

FINANCIAL INCLUSION AND DIGITAL ECONOMY DEVELOPMENT POLICY FINANCING

The Kingdom of Morocco has embarked on a new era of reforms to transform the country's economy into a more competitive source of growth and productivity. To ensure inclusive growth for the benefit of all Moroccans, the Government has set out an ambitious reform program to address social and economic inclusion challenges, particularly through leveraging the digital economy.

As part of this effort, the World Bank Board of Executive Directors has approved a new Euro 611.3 million (US\$700 million equivalent) Development Policy Financing (DPF) program to promote financial inclusion and transformation to a digital economy in Morocco. The DPF builds upon the Government's five-year Program 2017-2021, which is reinforced by the National Financial Inclusion Strategy and the national strategy to drive digital transformation (Plan Maroc Numérique).

FINANCIAL INCLUSION AND DIGITAL ECONOMY DPF OBJECTIVES:

The objective of the DPF is to foster financial inclusion and contribute to digital transformation for individuals, enterprises, and entrepreneurs. Together with the five-year Country Partnership Framework (2019-2024), the DPF is complemented by a longstanding and programmatic World Bank Group (WBG) support that includes analytical engagements, technical assistance and lending operations. The DPF includes three pillars:

- 1 Pillar 1, Enhancing financial inclusion for individuals and micro, small and medium enterprises (MSMEs),** will be achieved by diversification of financial instruments through the expansion of the regulatory and institutional framework for microfinance, agricultural finance, insurance coverage for entrepreneurs, and Islamic finance products, as well as better monitoring of gender gaps.
- 2 Pillar 2, Supporting the development of digital platforms and digital infrastructure,** will support reforms needed to develop digital platforms like mobile payment systems, e-commerce platforms with a focus on financial market infrastructure and mobile payments. These reforms will increase broadband internet access and promote competition in the sector, including in rural areas.
- 3 Pillar 3, Enhancing support to digital entrepreneurs,** will facilitate access to financing for startups through strengthening angel investing networks and streamlining the online enterprises registration processes.

The DPF promotes reforms that unlock private sector investment in the financial and telecommunications sectors. Financial inclusion also provides financial tools for individuals and enterprises to build up assets, invest productively and mitigate risks. This is particularly important for vulnerable population groups, including women and youth.





FINANCIAL INCLUSION AND DIGITAL ECONOMY DPF Q&A:

1 What is the purpose of the Financial Inclusion and Digital Economy DPF?

The purpose of the Financial Inclusion and Digital Economy DPF is to foster financial inclusion and contribute to digital transformation for Moroccan individuals, enterprises, and entrepreneurs.

2 Improving financial inclusion in Morocco is one of the purposes of the current program. Could you please explain what that means?

Currently only 29 percent of Moroccan adults have access to a bank account, lower than the average for the MENA region (44 percent). This program will make it easier for individuals and small enterprises to access financial services and will diversify the offering of financial products available to Moroccans - this includes products such as microfinance, agricultural finance, Islamic finance products, and health insurance coverage for professionals, self-employed individuals, and non-salary individuals.

3 The DPF supports Digital entrepreneurship. How does that materialize?

Digital entrepreneurship is expected to play a key role in the development of a more competitive economy in Morocco. This means upgrading digital enterprises, promoting the growth of new digital enterprises and digital jobs, and stimulating local digital industries. The proposed operation supports measures that will stimulate digital entrepreneurship by facilitating a streamlined business registration process, and by stimulating the growth of digital firms through better access to early stage financing via angel networks.

4 The DPF supports the deployment of Internet across the Moroccan territory. Will this help reduce the cost of access to Internet?

The regulatory reforms supported under the DPF are expected to improve access to, the quality of, and lower the cost of broadband infrastructure across Morocco. By increasing competition in the digital infrastructure sector and leveling the playing field amongst private investors, costs of deploying fiber are expected to decline and prices are expected to decrease, stimulating access. As a result, fixed broadband penetration (as a percentage of households) is expected to reach 22 percent in 2020. The percentage of rural households with Internet access is expected to increase to 56 percent in 2020.

5 Are Moroccan women part of the beneficiaries of this program?

Women are key beneficiaries of the program. According to 2017 Findex data, only 17 percent of women had access to a bank account in 2017. The DPF will support enhanced data collection to better monitor gender gaps and inform financial sector policy makers to address those gaps. The authorities and World Bank will also monitor and measure female beneficiaries supported through the microfinance and agricultural finance reforms of the program. For instance, it is expected that the number of female beneficiaries of loans extended under the program "Tamwil El Fellah" will increase from 927 in 2017 to 2000 in 2020 and that 50 percent of loans extended by microcredit institutions will be destined to women and women led enterprises.

6 In what aspects will the supported reforms help Morocco turn to the New Economy?

The DPF supports a competitive, open, and inclusive digital ecosystem in Morocco capable of promoting inclusive growth. It also supports Improved access to digital financial services which will pave the way for more mobile payment solutions that can increase the efficiency and lower the cost of transactions. Better access to broadband internet will push Morocco towards transforming to a digital economy. Digital entrepreneurs will also be supported by better access to early stage financing and an easier process for registering online.

7 Who is responsible for the implementation of the reforms?

The Ministry of Finance and Economy (MEF) is the main project counterpart vis-à-vis the World Bank. MEF will coordinate with other agencies involved in the reform program – including Bank Al Maghrib, Agence Nationale de Réglementation des Télécommunications, Ministère de l'Industrie, de l'Investissement, du Commerce et de l'Economie Numérique, Caisse Centrale de Garantie and other stakeholders.

8 How will the World Bank Group track the execution of supported reforms?

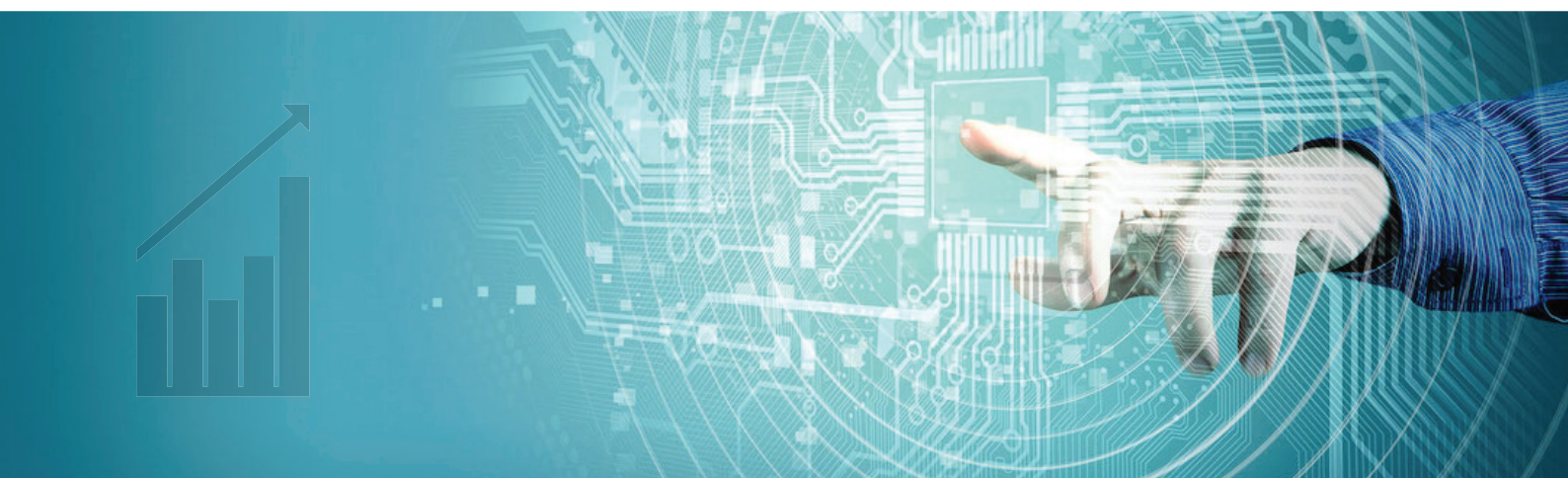
The World Bank will continue to provide regular implementation support to provide policy advice and technical assistance (TA) to the institutions involved in the implementation of the reform program. This is complemented by ongoing World Bank engagements (including operations and TA) in the sectors relevant for the DPF – including digital infrastructure, financial sector development, and private sector development.

9 What is the financial mechanism used under this DPF?

The loan will follow the World Bank's disbursement procedures for development policy financing. Once the loan becomes effective, the proceeds of the loan will be disbursed to the Government account in a single installment. Disbursements will be made provided that the World Bank is satisfied with the program being carried out by the borrower and with the adequacy of the borrower's macroeconomic policy framework. The account into which the loan proceeds will be deposited forms part of the country's official foreign exchange reserves.

10 What about Morocco's debt sustainability?

World Bank analysis shows that central government debt is sustainable over the medium term. In fact, central government debt is expected to decline over the next 5 years from a projected peak of 65.3 percent of GDP in 2019 to 60.9 percent of GDP in 2023. These projections are based on the forecast that economic growth will start to accelerate in 2020 and that the government will make efforts to contain its spending over the medium term. Going forward, new issuances of domestic debt should ideally have longer maturities in order to prevent sudden increases in debt charges.



For more information, please visit: <http://www.worldbank.org/en/country/morocco>

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