



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 12-May-2022 | Report No: PIDA27092



BASIC INFORMATION

A. Basic Project Data

Country Morocco	Project ID P167894	Project Name MA North-East Economic Development Project	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 09-May-2022	Estimated Board Date 23-Jun-2022	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Kingdom of Morocco	Implementing Agency Ministry of Equipment and Water	

Proposed Development Objective(s)

To improve connectivity and enable private sector growth in the project area.

Components

Strengthening of the integrated territorial development approach
 Support to the private sector development readiness and competitiveness in the North-East region
 Improvement of road infrastructure
 Project implementation support

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	283.00
Total Financing	283.00
of which IBRD/IDA	260.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	260.00
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Non-World Bank Group Financing



Commercial Financing	23.00
Unguaranteed Commercial Financing	23.00
Environmental and Social Risk Classification	
Substantial	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Over the last two decades, Morocco has achieved substantial development gains because of ambitious institutional and economic reforms and investments.** With one of the highest average GDP per capita growths during this period (around 4 percent per year) in the Middle East and North Africa (MENA) region, a stabilized macroeconomy, and overall pro-poor policies including public investment in education, health, and other social services, Morocco has succeeded in eliminating extreme poverty and reducing poverty from 15.3 percent in 2001 to 3.6 percent in 2014¹. This has also contributed to significant improvements in public infrastructure and wider access to public services. Moreover, because of various sectoral policies, Morocco's efforts have resulted in attracting a substantial number of Foreign Direct Investment (FDIs) in the automotive industry, aeronautics, and renewable energy, yielding significant results between 2014 and 2020 in particular with a marked halt since the start of the Covid-19 pandemic.

2. **Despite these achievements, Morocco continues to face significant social development and employment challenges, exacerbated by the Covid-19 pandemic.** The levels of income inequality in Morocco are among the highest in North Africa, where social disparities and economic inequalities persist, with a Gini index of around 0.4. The aspirations of citizens for improved well-being and better economic opportunities therefore remain partly unmet, particularly for rural populations, youth, and women, as highlighted in the World Bank Systematic Country Diagnostic - SCD (2018). The rural areas suffer the most from the lack of quality job creation, with a 9.5 percent poverty rate, almost eight times higher than in urban areas². The younger generation, aged 25 to 34, is similarly strongly impacted by the labor crisis, with an unemployment rate as high as 18.5 in 2020. Meanwhile, job creation continues to increase at a slow pace

¹ HCP (the National Statistical Agency). This is the most recent poverty rate available for the country as it is based on the latest census (2014).

² 2014.



compared to population growth³. The Moroccan labor market is still characterized by a high share of informality. Only 20 percent of the active population has a formal job, among which 65 percent are employed by the private sector⁴.

3. Significant spatial inequalities remain among and within regions in terms of connectivity, access to basic services as well as economic opportunities. Morocco's growth dynamic did not fully ensure a spatially inclusive and sustainable diffusion of socio-economic benefits. The available data at the subnational level shows that three regions (mostly located along the Atlantic coast), which account for 44 percent of the population, contribute nearly 60 percent of the national GDP⁵ and 66 percent of the formal enterprises registered in Morocco⁶. Similar disparities are observed for employment, poverty, and access to social services. Morocco's economic activity has also largely developed around urban agglomerations such as Casablanca, Rabat, and more recently Tangiers. Economic activity is concentrated in major cities as spatial and economic densities enable agglomeration effects⁷. A rapidly increasing urbanization along the Atlantic coast may lead to increased spatial and economic disparities. With the ongoing regionalization process, Morocco is putting regional development at the heart of its growth model, as reflected in the country's development strategy, the New Development Model (NMD) adopted in April 2021. The latter sets resilient, inclusive, and sustainable territorial development as one of the strategic pathways to achieve the overall growth ambition formulated.

4. Women in Morocco, much like the youth, face greater challenges in accessing economic opportunities and many remained inactive or unemployed, particularly in rural areas. With less than one quarter of working age women active in the labor market in 2020⁸, Morocco is among the world's lowest 20 percent of countries in terms of female labor force participation. While women are actively engaged in agriculture, with 57 percent of the female population participating in agricultural work, their contributions often remain unpaid or underpaid, and they lack access to land, finance, and technical advice. Overall, women earn between 30 and 50 percent less than men depending on the sector. While women are actively engaged in agriculture, they represent around one out of four workers in the industrial sector and are still under-represented in jobs in the service sector⁹. Women in the tourism workforce tend to be in the lowest paid jobs and often perform a large amount of unpaid work in family tourism businesses.

5. Morocco is one of the countries most exposed to geological and climate-related hazards in the MENA region. Between 2000 and 2021, the country experienced 18 major flood events, the latest taking place in the Tangier Province in February 2021 had casualties. According to the probabilistic evaluation of disaster risks in Morocco led by the World Bank, the country has annual average losses from natural catastrophes of

³ HCP.

⁴ World Bank, 2019.

⁵ HCP, 2016.

⁶ OMPIC, 2018.

⁷ Spatial development has not been spatially uniform in most countries. For example, metropolitan areas in Spain account for 48 percent of national GDP and 46 percent of employment. Between 2000 and 2016, they generated 52% of national GDP growth, half of which was generated in Madrid (OECD). In Croatia, 80 percent of the economic activity is concentrated in the city of Zagreb.

⁸ HCP, High Commission for Planning, Morocco (2020), http://genre.hcp.ma/domaines_thematiques/emploi/

⁹ ILO, *Morocco- Young women's employment and empowerment in the rural economy*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_622767.pdf



over US\$ 800 million. Owing to its geographical position, high rainfall variability, and topography, Morocco is regularly prone to flooding with losses estimated at over US\$ 450 million each year. Urbanization exacerbates flood risk, especially in coastal areas, which concentrate more than 60 percent of the population and over 90 percent of industry. Droughts affect the agricultural sector, with an impact on cereal production estimated to cost the economy of Morocco approximately US\$ 290 million per year. Earthquakes affect two specific areas of the country, particularly near the Rif and Anti-Atlas Mountains. Therefore, their geographical positions in areas of important seismic activity and dense tectonic lineaments, and their natural predisposition to soil movements, exacerbate the geotechnical hazards on road transport infrastructure. In particular, the Rif is mostly affected by soil instabilities with regular landslides, block falls, collapses and crumbling usually triggered after a seismic episode. Earthquakes have an annual average loss of over US\$ 90 million per year.

Sectoral and Institutional Context

6. **The North-East of Morocco is a lagging region, with substantial development challenges and regional disparities.** The Region, which broadly encompasses eleven provinces¹⁰ spreading over predominantly the Oriental administrative region with the addition of the provinces of Al Hoceima, Taza and Taounate, hosts a population of about 3.5 million inhabitants¹¹ (around 10 percent of Morocco’s total population). The Oriental administrative region ranks in fifth position in the national poverty rankings with a relative poverty rate of around 18 percent (25 percent in rural areas and 14 percent in urban areas) compared with the national rate of around 14 percent¹². According to the latest regional data available¹³, the unemployment rate of the Oriental administrative region stands at around 16 percent compared to 10 percent nationwide. This stems from the region having suffered from long-standing socio-economic difficulties brought about by drought and other climate-linked and natural disaster events, low agglomeration effects due to low population density (except for a few areas), the depletion of its mineral resources, its underdeveloped industrial base, a large informal sector, and geopolitical factors. For the vulnerable and the poor, the consequences linked to spatial disparities in the North-East region are manifold, resulting in migration of poor from rural to urban areas, to the rest of the country, and abroad, particularly Europe.

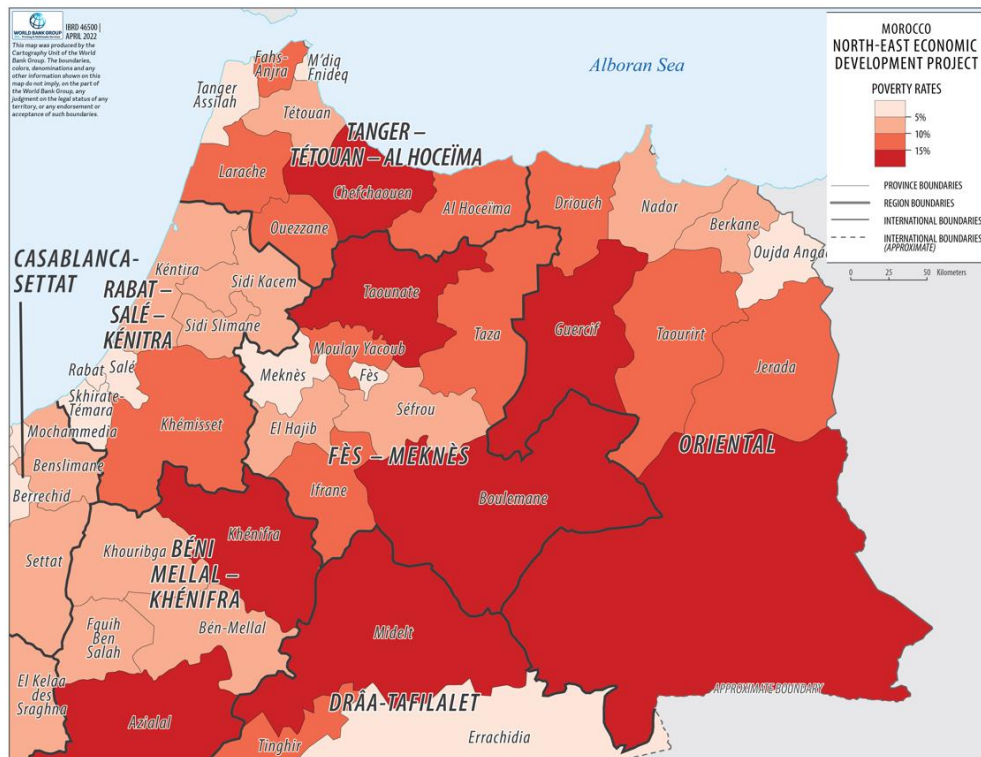
Figure 1: Regional multidimensional poverty rates (World Bank based on latest available HCP data)

¹⁰ Including Oujda-Angad, Nador, Berkane, Driouch, Taourirt, Figuig, Jerada, Guercif, Al Hoceima, Taza, and Taounate.

¹¹ HCP, latest national population census (2014).

¹² HCP.

¹³ HCP (2015)



Source: World Bank

7. The North-East region only contributes to an estimated 8 percent to the national GDP¹⁴, with the provinces of Nador, Oujda-Angad, and Berkane concentrating more than 60 percent of the regional GDP¹⁵. This results in a regional GDP per capita of only US\$ 2,050 (with important local disparities), which is equivalent to two-thirds of the GDP per capita, despite a higher urbanization rate than the rest of the country. Economic activity is dominated by commerce and construction (with a share of 50 to 60 percent for the Oriental administrative region)¹⁶, mostly driven by activities based on local resources and tailored to the local market. The existing private sector is of limited size with a small number of formal businesses (about 20,000 private firms in the administrative region of Oriental (with two-thirds of these firms located in the provinces of Oujda and Nador), corresponding to 4 percent of business creation in Morocco in 2020. Small and micro enterprises (with less than a US\$ 0.3 million of annual revenues) are predominant in the region, representing around more than 80 percent of the total number of firms. Large corporations are rare, with enterprises with more than US\$ 8 million of revenue (most of which is generated outside of the region) representing only around 0.2 percent of the total number of firms. The industrial sector in the region remains underdeveloped (with a total of 2,400 firms) and mostly linked to the transformation of natural resources (agriculture, mining, etc.), representing around 9 percent of the total economic activity, generated mostly in the Nador area (with Oujda and Berkane’s share growing in recent years). Overall, the level of informality in the region is one of the largest nationwide with an informal share of economic added

¹⁴ The GDP per capita amounts to around US\$ MAD 2,600, a level 25 percent lower than the national average.

¹⁵ World Bank calculations, based on an approximation of the GDP per capita in the provinces of Morocco in 2013, associated to the respective population per province.

¹⁶ HCP (Monographie de la région de l’Oriental)



value estimated at 18 percent for the Oriental administrative region compared to 8, 12 and 13 percent in the most economically developed administrative regions (Casablanca-Settat, Rabat-Sale-Kenitra, and Tanger-Tetouan-Al Hoceima respectively).

8. The development of the Nador West Med (NWM) maritime complex could unlock the economic potential of North-East of Morocco. Expected to be operational in 2024, NWM will enable better access to international and regional markets, enhancing the North-East region’s attractiveness for investors and the competitiveness of its local enterprises, and supporting the development of industrial ecosystems in the port’s hinterland, leveraging existing activities in the region (such as textile industries) as well as the national experience in sectors such as the automotive industry. The NWM complex will create 35,000 direct jobs and at least a similar number of indirect and induced jobs by 2035. The NWM complex would have an impact equivalent in value to 3 percent of the national GDP, based on 2018 World Bank estimates¹⁷. NWM is a structural investment for the region that calls for a coordinated actions to ensure that the region anticipates and reaps its benefits, in a more equitable and inclusive manner. If properly implemented and complemented with the necessary investments and policy measures, the port-zone complex could accelerate local economic growth and contribute to decreasing spatial disparities. A preliminary diagnosis of the regional economy identified a set of value chains and services that build on local comparative advantages, particularly if connectivity and private sector competitiveness constraints are lifted. Overall, the North-East shows a development potential in industry (particularly textiles, automotive manufacturing, and electrical manufacturing¹⁸), handicraft, agriculture (including citrus, dates, herbal products, etc.), agribusiness (including meat processing)¹⁹, mining, energy, tourism²⁰, and logistics.

¹⁷ Improving Connectivity in the Maghreb TA - P153678

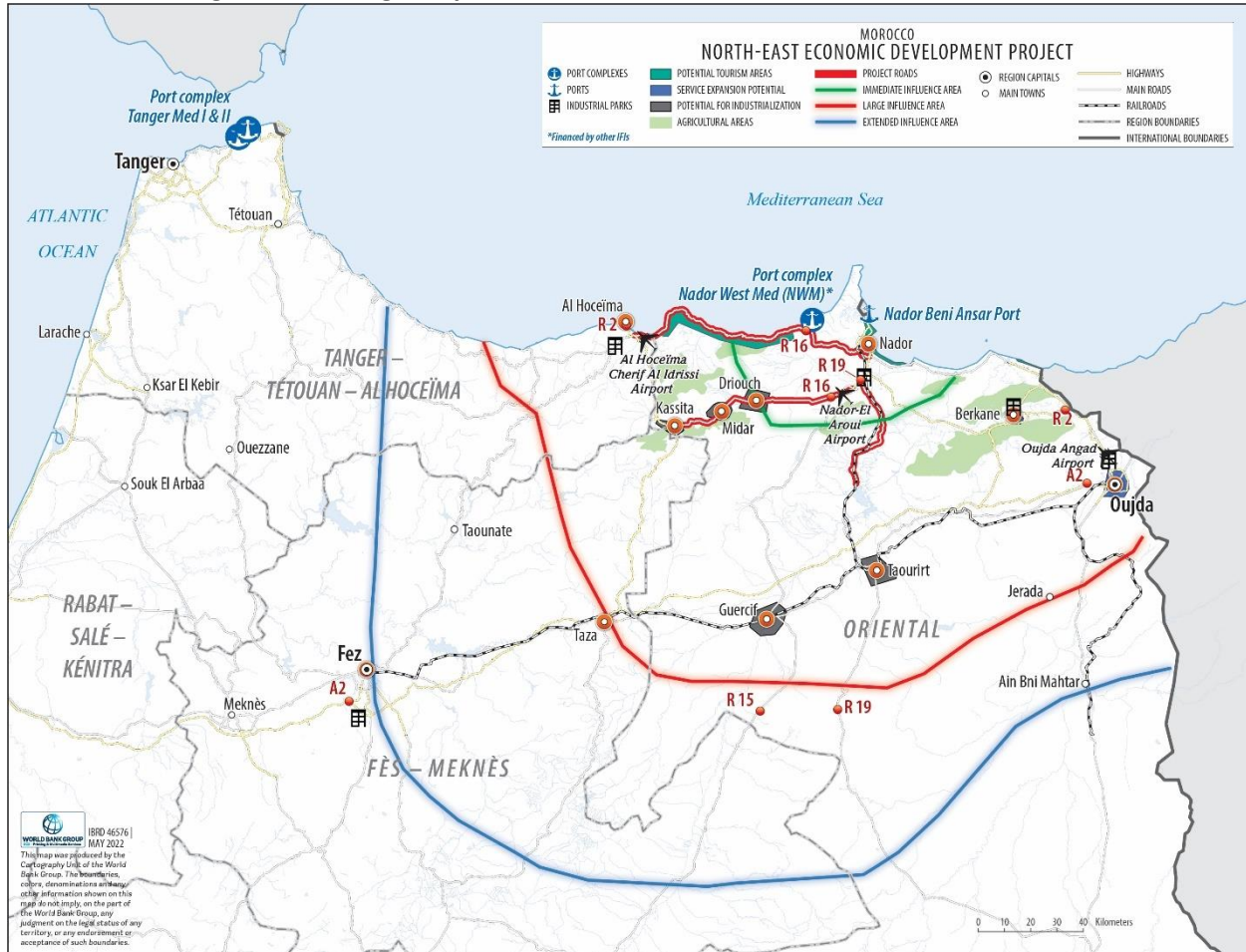
¹⁸ Which currently remain limited in the North-East but is growing including in Nador, Guercif, and Jerada.

¹⁹ Agribusiness is currently mostly strong in the Berkane province with exports of clementine and other fruits through the current port in Nador.

²⁰ Tourism activities are slowly emerging in provinces such as Al Hoceima, Berkane and Nador, leveraging the existing local heritage and natural landscapes.



Figure 2: Existing and potential economic activities in NWM hinterland



Source: World Bank

Box 1. NWM maritime complex

NWM maritime and industrial complex encompasses a deep-water port under construction on the western Mediterranean Sea with a 3 million container capacity and an initial 630-hectare special economic zones²¹. NWM offers several competitive advantages, including (i) the strategic location of the complex²², within overnight delivery distance from the existing industrial poles in Morocco (including Casablanca and Tangier) and with a competitive maritime transit²³ time to Southern Europe²⁴, and (ii) access to a cost competitive workforce and greater availability of labor and land than in existing industrial poles in Morocco.

NWM has been conceived on the model of Tangier Med. The latter is considered an example of a major connectivity investment, which triggered sizeable economic benefits to its immediate hinterland. The contribution of the administrative region of Tangier-Tetouan-Al Hoceima (TTH) to the national GDP went up from 8.3 to 10.1 percent

²¹ With a net area of 400 hectares to be commercialized, with the capacity to be extended to 1,500 hectares based on future demand.

²² Nador is currently 4 hours away from Fez, 4 hours and half from Meknes, and less than 6 hours from Kenitra.

²³ Using roll-on/roll-off (ro-ro) ships which are vessels designed to carry wheeled cargo, such as cars, trucks, semi-trailer trucks, trailers, and railroad car.

²⁴ The complex will be within a 4-hour ferry shipping time from Spain (Almeria and Motril).



between 2007 (when Tangier Med started operating) and 2016. Significant spatial disparities remain within the administrative region of TTH. While the TTH region ranks third in Morocco in terms of enterprises registered, 78 percent of these enterprises are in the province of Tangier itself.

9. **The limited size of the existing private sector and of the industrial sector, which remains embryonic, may undermine a rapid organic development dynamic in the North-East region.** This limited private sector development is explained by several factors, including the longstanding poor connectivity to main domestic and foreign markets that has translated into lack of demand, lack of skills, an investment climate affected by lack of transparency and streamlined processes, and limited and expensive access to serviced land. To maximize the private sector response to the place-based interventions, efforts to improve the regional investment climate, to improve skills, and to enhance access to land are needed to attract private investment. These efforts are led by the Regional Council of Oriental (CRO) and the Regional Investment Center of Oriental (CRIO), including through a dedicated regional fund.

10. **Furthermore, the deficiency in skills and human resources at the local level is hindering the North-East region's economic development and may translate into fewer opportunities for the regional labor market if not addressed.** An adequately trained workforce is arguably one of the most critical factors for a region's development²⁵. This may especially be the case in a region like Oriental where 53 percent of the population is under the age of 30. Seventy percent of students in Morocco enroll in upper-secondary education indicating that roughly a third of the young population only completes lower-secondary education. Educational attainment is overall lower in the Oriental region compared to other regions in Morocco. Enrollment in Technical and Vocational Education and Training (TVET) has significantly increased in Morocco in general and the region since 2000. However, the efficiency and quality of TVET remains a challenge. Discussions with private sector actors highlight the need to further develop the soft skills of the unemployed youth. These skills, such as leadership, teamwork, communication, and problem solving, which are currently not emphasized as much as needed in training, are highly valued in the professional context.

11. **Finally, to promote economic development of the North-East, the important constraint of lacking adequate transport infrastructure needs to be addressed, particularly in Nador's expanded hinterland.** While the current road capacity is well spatially distributed and adapted to the existing road traffic, it is anticipated that the volume and nature of traffic generated by the region's development will rapidly increase with the NWM complex. Therefore, public road investments in the region are critical. This has been confirmed by the above-mentioned World Bank study (Improving Connectivity in the Maghreb TA - P153678), based on the socio-economic analysis of the local context and firm-level surveys among 600 enterprises in and outside the region. In this study, 88 percent of enterprises surveyed, in the North-East region, rated shorter transport time to/from the Nador West Med under construction as an important or critical parameter for the regional economic attractiveness. In the absence of specific road investments and consequent proper maintenance, the expected traffic of heavy vehicles would result in substantial negative impacts on congestion, safety, and pollution due to their operating modes and conditions. If not addressed, this would negatively impact economic activity with national and international markets and limit the potential integration into national and global value chains. Several investments have been or are being carried out for this purpose, including to improve the road links between Nador and Guercif, Berkane, and Oujda.

²⁵ Gennaioli, La Porta, Lopez-de-Silanes, and Shleifer, 2013. The Quarterly Journal of Economics.



12. **Overall, a coordinated and integrated territorial development approach, tackling identified challenges in the North-East, is still to be strengthened.** Regional development is at the heart of Morocco's development model with local governments playing a critical role. The ongoing decentralization process confirms the extended economic and social mandate transferred to local authorities, namely at the regional and the municipal level²⁶. This has been further emphasized under the NMD (2022-2035), the country's strategic vision for the future, that sets regional development as one of the strategic orientations to achieve the ambitious goal of doubling gross national income by 2035. Subnational level authorities (namely regional and municipal elected bodies) are currently in the process of preparing multi-year investment plans to accelerate the region's development. As highlighted above, a large set of development inefficiencies hindering the North-East development have been identified, with a diverse set of related investments and soft measures especially in the greater Nador area to reap the benefits of large infrastructures such as NWM. Yet, a coordinated planning vision between the different planning tools that would prioritize and maximize expected impacts of intended investments, while unlocking an inclusive territorial development, is still lacking. *Strengthening this coordinated planning capacity at the local level is key to achieving the expected development objective while considering the fiscally constrained context. Furthermore, strengthening institutional capacity at the local level is also paramount to support an efficient implementation of investments intended.* Ongoing World Bank engagement is already supporting such capacity building at the local level.

13. **Addressing the above factors of inefficiencies in territorial planning, skills, local private sector development and transport infrastructure would allow NWM and other complementary public and private investments to fulfil their role in unlocking the full economic potential of the region as an overall development game-changer for its hinterland.**

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To improve connectivity and enable private sector growth in the project area.

Key Results

14. The following indicators will be measured to indicate the achievement of the PDO:
- Reduction in travel time along the rehabilitated corridors
 - Increase in private investment (of firms supported by the project)

D. Project Description

Component 1 – Strengthening of the integrated territorial development approach

15. *Sub-component 1.1 – Development and implementation of a priority investment roadmap enabling a territorial development approach, focusing on the greater Nador area.* This sub-component will finance consulting services for the preparation of a priority investments roadmap to enhance the region's

²⁶ As enacted through the regions and municipal organic laws in 2015, local governments are key players in terms of economic development and investment promotion, skills development, territorial and urban development as well as local service delivery.



attractiveness for investors and its implementation mechanisms. The roadmap will consolidate priority interventions in the coming 5 to 10 years in several areas (urban development, business environment, skills development, etc.) to alleviate the identified constraints, ensuring a better livability and attractiveness in the project area. The TA would focus on the greater Nador area given the extensive investments planned in the medium term to support the operationalization of NWM and maximize its expected benefits on its immediate hinterland. Identified investments could then be included in ongoing and future Bank engagements. The preparation of the roadmap would leverage on the sectoral and local development plans under preparation (with the financing of the GoM or the relevant territorial entities), namely the Urban Development Masterplan (SDAU) of Greater Nador, the Regional Development Plan (PDR) for Oriental, the Municipal Development Plan (PAC) of Nador as well as the Integrated Provincial Development Plan (PDI) for the Nador²⁷ province. Focus group discussions will be held as part of this activity to ensure that communities and residents in the greater Nador area (including vulnerable groups) can provide their inputs directly into the priority investment roadmap. It would thus help bridge the identified coordination gaps and pave the way for an integrated development of the greater Nador area in preparation of the operationalization of the NWM. Additionally, the preparation of the roadmap would help explore private capital mobilization opportunities to implement the identified investments. Finally, it is expected that dedicated monitoring and evaluation tools to closely follow up on this roadmap implementation will be developed, thus contributing to alleviate the local capacity deficit identified. This technical assistance will be implemented by the CRIO as the economic development coordination agent at the regional level.

16. *Sub-component 1.2 – Development of the Nador-NWM transport corridor strategy.* This sub-component will finance consulting services for the preparation of a multi-modal (road and railways) transport strategy for the Nador-NWM corridor, focusing on the safe, efficient, and decarbonized movement of people and goods in an integrated manner and closely linked to territorial development. This sub-component will coordinate with ongoing complementary exercises such as the preparation of urban mobility masterplan (PDU) of greater Nador (under finalization) that is focused on public urban transport and is supported by the Bank-financed Urban Transport Program-for-Results (P173048). This sub-component will be implemented by the Ministry of Transport and Logistics (MTL), in coordination with various actors involved in territorial planning including the MEE, the MI, and the Ministry of Territorial and Urban Planning and Housing (METNUHPV).

17. *Sub-component 1.3 - Improvement of lifeline roads in the North-East region.* This sub-component will finance the labor-intensive maintenance in a safe and climate-resilient manner of around 500 kilometers of existing lifeline roads in the project area, including associated technical assistance and consulting services for the supervision of civil works. The targeted roads will include regional and provincial roads that will strengthen the connectivity between the rural areas and key urban centers. The roads will be identified and prioritized during the first year of implementation, on the basis of readiness to implement the works and adequate justification of the benefits that the community will derive from the maintained road access, to ensure access to markets and critical services such as health centers and schools. In accordance with climate resilience standards, existing drainage systems will be maintained to enhance resilience to flooding. This sub-component will be implemented by the relevant provincial directorates of the Ministry of Equipment and Water (MEE), under the coordination of the General Directorate of Roads (DGR).

²⁷ Additional analytical work may be needed and will be identified based on the data available in preliminary phased of the preparation of the roadmap.



Component 2 - Support to the private sector development readiness and competitiveness in the North-East region

18. *Sub-component 2.1 - Boosting skills of the young labor force.* This sub-component supports the upgrade of skills of the young workforce in the Oriental region through increased access to market relevant skills development training and entrepreneurship opportunities with an emphasis on girls and women, and individuals from vulnerable households. Special attention will be given to identifying geographical areas within the region with high density of potential beneficiaries based on available administrative data. The criteria will include: (i) Population aged between 18 and 34; (ii) dropout rates at primary and low secondary levels; (iii) young women employed in the informal sector and/or unpaid work; young, inactive women; unskilled unemployed youth; young unemployed skilled. Additionally, given the target populations envisaged in the Project, targeted communication campaigns will be organized to mobilize and recruit for participation.

19. Priority will be given to the future demand for skills arising from logistics, port and NWM (e.g., development and/or scale up of training programs for the much in demand heavy machinery operators). While the target is the Oriental region for both the demand and supply of skills, the project will be pragmatic and recognize that the future demand for skills might also need to be sourced more generally from across Morocco. The implementing agency for this subcomponent will be the OFPPT in partnership with other public and private actors²⁸. This will be done through three main activities:

- Technical assistance to the OFPPT for the development of alternative pathways or bridging programs for entry to formal TVET programs for youth who have dropped out of school for more than eighteen months or have been in the workforce after dropping out early⁴⁰. As the Morocco's National Qualifications Framework recognizes various pathways to access formal TVET, implementation remains a challenge, the TA will ensure that the training landscape becomes more flexible and encouraging all to learn. OFPPT needs support to operationalize alternative pathways and second chance opportunities for a range of workers. OFPPT will be financed to update and expand existing programs by: (i) reviewing second chance education curricula; (ii) producing teaching and learning materials including assessment packages and training for teachers; (iii) rolling out second chance education programs to several institutions; and (iv) strengthening systems to improve quality of second chance education.
- Quality Improvement Packages: This subcomponent will finance the implementation of Quality Improvement Packages (QIPs) to be transacted in specific training institutions in the Oriental region based on skills standards and competencies developed by the CMC. These holistic QIPs will be rolled out through consulting services (technical assistance and capacity building), civil works (minor rehabilitation), and goods (technical equipment) to strengthen the quality and relevance of TVET Programs. An efficient monitoring and evaluation (M&E) system for this purpose will be developed with the support of the World Bank.
- Support of mechanisms for job-search and job-matching to facilitate labor market access for youth in the region through technical assistance and training²⁹.

²⁸ Including the Initiative Nationale pour le Développement Humain (INDH), Agence Nationale de Promotion de l'Emploi et des Compétences (ANAPEC), the private sector, and Non-Government Organizations (NGOs).

²⁹ It will support OFPPT to update and expand existing platforms by supporting technical assistance for: (i) capacity building of staff to improve data collection and analysis; (ii) strengthening systems to improve quality of intermediation services; (iii) building employer capacities to upload labor needs (including the anticipation of future labor needs) and employment opportunities and to facilitate matching; and (iv) developing a



20. *Sub-component 2.2 - Support to the attractiveness of the region to the private sector and the identification of export-oriented value chains.* This sub-component, through consulting services, provision of goods, and PBCs, aims to support the improvement of the investment climate in the Region to ensure that the private sector can seize opportunities related to the positive connectivity shock and spillovers from the investments in NWM, anticipating the emergence and expansion of value chains once NWM becomes operational, with a greater involvement of the private sector and key regional stakeholders.

- This sub-component will finance consulting services, capacity building, and provision of goods and services to the Regional Investment Center of Oriental of Oriental (Centre Régional d'Investissement de l'Oriental - CRIO) to support the identification and promotion of export-oriented value chains in the North-East, with the potential to grow in connection with the investments that will take place in the NWM Zone. More specifically, the component will finance (i) the implementation of Competitive Reinforcement Initiatives³⁰. This activity will also help address coordination failures and strengthen the contribution of the private sector in designing the reforms at the regional level for specific export-oriented value chains; CRIO and other local stakeholders, including from the private sector associations, engaged in the above value chains and cluster diagnostics; and (ii) the development of an information system under the CRI, which will provide up-to-date data on the Region territorial investment opportunities, information on firms operating in export-oriented value chains, etc.
- This sub-component also aims, through PBCs, to incite the effective implementation of reforms at the regional level to enhance the investor's perception and experience of investing in the Region through PBCs. The reforms include: (i) the identification of investment climate reforms by the public-private Regional Committee for Improvement of the Business Environment (Comité Régional de l'Environnement des Affaires, CREA); (ii) streamlined investment procedures; (iii) reduced payment delays, and (iv) increased availability of serviced land at a competitive price to the private sector. The new service land to be identified for this activity will be state-owned land. Although impacts on private land or third parties is not expected, the project's Resettlement Policy Framework (RPF) will apply to this activity. The use of PBCs is justified by the new mandate of the CRI³¹ associated expenditures for this sub-component will be funds disbursed by the CRI of Oriental to support firms investing and creating jobs in the Region, including in export-oriented, renewable energy, and innovative projects. The positive list of eligible expenditures will be defined in the Manual of Procedures and will exclude acquisition of land and construction.

Box 2. The CRI Fund

The creation of the CRI fund was largely triggered by the social and economic context of the Oriental region characterized by the highest unemployment rate in the country (20.7 percent in 2020³²) and a current remote geographical location less attractive and posing many challenges for potential investors. In this regard, the regional

platform for online counselling, career guidance, and mentoring; and (v) developing a targeted communications campaign to cover jobseekers, training providers, and employers.

³⁰ The action plans developed by these CRIs will focus on recommendations on policy/procedural reforms, cluster-based infrastructure needed, and territorial marketing activities for the region.

³¹ Under their new mandate, the Regional Investment Centers (CRI) have been given the mandate to improving the regional business environment and enhancing the region's private sector attractiveness. The World Bank intervention will contribute to accelerating reforms that are advocated by the CRI of Oriental, which have been ongoing for many years but have faced resistance from some public actors and implementation delays.

³² HCP (Le Maroc en chiffres 2021).



fund is the result of a common regional willingness to attract investors and create more jobs in the through targeted incentives and technical support. The governance of the Fund is inclusive, including both elected institutions and representatives of the state at the regional level. The Regional Council provides funding, and the CRIO is responsible for the technical and financial management of the fund, while other territorial and administrative actors are involved in different levels of steering. The Fund targets a wide range of enterprises ranging from small businesses to large companies. It requires a minimum investment of MAD 1 million and 20 jobs³³. The only sectors explicitly excluded from the funding are transportation, real estate, agriculture, training and polluting sectors. The fund provides a range of subsidies for technical assistance, land acquisition, construction, equipment as well as employment incentives. The Fund has supported 88 firms across two main sectors, agribusiness and industry, and in six cities: Nador (34), Oujda (24), Taourit (13), Jerada (8), Guercif (5), and Berkane (4). Moving forward, the Fund targets to support at least 200 new firms over the 2022-2025 period.

21. The activities described above will be complemented with other actions undertaken by the government at the central and regional levels. The newly established Ministry of Investment is tasked with the development of regional territorial development branding to attract and mobilize private capital, domestic and foreign, in close collaboration with the main regional stakeholders, including NWM and the CRIO. Moreover, an ongoing World Bank technical assistance with the Ministry of Industry will help identifying policy reforms and investments required to make industrial zones in Morocco eco-friendly and more resilient to climate change. Two zones from the Region are considered in the pilot: NWM and the Technopole in Oujda, which has a green vocation.

Component 3 - Improvement of road infrastructure

22. This component will improve 250 kilometers of road infrastructure in a safe and climate-resilient manner along targeted corridors in the North-East region with climate resilient standards. The Project will build on the outcomes of the TA financed through the Quality Infrastructure Investment (QII) Trust Fund “Enhancing Quality of Road Investments in the North-East of Morocco TA”³⁴ to promote safety, resilience, and quality during road construction and road operation, including minimizing landslides or slope failures and falling blocks or rocks that can present a hazard to vehicles and population, especially during the rainy season. This also includes support of improved implementation techniques, construction standards and quality infrastructure solutions that consider the challenging geotechnical nature of the area and the development of climate and natural disaster vulnerability assessment. Works will include drainage facilities and walking infrastructure and crosswalks in urban/settlement areas along the rehabilitated sections. Satisfaction surveys will be administered to road users as part of the project to measure satisfaction with the level of service of the project road sections. The findings of these surveys will be used to generate periodic time and results-bound action plans to address the feedback compiled through these surveys.

23. The component will also finance road safety audits and road safety screening and appraisal tools (RSSAT) including the treatment of identified road safety “black spots”. The road safety activities will be

³³ Example of firms supported include the newly international wiring company APTIV that launched the construction of its new plant in Oujda Technopole in January 2022. The total investment is estimated at MAD 394 million and the CRO contributed MAD 33 million according to a convention between APTIV and the regional authorities (Wilaya, CRO, CRI and the development company of technopole MEdZ). The project is expected to create 3500 direct jobs and between 600 and 700 indirectly. APTIV project is considered as a locomotive for future investors in the automotive and aeronautical value chains especially with the logistical opportunities that will be provided by the NWM port.

³⁴ Closed in March 2022



based on the “safe system approach” comprising of safe road infrastructure along the rehabilitated sections, improvement of post-crash response to save lives and awareness raising measures. The road design will embed safety features meant to keep the Project Safety Impact (PSI) along the sections below³⁵. Consultant services will be financed for technical design, supervision of the rehabilitation works, and implementation of the Environmental and Social Framework (ESF) instruments including the relevant Covid-19 health protocols. In complement to project activities, road safety training (including targeted to truck drivers) and awareness raising campaigns will be carried out in the North-East region, with the cooperation of specialized NGOs when available. This component will lead to a reduction of CO₂ emissions due to the decrease in fuel consumption due to improvements in transport efficiency.

24. This component (except Sub-component 3.5) will be implemented by the relevant provincial directorates (Nador and Driouch) of the Ministry of Equipment and Water (MEE), under the coordination of the General Directorate of Roads (DGR).

25. *Sub-component 3.1 - Improvement of the Nador-Driouch road section.* This sub-component will finance the widening and upgrading of around 70 kilometers of existing two-lane road (RN2) and road-related infrastructure and equipment, including associated consulting services for the supervision of civil works, between El Aroui (province of Nador) and Kassita (province of Driouch). Parallel civil works on the existing fiber optics network will be carried out (following the Dig Once approach) and financed by the private sector. An Output- and Performance-Based Road Contracts (OPBRC) is proposed for this sub-component. The sub-component will also finance, an OPBRC for the maintenance of an adjacent road section to be determined in the first year of implementation based on readiness to implement the works and adequate justification of the socio-economic benefits of the maintained road’s level of service.

26. *Sub-component 3.2 - Improvement of the NWM-Nador road section.* This sub-component will finance the widening and upgrading of around 35 kilometers of existing two-lane road (RN16) and road-related infrastructure and equipment, including associated consulting services for the supervision of civil works, between Oued Kert (province of Nador) and Taouima (province of Nador).

27. *Sub-component 3.3 - Improvement of the NWM-Al Hoceima road section.* This sub-component will finance the rehabilitation and upgrading of around 85 kilometers of existing two-lane road (RN16) and road-related infrastructure and equipment, including associated consulting services for the supervision of civil works, between Oued Kert (province of Nador) and Ajdir (province of Al Hoceïma).

28. *Sub-component 3.4 - Improvement of Nador-Taourirt road section.* This sub-component will finance the rehabilitation of around 50 kilometers of existing two-lane road (RN19) and road-related infrastructure and equipment, including associated consulting services for the supervision of civil works, between Melga El Ouidane (province of Nador) and Selouane (province of Nador).

29. *Sub-component 3.5 - Technical assistance for improved road asset management through strengthened axle load control.* This sub-component will finance the development of a national axle load control strategy (with a particular focus on the North-East region as pilot) for road pavement preservation purposes and the preparation of standard design and procurement documents for pilot modern axle load control stations that

³⁵ PSI has been calculated using the RSSAT model Version June 22, 2020.
(<https://worldbankgroup.sharepoint.com/sites/gsg/RoadSafety/Pages/RSSAT.aspx>)



would be carried out as PPPs, leveraging private sector expertise and capital. This sub-component will be implemented by the Ministry of Transport and Logistics (MTL).

Figure 3: Sections of roads to be rehabilitated by the project



Source: World Bank

Component 4 - Project implementation support

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts



30. The proposed project improvements are expected to bring positive environmental and social impacts by improving the connectivity and reducing road crash accidents and thus reducing potential human losses. The potential environmental impacts are mostly due to large scale construction works of the project roads, and rehabilitation of drainage facilities and other infrastructure in urban/settlement areas (namely Components 1.3 and 3) which include: water and soil contamination from waste water generated from potential construction/workers camps and municipal solid waste; spillage and handling of chemical and hazardous materials; damage to vegetation; OHS, clogging of waterways; potential inducement of landslides, landslips, erosion from cut surfaces of hill slopes; disposal of spoils from hill side cutting; air pollution due to fugitive dust from earthwork and emission from the vehicle operation, equipment and plants; cutting of trees for widening of roads; reduction of natural resources base and land degradation due to extraction/quarrying; land degradation from project induced development; change in aesthetic of landscape; impacts on culturally and socially important common properties.

31. As detailed above, the social risks and impacts include physical impacts such as partial and total impacts on private structures, namely informal residential and/or commercial structures on the road reserve (right-of-way) and partial impacts on common property assets (e.g. boundary walls). There are also a few vulnerable families who will be impacted by the project. As the proposed upgrading and maintenance works in the remaining corridors will be of a similar nature, the nature and extent of impacts too are likely to be similar. These impacts will be addressed effectively through commensurate measures and entitlements established by the project-level Resettlement Framework (RF). The project will also produce RAPs. Other potential social impacts of the road works (Sub/components 1.3. and 3) are related to labor influx, which is estimated to be low, due to a prioritization of local labor. Furthermore, to mitigate any low-moderate risks of child labor, despite the likelihood being low, the project-level LMP emphasizes the prohibition of child labor, including among suppliers and subcontractors.

32. Technical assistance activities under subcomponent 1.1. and 1.2. support the development of future plans or strategies (referred to as Type 2 TA). In terms of environmental and social risks, Subcomponent 1.1. development and implementation of a priority investment roadmap and Subcomponent 1.2. development of a transport corridor strategy could have direct or indirect environmental and social impacts through future investments, affecting land, livelihoods and/or biodiversity. Furthermore, given the implementing agencies limited capacity on social and environmental risk management, there is also a substantial risk of exclusion of vulnerable groups from this important exercise. Therefore, to mitigate this risk, during implementation, a regional NADOR strategic environmental and social assessment will be conducted to inform the consultation process and ensure that the advice provided through the TA is consistent with the ESF. The project-level SEP sets out specific plans to ensure that the stakeholder engagement carried out in both subcomponents is in accordance with ESS 10.

33. Moreover, Subcomponent 2.1. (Type 3 TA) focuses on capacity building, through the implementation of a skills training program designed to contribute to increasing female labor force participation in the region. However, if left unmitigated, it could also exacerbate an existing risk of sexual exploitation and abuse perpetrated by project workers (namely, trainers). The risk is aggravated by the program's selection criteria targeting disadvantaged young women (ages 18-34, targeting those who have dropped out of primary/secondary and/or work in the informal sector; unskilled and unemployed). Likewise, Subcomponent 2.2 support to small and medium enterprises also has a risk of sexual harassment in the workplace. These risks will be mitigated through the project-wide SEA/SH Prevention and Response Action



Plan. Furthermore, Subcomponent 2.2. also has other potential environmental and social risks. To manage the potential impacts and risks, a negative and positive list have been prepared that will be used in the selection of SMEs and the activities that will be eligible for financing. This negative and positive checklist will be embedded in the ESMF and POM.

34. Other risks include the possibility of inadequate coordination between concerned agencies on land acquisition and resettlement and lack of dedicated personnel dealing with social aspects within MEE and implementing agencies. To mitigate risks related to low capacity for social sustainability, the project will ensure through its ESCP, that qualified expertise is secured for the duration of the project, in the form of staffing in the implementing agency, hiring of technical assistance and training.

E. Implementation

Institutional and Implementation Arrangements

35. **To ensure inclusive coordination, oversight, and accountability at the national level, given the project's multisectoral nature, a National Project Steering Committee (NPSC) will be established prior to project effectiveness.** The NPSC will be accountable for the overall achievement of the activities and will ensure robust and effective coordination among the different stakeholders involved and project alignment with the country's national strategies. The NPSC will also provide high level support to project activities, including through the review and validation of the project's annual work plans and budget and ensure inclusion of project activities in the national budget. The NPSC, which will meet at least twice a year, will be chaired by the Ministry of Economy and Finance (MEF) and will comprise central-level representatives of the project implementing agencies and stakeholders, including the Ministry of Interior (MI)³⁶, the Ministry of Equipment and Water (MEE)³⁷, the Ministry of Transport and Logistics (MTL)³⁸, the Ministry of Industry and Commerce (MIC), the Ministry of Investment and Convergence and Evaluation of Public Policies (MICEPP), and the Ministry of Economic Inclusion, Small Enterprises, Labor, and Skills (MIEPEEC) as well as their relevant agencies and SOEs (particularly OFPPT, CRI Oriental, and NWM SA). The MEE (including through a Project Management Team – PMT – to be formalized prior to project effectiveness) will act as the technical secretariat of the NSPC and will prepare, based on the input of the project implementing agencies, the Project's annual progress reports and financial statements and carry out a project mid-term review.

36. **At the regional level, project coordination, oversight, and accountability will be ensured using existing country mechanisms.** The Wali of the Oriental region as the regional representative of the central government in that territory will chair steering meetings on the project at least twice a year for this purpose. The General Secretariat for Regional Affairs (SGAR) of the Wilaya of Oriental under the leadership of the Wali will act as technical secretariat of these meetings, which will include regional representatives of the project implementing agencies and main stakeholders (particularly of the MI). Representatives of local governments (including the Regional Council of the Oriental) and other stakeholders (including the private sector, civil society, and/or academics) would be included on an ad-hoc basis to ensure that their perspectives are considered on an iterative basis during planning and implementation. The Wali and the

³⁶ Including the Wilaya of Oriental and the CRI of Oriental.

³⁷ Including NWM SA.

³⁸ Including NARSA.



other actors mentioned will liaise with the NSPC and promote coordination of activities at the regional level, ensure the strategic coherence and alignment of project activities with regional development priorities, sectoral interventions and activities supported by national programs and taking place in the Oriental region. These actors will also advise on the project's annual priorities and results as per annual work plans and budget and reports.

37. **The MEE, MTL, MI (CRI Oriental), and MIEPEEC (OFPPT), including through their relevant directorates, agencies and SOEs, will oversee the implementation of the activities under their jurisdiction.** These implementing agencies will be responsible for the activities highlighted in the table below for (i) ensuring their execution (including in terms of procurement and contract administration and management) and monitoring, (ii) preparing and supporting the approval process of their annual work programs and budgets, (iii) elaborating their progress reports, (iv) coordinating with other ministries and agencies involved in their execution, and (v) providing the NPSC with all relevant and necessary information to ensure their oversight of the project. Detailed operational guidelines will be included in the Project Operations Manual (POM) to be adopted by the GoM within three months of project effectiveness.

CONTACT POINT

World Bank

Anne Cecile Sophie Souhaid
Senior Transport Specialist

Mariem Malouche
Senior Economist

Nabil Samir
Transport Specialist

Borrower/Client/Recipient

Kingdom of Morocco
Youssef Farhat
Deputy Budget Director, Ministry of Economy and Finance
farhat@db.finances.gov.ma

Implementing Agencies

Ministry of Equipment and Water
Abdellah Ismaili
General Director of Roads
ismaili@mtpnet.gov.ma



FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Anne Cecile Sophie Souhaid Mariem Malouche Nabil Samir
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Approved By

Practice Manager/Manager:		
Country Director:	Afef Haddad	12-May-2022