policy actions (originally written in French) were selected and translated into Japanese.

	Policy Area (Target)	<p align="center"><b>Main Policy Actions 2015-2016</b></p> <p align="center">●: Actions that were implemented (by 2015)   ■: Actions to be implemented in 2016</p>
<b>II. Value chain strengthening and inclusive development for the agricultural sector</b>		
II.1 Value chain strengthening	Formulation of strategic vision	<ul style="list-style-type: none"> <li>■ Completion of agricultural processing sector development strategies</li> </ul>
		<ul style="list-style-type: none"> <li>● Establishment of survey for value chain strengthening</li> </ul>
	Promotion of integration of small-scale farmers into the economic system	<ul style="list-style-type: none"> <li>● Promulgation of applicable laws and regulations related to the contract production promotion law (formulated in 2012)</li> </ul>
	Development of agricultural processing centers	<ul style="list-style-type: none"> <li>● Establishment of two agricultural processing centers</li> </ul>
II.2 Human Resources development and research capacity and quality enhancement	Human Resources development and research capacity enhancement in the agricultural sector	<ul style="list-style-type: none"> <li>● Beginning of operation of one livestock-related development and HR development center</li> </ul>
		<ul style="list-style-type: none"> <li>■ Submission of a bill for establishing a university (polytechnic pole) as an agricultural education and research center and conclusion of cooperation agreement between the Ministry of Agriculture and Maritime Fisheries and Japanese university</li> </ul>
		<ul style="list-style-type: none"> <li>● Beginning of operation of one quality research center</li> </ul>
	Promotion of entry by private sector for productivity and quality enhancement	<ul style="list-style-type: none"> <li>● Revision of relevant laws and regulations for promotion of entry by private sector into agricultural skills instruction</li> </ul>
II.3 Inclusiveness enhancement	Creation of institutional framework for protection and utilization of trademarks and intellectual properties	<ul style="list-style-type: none"> <li>● Approval of strategic policy paper for the execution of Nagoya Protocol (promotion of fair benefit sharing of interest in plant genetic resources)</li> </ul>
		<ul style="list-style-type: none"> <li>● Familiarization of production site certification program (trademark registration of government certified brand, Morocco Specialty Product)</li> </ul>
	Inclusive development of small-scale farmers and their resilience enhancement	<ul style="list-style-type: none"> <li>● Expansion of crops and regions qualified for disaster compensation scheme</li> </ul>
		<ul style="list-style-type: none"> <li>● Doubling of loan limit for small-scale farmers</li> </ul>
	Promotion of integration of young people and women in economic system	<ul style="list-style-type: none"> <li>● Development of concept and guidebook for young entrepreneur support program</li> </ul>
		<ul style="list-style-type: none"> <li>● Addition of gender-related item in 2015 budget of the Ministry of Agriculture and Maritime Fisheries</li> </ul>
<ul style="list-style-type: none"> <li>■ Completion of survey of gender mainstreaming strategy in agricultural development projects</li> </ul>		