Special Report

EU support to Morocco - Limited results so far
Contents

Executive summary I-VII

Introduction 01-13
An important partner 01-06
A major recipient of ENI funding 07-11
Bilateral relations challenged 12-13

Audit scope and approach 14-18

Observations 19-98
Focus and design of the support were sub-optimal 19-48
Budget support spread too widely to maximise results 19-38
Budget support programmes not designed to maximise impact 39-48

Difficulties in implementing support 49-64
Delays affected implementation 49-56
Poor results assessment by Commission 57-64

No significant impact for budget support programmes 65-98
Budget support objectives only partially achieved 65-90
Limited progress on key challenges 91-98

Conclusions and recommendations 99-107
Annexes

Annex I – Important EU-Morocco cooperation phases
Annex II – Budget support programme decisions, contracts and payments (2014 to 2018)
Annex III – Funding by other EU instruments (2014-2018)
Annex IV – Overview of contracts/projects audited
Annex V – Budget support programme objectives
Annex VI – Variable tranche disbursement issues
Annex VII – Evolution of key indicators
Annex VIII – Budget support contract ratings by sector

Acronyms and abbreviations

Replies of the Commission and the EEAS

Audit team

Timeline
Executive summary

Morocco is a North-African country with steady growth and a stable political environment. The association agreement signed in 1996 strengthened the cooperation between Morocco and the European Union (EU). With the launch of the European Neighbourhood Policy (ENP) in 2004, Morocco gradually became a privileged partner of the EU in terms of political and economic cooperation as well as in trade, technical and development cooperation.

We assessed the effectiveness of EU budget support (BS) in Morocco from 2014 to 2018. The EU BS in Morocco totalled over that period about 0.37 % of the country’s total budgetary expenditure. We examined the Commission’s management and the degree to which the EU budget support objectives had been achieved. The sectors covered were health, social protection, justice and private sector development. During the period under review, contracts for all sectors covered by BS totalled €562 million and payments €206 million.

Based on an appropriate risk analysis and needs assessment, the Commission considered BS to be the right choice of aid delivery instrument. However, we concluded that its added value and ability to support reforms has been limited due to a sub-optimal focus, weaknesses in design and insufficient monitoring. In addition, donor coordination was uneven amongst the sectors.

After the judgement of the General Court of the EU in December 2015 on Western Sahara, Morocco suspended political dialogue from December 2015 until January 2019. The Commission did not use this standstill period to develop a clear strategy for its relations with Morocco. Although policy dialogue took place, it was not sufficient for all sectors. Furthermore, the Commission had not formalised strategies for policy dialogues.

BS had not sufficiently supported reforms and progress on key challenges was limited. The Commission’s management was hampered by weaknesses in the design of the BS programmes and their indicators. We also found shortcomings in the monitoring procedures and the Commission’s results assessment.

EU support targeted cross-cutting issues such as gender and human rights. Despite this targeting, limited improvement could be observed for the period under review.
VII We made a number of recommendations for the Commission to strengthen the EU approach and the political and policy dialogue, improve the design of the indicators and the monitoring procedures, enhance the verification procedures for disbursements and increase the visibility of EU support.
**Introduction**

**An important partner**

The Kingdom of Morocco is geographically Europe’s closest neighbour in North Africa (see *Figure 1*). Morocco was ranked 123rd out of 189 countries in the 2018 United Nations Human Development Index list and its human development is therefore considered medium. With an annual gross domestic product of around €101 billion (2018) and approximately 35 million inhabitants, Morocco is the fifth largest African economy and an important political and economic partner for the EU. Reciprocally, the EU is Morocco’s most important trading partner, representing around 65% of its exports and 57% of its imports\(^1\).

**Figure 1 – Morocco**

\(^1\) Source: Commission figures for 2017 (DG Trade).
Morocco is benefiting from its prudent macroeconomic management and the structural reforms undertaken in recent years. Growth has continued at a relatively steady pace and inflation is low. The external deficit of the current account and the budget deficit have continued to decrease in recent years.

Set against the background of the unrest in the region in the aftermath of the 2011 Arab Spring, Morocco enjoys a stable political environment. With its new constitution, adopted in July 2011, Morocco took important steps towards political modernisation and an open economy.

This constitutional reform emphasised the importance of fundamental rights and gender equality. However, the national legislation is not yet fully aligned with the United Nations conventions on human rights. For example, the United Nations Human Rights Committee recommended abolishing the death penalty, combating violence against women, increasing gender equality, improving the protection of children’s rights, ratifying the Rome statute establishing the International Criminal Court and eliminating the criminalisation of homosexuals. Morocco rejected most recommendations linked to women’s rights².

The EU and Morocco have had a stable relationship since their first trade agreement was signed in 1969. The partnership has developed and matured over the years (see Annex I), leading to the signature of a general association agreement in 1996³. This association agreement, which entered into force in 2000, represents the legal basis for EU-Morocco relations. Since the launch of the European Neighbourhood Policy in 2004, Morocco has gradually become a privileged partner of the EU in the field of political and economic cooperation as well as in trade, technical and development cooperation.

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³ "Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part" – OJ L 70, 18.3.2000, p. 2.
In the context of the European-Mediterranean partnership, the association agreement took a turning with Morocco acceding to advanced status\textsuperscript{4} in 2008, underpinning the special nature of its relationship with the EU. This provided a framework for high-level political cooperation in order to bring Moroccan legislation further into line with EU legislation and gradually integrate the Moroccan economy into the EU internal market.

**A major recipient of ENI funding**

Morocco receives more EU development support than any other North-African country, except Tunisia, and is one of the main beneficiaries of international development aid. The EU is its biggest donor, providing 25.2\% of official development assistance (see \textit{Figure 2}).

\textbf{Figure 2 – Official Development Assistance (ODA) in Morocco in 2017, main donors ($ million)}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{ODA_in_Morocco.pdf}
\caption{ODA grants and loans by donor.}
\end{figure}

\textit{Source: Organisation for Economic Cooperation and Development.}

\textsuperscript{4} Document conjoint UE-Maroc sur le renforcement des relations bilatérales/ Statut Avancé (13653/08).
In addition to official development assistance, other development actors are also active in Morocco. The official statistics of the Organisation for Economic Cooperation and Development show for example that the World Bank (WB) and the African Development Bank (ADB) are important donors in the sectors of infrastructure projects and good governance, health and social protection.

The European Neighbourhood Instrument (ENI) is the key financial instrument supporting the Commission’s cooperation with Morocco. The Commission programmes the EU’s bilateral support for a period of seven years. The overall amount committed fell from €1 431 million for 2007-2013 to €1 399 million for 2014-2020 (see Figure 3). The main priority sectors stated in the Single Support Framework (SSF) for 2014-2017 were equitable access to basic social services, support for democratic governance, the rule of law and mobility, and jobs, sustainable, inclusive growth.

Figure 3 – Bilateral assistance commitments in North Africa

Morocco is one of the biggest beneficiaries of bilateral ENI programmes in North Africa. From 2014 to 2018, the allocation for BS (see Box 1) resulted in contracts totalling €562 million and payments totalling almost €206 million (see Annex II). On average, BS constitutes 75 % of annual EU expenditure for Morocco. Morocco also receives additional funding under several thematic programmes and instruments (see Annex III) and EU support is also channelled via financial institutions and trust funds.

Source: European Commission.
According to the Commission, BS is an effective means of delivering aid to support reforms and sustainable development goals. The Commission considers it to be a vector of change for improving public financial management, macroeconomic stability, sustainable and inclusive growth and the fight against corruption and fraud, and promoting sector reforms, human rights, democratic values and gender equality.

BS involves dialogue, financial transfers to the national treasury account of the partner country, performance assessment and capacity development, based on partnership and mutual accountability. The funds transferred are not earmarked for a specific purpose; it is therefore not possible to follow where and how they are used. Once the funds have been transferred, the partner country can use them in its normal budgetary process.

BS is not provided to every country. Eligibility criteria have to be met before and during the programme and conditions need to be fulfilled before payments are made.

To be eligible for BS, a country must have:

- relevant, credible sectoral/national development strategies;
- a stability-oriented macroeconomic policy;
- a relevant, credible public financial management reform programme and
- budget transparency and oversight (budget information must be made publicly available).

In addition, a fundamental values assessment needs to be undertaken when BS contracts are proposed.

BS is paid in fixed and variable tranches. Fixed tranches have a fixed value, specified in advance within the financing agreement (contract between the beneficiary country and the Commission). They are disbursed in full (when all conditions are met) or not at all (if one or more conditions are not met). Variable tranches have a maximum value specified in advance in the financing agreement. They are either disbursed in full or in part with the amount disbursed being based on the performance achieved in relation to pre-specified targets or designated performance indicators (provided that at the same time the general conditions are all met). This performance assessment is based on data to be provided by the beneficiary country defined in the financing agreement (sources of verification).

The EU Delegation in Rabat and the Directorate General for Neighbourhood and Enlargement negotiations are managing and implementing the programmes. The European External Action Service (EEAS) and the EU Head of Delegation are responsible for the political dialogue.

**Bilateral relations challenged**

The EU and Morocco have enjoyed long-standing good relations. However, the EU-Morocco partnership had been strained since 2015, when the General Court of the EU made the first series of rulings that Western Sahara was not a part of Morocco. This meant that Western Sahara was not part of the fisheries and agriculture agreement between the EU and Morocco and could not benefit from the same tariff preferences. The Western Sahara issue (see Box 2) put the EU-Morocco partnership under stress and Morocco suspended political dialogue.
Box 2

Summary Judgments of the Court of Justice of the European Union (CJEU)

10 December 2015: The judgment of the General Court of the EU\(^5\) annulled the Decision\(^6\) on the implementation of the agricultural agreement in the territory of Western Sahara. The judgment established that the agricultural agreement applied to Western Sahara, but that Western Sahara was not a part of Morocco, and that the Kingdom of Morocco was not the administering power. Before adopting the Decision, the Council should have ensured that the natural resources of the territory would not be exploited to the detriment of its inhabitants and their fundamental rights.

21 December 2016\(^7\): The CJEU annulled the judgment of 2015 and ruled that no trade or association agreement with Morocco could apply to the territory of Western Sahara, since Western Sahara was not part of Morocco. Accordingly, the CJEU stated that the people of Western Sahara should be viewed as a third party to the EU's relations with Morocco. Therefore, as for any bilateral arrangement, the express consent of the people of the territory should be obtained.

February 2018\(^8\): The CJEU held that, as Western Sahara did not form part of the Kingdom of Morocco, the waters adjacent to Western Sahara were not part of the Moroccan fishing zone referred to in the Fisheries Agreement.

First quarter 2019: The European Parliament and the Council approved an amendment to two protocols, for fisheries and agriculture. The aim was to foster economic development in Western Sahara by treating its exports to the EU in the same way as exports from Morocco.

13 Political dialogue is held at the level of the EEAS, the EU Head of Delegation and the Ministry of Foreign Affairs in Morocco. The policy dialogue is held at sectoral level between the EU Delegation staff and the Moroccan authorities. Figure 4 explains the difference between political and policy dialogue.

\(^{5}\) Judgment by the General Court of the EU of 10 December 2015 (Case T-512/12).


\(^{7}\) Judgment by the CJEU of 21 December 2016 (Case C-104/16 P).

\(^{8}\) Judgment of the CJEU of 27 February 2018 (Case C-266/16).
Figure 4 – Political and policy dialogue

<table>
<thead>
<tr>
<th>Political Dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covers all EU external policies: development policy, trade, foreign and security</td>
</tr>
<tr>
<td>policy</td>
</tr>
<tr>
<td>In line with the EU treaties, European External Action or other legal bases</td>
</tr>
<tr>
<td>In all countries, political dialogue usually takes place between the EU Head of</td>
</tr>
<tr>
<td>Delegation and Ministerial level</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy Dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covers the specific sectors of EU cooperation</td>
</tr>
<tr>
<td>Should support the general and specific objectives of budget support contracts</td>
</tr>
<tr>
<td>Support the partner’s country’s efforts to achieve the objectives laid down in their</td>
</tr>
<tr>
<td>strategies. May carry a political dimension (e.g. when difficult reforms are</td>
</tr>
<tr>
<td>politically costly).</td>
</tr>
</tbody>
</table>

*Source: DEVCO Academy.*
Audit scope and approach

14 This audit assessed the effectiveness of EU BS to Morocco for 2014-2018. We asked the following questions:

- Did the Commission and the EEAS choose the priority sectors appropriately and design the programmes well?
- Did the Commission implement EU support appropriately in Morocco?
- Were the objectives of EU support to Morocco achieved?

15 The audit covered the period from the official decision setting up the European Neighbourhood Instrument (1 January 2014) up to the end of 2018. The audit focused on this period, as an external evaluation on BS to Morocco had already been carried out for the period 2005 to 2012 (published in 2014). Furthermore, this period is in line with the ENI-programming period. Amounts contracted and paid for this period are material. In addition, the Commission has not yet carried out a country evaluation covering support to Morocco.

16 The audit was carried out from September 2018 to February 2019, covering health, social protection, justice and private sector development (PACC: ‘programme d’appui à la croissance verte et la compétitivité au Maroc’). The majority of the ENI expenditure in Morocco between 2014 and 2018 was in these sectors (see Annex II)\(^9\). In addition to the BS programmes in these four sectors, we reviewed the 10 projects relating to the corresponding financing decisions (see Annex IV). We examined whether gender and human rights were addressed as cross-cutting issues in these BS programmes. Annex V summarises the objectives of the BS programmes audited and Annex VII provides an assessment by sector.

\(^9\) 65 % of allocated expenditure and 72 % of payments.
Our audit work consisted of a desk review, interviews with staff from the Commission Headquarters and the EEAS, and an on-the-spot visit. The visit enabled us to collect further information and interview representatives of the national authorities and staff at the EU Delegation and representations of EU Member States in Morocco (Spanish and French representations). We also interviewed international organisations and other donors, such as the World Bank, the ADB, Unicef and the Deutsche Gesellschaft für Internationale Zusammenarbeit. In addition, we visited beneficiaries including a detention centre for girls, a social protection centre and private companies that had received investment subsidies.

As one of the EU’s largest beneficiaries of external aid, Morocco is a strategic partner in key policy areas. The Commission can benefit from the conclusions and recommendations of this report by taking them into account for the next programming period (as from 2021). The relevance and potential impact of this report are therefore high.
Observations

Focus and design of the support were sub-optimal

Budget support spread too widely to maximise results

19 We looked at whether the Commission and the EEAS had consistently prioritised sectors for BS based on Morocco’s main needs. We checked whether an adequate needs assessment had been carried out. We also considered whether the Commission had coordinated its approach appropriately with other donors active in Morocco.

Budget support was based on an appropriate risk/needs assessment

20 The Commission considered BS to be the most appropriate instrument for supporting and sustaining the implementation of national and sectoral reforms. The Commission performs an annual risk analysis for the following categories: political governance, macroeconomic stability, development, public financial management and corruption/fraud. The eligibility criteria were clearly met at the design phase, and the fundamental values were not considered high risk. Morocco’s risk level was assessed as moderate.

21 According to the Commission’s risk analysis, however, one of the main residual risks concerned corruption. In the absence of an anti-corruption body, the Commission was not able to address corruption through this avenue. This meant that the Commission addressed corruption through some of its BS programmes. For example, the digitalisation of procedures in the PACC programme is contributing to reducing corruption as well as measures and indicators in the health and social protection BS programmes. In the justice programme, the organic law contains measures aimed at reducing corruption. However, some of these, such as the code of ethics for judges, had not yet been adopted.

22 The country reports of the International Monetary Fund and the Public Expenditure and Financial Accountability assessment of 2016 did not reveal major deficiencies and were in line with the Commission’s risk assessment.
The Commission had carried out a detailed needs assessment for the specific BS programmes in cooperation with the national authorities and consulted a wide range of stakeholders during programme formulation. The EU Delegation had also met with civil society organisations. However, the Moroccan Court of Auditors (which is an important stakeholder) was not consulted during the needs assessment for the sectors audited.

The BS programmes were complementary to other EU support, and coordination, in the form of bilateral and thematic programmes, was good. Technical assistance was included in the design of all BS programmes. The total proportion of complementary cooperation instruments (technical assistance, twinning, etc.) supplementing BS in Morocco had increased over time, from 5 % (2007-2010) to 13 % (2011-2013), then to 16 % (2014-2016) and then further to 18 % (2017-2018).

Important needs addressed but funding covered many areas

When programming bilateral support for Morocco, the Commission had addressed numerous priority areas. These areas responded to needs covered by sectoral strategies and reflected in both the national government plan and the EU action plan. In the programming documents, the Commission had demonstrated clearly why sectors required funding. The priority sectors remained the same for 2007-2013 and 2014-2020 (see Figure 5).

Figure 5 – Overview of priority sectors 2007-2020

<table>
<thead>
<tr>
<th></th>
<th>2007-2013</th>
<th>2014-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social policy development</td>
<td>€412 million</td>
<td>Equitable access to basic social services €441 million</td>
</tr>
<tr>
<td>Sector 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance/Human rights</td>
<td>€115 million</td>
<td>Support to democratic governance, the rule of law and mobility €337.5 million</td>
</tr>
<tr>
<td>Sector 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modernisation of the economy</td>
<td>€298 million</td>
<td>Jobs, sustainable and inclusive growth €367.5 million</td>
</tr>
<tr>
<td>Capacity building</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional support (incl. Réussir le Statut Avancé)</td>
<td>€272 million</td>
<td>Complementary support for capacity development and civil society €294 million</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>€137 million</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>€1,234 million</td>
<td>€1,470 million</td>
</tr>
</tbody>
</table>

The Commission had defined the three priority sectors too broadly, as they consisted of 13 sub-sectors\textsuperscript{10}, many of which could be considered as standalone sectors. There was therefore scope for reducing aid fragmentation. In addition, focusing on too many sectors reduces the potential impact of EU support. The agenda for change\textsuperscript{11} states that the EU shall engage in no more than three sectors per partner country to increase the impact and leverage of its assistance.

The amount allocated to each programme depended on a number of parameters\textsuperscript{12}. Amounts allocated were based on negotiations, which were not documented. Therefore, the Commission was unable to demonstrate that the amounts had been allocated using a transparent method.

The Commission had not developed a clear strategy for future relations with Morocco during suspension of political dialogue

The CJEU judgment and institutional blocking after the parliamentary elections had a limited but noticeable impact on cooperation (see Box 2).

The initial CJEU judgment was issued in December 2015. The negotiations relating to the Deep and Comprehensive Free Trade Agreement, the Migration and Mobility Partnership and Security/Counter Terrorism cooperation had not progressed since then.

\textsuperscript{10} Single Support Framework 2014-2017. The sub-sectors include for example health, education, justice and rural development.

\textsuperscript{11} Increasing the impact of EU Development Policy: an Agenda for Change (COM(2011) 637 final).

\textsuperscript{12} The indicative allocations provided for in the SSF, the level of funding at which the EU can ensure sufficient policy leverage, additional funding required for strategy implementation, absorption capacity and other stakeholder interventions.
**30** The Association Council\(^{13}\) is meant to meet annually to review bilateral relations and evaluate the progress of the implementation of the association agreement. However, there were no meetings between December 2015 and June 2019. Therefore, the last available progress report drafted by the EEAS related to 2014 activities. However, the EU Delegation continued to provide regular political reporting.

**31** Morocco’s advanced status had been extended to the end of 2018 and a further extension to the end of 2020 was being considered. In addition, Morocco had requested a complete review of bilateral relations with the EU, with a new, tailor-made framework going beyond the advanced status.

**32** In the absence of a formal political dialogue, the Commission had not addressed new priorities and/or challenges, anticipating the expiry of the SSF. In recent years, the EU Delegation had reacted to requests from the Moroccan Government on the basis of the existing SSF instead of using the political standstill to re-assess its operational priorities with Morocco and develop a clear, forward-looking strategy. The Commission and the Member States considered that the SSF priorities were still relevant and thus extended the 2014-2017 SSF to 2018. For 2019-2020 there would be no new partnership priorities. Instead, there would simply be a short-term framework similar to the current SSF which can serve as a legal basis for 2019-2020 programming.

**33** The Commission did not suspend BS as the EU financial regulation, the BS guidelines, and the provisions of the financing agreements do not provide for the suspension of BS in the absence of political dialogue. Payments relating to BS continued as programmed and were higher in 2016 and 2017 than in the two preceding years (see Figure 6).

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\(^{13}\) Meeting between the Moroccan authorities led by the Minister of Foreign Affairs, the EU High Representative for Common Foreign Security and Policy, the EU Commissioner for European Neighbourhood Policy and enlargement negotiations and the Member States’ representatives.
Donor coordination was uneven

34 During the identification phase, the EU assesses which other projects are ongoing in the sector and holds meetings with the technical and financial partners to ascertain ongoing/planned financing in the sector. The ‘Groupe Principal des Partenaires’ had met every two months since 2016 to discuss sectoral issues at strategic level. However, not all donors in Morocco had met regularly (e.g. China and India).

35 In Morocco, there was a wide range of donors in most sectors. However, there was a lack of consistency between Member States’ objectives/priorities and those of the EU. Although the process of joint programming was introduced in 2014, Member States did not implement it until 2017, when agreement was reached over how to implement it in three sectors (migration, gender and vocational training). This was because Member States were keen to maintain their own visibility. The large number of sectors and donors involved did not contribute towards aid effectiveness.

36 Some sectors had effectively established arrangements for donors, particularly the health sector where objectives and performance assessment frameworks were shared. The Commission chaired the financial and technical partner group for health and social protection. For the PACC, there was no formal donor meeting group, but there was one coordination platform: the G20 Compact with Africa.
In the justice sector, formal meetings did not take place between the donors between 2015 and 2017. As the Ministry of Justice has ensured coordination of this sector since 2017, meetings have been organised with the technical and financial partners but only once a year, even though partners had expressed a wish to meet at least twice a year in order to avoid overlaps. There was little documentation of these meetings. The steering committee required by the financing agreement to ensure coordination between the ministries and the programme partners, had not been created.

For the sectors audited where both the EU and other donors were providing support, there were very few joint indicators. While in the health sector 11 of the 18 indicators were similar to those used by the World Bank, in the PACC programme there were seven similar and in the social protection programme, there was only one. Annual assessments and evaluations were not shared systematically for the sectors audited.

Budget support programmes not designed to maximise impact

We verified if the BS targets and indicators were aimed at supporting reforms.

A number of budget support targets not ambitious enough to support reforms

Although BS programmes were aligned with the country’s sectoral strategies, not all strategies had quantified targets for specific objectives or action plans. Consequently, it was not always possible to compare the targets of the BS programmes with national sectoral targets. However, as from 2019, the Budget Law requires ministries to accompany budget projections with performance targets set against their main strategic policy objectives.

The indicators related to the creation of institutions, drafting legislation and national plans did not focus on outcomes.

We found that 25 of the 86 BS targets were not ambitious enough to support reforms. For example, in the health sector, the main problems were insufficient medical staff and disparities between urban and rural areas. However, the BS programme focused mainly on reducing disparities between rural and urban areas and addressed the lack of human resources through only one target of the variable tranche which was not very ambitious aiming to train just 13 doctors as “family doctors” over a period of two years.
Some of the challenges identified by various stakeholders (Ministry of Health, World Bank, etc.) in the health sector had not been directly addressed in the design of the BS programme: high staff absenteeism, low attractiveness of remote areas for medical staff and the structural underuse of hospital infrastructure.

In the social protection sector the target of bringing 25% of social protection centers into line with the new law was not ambitious since it had already been achieved, as a higher percentage than this already met the stricter requirements of the previous law.

In the justice sector, the objectives, although broad, were in line with the objectives of the reform, for instance aiming for an independent sector and the judicial protection of rights and freedoms.

The PACC was built on three strategies, two of which were lacking time-bound objectives, making it difficult to define the most important/urgent needs. The programme covered too many sectors, providing support for small and medium-sized enterprises (SMEs), start-ups, land tenure, trade, sustainable development and energy.

Indicator design did not enable objective performance measurement

The Commission assessed Morocco’s monitoring and evaluation systems when designing BS programmes. In the absence of a framework assessment for evaluating sectoral progress, it applied existing guidelines. With the exception of the health sector, sectoral strategies were not always accompanied by a fully-fledged action plan, with baseline data, results indicators and pre-defined targets.
We noted the following weaknesses in the selection and use of indicators:

(a) Indicators of the variable tranches were not appropriate to monitor progress of the specific objectives.

(b) Nearly all indicators related to outputs or process (e.g. the proposal to draft a law), not to outcomes.

(c) Two indicators were not sufficiently relevant as they did not measure the BS programme objectives. In the health sector, two indicators were related to the expected result ‘reduce disparities between urban and rural environments’. Both indicators reflected an absolute value, i.e. ‘increase in diabetic patients treated in rural areas’ and ‘increase in hypertensive patients treated in rural areas’. While an increase could mean that more patients in need were being treated (positive increase), it could also mean that the two conditions had become more prevalent in Morocco (negative increase). In any case, the indicators were not oriented towards measuring a decrease in disparity.

(d) Indicators frequently had inaccurate baselines or none at all. An accurate starting point is necessary for measuring progress and assessing whether targets are both realistic and sufficiently ambitious.

(e) Indicators had outdated baselines and targets. The programming process took about a year, so baselines no longer reflected reality and targets had sometimes already been achieved or were nearing achievement when the financing agreement was signed. Failing to update baselines and targets when signing the financing agreement resulted in payments being made where development had deteriorated instead of improved.

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14 Of the 54 targets considered for disbursement, 24 should have had an appropriate baseline. However, a baseline was set for only seven targets. Eight targets had an inaccurate baseline or none at all, and nine targets had an outdated baseline.

15 Of the 24 targets that should have had a baseline, nine had an outdated baseline. Of the 54 targets considered for disbursement, eight had already been achieved before the financing agreement was signed.

16 The design phase is time-consuming (about a year) and is subject to various levels of approval. The Commission does not have the flexibility to change the targets or indicators at the end of the negotiation procedure.
Difficulties in implementing support

Delays affected implementation

49 We examined whether the activities had been implemented as planned and outputs delivered as intended.

Outputs and complementary support not always delivered on time

50 Overall, implementation of reforms did not always take place as planned in the sectors audited. Delays were mainly due to legislative proposals not being approved in time (social protection), the fact that Parliament had not yet adopted the penal law and penal procedure code (justice), the lack of a dedicated action plan (health) and the limited policy dialogue with the private sector (PACC).

51 As the implementation of reforms was delayed in the justice and PACC sectors, several of the disbursements were also later than originally planned. Despite the delay in social protection activities during the first year of implementation, the Commission did not consider it necessary to take corrective action as technical assistance was in place from previous BS programmes. The Commission had extended the PACC programme by one year and the justice programme by two years. The initial duration of the programmes was four years (and five for the justice programme).

52 In the sectors audited, the BS programmes were complemented by technical assistance and twinning (between 2% and 13% of the BS amount). Although this complementary support provided in the sectors audited was in line with the objectives of the BS programmes, it frequently started two to three years after the financing agreements were signed. Consequently, it did not reinforce BS appropriately.

Limited evidence of sector policy dialogue

53 We checked whether the Commission had a structured approach to policy dialogue that included setting clear objectives, interacting frequently with the Moroccan authorities and keeping progress logs.

54 Policy dialogue is an essential activity under BS. It is one of the main components of BS contracts, alongside the transfer of funds and capacity strengthening. It is expected to contribute towards achieving the objectives of BS programmes.
55 Despite the suspension of the political dialogue, the sectoral (policy) dialogue had continued between the EU Delegation and some ministries (e.g. Health and Social Development). However, the EU Delegation did not have a formalised policy dialogue strategy with clear objectives. There was no evidence that the dialogue addressed adherence to national sectoral strategies and documentation of the meetings held was poor. Meetings took place on an ad-hoc basis, taking into account the needs of both sides. For justice and PACC, the dialogue was minimal.

56 The Ministry of Foreign Affairs had advised the other ministries not to communicate openly about any EU support. Contacts between the ministries and the EU Delegation did not always take place at the appropriate level.

Poor results assessment by Commission

57 We examined whether the Commission had monitored the implementation and performance of the programmes appropriately and whether the conditions for disbursements had been met.

Variable tranches often paid when conditions were neither met nor verified

58 The disbursement of the variable tranches\(^{17}\) was based on sources of verification stipulated in the financing agreement and agreed at design stage between the Commission and the ministries, as well as other official sources provided by the government. Nevertheless, several sources\(^{18}\) of verification stated in the financing agreement did not exist or the ministries did not provide them.

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\(^{17}\) See Box 1.

\(^{18}\) Twelve out of the 42 targets for which this was applicable (i.e. 29%).
In our sample of 54 targets, the Commission considered 33 of them to have been achieved. We looked at how the Commission assessed whether indicators had been achieved before making payments and observed that:\footnote{A target can belong to one or more of the following sub-headings.}

(a) The Commission made payments based on the achievement of 10 targets without checking the reliability of the data used for verifying this. For example, two disbursements under the PACC were made on the basis of the number of self-employed people, although the EU Delegation had not checked the accuracy of the database used. The main criterion used was self-employed people declaring themselves as such, but this was not sufficient, since this declaration is voluntary. Ministry of Finance data showed that the number of self-declared self-employed people was roughly double the number of self-employed individuals who declared their income for taxation.

(b) The Commission made payments for seven targets achieved on the basis of baselines which were not up to date. For example, the baseline for an indicator relating to childbirth used for payments made in 2017 took 2012 figures as the baseline for a BS programme signed in 2015. However, had 2014 been used as a baseline, as childbirth was higher, it would have been clear that the situation had deteriorated, and BS payments would have been lower.

(c) The Commission paid for five targets without having set an initial baseline to compare progress to. In a further six cases, disbursements were made based on inappropriate calculations. For example, the number of diabetic patients treated was calculated without adjusting for the situation before EU support began.

(d) In 15 cases, the Commission paid for targets on which no progress had been made or when targets were not achieved. For example, one target was to increase the number of general practitioners in rural primary healthcare centres. Although the number decreased, the Commission paid the support. As a consequence of the Court’s audit, for two of these targets, the Commission has however initiated the necessary steps to recover the amount paid.
A total of around €88 million was paid in relation to variable tranches for the sectors audited. However, the lack of rigorous controls when assessing results had a financial impact of €6.79 million. Furthermore, regular payments amounted to €19.9 million, although the corresponding indicators were not contributing to the objectives of the BS programme. In addition, an amount of €15.28 million was paid out, although no sufficient checks were performed or inappropriate sources of verification were taken into account. Annex VI contains a detailed overview by sector.

In addition, €14.64 million was carried over although the conditions for carry-over stated in the financing agreement were not met. The Ministries of Social Development and Justice had asked to carry over to the following year the evaluation of five indicators (representing €10 million) and three indicators (representing €4.64 million), respectively. However, the Ministries did not provide any written justification for this, nor was the delay related to external factors.

The Commission did not always monitor progress thoroughly

The advanced status granted to Morocco is of high political importance and constitutes an overarching framework for EU-Morocco relations. Its aim is to reinforce the relationship. However, there was no formal evaluation of the results achieved or areas covered. The Commission plans to perform a country evaluation in 2019 on the ‘EU support/assistance in Morocco’.

External experts paid by the Commission carry out field visits for each BS programme twice yearly and at the end of each BS programme. The follow-up of the recommendations is not systematically reflected in their reports.

The EU Delegation monitored programmes mainly when making payments related to the achievement of indicators. This was often too late to allow for the necessary corrections to be made when there were delays. However, in the justice sector, the EU Delegation did not carry out sufficient monitoring at operational level, which had an effect on the payment of the variable tranche (see Box 3).
Box 3

Weaknesses in the Commission’s monitoring procedures

As part of our audit of the justice sector, we planned to visit three locations funded through indicator three of the BS programme, which aims at the rationalisation of the judicial map: the Court of Appeal in Guelmim, the Court of First Instance in Sidi Ifni and the Judicial Centre in Taghjijt.

The targets related to the disbursement for this indicator at the end of 2017 were the adoption of a law proposal on the rationalisation of the judicial map and the implementation of 60% of this reform as regards the judicial centres.

The objective of our on-the-spot visit in January 2019 was to check the effective implementation of the law and of the decision on the judicial centres. Six weeks after we had informed the EU Delegation of our planned visit, we were informed that none of the three buildings were operational.

This indicates that the EU Delegation had not carried out field visits and had made payments solely on the basis of a legislative proposal and a ministerial decision.

No significant impact for budget support programmes

Budget support objectives only partially achieved

At the time of our audit, the BS programmes and related technical assistance contracts were still ongoing. We examined the extent to which the targets set for the BS programmes had been achieved. We assessed progress towards achieving the objectives of BS in the four sectors we examined for our audit as well as any links between this progress and EU support.

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20 Which included the creation of a Court of Appeal in Guelmim and 13 Courts of First Instance (through the creation of a Court of First Instance in Tahenaout and the transformation of 12 judicial centres into Courts of First Instance, including Sidi Ifni).

21 According to the expert mission report (November 2017) approved by the European Commission, this implementation rate of 60% results from the reduction of the number of judicial centres from 120 to 72 (eight of which had to be activated) as provided by a ministerial decision.
Less than half of budget support targets met

A majority of the targets of the BS programmes had not yet been achieved, but the BS programmes and related technical assistance contracts were still ongoing. Our assessment differs from that of the EU Delegation with regard to the achievement of targets. According to the EU Delegation, out of 54 targets, 62 % had been achieved by the end of December 2018, whereas we found the achievement rate to be 40 % (see Figure 7). The Commission had assessed several of the unachieved targets as low risk during the design phase.

Figure 7 – Achievement of targets

<table>
<thead>
<tr>
<th>BS Sector</th>
<th>Targets</th>
<th>Targets achieved – EU Delegation</th>
<th>Targets achieved – European Court of Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health – first variable tranche</td>
<td>11</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Health – second variable tranche</td>
<td>10</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Social Protection – first variable tranche</td>
<td>9</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Justice – first variable tranche</td>
<td>9</td>
<td>6</td>
<td>3.5</td>
</tr>
<tr>
<td>PACC – first variable tranche</td>
<td>10</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>PACC – second variable tranche</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td><strong>Achievement rate</strong></td>
<td>54</td>
<td>62 %</td>
<td>40 %</td>
</tr>
</tbody>
</table>

Source: European Court of Auditors.

Despite some improvements in the health sector (see paragraph 76), some important indicators of the BS programme had not yet been achieved: better access to health centres for the rural population, increase in the number of women giving birth in these centres, improved availability of medicines in health centres and health inspectors in every region.
For the social protection sector, five out of nine were process indicators and hence affected by the legislative delays (see paragraph 50). With regard to the results indicators, the following crucial targets had not yet been achieved: three-year budget plan for the social services sector, global medical coverage for employees and medical coverage for non-salaried workers.

For the justice sector, two process indicators were affected by the delay in the approval of the penal code. With regard to the results indicators, only one of the eight judicial centres to be activated was operational. It is impossible to assess whether or not the target relating to judicial assistance had been achieved, as the source of verification used to identify the beneficiaries (RAMED cardholders) was not appropriate.

According to the EU Delegation, most of the PACC targets had been achieved. However, due to a lack of documentation or the absence of checks by the EU Delegation, there was no proof of the achievement of five indicators at the time of payment (see Annex VI).

Despite the extensions for indicator assessment granted by the EU Delegation (see paragraph 51), target achievement was still low. In addition, in 2018, the Commission set less ambitious targets for five indicators in the justice sector, dropped one PACC indicator and reduced the targets of two others. As such, the Commission reduced the conditions for achievement.

**Budget support had not sufficiently supported reforms**

BS funds in Morocco are not linked to a specific budget line. According to the Commission, this had generated growing discontent in some ministries due to the feeling that their efforts were not (or not always) rewarded with additional budgetary outlays. Although the national authorities favour BS as an aid delivery method, the sectoral ministries do not notice its added value, preferring to receive technical assistance as this is more tangible. Furthermore, up until 2018 there had been no multiannual budgetary forecasts. As from 2019, there is a three-year budget plan, which could be aligned with the multiannual BS programmes.

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Although the budgetary executions rates were satisfactory, significant amounts remained to be spent in the budgets of the ministries audited for 2014-2016, and also for 2017 in the case of the Ministry of Industry (see Figure 8). The ministries’ annual budgets had not substantially increased, and had even fallen in the case of the Ministry of Energy (see Figure 9). This puts the added value of BS into question.

Figure 8 – Yearly unspent budget

Source: EU Delegation.
Moreover, EU BS only represents a fraction of the country’s gross domestic product, thereby limiting its overall leverage (see Figure 10).

Figure 10 – Budget support as % of Moroccan GDP and budgetary expenditure

<table>
<thead>
<tr>
<th>Period</th>
<th>Morocco’s nominal GDP (million euro)</th>
<th>Morocco’s general budgetary expenditure (million euro)</th>
<th>EU BS (million euro)</th>
<th>% EU BS/Morocco’s GDP</th>
<th>% EU BS/Morocco’s budgetary expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>82 800</td>
<td>33 970</td>
<td>65.0</td>
<td>0.08</td>
<td>0.19</td>
</tr>
<tr>
<td>2015</td>
<td>91 200</td>
<td>35 400</td>
<td>115.98</td>
<td>0.13</td>
<td>0.32</td>
</tr>
<tr>
<td>2016</td>
<td>93 300</td>
<td>35 980</td>
<td>163.9</td>
<td>0.18</td>
<td>0.46</td>
</tr>
<tr>
<td>2017</td>
<td>97 300</td>
<td>36 800</td>
<td>164.2</td>
<td>0.17</td>
<td>0.47</td>
</tr>
<tr>
<td>2018</td>
<td>100 500</td>
<td>37 680</td>
<td>153.3</td>
<td>0.15</td>
<td>0.41</td>
</tr>
</tbody>
</table>

Source: EU Delegation.
For the PACC programme, only little statistical data for Morocco is publicly available. The reports provided by the national authorities do not allow sectoral progress to be monitored appropriately. For instance, the EU Delegation lacked annual statistics for a number of key figures to monitor the industrial acceleration plan. Consequently, it is difficult to determine the added value of the programme.

**Health**

Limited progress had been made towards the objectives of the health programme. Access to primary healthcare was still not equal as the differing conditions between the public and private sector, and between urban and rural environments, had not been addressed sufficiently via the indicators in the BS programme.

There was not sufficient emphasis on improving the skills of healthcare workers or attracting more medical students in the health sector. Furthermore, the specific objective of setting up an integrated, accessible electronic healthcare information system had not been achieved. BS can better address the main root causes (i.e. ratio of medical staff per inhabitant and disparities between urban and rural environments) in the long term, whereas its short term impact will remain limited.

**Social Protection**

EU support had prompted reforms in the social protection sector, but, given the early stage of the BS programme it was too early to see an overall impact. The BS led to the formulation of a single sector policy on social protection. However, policy implementation was affected by legislative delays.

A positive effect of the BS programme is that the introduction of individual social security numbers will be linked to an impact evaluation concerning the *Tayssir*\(^{23}\), *Régime d’assistance Médicale* and DAAM\(^{24}\) programmes. Thanks to this individual social security number, only eligible beneficiaries will benefit from these programmes, which will have a significant effect on programme costs. In addition, the social security number will be the starting point for all social services. In the near future, an anti-fraud component will be added to the individual social security number (via technical assistance provided by the EU).

\(^{23}\) National programme for learning support.

\(^{24}\) National programme for direct support to widows with children.
The Moroccan government had already initiated reforms in 2011, but given the complexity of these reforms, implementation was slow, especially for the penal code, which has been under parliament scrutiny for over two years. The reforms are however particularly important as regards the protection of human rights (detention conditions, etc.). According to Freedom House\textsuperscript{25} reports\textsuperscript{26}, the justice sector is not yet considered independent.

The International Commission of Jurists pointed out in one of its reports\textsuperscript{27} that investigative judges and prosecutors routinely disregard provisions of the Code of Criminal Procedure that provide for pre-trial detention to be used only in exceptional cases. In 2017, 42 % of prisoners were held under preventive detention. It also confirms the reports by Freedom House, stating that police custody procedures fail to comply with Morocco’s obligations under international law.

Overall, there had been limited progress towards the achievement of the objectives of the BS programme: an independent justice sector, improved access to rights and justice, increased judicial protection of rights and freedoms and an increase in the effectiveness and efficiency of the justice sector.

In general, Morocco’s competitiveness was improving, with an increase in exports, GDP growth, an increase in foreign direct investment and a reduction in the current account balance deficit. Morocco had also risen 27 places in the World Bank’s ‘Doing Business’ index between 2014 and 2019 (see \textit{Annex VII}). Box 4 shows a positive achievement linked to the PACC programme.

\textsuperscript{25} Freedom House is a non-governmental organisation that conducts research and provides advocacy regarding democracy, political freedom and human rights.


\textsuperscript{27} International Commission of Jurists, ‘Reform the criminal justice system in Morocco: strengthen pre-trial rights, guarantees and procedures’ (April 2017).
Box 4

PACC: Promoting paperless procedures

Morocco’s aim is to achieve a paperless trade system by 2021. A solely digital supply chain will make stakeholder procedures clearer, reducing time and costs.

- The PACC programme is supporting the digitalisation of trade procedures via six indicators and the reform process.
- Online communication and digital document exchange have contributed to customs efficiency. Since 1 January 2019, the customs clearance system has been entirely paperless.
- In the past year, Morocco has moved up nine places in the World Bank’s ‘Doing Business’ index.

84 There was also a strong political will to implement the industrial acceleration plan. According to the Organisation for Economic Cooperation and Development, despite the high number of reforms and the support for start-up and innovation, more international companies than SMEs had been set up in Morocco.

85 The informal sector is extensive in Morocco (around 2.38 million business units). Consequently, even if the PACC were to formalise 45 000, this would not be significant. Nor is there any guarantee that ‘auto-entrepreneurs’ officially register their activities after obtaining the relevant card (see paragraph 59, point (a)). PACC support is limited to 250 SMEs, whereas there are about 735 000 SMEs in Morocco.

86 In addition, only 100 export companies with a turnover below 5 million dirham (approximatively €460 000) received support. The current ceiling (5 million dirham) meant that 4 260 companies were potentially eligible (i.e. 69 % of the export companies). As the goal was to support smaller companies and funds allowed to support only 100 companies, it would have been sensible to set a lower ceiling.

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28 It is one of the Moroccan Government’s major strategies aimed at (i) increasing the number of jobs in the industrial sector, (ii) changing the structure of the Moroccan economy by increasing the share of industry in the GDP, (iii) increasing exports of industrial products, (iv) increasing foreign direct investments in industry and (v) improving the productivity of the sector.

29 Based on a survey by the General Confederation of Companies in Morocco in 2014.
Acknowledgement of EU support not sufficiently visible

87 Visibility of the EU’s financial cooperation, in particular as regards the results achieved, was insufficient. For example, no joint press releases were issued and there were no signs acknowledging EU support. While the political dialogue was suspended, the Ministry of Foreign Affairs had asked the other ministries not to communicate openly about any EU support received.

88 The social protection programme had a condition in the financing agreement relating to communication and visibility. The health programme had a specific budget line dedicated to visibility. However, events in the health sector were only organised as from 2019. An additional indicator, ‘Reinforce communication on the reform of the justice sector and the visibility of EU support’, had been added to the justice programme via an addendum on 20 December 2018, with a deadline for achievement of 31 December 2018. However, the conferences on the reform of the justice sector had already been organised before the addendum was signed, and it was mainly the Ministry of Justice that benefited from the increased visibility.

89 The PACC financing agreement included a communication and visibility condition. The ministry was required to draft and submit a communication plan as a condition for disbursement of the first variable tranche. The ministry also had to provide a report on the implementation of the communication plan before or upon submitting its request for disbursement of the next variable tranche. The ministry had provided a plan, which was approved by the Commission, but none of the proposed actions was implemented by the end of December 2018. This did not entail any financial consequences for the ministries.

90 The EU logo did not appear on beneficiary websites for the programmes audited. Consequently, the visibility of EU support to Morocco did not reflect its presence as one of the biggest donors.

Limited progress on key challenges

91 We examined whether the BS programmes made a positive contribution to cross-cutting issues and regional disparities.
There is evidence that poverty reduced but not social disparities

92 The poverty level\(^{30}\) in Morocco had decreased significantly since 2001 (see Figure 11), although no data was available beyond 2014. Despite this reduction, there was no evidence that social disparities had improved, neither at national, urban or rural level.

Figure 11 – Evolution of poverty level in Morocco during 2001-2014 (in %)

![Figure 11 showing the evolution of poverty level in Morocco](image)


93 A comparison of the Gini coefficient\(^{31}\) (2010-2017) for Morocco and all other middle-income countries for which data was available, as well as other recent studies, such as the one carried out by the Organisation for Economic Cooperation and Development and the African Union\(^{32}\) indicates that social disparities in Morocco remained high. However, Morocco’s performance was average compared to other middle-income countries (see Figure 12).

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\(^{30}\) All individuals whose consumption expenditure is below the national poverty line ($2.15 per day) are considered poor (World Bank country diagnostics June 2018).

\(^{31}\) The Gini coefficient is used to measure income distribution across percentiles in a population. The higher the Gini coefficient, the greater the country’s inequality, with high-income individuals receiving much larger percentages of the total income of the population than the average percentage per capita.

\(^{32}\) African Development Dynamics 2018 (11 July 2018).
Limited improvement in gender equality and human rights

Although Morocco has made advancements in women’s rights over the last two decades, it still ranks 137th out of 149 countries according to the 2018 World Economic Forum’s Global Gender Gap Report. Morocco’s 2011 constitutional reforms included several proposals to increase women’s political and economic participation. Despite these pronouncements, women remain underrepresented in managerial positions, leave school at younger ages than male students, and are still an underutilized economic resource in Morocco.
EU support targeted cross-cutting issues such as gender and human rights as follows:

(a) The EU action plan (advanced status) had a strong focus on gender equality, as did the SSF. The Commission monitored the expected results through the annual reporting exercise on the Gender Action Plan.

(b) Morocco is the only country that benefits from a dedicated BS programme on gender equality. Despite the mixed results of the 2012-2016 BS programme, with only 48% disbursed, a new programme was launched for 2018-2020. The evaluation of the first gender-related BS programme revealed that, due to the lack of results indicators, the gender programme had a limited effect on other sectors. In addition, gender mainstreaming could have been carried out more effectively and gender-based economic disparities had not decreased.

(c) Gender had been taken into account in BS for social protection (two out of 15 indicators), justice (two out of 10 indicators) and health (three out of 18 indicators). For the PACC programme, the EU Delegation had not managed to have it included, as the ministry was against including it.

(d) Human rights had only been specifically addressed in the justice sector (three out of 10 indicators), but none of these targets had been achieved so far.

Despite this targeting, no improvement could be observed for the period under review. Moreover, the EU’s assessment of fundamental rights indicated that the situation had not improved since 2014.

The limited progress in gender equality is confirmed by data from the United Nations Development Programme with regard to the gender inequality index and the human development index (HDI) for men and women (see Figure 13).

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33 A composite index reflecting inequality between women and men in three dimensions of achievement: reproductive health, empowerment and the labour market; 100% = inequality and 0% = equality.

34 A composite index measuring average achievement in three basic dimensions of human development — a long and healthy life, knowledge and a decent standard of living.
Figure 13 – Gender inequality in Morocco

![UNDP Gender inequality and HDI index](chart)

Source: United Nations Development Programme

Freedom House also confirms the negative situation in Morocco with regard to human rights (see Figure 14). The main issues they mention are the restrictive press laws, lack of internet freedom, failure to allow free assembly, and the lack of independence of the justice sector. In 2018, the score for Morocco’s civil liberties declined due to harsh state responses to major demonstrations throughout the year. Morocco is considered ‘partially free’ (see Figure 15).

Figure 14 – Freedom House Index in Morocco

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Rights</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Civil Liberties</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Freedom rating</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Freedom House.
Figure 15 – Human Rights in Morocco

Aggregate score: 0 = least free / 100 = most free

Source: Freedom House.
Conclusions and recommendations

The audit examined the effectiveness of EU BS to priority sectors in Morocco. Based on an appropriate risk analysis and needs assessment, the Commission considered BS to be the right choice of aid delivery instrument. However, we concluded that its added value and ability to support reforms was limited due to sub-optimal focus, weak implementation and insufficient monitoring. The main weaknesses related to indicator design and results assessment. Not all expected outputs were delivered, nor were disbursements always based on the achievement of targets. Donor coordination was uneven. Moreover, there was no evidence that BS had supported the effective implementation of reforms.

The Commission addressed needs identified in national and EU strategies. However, we found that the three priority sectors were too broadly defined, meaning BS was distributed across too many areas. This could weaken its impact (see paragraphs 25 and 26). The Commission had not used a transparent method to allocate amounts to sectoral BS programmes (see paragraph 27). The Commission had not used the political standstill to reassess its operational priorities for Morocco and develop a clear strategy (see paragraphs 32 and 33). With regard to donor coordination, Member States were keen to maintain their own visibility instead of aligning their objectives with those of the EU (see paragraph 35). Furthermore, very few joint indicators, missions or evaluations were in place between the EU and other donors for the sectors audited (see paragraph 38).

Recommendation 1 – Strengthen the focus of EU budget support in Morocco

For the next single support framework, the Commission and the EEAS should:

(i) reduce the number of sectors and prioritise them in order to take into account the objective of maximising the impact of EU assistance;

(ii) apply a more transparent and better documented method to allocate amounts to sectoral BS programmes;

(iii) reinforce joint programming with Member States to increase aid coordination and effectiveness.

Timeframe: June 2021
The Commission had not developed fully-fledged action plans with baseline data, results indicators and pre-defined targets. We noted weaknesses in the selection and use of indicators, as well as the use of output instead of outcome/impact indicators and outdated or missing baselines (see paragraphs 47 and 48).

**Recommendation 2 – Improve design of targets and performance indicators**

The Commission and the EEAS should strengthen its use of conditionality by:

(i) defining specific and relevant performance indicators with ambitious targets to support reforms and demonstrate progress/results;

(ii) making greater use of outcome-oriented indicators;

(iii) setting clearer, more relevant and more up-to-date baselines for all indicators.

**Timeframe: December 2020**

The EU Delegation had not formalised policy dialogue strategies with clear objectives, nor were the meetings with the ministries systematically documented. Contacts between the ministries and the EU Delegation did not always take place at the appropriate level (see paragraphs 54–56).

**Recommendation 3 – Strengthen policy dialogue**

The Commission and the EEAS should strengthen their policy dialogue framework by adopting a policy dialogue strategy for all areas in which the EU provides support. This requires:

(i) a clear and appropriate definition of the objectives and expected results of the dialogue;

(ii) minutes should be drafted;

(iii) assessments of the achievements of the policy dialogue strategy.

**Timeframe: December 2020**
The Commission’s assessment of the achievement of indicator-related targets was hampered by weaknesses such as payments made without verifying the reliability of the data, inappropriate calculations, payments made when targets had not been achieved and disbursements made despite a lack of progress. In addition, € 14.64 million was carried over to the next financial year, although the conditions stipulated in the financing agreement were not met (see paragraphs 58–61).

**Recommendation 4 – Enhance disbursement verification procedures**

The Commission should enhance its payment verification procedures by:

(i) applying appropriate calculation methods (where relevant);

(ii) disbursing funds only when there is reliable evidence that the target has actually been achieved;

(iii) carrying over targets and related payments to another period only when beneficiaries have provided justification that the delays were due to external factors.

**Timeframe: December 2020**

We found weaknesses in the Commission’s monitoring of BS operations. For example, the Commission monitored programmes mainly when making payments related to the achievement of indicators, which was often too late to allow corrections to be made when there were delays (see paragraphs 47 and 62–64).
Recommendation 5 – Improve monitoring procedures

The Commission should improve the monitoring of its BS operations by:

(i) making greater use of field visits when monitoring programmes;

(ii) strengthening assessments of sectoral strategies and monitoring their implementation using the indicators of the sectoral strategies;

(iii) formally following up recommendations made by external experts and implementing those that are considered relevant.

Timeframe: December 2020

105 Less than half of the BS targets had been achieved (see paragraphs 66–71). Although progress had been made towards the objectives of the BS programmes in the sectors audited, it was limited (see paragraphs 72–86). The implementation of ministries’ budgets had improved, but significant amounts remained to be spent. This puts the added value of BS into question (see paragraphs 73–74).

106 Visibility of EU support in Morocco was insufficient. The social protection BS programme had a general condition relating to visibility. The required action plan stipulated in the PACC financing agreement had been drafted, but not implemented. In the justice sector, an indicator relating to visibility had been added at a later stage, but targets had already been achieved when the addendum was signed. In the health programme, a budget was provided for visibility, but events only took place as from 2019 (see paragraphs 87–90).

Recommendation 6 – Increase visibility of EU support

The Commission and the EEAS should stipulate visibility conditions or indicators in its BS programmes in order to ensure that the EU support provided in Morocco is publicised. This should be a mandatory condition for disbursement in the financing agreement.

Timeframe: June 2020
EU support targeted cross-cutting issues such as gender and human rights. Despite this targeting, only limited improvement could be observed for the period under review. (see paragraphs 94-98).

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 14 November 2019.

For the Court of Auditors

Klaus-Heiner Lehne
President
Annexes

Annex I – Important EU-Morocco cooperation phases

Source: European Court of Auditors.
### Annex II – Budget support programme decisions, contracts and payments (2014 to 2018)

[European Neighbourhood Instrument – budget line 22 04]

<table>
<thead>
<tr>
<th>Sector and Decision year</th>
<th>Programme</th>
<th>Allocated (million euro)</th>
<th>Contracted (million euro)</th>
<th>Paid (million euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>Programme d’appui sectoriel à la réforme de système de santé</td>
<td>170.00</td>
<td>163.75</td>
<td>73.26</td>
</tr>
<tr>
<td>Justice</td>
<td>Programme d’appui sectoriel à la réforme de la justice</td>
<td>70.00</td>
<td>69.85</td>
<td>24.25</td>
</tr>
<tr>
<td>General budget support-related aid</td>
<td>Reussir le Statut Avancé (phase II) top-up Dec 2013/24-875</td>
<td>10.00</td>
<td>4.18</td>
<td>1.08</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>Programme d’appui sectoriel à la réforme de système de santé II</td>
<td>10.00</td>
<td>8.80</td>
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<td>5.50</td>
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</tr>
<tr>
<td>Public sector policy</td>
<td>Financement additionnel 2015 au programme &quot;Hakama&quot; Gouvernance</td>
<td>9.50</td>
<td>5.24</td>
<td>1.32</td>
</tr>
<tr>
<td>PACC</td>
<td>Programme d’appui à la croissance et la compétitivité au Maroc - PACC</td>
<td>100.00</td>
<td>96.06</td>
<td>47.84</td>
</tr>
<tr>
<td>Vocational Training</td>
<td>Formation professionnelle: développement du capital humain au Maroc</td>
<td>45.00</td>
<td>45.00</td>
<td>14.77</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public sector policy</td>
<td>Programme d’appui aux politiques migratoires du Maroc</td>
<td>35.00</td>
<td>33.00</td>
<td>7.85</td>
</tr>
<tr>
<td>Social Protection</td>
<td>Programme d’appui à la Protection sociale au Maroc</td>
<td>100.00</td>
<td>91.41</td>
<td>22.51</td>
</tr>
<tr>
<td>Vocational Training</td>
<td>Formation professionnelle: développement du capital humain au Maroc</td>
<td>15.00</td>
<td>13.10</td>
<td>2.88</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic life skills for youth and adults</td>
<td>Programme d’appui à la stratégie nationale d’alphabétisation au Maroc - 3ème phase</td>
<td>50.00</td>
<td>45.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Forestry policy</td>
<td>Forestry policy and administrative management Programme additionnel au PAPFM</td>
<td>12.50</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Social Protection</td>
<td>Multisector aid for basic social services Top up au programme d’appui à la Protection sociale</td>
<td>9.20</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Women’s equality organisations and institutions</td>
<td>Women’s equality organisations and Institutions Egalité-Moussawat</td>
<td>35.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>General budget support-related aid</td>
<td>Top-up au Programme Réussir le Statut Avancé phase II (RSA II)</td>
<td>9.50</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic life skills for youth and adults</td>
<td>Programme d’appui à la jeunesse au Maroc</td>
<td>35.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Public sector policy</td>
<td>Programme d’appui aux réformes de gouvernance publique - HAKAMA 2</td>
<td>62.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Justice</td>
<td>Top up convention justice</td>
<td>2.20</td>
<td>0.11</td>
<td>0.00</td>
</tr>
<tr>
<td>Rural development</td>
<td>Programme d’Appui au Développement Territorial au Maroc (PADT)</td>
<td>50.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>General budget support-related aid</td>
<td>Top up au programme &quot;Réussir le Statut Avancé II&quot; (RSA II)</td>
<td>50.00</td>
<td>50.00</td>
<td>30.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>810.40</strong></td>
<td><strong>561.98</strong></td>
<td><strong>205.69</strong></td>
</tr>
<tr>
<td><strong>Covered in the audit scope</strong></td>
<td></td>
<td><strong>391.90</strong></td>
<td><strong>366.46</strong></td>
<td><strong>147.78</strong></td>
</tr>
</tbody>
</table>

**Source:** European Court of Auditors.
Annex III – Funding by other EU instruments (2014-2018)

<table>
<thead>
<tr>
<th>Domain of EU support (contract portfolio 2014 – 2018)</th>
<th>Contracted amount (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) NIF – Neighbourhood Investment Facility</td>
<td>199 966 000</td>
</tr>
<tr>
<td>2) EUTF – EU Trust Fund projects for Morocco</td>
<td>40 800 000</td>
</tr>
<tr>
<td>3) EIDHR – European Instrument for Democracy and Human Rights</td>
<td>4 750 288</td>
</tr>
<tr>
<td>4) ENI Global allocation for Morocco</td>
<td>4 905 834</td>
</tr>
<tr>
<td>5) CSO – GENR- LA – Civil Society, Gender and Local authorities</td>
<td>3 732 747</td>
</tr>
<tr>
<td>6) HUM – Human development</td>
<td>1 586 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>255 740 869</strong></td>
</tr>
</tbody>
</table>

*Source: European Commission.*
## Annex IV – Overview of contracts/projects audited

<table>
<thead>
<tr>
<th>Sector</th>
<th>Type</th>
<th>Contract title</th>
<th>Committed amount million €</th>
<th>Paid amount million €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>BS</td>
<td>Contrat pour le versement des différentes tranches de l’appui budgétaire du programme PASS II</td>
<td>94.00</td>
<td>46.57</td>
</tr>
<tr>
<td>Health</td>
<td>Project</td>
<td>Assistance Technique pour l’accompagnement du programme d’Appui à la réforme du secteur de la santé-Phase II (PASS II)</td>
<td>3.30</td>
<td>1.15</td>
</tr>
<tr>
<td>Health</td>
<td>Project</td>
<td>Projet d’appui à la réforme des Soins de Santé Primaires-Contrat PAGODA UE/OMS</td>
<td>0.80</td>
<td>0.16</td>
</tr>
<tr>
<td>Health</td>
<td>Project</td>
<td>Appui au développement des capacités de l'Ecole Nationale de Santé Publique (ENSP) pour un meilleur accompagnement des réformes de santé et des gestionnaires des structures de soins</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Health - Total</strong></td>
<td><strong>98.13</strong></td>
<td><strong>47.89</strong></td>
</tr>
<tr>
<td>Social Protection</td>
<td>BS</td>
<td>Contrat pour le versement des 4 tranches de l’appui budgétaire du programme d’appui à la Protection Sociale</td>
<td>90.00</td>
<td>22.00</td>
</tr>
<tr>
<td>Social Protection</td>
<td>Project</td>
<td>Contrat PAGODA UE/UNICEF - Programme d’appui à une protection sociale intégrée et sensible aux enfants au Maroc</td>
<td>1.10</td>
<td>0.44</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Social Protection - Total</strong></td>
<td><strong>91.10</strong></td>
<td><strong>22.44</strong></td>
</tr>
<tr>
<td>Justice</td>
<td>BS</td>
<td>Contrat pour le versement des différentes tranches de l’appui budgétaire du programme Justice</td>
<td>65.50</td>
<td>19.60</td>
</tr>
<tr>
<td>Justice</td>
<td>Project</td>
<td>Assistance technique pour le programme d’appui sectoriel à la réforme de la justice au Maroc</td>
<td>3.29</td>
<td>0.64</td>
</tr>
<tr>
<td>Justice</td>
<td>Project</td>
<td>Accès des enfants à une justice adaptée et respectueuse de leurs droits - projet UNICEF</td>
<td>2.80</td>
<td>1.74</td>
</tr>
<tr>
<td>Justice</td>
<td>Project</td>
<td>Amélioration du fonctionnement de la justice au Maroc sur la base des outils développés par la Commission européenne pour l’efficacité de la justice (CEPEJ)”</td>
<td>1.60</td>
<td>1.58</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Justice - Total</strong></td>
<td><strong>74.39</strong></td>
<td><strong>24.14</strong></td>
</tr>
<tr>
<td>PACC</td>
<td>BS</td>
<td>Contrat d’appui budgétaire pour l’appui à la croissance verte et à la compétitivité du Maroc.</td>
<td>99.00</td>
<td>51.80</td>
</tr>
<tr>
<td>PACC</td>
<td>Project</td>
<td>Subvention à la GIZ pour l’opérationnalisation de la stratégie des Très Petites, Petites et Moyennes entreprises au Maroc</td>
<td>1.80</td>
<td>0.88</td>
</tr>
<tr>
<td>PACC</td>
<td>Project</td>
<td>Organisation du séminaire EIP (European External Plan of Investment) au Maroc</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>PACC - TOTAL</strong></td>
<td><strong>100.82</strong></td>
<td><strong>52.70</strong></td>
</tr>
</tbody>
</table>

*Source: ABAC.*
## Annex V – Budget support programme objectives

<table>
<thead>
<tr>
<th>BS Sector</th>
<th>Overall objective</th>
<th>Specific Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>Increase equal access to qualitative healthcare.</td>
<td>- equal access to primary healthcare;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- improved management and skills of healthcare personnel;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- improved governance; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- development of an integrated, computerized, accessible healthcare information system.</td>
</tr>
<tr>
<td>Social Protection</td>
<td>Contribute to reducing inequality, improving social cohesion and tangibly improving human development in Moroccan society by promoting equal access to social and basic services.</td>
<td>- implementation of an integrated, unified social protection policy;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- extension of basic medical coverage to all socio-professional categories and improved coverage of disadvantaged populations;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- development of social assistance by better targeting populations in precarious situations; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- development of social services through accredited social protection centres.</td>
</tr>
<tr>
<td>Justice</td>
<td>Reinforce the rule of law through an accessible, independent judicial system that meets international standards.</td>
<td>- independent justice sector;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- improved access to rights and justice;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- increased judicial protection of rights and liberties; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- increased effectiveness and efficiency of justice.</td>
</tr>
<tr>
<td>PACC</td>
<td>Support the competitiveness and growth of Morocco, with the ultimate aim of supporting the country in its ambition of sustainable development and the creation of decent jobs.</td>
<td>- increased competitiveness through reinforced implementation of national industrial policy;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- increased Moroccan export potential; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- support for transition towards a greener economy and industry.</td>
</tr>
</tbody>
</table>

*Source: European Commission.*
## Annex VI – Variable tranche disbursement issues

<table>
<thead>
<tr>
<th>Sector</th>
<th>Tranche</th>
<th>Indicator</th>
<th>Issue</th>
<th>Facts</th>
<th>Financial impact (incorrectly paid)*</th>
<th>Regular payment. However, not contributing to the budget support programme objective</th>
<th>Weak control procedures</th>
</tr>
</thead>
</table>
| Health          | 1st variable | 1.1 Number of contacts of curative medical consultations by the rural primary health care system per capita per year | Overestimation of result due to inappropriate calculation method Payment for ‘results’, although the situation worsened - Outdated baseline | Baseline (2012): 36, (2014): 38 - Target (2015): 40 - Achievement: 37  
(1) Outdated baseline, as data from 2012 were used.  
(2) Inappropriate calculation method. Progress should be measured (37-36) / (40-36) = 25 %. NB: With the method of the EC (37/40 = 93 %), “progress” would be paid even if the baseline stays the same. (36/40 = 90 %).  
(3) Performance: The balance is declining since the BS started | 3 994 000 € | -                                                                     |                                                                      |
| Health          | 1st variable | 1.1 Number of general practitioners in post in the primary health centers “ESSP” in rural areas | Payment for ‘results’, although the situation worsened - Overestimation of result due to inappropriate calculation method | Baseline: 1096 - Target: 1300 - Achievement: 1097  
(1) There is no progress, the balance is declining.  
(2) Inappropriate calculation method by the Commission (1097/1300 = 81 % of progress) | 1 197 000 € | -                                                                     |                                                                      |
| Health          | 1st variable | 1.7 Number of diabetic patients monitored in public health facilities in rural areas | Overestimation of result due to inappropriate calculation method No impact on the specific objective | Baseline: 183 962 (2013) - Target: 225 000 - Achievement: 215 464  
(1) The progress (2016) is overestimated by EC using an inappropriate calculation method: (215 464/225 000) = 96% leading to a 100% payment. However, the progress is at best (215 464/183 962) = 77%. This should have led to a 50% payment only. Starting point for measuring progress is the baseline.  
(2) Using the updated baseline (2014) the real progress is in reality only: (215 464 - 191 250) / (225 000 - 191 250) = 71 % (leading to the same result: a 50 % payment)  
(3) The objective was to improve the urban/rural disparity. However, the indicator does not measure this and in addition there is no progress towards this objective. The expert report states: "The proportion... urban and rural... remained stable" | 1 197 000 € | 1 197 000 € | -                                                                     |                                                                      |
| Health          | 2nd variable | 1.7 Number of diabetic patients monitored in public health facilities in rural areas | No impact on the specific objective | The specific objective was to improve the urban/rural disparity. However, the indicator does not measure this and there is no progress towards this objective. The situation worsened despite a nominal increase in figures. The expert report states: "The majority of this increase stems from the urban area..." | - | - | -                                                                     |                                                                      |
| Health          | 1st variable | 1.8 Number of hypertensive patients in public health facilities in rural areas | No impact on the specific objective | Target: 300 000 - Achievement: 288 579  
The objective was to improve the urban/rural disparity. However, the indicator does not measure this and there is no progress towards this objective. The situation worsened despite a nominal increase in figures. The expert report states: "The relative proportion of the rural area stays the same." | 2 994 000 € | -                                                                     |                                                                      |
| Health          | 2nd variable | 1.8 Number of hypertensive patients in public health facilities in rural areas | No impact on the specific objective | Target: 250 000 - Achievement: 261 677  
The objective was to improve the urban/rural disparity. However, the indicator does not measure this and there is no progress towards this objective. The situation worsened despite a nominal increase in figures. The expert report states: "The increase observed in 2016 stems for 58.5% out of the urban area..." | 3 291 667 € | -                                                                     |                                                                      |
| Health          | 2nd variable | 1.6 Availability of essential drugs in public primary health structures (ESSPs) | No baseline Payment for ‘results’, although the situation worsened | Declining balance since start of the programme: Whereas availability was 82.71 % in 2016, for 2017 it is 79.71 % | 1 645 833 € | 1 645 833 € | -                                                                     |                                                                      |
| Health          | 1st variable | 1.9 Existence and implementation of a national health plan for the disabled | Already achieved before signing the financing agreement Outdated baseline | The plan was published in October 2015, after a consultation process starting already back in 2014. The BS was signed in November 2015.  
No real progress: Declining balance in 2015 compared to 2014 (outdated baseline/target) | 3 291 667 € | -                                                                     |                                                                      |
No real progress: declining balance since BS started | 3 291 667 € | -                                                                     |                                                                      |
| Health          | 2nd variable | 3 Proportion of births (assisted by qualified personnel) in rural areas in public health structures | Outdated baseline Payment for ‘results’, although the situation worsened | - | 4 788 000 € | 19 899 834 € | -                                                                     | -
<table>
<thead>
<tr>
<th>Sector</th>
<th>Tranche</th>
<th>Indicator</th>
<th>Issue</th>
<th>Facts</th>
<th>Financial Impact (incorrectly paid)</th>
<th>Regular payment. However, not contributing to the budget support programme objective</th>
<th>Weak control procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Protection</td>
<td>1st variable</td>
<td>1.2. There is a three year budget programming for the social sectors</td>
<td>Not achieved / Inappropriate source of verification</td>
<td>A three-year budgetary plan for the social services sector was required for the period 2017-2020 in order for the indicator to be achieved, but the EU Delegation was satisfied with 'sufficient progress in investments in the social sector'. The EU Delegation based its opinion on historical figures of 2017 and 2018 and the forecast of 2019. The Ministry of Economy and Finance acknowledged that no such plan was in place. Furthermore, the ministry requested technical assistance, as it did not have the necessary expertise in place to develop this type of three-year budgetary plan for the social sector.</td>
<td>2 000 000 €</td>
<td></td>
<td>Weak control procedures</td>
</tr>
<tr>
<td>Social Protection</td>
<td>1st variable</td>
<td>2.4. Global medical coverage of the population</td>
<td>Inappropriate source of verification / Contradiction with other sources of verification (achievement cannot be guaranteed)</td>
<td>The ANAM provided an Excel table with data by population category of people insured. The data could not be traced back to their annual report, nor did the EU Delegation crosscheck the data with other sources. In addition, the 2017 data was compared to the 2014 population (which was lower than the 2017 population) to calculate coverage of the Moroccan population. According to reports by the National Statistics Office and Office National du Développement Humain', the total medical coverage was only 49.6 % and 53.8 % respectively in 2017, which is even lower than the baseline situation. The data of ANAM was based on cards distributed (RAMED), and the results of the National Statistics Office given orally by the sample of households when asked whether they had a RAMED card. Another study of the National Statistics Office found that only 30 % of cardholders had the actual right to have a RAMED card. The other cardholders had sufficient income to cover a regular medical insurance. As such, the ANAM figures cannot really be considered reliable.</td>
<td>2 000 000 €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>1st variable</td>
<td>3: Rationalisation of the judicial map</td>
<td>Not achieved/inappropriate source of verification</td>
<td>Target b of indicator 3 was not achieved. A total of 72 judicial centres were supposed to be operational by end of 2017. 64 had already been active before and 8 judicial centers had to be activated. Only 1 out of those 8 was activated (Farlaya) by December 2018, i.e. one year after the disbursement was decided.</td>
<td>2 000 000 €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>1st variable</td>
<td>4: Availability of judicial assistance</td>
<td>Not achieved/inappropriate source of verification</td>
<td>The source of verification used (RAMED) is not an appropriate means to measure the achievement of this indicator and was not provided as source of verification in the financing agreement. In addition, the RAMED card cannot be considered as a reliable source, given the focus on the improvement of its reliability in the budget support programme on social protection.</td>
<td>1 280 000 €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>1st variable</td>
<td>9: Digitalisation of the jurisdictions</td>
<td>Inappropriate source of verification</td>
<td>The verification source 'annual report of the Ministry of Justice' was not provided. A verification mission was carried out in January 2018, whereas the payment already took place in December 2017.</td>
<td>1 600 000 €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>1st variable</td>
<td>10: Strengthening of the judicial service</td>
<td></td>
<td></td>
<td>3 680 000 €</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The number of auto-entrepreneurs (indicators T1D1 to T1D4) is based on reports by Maroc PME. The database is managed by Maroc Poste; no checks were carried out by the EU Delegation or the experts to check the accuracy of the information. The number of cardholders does not guarantee that these people actually have a formal activity as auto-entrepreneurs. A sample of 'auto-entrepreneurs' tested during our visit to Morocco confirmed that the database was not accurate. In addition, there is a significant discrepancy between the number of cardholders and those declaring taxes.

Studies were launched for economic activity zones and not for integrated industrial parks, as provided for in the industrial acceleration plan.

The evaluation was not presented in due time (only 1 year later). Consequently, T1D5 could not be verified either.

On 31st May 2019, the Commission informed the Ministry of Economy and Finance that the amounts related to indicators one and eleven are going to be offset against the payment of the next variable tranche.

Source: European Court of Auditors.
### Annex VII – Evolution of key indicators

#### Population
- **2014**: 33.85 million
- **2018**: 35.22 million

#### GDP growth
- **2014**: +2.6%
- **2016**: +1.2%
- **2018**: +3.5%

#### Share of the industry in GDP
- **2014**: 14%
- **2017**: 15.7%

#### Activity rates by gender
- **2014**: 25.2% female, 72.4% male
- **2018**: 22.2% female, 70.9% male

#### Gender inequality index
- **2013**: 0.525 ranks 131 out of 187
- **2017**: 0.482 ranks 139 out of 160

#### Human development index
- **2014**: 126 out of 188
- **2018**: 123 out of 189

#### Child mortality rate
- **2011**: 28.8 for 1000 births
- **2018**: 18 for 1000 births

#### Life expectancy at birth
- **2010**: 74
- **2014**: 75.31
- **2017**: 76.1

#### Imports
- **2014**: 479 billion Dirham
- **2017**: 409 billion Dirham
- **2018**: 274 billion Dirham

#### Imports
- **2014**: 274 billion Dirham
- **2017**: 228 billion Dirham
- **2018**: 188 billion Dirham

#### Foreign Direct Investment net inflows
- **2013**: 1.68 million
- **2014**: 2.38 million
- **2015**: Not available

#### Informal production entities
- **2013**: 21.2 billion Dirham
- **2014**: 33.5 billion Dirham
- **2015**: Not available

#### Current account balance (% of GDP)
- **2014**: -5.7%
- **2016**: -4.2%
- **2017**: -3.6%

#### Doing Business index
- **2014**: 87 out of 189
- **2019**: 60 out of 190

#### Environmental performance index
- **2014**: 81 out of 178
- **2018**: 54 out of 180

---

Source: European Court of Auditors.
Annex VIII – Budget support contract ratings by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Health</th>
<th>Social Protection</th>
<th>Justice</th>
<th>PACP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract duration, months</td>
<td>$2</td>
<td>$2</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Contract year</td>
<td>2012</td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
</tr>
</tbody>
</table>

1. Did the Commission and the EAGF identify priority sectors and allocate funding accordingly?

1.1. Did the Commission and the EAGF identify priority sectors and allocate funding accordingly? (Yes/No)

1.2. Were the programming and implementation processes coordinated well with other actors?

1.3. Were the programmes/projects coordinated well with other actors? (Yes/No)

1.4. Did the Commission monitor and evaluate the programmes/projects well?

2. Did the planned results achieved?

2.1. Were the planned results achieved? (Yes/No)

2.2. Did the Commission effectively take into account cross-cutting issues (gender and human rights) when delivering support to Morocco? (Yes/No)

Legend: The following ratings have been established:
- Outstanding
- Satisfactory
- Partially satisfactory
- Unsatisfactory

Source: European Court of Auditors.
# Acronyms and abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>BS</td>
<td>Budget Support</td>
</tr>
<tr>
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<td>PACC</td>
<td>Programme d’appui à la croissance verte et la compétitivité du Maroc</td>
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<td>Small- and Medium-sized Enterprise</td>
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<td>Single Support Framework</td>
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REPLIES OF THE COMMISSION AND OF THE EUROPEAN EXTERNAL ACTION SERVICE TO THE SPECIAL REPORT OF THE EUROPEAN COURT OF AUDITORS
“EU SUPPORT TO MOROCCO: LIMITED RESULTS SO FAR”

EXECUTIVE SUMMARY

I. Morocco is a key partner for the EU, with whom we share borders, values and aspirations. Since the adoption of its new Constitution in 2011, Morocco has embarked on an ambitious reform process that aims to bring greater freedom, democracy and prosperity to Moroccan citizens. As part of its Neighbourhood Policy, the EU stands firmly behind Morocco as it works towards these goals.

Despite the challenging political climate in which EU/Morocco relations have operated in recent years, EU cooperation has contributed to Morocco’s considerable economic, social and institutional progress.

For example:

- Maternal mortality in Morocco decreased by 35% between 2012 and 2016, and access to health centres for the rural population has increased. Access to medicines has improved significantly with 39% increase in the sale of generic medicines. The EU has been supporting Health sector reforms since 2009.

- Morocco’s ranking in the World Bank Doing Business Report has gone from 128th in 2010 to 60th in 2018. The EU has been supporting Morocco’s efforts to improve their business climate since 2009.

- Through support to the Justice sector, the EU has witnessed the establishment of the High Judicial Council, a Constitutional Authority, entrusted with preserving the independence of the judiciary and magistrates. This is a major achievement in the institutional context of North Africa.

- EU support in the domain of social protection has accompanied reforms and led to the formulation of a single sector policy. An individual social security number is now being introduced, in line with EU’s policy recommendations. This will improve access for vulnerable people, and stimulate efficiencies.

The Commission and the EEAS are of the opinion that assessing the wide range of conditionalities and other EU-funded complementary activities, going beyond budget support (BS) variable tranche payments, provides a more comprehensive picture of the effectiveness
and impact of EU cooperation in Morocco and conveys a more accurate understanding of the BS instrument.

Impact level indicators depend on a variety of contributing factors, and take more time to change than the time span of BS programmes.

Finally, the Commission and the EEAS note that the 2018 OECD Peer Review on EU Development Cooperation states that the use of budget support enhances ownership and inclusiveness in partner countries. Programmes aligned with national policies and delivery structures increase domestic accountability and ensure sustainability of reforms. BS thereby encourages national capacity development to deliver reforms for lasting impact. In Morocco, it has provided significant leverage to engage with the authorities in meaningful policy dialogue for reform. The general conditions for BS stimulate transparency, sound financial management and prudent macroeconomic policies.

II The figures indicated correspond to all BS contracts and payments in all sectors contracted in 2014-2018, not only to the 4 audited sectors. More importantly, the figure of payments can be misleading as they give the impression that the execution of payment is low compared to the amount committed, as the period covered by the audit (2014-2018) does not cover the whole period of implementation of BS programmes.

BS contracts signed during the period under review, for all sectors covered by BS, totalled €562 million and payments €206 million. Payments on several of these BS contracts are ongoing. Given the large share of recurrent expenditure and the nature of EU support, BS allocations should be compared with the investment budget. Over the period audited, BS represented some 2.0 % of the overall national investment budget.

III BS programmes are designed according to the BS Guidelines, taking into account country-specific conditions and with formal, structured monitoring processes.

The Commission ensures open dialogue and continuous coordination with EU Member States through thematic groups, regular coordination meetings and joint programming. However, whilst the European Commission and the European External Action Service make every effort to facilitate donor coordination in partner countries, it is ultimately the responsibility of the host government.

IV The Commission has a clear strategy for its relations with Morocco which is embedded in the Single Support Framework (SSF) itself based on the Association Agreement.

As policy dialogue was never suspended during the period of difficult political relations between the EU and Morocco, the Commission considers there were no grounds to develop an alternative strategy.
Guidance on policy dialogue in the framework of BS as laid out in the BS guidelines has been adhered to. The outcomes of policy dialogue are and will be an important part of any evaluation. Nevertheless, the Commission would like to stress the political sensitivity of the reforms and political objectives and therefore maintains that dialogue strategies will continue to be formulated protecting the Commission’s interests.

Regarding policy dialogue, it was ensured for the whole period through coordination with the Ministry of Economy and Finance (National Coordinator – global dialogue framework); and for specific projects/programs, it is enshrined in the financing agreements through the compulsory steering committees with the MEF and beneficiaries.

V The BS programmes audited have been in place for less than four years, and the Commission is of the opinion that satisfactory progress has been made. The complex and sensitive nature of the reforms that Morocco is undertaking with EU support, and the timescale necessary for their full realisation, need to be taken into account.

These programmes aim to support national reforms and their indicators reflect the level of ambition of the partner country’s reform agenda.

Monitoring procedures and the methodology for assessing results are clearly established in the Guidelines for BS, and have been adhered to.

VI Over the period audited, some improvements have been noted in the area of Gender and Human Rights. However, deep-rooted sustainable social change is a gradual long term process. Measuring progress in these areas over a short time span by using indicators of long-term trends cannot give an accurate picture of the situation. Further detailed explanations of the Commission position are given in the comments to the relevant paragraphs (see Commission replies to paragraphs 96 to 100).

VII See Commission replies to recommendations.

INTRODUCTION

Box 2 - Summary Judgments of the Court of Justice of the European Union (CJEU)

The Commission notes that: 1) other relevant Court of Justice decisions exist (orders in cases T-180/14 and T-275/18), 2) the implication from C-104/16P that a consent is legally required is not necessarily following from the Court of Justice’s reasoning on the inapplicability of the Association Agreement, 3) the new fisheries agreement was a new agreement and not just a revised agreement and 4) following the Exchange of Letters, products originating from the Western Sahara are treated in the same way with regard to the benefit from the same tariff preferences as products from Morocco, which should not be understood as if they should be considered as assimilated.
OBSERVATIONS

21 Anti-corruption is also dealt with through other avenues such as regular policy dialogue, twinning, regional programmes, support to civil society and the general eligibility criteria on public finance management and transparency.

23 The ECA annual reports are regularly used as a source of information for many of the sectors supported by the Commission whenever relevant.

26 The Single Support Framework is the implementation tool of the Action Plan of the Advanced Status. The priority sectors identified derive from the Moroccan reform agenda itself issued from the 2011 Constitution.

While there is scope for some consolidation and concentration, the limitation to only three (traditional) sectors would have reduced the Commission policy leverage and would have run against the spirit of the Advanced Status’ Action Plan. Given the importance of the reforms carried out by Morocco it was politically opportune to support those ones which were i) in line with the SSF and ii) important for Moroccan development.

27 Following the information provided to the Delegation by headquarters on the amount of the AAP, the indicative financial allocation for each programme is discussed between the Delegation and the Moroccan partners. Delegation proposals are then formalised in a note by DG NEAR to the Commissioner proposing the breakdown into programmes of the AAP envelope. This is then adopted by the Commission following the opinion of Member States in the comitology procedure. The Commission considers that the preparation dossier for each intervention is comprehensive and fully documented.

32 Given Morocco’s longstanding strategic relevance for the European Union, the Commission, together with the EEAS and the Member States, considered that the first priority was to re-establish ties and to pursue cooperation with Morocco, including technical and financial cooperation and, therefore, BS. Member States strongly endorsed the Commission’s approach to continue programming 2016 cooperation activities whilst approving the Commission’s approach to future programming. Furthermore, in October 2018, Member States in the framework of the ENI Committee concluded that the Single Support Framework (SSF) priorities were still pertinent, and unanimously endorsed the Commission proposal to extend the SSF for 2018. The same conclusions and endorsements were reiterated for the period 2019-2020 during the ENI Committee meeting of 03/07/2019.

The current SSF covered the period up to the end of 2017, hence there was no need to review priorities in 2015. The fact that in 2017 the Commission decided to extend the Advanced Status and the SSF to 2018 instead of discussing new “Partnership Priorities” in no way undermined the programming of the ENI for the 2018 – 2020 period. The priorities identified in the 2014 – 2017 SSF remained valid and allowed the Commission to programme ENI resources accordingly and to guarantee continuity and coherence in the cooperation activities.
The continued relevance of the sectors identified in the initial 2014-2017 SSF is confirmed by the “new” priorities identified during the EU-Morocco Association Council held on June 27th 2019, which were thoroughly discussed with Member States and with Morocco as the guidelines for the future of the partnership.

33 During the standstill period, the Commission adopted a pragmatic approach to cooperation, continuing BS as well as cooperation in areas covered by the SSF. This approach was endorsed by the Member States in the Council. Whilst formal Political Dialogue as stipulated in the Association Agreement did not take place during this standstill period, high level political dialogue continued, for example the meeting between Deputy Foreign Minister Bourita and President Juncker and the HRVP on 07/02/2017.

34 As India and China are not OECD/DAC members they are less bound by international commitments to coordinate.

39 The Commission would like to underline that impact is the medium to long-term product of reforms which are implemented in stages. When BS programmes come in at the beginning of the reform, impact will not be measurable before some time and very likely after the end of the 3-year BS programme.

While the indicators for disbursing the variable tranches are only one element, the level of disbursement can be a proxy of the ambition (or at least difficulty, which should be correlated) of the indicators. Figures for the EU’s overall BS operations show a decline in the share of disbursements over the potential that could be disbursed, which suggests an increase in ambition or at least a toughening of the conditions and/or an increased difficulty for the Government to implement its reform agenda.

41 The choice of the nature of indicators in the programmes audited, more oriented towards output and process, is due to the degree of maturity of the reforms targeted. Output and process indicators are just as relevant and important during the implementation of a reform as outcome indicators. In this respect, the Commission appropriately applied the 2017 BS guidelines on indicators to be used for the disbursement of variable tranches (section 4.4.3 and Annex VIII).

As outcomes are measured over a longer period of time, it would not have been appropriate to expand further the use of outcome indicators in this case.

Moreover, in compliance with the ownership principle, disbursement indicators should be selected mainly among those that were identified in the reform indicators’ passport of the beneficiary country.

42 It is the Commission’s assessment that only 6 targets out of 86 may be considered as not sufficiently ambitious and the Commission is in the process of reviewing them.
Concerning the general level of ambition of targets, the Commission is of the opinion that the overwhelming majority of indicators were sufficiently ambitious and allowed BS to fully play its role. Budget financing supports the reform efforts of the Government. The assessment of the eligibility criteria for each payment and the achievement of indicators prove that there has been sufficient progress in reforms during the implementation of the BS programmes. Evaluation findings consistently underline that 'budget support cannot buy reforms’ – and this is not its aim.

The Health Sector Programme is based on the Ministry’s Health Sector Strategy 2012 – 2016. In the Programme, the development of human resources is addressed through the general conditions of the BS, variable tranche indicators and through activities of technical assistance components. Indicator 12 (training “just” 13 doctors) was in fact aimed at establishing a specific training for general practitioners targeting practitioners residing in rural areas. The 13 doctors alluded to by the ECA constitute the first batch of graduates.

43 The challenges quoted by the ECA are indeed important and have been addressed by the Commission in several ways both through BS indicators, technical assistance activities and a WHO programme financed by the EU aimed at improving the quality of health services in rural areas. In particular:

High staff absenteeism is addressed by empowering hospital managers in the regions through TA activities (see reply to paragraph 42 above) and the WHO programme (developing management capacity and improving management of the PHCs).

Low attractiveness of remote areas is addressed through an indicator of the BS programme (Indicator 12 establishing a Masters for general practitioners), TA to improve the service orientation of PHCs staff, and the WHO programme aimed at improving services in rural areas.

Structural underuse of hospital infrastructure is addressed through TA activities aimed at improving public-private partnerships and improving hospital governance. In addition, this issue is central to the Social Protection reform Programme, which aims at universal medical coverage, hence the Commission rightly avoided overlapping activities in the Health programme.

44 The Ministry decided in 2018 to apply the new laws to all the social protection centres. In recognition of this, in 2019 the Commission will review the indicator target which is scheduled for payment in 2020.

47 Efforts are underway to improve the sectoral strategies’ monitoring frameworks. The quality of the sector strategies and the accompanying monitoring systems is being strengthened under the PFM reform programme supported by the EU. This work aims at
introducing performance elements into the budgetary process, and will be emphasised under all new BS operations.

48 a) Specific objectives relate to the wider objectives of the policy reform process whose progress is monitored holistically through the general conditions. The annual variable tranche performance indicators audited are not designed to track this progress.

c) The Commission considers that these two indicators were relevant as they were contributing to the BS programme objectives. The Commission used the increase in the absolute number of patients treated in rural areas as a good proxy for reduced disparities in access to treatment. As the reduction of disparities cannot be measured through a variable tranche indicator year on year, the indicator measures provision of services instead: ensuring that patients with two of the most common chronic non-transmissible diseases receive regular treatment is a good functional measurement of the improvement in health service provision in rural areas.

d) As indicated in the footnote, baselines were not needed for all indicators. The Commission set baselines when deemed necessary to adequately achieve the measurement of targets. The baselines referred to as ‘outdated’ mainly concern the health programme where figures used as baselines were the latest available official figures at the time of the signature of the financing agreement. The Commission does not consider it appropriate to judge them outdated a posteriori.

e) A twelve-month period to finalise the financing agreement is provided for during the programming process according to the Commission’s rules.

In this context, some targets were indeed met before the signature of the financing agreement (e.g. the submission of the “Plan Handicap” 21/10/2015, or the finalisation of the Sustainable Development Strategy). This is, in fact, proof of commitment from the government and the result of continuous policy dialogue during negotiations. The prospect of a forthcoming BS programme and the continuing policy dialogue contribute in no small way to driving momentum for these reforms. When assessing the achievements of the BS programme, it is therefore appropriate to take into account efforts made during the negotiation period. To do otherwise, the Commission considers, would be to penalise the partner government for making progress during the negotiation period.

50 Though implementation of reforms may have faced delays, the Commission took the necessary steps to adjust its programmes to maintain the focus and the ambition of the support.

Delays in implementation of reforms do occur in BS programmes. This is evidence of i) the pertinence and ambition of BS targets, ii) the complexity of the reforms being supported requiring more time than initially planned for their deployment, and iii) the relevance of BS as a tool to flexibly support the process.
The extension of duration of the Financing Agreements in the Justice and PACC programmes has been agreed to expand the technical assistance activities (justice) or to include new strategic indicators (Financial inclusion strategy for the PACC).

The Commission considers that the available complementary support was a suitable reinforcement to the BS programme, and the time required to contract complementary support is factored in when the Commission drafts an Action Document. In the case of the justice and the health programmes contracts with international organisations (UNICEF, Council of Europe and WHO) were signed within three months from the signature of the Financing Agreement.

Furthermore, complementary support is provided through other programmes already ongoing such as the “Réussir le Statut Avancé” financing institutional strengthening and legislative approximation with EU standards through twinings and technical assistance for the PACC and Health programmes or the “Couverture Médicale de Base III” for the Social Protection programme.

In line with guidance contained in the BS guidelines, all independent monitoring missions were carried out as scheduled.

The EU Delegation maintained sectoral dialogue at all levels in all sectors of intervention aiming at monitoring that reforms laid out in national sectoral strategies progressed as planned. In conclusion, the Commission considers that the policy dialogue with Moroccan authorities was sufficient for the realisation of the objectives of the programmes audited.

Sources of information indicated in FAs are indicative, in as much as delegations and HQ services are mandated by the EU Budget Support guidelines to use all relevant information available to reach a judgement on eligibility, specific conditions, as well as variable tranche indicators.

One of the reasons for this relates to the fact that the value of an indicator needs to be assessed in context. If, for example, a clearly exogenous factor, which can be ascertained, influenced the indicator's performance, this can be factored in the final judgement. The information on such exogenous factor may come from any source.

a) The Commission considers that the sources of verification used were appropriate when disbursements were made. Performance assessment was carried out in accordance with the budget support guidelines (section 4.4.4), which promote a process led by the government and based on country's monitoring framework, whenever possible. In line with international commitments on aid effectiveness and with the European Consensus on Development, the use of country systems aims at strengthening these, making them more inclusive and enhancing domestic accountability.
The checks made by the Commission to verify the number of auto-entrepreneurs (AE) were reasonable and proportionate as due consideration had been given to the monitoring system and official reporting provided by the Government.

In this context, the Commission has no reason - and no evidence - to doubt the accuracy of the database in determining the achievement of the indicators which aimed at evaluating the attractiveness of the AE scheme, the adherence of the target population (including both active and currently inactive self-employed) and the strength of sensitisation measures. It does not measure an increase in the level of activity of self-employed as this is a medium-term higher level objective.

b) Baselines were not outdated as the Commission used the most recent data available when negotiating the Financing Agreements (FA). Disbursements were made in accordance with the provisions of the FA.

As concerns the indicator on child birth in rural areas, this indicator measures the share of deliveries attended in rural health centres. Both baselines and targets were in line with the Government strategy and its commitment to achieve MDGs by 2015.

As the objective is to support a trend, a slight decrease of 0.2% in a given year cannot be considered significant when comparing with the trend over the last 5 years when maternal mortality has decreased by 14%. In this context the rate of 85% of birth attended is the evidence that the programme implemented by the Government to reduce maternal mortality is protracted over time and successful.

c) The Commission set baselines when deemed necessary to adequately measure the targets.

As concerns the target on the number of diabetic patients treated, the calculation was correct and reflected the increasing coverage of patients in rural areas. Diabetes being a chronical disease it is important that the baseline of patients continue to be treated. Adopting a calculation method that would only pay in case of an increase in the number of patients would not reward efforts by the Government to maintain an adequate treatment of the disease in rural areas.

d) The Commission considers that for thirteen targets progress was sufficient and targets were achieved to justify disbursements, which were made in compliance with the provisions of the Financing Agreements and the objectives pursued in the BS programme.

For the target concerning the number of general practitioners as well as another target, progress was wrongly calculated, and the Commission has initiated the recovery of the amounts paid.

60 The Commission does not share the conclusion regarding the disbursement issues raised by ECA in Annex VI of the report.
A total of €147 million was paid for the programmes audited of which €140 million for the BS component (including €88 million of variable tranches payments). The Commission considers that all indicators selected are relevant to the objectives of the BS programme and the sectoral reforms they are supporting. The Commission considers that all payments were appropriately checked and appropriate sources of verification used in line with existing BS guidelines, except for two targets in the health programme where €3.59 million are in the process of being recovered. Hence regular payments for the BS component amounted to €136.41 million.

Concerning the two other indicators identified by the ECA as inappropriately paid: i) the payment of Indicator 7 in the health sector was paid according to the provisions of the FA and the Commission maintains that the calculation method applied is appropriate for the objective pursued, and ii) the payment of indicator 1.2 in the Social Protection programme was made in line with the provisions of the FA as the mid-term financing framework (2017 – 2020) of the social sector ministries was publicly available through the ministries’ Performance Projects required by the Finance Law, validated by the Budget department of the Ministry of Finance and submitted to the Parliament. In addition, the Commission received from the Ministry of Finance the 2017-2019 budgetary allocations proving that the budgetary allocations to these Ministries was steadily increasing year on year.

The Commission appropriately applied the flexibility foreseen in the Financing Agreement to carry over the evaluation of indicators when external circumstances so justify and when the carry-over has the potential to maintain the incentive for Government to implement important reforms.

The carry-over of some indicators was assessed following a formal request by the Government on the grounds of arguments advanced by the respective Ministry during official meetings supported by the assessment of the external monitoring missions. A formal rider to the Financing Agreement was signed between the Government and the Commission following an internal validation process supported by a detailed justification note.

Monitoring activities are carried out throughout the year. They include regular policy and technical dialogue between Delegation staff, the Authorities, and other relevant stakeholders. Moreover, monitoring is carried out through bi-annual field visits and an annual mission to prepare the disbursement file, which includes a section on the progress made in the implementation of the sectoral policy.

**Box 3 - Weaknesses in the Commission’s monitoring procedures**

The Justice programme does not provide funding to the construction of any jurisdiction in particular, but provides incentives for reforming some aspects of the judicial map.

The Financing Agreement states that the reform of the Centres for Resident Judges (CRJs) is equivalent to at least 60% of the judicial map. Hence the target was achieved with the
adoption by the Council of government of the judicial map and the reform and redeployment of the CRJs.

The second sub-target N+2 of indicator 3 does not measure whether the CRJs are or not operational.

66 Concerning the level of risk in achieving targets, the risk assessment is carried out twice a year by the Commission. Indeed, as circumstances evolve it is good administrative practice to review the likeliness of achieving the targets set.

67 The Commission considers that, whilst some indicators have not been reached, progress has been remarkable and further progress is expected. Access to health services in rural areas has improved during the life of the programme as shown by the increase in number of diabetic and hypertensive patients treated/monitored. From 2012 to 2016, improved access to primary health care centres has resulted in a 35% reduction in maternal mortality. 81.2% of pregnant women in rural areas had a prenatal consultation in a public health structure in 2017, (rising from 71.2% in 2015). Prices have dropped for 3600 medicines and generic medicine sales have risen by 39%, thereby increasing access. Lastly, as of 2019, regional inspectors have been appointed in all regions.

68 The Commission considers that out of the three targets of results indicators only the one relating to medical coverage for non-salaried workers still remains to be achieved. The legislative instruments for this indicator should be adopted in the near future.

69 The Commission took appropriate measures to mitigate the impact of the delay in the approval of the penal code on the programme within the limit of the flexibility allowed by the Financing Agreement.

The target on the judicial map aimed at supporting the redeployment of Centres for Resident Judges. The adoption of the regulatory act has therefore implemented the new judicial map at 60%, as foreseen in the Financing Agreement.

Concerning the target aiming at facilitating judicial assistance, this was a process target. The use of the RAMED card to grant vulnerable people access to judicial assistance corresponds to the target set in the Financing agreement which foresees the unification and the simplification of the documents required for having access to judicial assistance.

70 The Commission considers that all payments are justified. Its assessment is supported by i) the evidences provided by the administration, ii) the Commission verification of the supporting documents, and iii) the results of the independent monitoring mission.

In particular, all sources of verification were in conformity with the prescriptions of the Financing Agreement. The statistics used are the public statistics available; the same data are used by the Ministry of Finance.
The modifications of the Financing Agreement granting an extension and/or a modification of some indicators was granted by the Commission in line with the provisions of the BS guidelines and in compliance with applicable rules and procedures.

When relevant, the Commission has adjusted the programmes’ indicator to maximize the positive leverage of the SRPC and the effectiveness of EU financing, adjusting it to the evolution of the institutional context.

Finally, it is important to note that it is not the BS programme, which achieves its targets, but the Government, which, by implementing the reform it has launched, achieves its objectives. Carrying over the evaluation of indicators/ targets when justified is the most effective way to maximize the effectiveness of EU support.

The Commission’s BS policy provides for targeted BS in some specific cases, for example with state and resilience building contracts. These contracts are commonly used in post-conflict situations. BS supports reform but it does not and cannot buy them. The success and the sustainability of any reform depend greatly on the ownership by the government and the people of the country.

The objective of BS is not to provide higher budgets to sectoral ministries but to ensure that the budget is adequate with respect to the objectives of the national strategy and/or the programme. BS can ensure i) that the reform is implemented as swiftly as it is politically feasible, ii) that the reform is of a sufficient “quality”, matches best international practice and receive top quality professional expertise.

The Commission considers that implementation of reforms is not dependent on sectoral budget line execution. This notwithstanding, the Commission points out that the budgetary execution rates for both the Justice and Health Ministries are respectively above 90% and 95% over the 2014-2016 periods and above 100% in 2017.

Though the amount of BS funding may be limited in terms of share of GDP, its nature as a grant as well as the rigorous assessment and the complementary support that accompanies EU programmes provides a greater leverage than that enjoyed by most other donors.

The EU Delegation receives and uses the public statistics available, the same data are used by the Ministry of Finance. The data sets identified can indeed provide useful information on the implementation of sectoral policies. The Commission is currently discussing with the Ministry of Finance the possibility of supporting the departments to produce more complete sets of statistical data.

The Moroccan statistical system is very well advanced – better than in many other countries – as indicated by the World Bank Statistical Capacity Index. Hence it provides sufficient basis for the monitoring and analysis of sectoral progresses. In addition to statistical data, other sources of information are used by the Commission to crosscheck the information provided and validate the level of achievements.
76 The Commission refers to its replies to paragraph 69.

77 The issue of medical staff has been consistently addressed by the Government. A score of medical faculties have been opened by the Government throughout the country. Furthermore, since the adoption of the law on Public Private Partnerships (2015), private sector faculties have opened in Morocco, which provide a variety of complementary curricula in medical professions for different types of medical workers. This issue was addressed by the EU in its policy dialogue.

With funding from the World Bank, an electronic healthcare information system was expected to be designed. Unfortunately, the World Bank support did not materialise in time. A master plan for its deployment has now been validated by the Ministry of Health. There was no need for the EU to duplicate this activity.

80 Progress of sensitive and difficult reforms is sometimes slower than expected, but the quality of achievements and the ownership by the Administration and the population are vital for its success.

81 As an acknowledgment of the importance of reducing pre-trial detention, the Government has removed the relevant articles from the penal code, and has recently submitted them as a separate law to accelerate their reform.

The Commission in the Financing Agreement indicated this issue as a key one to be addressed in the BS programme. Three indicators have been developed to this purpose.

Encouraging results have been achieved with a reduction to 39% of the number of prisoners held under preventive detention in 2018.

82 Deep and profound reforms such as those in the justice sector (aiming at an independent justice sector, improved access to rights and justice, increased judicial protection of rights and freedoms and an increase in the effectiveness and efficiency of the judiciary), cannot provide evidence of impact in such a short period of time particularly as such reforms need to gather support from within the administration, the magistrates and the population at large.

The progress being made in the different strands of the reform (albeit limited as concerns the penal code) is significant and impact will be measured in the coming years.

85 The aim of PACC was to show that a new set of regulations and specific advantages could provide the necessary incentives for one-man businesses to emerge. The added value of the programme is to ensure the quality and sustainability of the arrangements put in place for the auto-entrepreneur. The programme is not aimed at forcing a reform, or to significantly reduce the national percentage of informal business units in three years, but aims at exploring innovative ways to win the reticence of AEs to formalise their activity.

Given its size and scope the PACC programme supports the most promising of the processes set up by the Moroccan government to increase the degree of formalisation of the economy and encourage job creation (i.e. establishing the auto-entrepreneur status). Similarly, in the
case of investment programmes, the PACC project is accompanying the increase in the portfolio of projects supported by the Moroccan Agency for SME's.

86 The Commission considers that the primo-exporter programme is targeting an important increase in the number of regular exporters.

87 The Commission agrees that visibility was limited during the period when the political relations were suspended; however, since 2017 EU visibility has greatly improved.

88 The Commission confirms that official high level events with the participation of the EU Delegation were organised and attended as of 2017.

89 For the PACC Programme, since mid-2018, visibility has greatly increased, including through comprehensive press coverage.

90 No logos of other Technical and Financial partners appear on the websites of the Ministries.

92 The Commission considers that although disparities remain, since 2012 there has been a notable improvement in access to the public hospital, which has increased by 80% and specialised public consultations have increased by 78%.

93 The Commission would like to underline that data concerning the prevalence of poverty and inequality in Morocco date back to 2013 and 2014, using 2010 data. The same data is used by more recent publications such as the African Development Dynamics 2018. As more recent data are not available, the Commission questions the conclusions by ECA that BS programmes implemented between 2014 and 2018 had no significant impact on these two indicators. Furthermore, it is not methodologically correct to assess the impact of BS programmes on the basis of data pertaining to periods prior to the implementation of those programmes.

94 The Commission considers that, although advancements in women rights have not taken place in all areas, there has been a notable improvement in women’s political participation both at national and at local level. Morocco ranks 123 out of 189 in the UN Gender Equality Index 2017.

95 b) The Commission considers that the previous Gender equality BS programme has been key for the institutionalisation of gender issues in key sectoral policies.

While the need to reinforce the coordination between the different institutional stakeholders is recognised, effectively mainstreaming gender issues remains a challenge.

In recognition of this, the Commission, to ensure a stronger gender focus in the more recent BS programmes, while maintaining attention to the disaggregation of data in sectoral BS, has complemented the programmes by adding at least one specific dedicated gender-related indicator based on sectorial gender analyses.
c) As women economic empowerment is a major challenge, the Commission is setting up a proper strategy through different instruments (not only BS) as for example through a specific programme "Women in Business" financed via the NIP. Due to a continuous sectorial dialogue in this area, the second gender programme has a specific indicator focusing on women economic empowerment. As a complement to PACC, in order to have specific activities aiming at women entrepreneurs, the Commission has provided grants through the NIF to a specific private sector support programme implemented by the EBRD.

d) The Commission would like to point out that human rights issues are also addressed through different political and cooperation channels. In the four audited programmes, three indicators in the justice sector directly related to human rights were not achieved due to the delay in the approval of the penal code. However, it should be noted that both the Health and the Social Protection programmes, by aiming to improve access to social services directly contribute to the realisation of social and economic rights.

96 During this period there were some positive landmarks (setting up of the Authority for Equality and Fight against Discrimination in 2017, adoption of law 103.13 on violence against women and girls in 2018), even if there has been uneven progress so far. According to the EU’s Annual Reports on Human Rights and Democracy covering the years 2015-2018, despite positive trends in some areas, including the Justice system, the institutional Human Rights Framework and corruption, significant human rights challenges remain in Morocco.

98 Freedom House considers Morocco a ‘partly free’ country, scoring 9/100 in its Freedom in the World Report of 2019 (see Figure 15). The main issues mentioned in this report are the restrictions on freedom of press and freedom of assembly, lack of internet freedom and the lack of independence of the justice sector. In 2018, the score for Morocco’s civil liberties declined from 4.5 to 5 out of 7 due to the state responses to major demonstrations throughout the year (see Figure 14).

CONCLUSIONS AND RECOMMENDATIONS

99 In view of the elements set out in its replies, the Commission concludes that EU cooperation has contributed to the implementation of reforms in Morocco. This has had a positive impact on the country’s socio-economic development, and has been consistently illustrated by Commission monitoring: both internal and external independent annual evaluations have assessed the steady reform process favourably.

100 The priority sectors identified derive from the Moroccan reform agenda itself issued from the 2011 Constitution. While there may be scope for some consolidation and concentration, the limitation to only three sectors would have been contrary to the spirit of the Advanced Status’ Action Plan and reduced the Commission’s policy leverage. The
Commission considers that amounts are allocated to sector BS programmes in a transparent and methodological process which is fully documented (see Commission reply to paragraph 27). The political standstill was discussed in depth in the European Council working group with Member States who endorsed the Commission’s strategy (see Commission reply to paragraph 32).

**Recommendation 1 – Strengthen the focus of EU BS in Morocco**

First indent: **The Commission and the EEAS partially accept the recommendation.**

As called for in the EU’s Agenda for Change and programming guidelines, the Commission and the EEAS agree to concentrate on a more limited number of sectors. However, prioritising these sectors would be counter to current guidelines.

Second indent: **The Commission and the EEAS accept the recommendation** and consider that it is already being implemented.

The Commission and the EEAS are regularly adjusting the methodology in the light of experience gained.

The Commission and the EEAS take account of the ECA’s recommendations as part of their regular reviews of methodology and the way in which it is implemented.

Third indent: **The Commission and the EEAS accept the recommendation.**

The Joint Programming (JP) process was launched in 2015 and the EU and Member States completed a joint analysis of the country’s main development challenges. In 2017, it was decided to concentrate JP in three main sectors (gender, migration and vocational training). These three sectors were outside the scope of the audit. Substantial efforts have been made in the implementation of joint programming in Morocco during the present programming period. The Commission and the EEAS will pursue these efforts even more vigorously in the new programming exercise.

101 Budget Support Financing Agreement and its annexes contain all the targets, indicators and baselines necessary for the implementation of the programme. The Budget Support Guidelines do not call for the development of an action plan.

See Commission replies to paragraphs 47 and 48.

**Recommendation 2 – Improve design of targets and performance indicators**

First indent: **The Commission and the EEAS do not accept the recommendation.**

The Commission points out that defining specific and relevant performance indicators is already standard practice, in line with Budget Support Guidelines.

The Commission considers that the targets and performance indicators used in the programmes audited were appropriately calibrated to the Moroccan context. The reasoning is outlined in each programme’s intervention logic, which is part of the action document.
validated by Commission services and the Member States. It should be noted that BS is not limited to performance indicators.

Second indent: **The Commission and the EEAS accept the recommendation** and make use of outcome-oriented indicators wherever appropriate.

Third indent: **The Commission and the EEAS accept the recommendation** and make use of baselines wherever pertinent.

102 The Commission points out that policy dialogue is conducted daily and at all levels. Key issues are raised systematically when necessary at the appropriate level. Fully documenting this process in its entirety would entail huge administrative costs and may have implications for sensitive and sometimes confidential discussions. Annual meetings are documented and minutes have been transmitted to the ECA.

The Commission adheres to the Budget Support Guidelines on policy dialogue in the context of BS. The outcomes of policy dialogue are and will be an important part of any evaluation. Nevertheless, the Commission would like to draw attention on the political sensitivity of the reforms and political objectives and therefore maintains that dialogue strategies will continue to be formulated protecting the Commission's interests.

Contacts with the Moroccan administration are maintained at all levels and issues are addressed at the appropriate level in accordance with sound management principles, and with respect to diplomatic protocol, and operational necessity.

See also Commission replies to paragraphs 56 and 57.

**Recommendation 3 – Strengthen policy dialogue**

Policy dialogue is a core part of development aid practice and BS programmes' identification, formulation, implementation, monitoring and assessment in Morocco. It is not only linked to funding but covers all areas of the Advanced Status Action Plan.

The Commission could consider, as advised, reporting more formally and regularly on policy dialogue. However, informal policy dialogue remains pertinent and effective in certain circumstances (as confirmed during the period of political standstill in EU-Morocco relations).

First indent: **The Commission and the EEAS accept the recommendation.**

Better guidance on policy dialogue in the framework of BS is integrated in the updated BS guidelines.

Nevertheless, the Commission would like to stress the political sensitivity of some reforms and political objectives and therefore maintains that dialogue strategies will be formulated protecting the Commission's interests.

Second indent: **The Commission and the EEAS partially accept the recommendation.**
Minutes of all key meetings are drafted and followed up as required. The Commission and the EEAS will endeavour to document the policy dialogue more systematically.

Third indent: **The Commission and the EEAS partially accept the recommendation.**

Regular reporting on the policy dialogue is ensured within the External Aid Management Reports reporting framework and the disbursement notes. The Commission and the EEAS will endeavour to document the policy dialogue more systematically.

103 See Commission replies to paragraphs 59 to 63.

The Commission considers that:

- the sources of verification used are considered appropriate.
- sources of verification were absent only for one indicator and one target as they were to be provided by Government before payment.
- the quality and reliability of data were verified whenever deemed necessary as, in line with international best practice, the Commission relies on national statistical systems.
- errors in payments only affected the payment of two targets and a recovery procedure has been initiated.
- all other disbursements were made in line with the provision of the FA.
- the carry-over of targets was done regularly on request by the relevant Ministry following the appraisal by both the independent monitoring missions and Commission services.

**Recommendation 4 – Enhance disbursement verification procedures**

First indent: **The Commission does not accept the recommendation** as it is based on observations and conclusions that the Commission does not share.

The Commission points out that, in accordance with sound financial management practices and the Budget Support Guidelines, appropriate calculation methods are used and explicitly described in the annexes to the financing agreement. On the rare occasions where errors have been made, these are corrected in a timely manner.

Second indent: **The Commission does not accept the recommendation** as it is based on observations and conclusions that the Commission does not share.

The Commission points out that this is already standard practice. According to the Budget Support Guidelines, funds are disbursed only when there is reliable evidence that targets have been achieved.

The reliability and consistency of the sources of verification are thoroughly verified by the Commission throughout the programme lifecycle.

The national data collection system in the sectors audited was assessed as reliable during programme formulation. This assessment is supported by Morocco’s standing in the World
Bank Statistical Capacity Index (SCI) where the country scores well above the regional average for the quality of its statistical data.

In line with international commitments on aid effectiveness and with the European Consensus on Development, the use of country systems aims at strengthening these, making them more inclusive and enhancing domestic accountability. Therefore, when assessing the performance of variable tranche indicators, the Commission uses all official, relevant and reliable information as long as it provides sufficient assurance on the level of achievement.

Where serious doubts exist about the quality of the data provided, verification exercises are carried out to guide payment decisions.

Third indent: The Commission does not accept the recommendation as it is based on observations and conclusions which the Commission does not share.

The Delegation assesses the pertinence of the request for carry over on the basis of the arguments presented by the partner country. This assessment is double-checked and validated by HQ services. These arguments may be contained in a letter from the Government or reflected in minutes of meetings and/or reports of independent monitoring missions.

Detailed explanations are given in the relevant paragraphs of the report.

104 Formal and detailed progress monitoring for each BS reform programme takes place on an annual basis, typically with the aid of independent, external consultants, when preparing the disbursement file. This monitoring includes a section on progress in the sectoral policy. A constant policy dialogue, visits and working groups constitute regular monitoring which allows for early warning in case deviations occur (see Commission replies to paragraphs 64 to 66 for specific programme-related comments).

**Recommendation 5 – Improve monitoring procedures**

First indent: The Commission partially accepts the recommendation.

However, not all programmes justify field visits.

Second indent: The Commission accepts the recommendation.

Third indent: The Commission accepts the recommendation.

105 The Commission considers that 62% of the targets were achieved.

Ministries’ budgetary execution rates for both the Justice and Health Ministries are respectively above 90% and 95% over the 2014-2016 period and above 100% in 2017. It is therefore incorrect to state that “significant amounts remain to be spent”.

BS’s added value is to support the implementation of local reforms and action plans, which are real, credible and relevant reform programmes, with long term transformative benefits for partner countries’ societies.
106 Visibility is the result of a continuous process of communication and calls for a differentiated approach according to the context. The financing agreements for BS and other external actions already include provisions requiring visibility.

Visibility was minimal only in 2016. Since 2017 the visibility of EU support has considerably strengthened.

Like for the signature of the initial financing agreement, the incentive for performance does not start with the signature of an addendum. The addendum is the result of dialogue and negotiations, which have been carried out for months before the addendum is actually signed.

Further detailed explanations of the Commission position are given in the comments to the relevant paragraphs (see Commission replies to paragraphs 89 to 92).

**Recommendation 6 – Increase visibility of EU support**

**The Commission and the EEAS partially accept the recommendation.**

Introducing specific disbursement conditions regarding visibility would not be appropriate and might prove counter-productive in some cases, such as during the period of difficult relations between Morocco and the EU.

107 The Commission considers that Gender and Human Rights are complex entrenched societal challenges that require time to bring about progress.

Using highly integrated long-term impact indicators (such as HDI or Gender Inequality Index) is inappropriate to measure impact of a BS programme over such a short time period. Moreover, it should be noted that both HDI and the Gender Equality Index are improving in Morocco.

Further detailed explanations of the Commission position are given in the comments to the relevant paragraphs (see Commission replies to paragraphs 96 to 100).
Audit team

The ECA’s special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to maximise impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber III, External actions/Security and justice, headed by ECA Member Bettina Jakobsen. The audit was led by ECA Member Hannu Takkula, supported by Turo Hentila, Head of Private Office; Helka Nykaenen, Private Office Attaché; Kim Hublé, Head of Task; and Aurélia Petliza and Dirk Neumeister, Auditors.
## Timeline

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Adoption of Audit Planning Memorandum (APM) / Start of audit</td>
<td>25.9.2018</td>
</tr>
<tr>
<td>Official sending of draft report to Commission (or other auditee)</td>
<td>3.6.2019</td>
</tr>
<tr>
<td>Adoption of the final report after the adversarial procedure</td>
<td>14.11.2019</td>
</tr>
<tr>
<td>Official replies of the Commission and the EEAS received in all languages</td>
<td>5.12.2019</td>
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This audit assessed the effectiveness of EU budget support to Morocco from 2014 to 2018. It covered budget support in the sectors in the health, social protection, justice and private sector development, looking at management by the Commission and evaluating the achievement of objectives. The Commission considered budget support to be the right choice of aid delivery instrument. However, we concluded that its added value and ability to support reforms was limited due to sub-optimal focus, weak implementation and insufficient monitoring. The main weaknesses related to indicator design and results assessment. We have therefore made recommendations on focusing support in fewer sectors, improving indicator design, enhancing the control procedures for disbursement and strengthening the policy dialogue.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.