I. Introduction and Context

Country Context

The wave of democratization that has swept the Middle East and North Africa (MENA) region since the start of the Arab Spring has also enveloped Morocco although its experience has been a reasonably peaceful one with social demonstrations taking place regularly across the country during 2011-12 and only sporadic outbursts of violence noted. This social movement, known as the “February 20 Movement”, started with calls for political change, a curbing of corruption and a more inclusive development process. King Mohammed VI’s response was to propose, in March 2011, a broad and comprehensive package of political reforms that gathered the support of the population through a constitutional referendum held on July 1, 2011. The new constitution sets the basis for a more open and democratic society, provides mechanisms for the construction of a modern state and institutions, and lays the foundation for decentralization. The new constitution also contributes to improving the status of women in Morocco through the adoption of the principle of equality between men and women and through provisions on increasing the participation of women in decision-making bodies. In addition, the new constitution reinforces the principles of good governance, human rights and protection of individual freedoms, as well as increased institutional responsibility and accountability.

The Arab Spring protests and constitutional changes represent real pressure on the Moroccan State for meaningful and quick change. While the people seem to be willing to support the new government and its mandate, they are expecting and indeed demanding that the new government break with the past and usher in more credible and faster reforms, notably in the areas of job creation and improvement of the quality of public services delivered. Morocco is thus on the threshold of potentially profound social, political and economic transformation. If the new Government can assume more ownership of the political process and genuinely deliver, then this will go a long way to transforming the social and political landscape of Morocco.

Sectoral and Institutional Context

The agri-food sector is an important pillar of the Moroccan economy. Representing 15 percent of Morocco’s GDP and 23 percent of the country’s exports, and employing close to half of the labor force, the agri-food sector (together with the forestry and fishing) is a key pillar of the Moroccan economy. In the rural areas it is the primary source of employment and income for about 80 percent of the labor force. Although rural poverty decreased from 25 percent in 2001 to 12 percent in 2008 largely due to the combined effect of increases in the value of agricultural production, diversification of the rural economy, and increases in remittances, the contribution to overall inequality of the gap between rural and urban living standards in Morocco is the highest of any MENA country. In fact, poverty rates in rural areas are almost 3 times as high as in urban areas and 70 percent of poverty in Morocco remains rural. With a Gini coefficient of 0.6, land remains inequitably distributed: a majority of low-productivity smallholders owns only 26 percent of cultivated land, while a minority of less than one percent of mostly commercial and export-oriented farms owns about 14 percent.

The agri-food sector’s growth potential is constrained by the dualistic nature of farming in Morocco. The vast majority of the 1.5 million agricultural holdings are semi-subsistence farms that have low productivity and product quality levels and limited market integration. These farms are small (70 percent are less than 5 hectares) and largely rainfed and vulnerable to recurrent droughts. Farm work is performed by both men and women, with a significant portion of women’s work remaining unrecognized, unpaid, or underpaid. Farms
often have aging household heads with a low education (more than 45 percent of the heads of farming families are over 55 years old, and 81 percent are illiterate) and have limited adoption of modern production technologies. Traditionally, in order to meet their food and feed needs and partially in response to the incentives provided by Government subsidy schemes and market protection, smallholders typically engaged in the production of low-value agricultural commodities such as wheat and barley. This large group of smallholder farmers co-exists with a small but very efficient group of commercial farmers producing crops (such as citrus, tomatoes, strawberries, grapes, melons, and peppers) for high-value export markets and milk for domestic markets. This sub-sector of mainly irrigated production accounts for 7 percent of GDP, 50 percent of Morocco’s agricultural value added, generates over 75 percent of Morocco’s agricultural exports, and provides jobs to 50 percent of the rural labor force.

In an effort to directly encourage growth of the agri-food sector, Morocco launched a transformative agricultural development strategy - the Plan Maroc Vert (PMV) for the period 2008-2020. The PMV is an ambitious strategy that aims to transform this sector into a stable source of growth, competitiveness, and broad-based economic development in rural areas through a combination of agricultural investments and systemic public sector reforms. At its outset, an estimated 140 billion MAD of combined public and private sector investments from 2009 to 2020 was envisaged in around 1,500 commercial (Pillar I) and smallholder (Pillar II) agriculture investment projects; the latter focusing mainly on marginalized rural areas. Since 2008, investments in the agri-food sector have grown at a compounded annual growth rate of about 12 percent, totaling over 24 billion MAD. Of the total investments in the PMV, 5.6 billion MAD have been directed to Pillar II projects. These investments have resulted in sector growth both in terms of volume and value, thanks in part to favorable climatic conditions over some agricultural campaigns since the launch of the PMV. The total volume of agriculture production increased by 40 percent between 2005-2007 and 2011, while agriculture value added per worker increased by 53 percent between 2007 and 2010.

The PMV is facilitating a paradigm shift from a highly protected agriculture sector to a more open market sector which emphasizes integrated value-addition along the agri-food chain in order to create better opportunities for small and large farmers alike. In combination with the Government of Morocco (GoM)’s ongoing Programme National d’Economie d’Eau et d’Irrigation (PNEEI) and the systemic public sector reforms undertaken by the PMV, these investments are to realize the agri-food sector’s domestic and export growth potential, particularly in fresh and processed high-value fruits and vegetables, stemming from Morocco’s geographic position and privileged access to the EU and US markets, rising domestic demand for quality food driven by growing incomes, favorable climate, and abundant and relatively low cost labor. The PMV is leveraging these advantages a number of ways. First, the PMV is increasing the agriculture sector’s resilience to climate change through crop switching which reduces dependence on vulnerable crops such as cereals, improved management of water resources, and integrating the use of multi-risk insurance. The PMV also aims to increase the sector’s competitiveness by emphasizing production of higher value crops. Thus far, 35 percent of agricultural production has been targeted for this increased competitiveness, and this is expected to increase to 50 percent of production by 2020. Across the sector, agricultural intensification efforts, driven by a 50 percent increase in the use of mechanized tractors and 100 percent increase in the use of certified seeds, have led to an increase in outputs. Total production of cereals has increased by 52 percent, while the share of cereals of total agricultural output has fallen from an average of 23 percent from 2000-2005 to 15 percent from 2006-2010. This is due to crop switching efforts focusing on higher value crops: for example, marginal areas used for cereal cultivation are in the process of being converted into olive orchards. Olive production has thus increased by 83 percent. Also, a focus on increasing competitiveness in livestock and dairy value chains is demonstrated by an increase in animal feed production which supports the 22 percent growth in red meat and 35 percent increase in milk products. Other selected high value agri-food chains have seen growth in output, such as citrus (36 percent) and dates (45 percent).

The proposed operation is the second of a programmatic series of two single-tranche Development Policy Loans (DPLs). The series follows a request by the GoM in February 2009 and confirmed in January 2010. The first DPL in this series was adopted by the Board of the World Bank on 15 March 2011. The program supports the implementation of four components of the agri-food sector strategy outlined in the Plan Maroc Vert (PMV). These components include: (i) domestic markets; (ii) agricultural investment support; (iii) agricultural services; and (iv) irrigation water.

The proposed DPL/2 builds on recent World Bank operations in the agriculture and agriculture-related sectors. The institutional and policy reforms supported under the proposed DPL/2 aim to improve the efficiency of the domestic markets, the socio-economic impact of projects directed to small farmers, the agricultural services, and the use and management of irrigation water and the planning of irrigation infrastructures. DPL/2 builds on the experience of the DPL/1 as well as the Irrigation-based Community Development Project (DRI-PMH), the Rainfed Agricultural Development Project (DRI-LVB), and the National Initiative for Human Development (INDH) project all of which have been supported by the World Bank. The implementation of these projects has highlighted important institutional and structural constraints to effectively promote integrated rural development. It has also underlined the need for greater attention to the marketing aspects of agricultural development as well as the importance of support structures for producers and producer organizations. The actions aimed at improving the use and management of irrigation water under the DPL series include some of the actions originally foreseen under the irrigation water component of the previous Water Sector DPL series. While the irrigation water component of this Water Sector DPL series was completed successfully, the series was closed in 2009 after the completion in 2007 of the first operation in the series due to the non-realization of some prior actions of DPL/2 in the components related to sector governance and integrated water resources management. The recently completed PARL DPL series strengthened the GoM’s overall public sector management through improved budget management, human resources management, control of the public payroll, and e-government.

The proposed DPL/2 will be complemented by other World Bank operations recently approved or currently in the pipeline. The second INDH Program for Result operation, which became effective in September 7, 2012, further strengthens the capacity of local Government, civil society actors, and marginalized groups, to effectively participate in decision-making processes at the local level. The SCCF/GEF grant for Integrating Climate Change in the implementation of the PMV (PICCPMV), which became effective in October 2011, is closely aligned with the DPL, supporting the integration of climate change adaptation measures into selected Pillar II projects in five target Regions (Gharb, Chaouia, Rabat, Doukkala, and Tadla). Similarly, the proposed Social and Integrated Agriculture project (ASIMA) to be financed under GEF-5 is expected to support land and biodiversity conservation measures in selected Pillar II projects in marginal areas of two target Regions (Souss and Marrakesh). The proposed Green Growth DPL, which builds on the World Bank’s analytical work on climate change mitigation and adaptation, will reinforce the actions undertaken with respect to the sustainable use of land and water resources. The institutional and policy reforms supported under the irrigation water component of the DPL will improve the effectiveness
and the sustainability of the investments financed within the framework of the ongoing Oum-Er-Rbia Basin Irrigated Agriculture Modernization project aimed at the modernization of irrigation systems and the improvement of farmers' access to technology, financing, and markets. Furthermore, the Education Sector DPL operations support human capital building in rural areas through improved effectiveness and efficiency of service delivery and learning outcomes at the primary and lower secondary education levels. Finally, the proposed First Competitiveness DPL and the proposed Second Financial Sector DPL will contribute to an improved business environment for the agriculture and rural sector. While the First Competitiveness DPL seeks to improve the investment climate, further trade policy reform and trade facilitation, and improve economic governance, the Second Financial Sector DPL fosters household and SME access to financial services, increased financial stability, supervision and regulation, and capital market development.

Relationship to CPS

The proposed DPL contributes to the objectives of the Morocco Country Partnership Strategy (CPS) for FY2010-2013 and to the shift in emphasis of the World Bank program under the CPS progress report discussed by the Board in June 2012. It addresses the three long term development challenges facing Morocco identified in the CPS: (i) enhancing growth and employment; (ii) reducing social disparities; and (iii) ensuring sustainability. By supporting the GoM’s pursuit of institutional and policy reforms in relation to domestic markets, agricultural investments and services, and irrigation water resources, it contributes directly to the three thematic pillars around which the World Bank’s program is structured: (i) growth, competitiveness, and employment; (ii) service delivery to citizens; and (iii) sustainable development in a changing climate. Furthermore, all four components of the DPL support the objectives of the CPS’s cross-cutting themes of governance and territoriality. The operation is also consistent with the World Bank’s program going forward, as discussed in the CPS Progress Report, allowing for continuity while also adhering to the MENA Region’s strategy of “doing things differently” in the post-Arab Spring context, including strengthening governance and accountability, ensuring greater social and economic inclusions, and increasing voice and participation. In addition, the DPL supports the renewed focus of the CPS Progress Report on gender, as many small farmers who will benefit from the reform program - particularly under Component B supporting PMV’s Pillar II - are women.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The Program Development Objective is to increase the agri-food sector’s productivity and diversification with the goal of maintaining higher rates of agricultural growth and employment. More specifically, the objectives of the series are to:

- Improve the efficiency of domestic markets;
- Improve the socio-economic impacts of projects directed to small farmers;
- Improve agricultural services; and
- Improve the use and the management of irrigation water and the planning of irrigation infrastructure.

Key Results

Monitoring and evaluation of the program will be an integral part of the supervision process. World Bank staff will focus on the impact outcomes of the program and the adjustments that need to be made to the operation as it evolves, to take into account the latest country developments, stakeholder support, and feasible options for realizing the intended development goals. While taking into account the goals of the DPL program, the review will be largely based on the policy reform actions, results indicators and associated target values included in the proposed Policy Matrix and Results Monitoring and Evaluation Framework respectively. At the same time, the overall status of the Government’s program will be monitored to determine whether country conditions and the specific policy actions of the proposed operation have been met. The selected monitoring indicators and associated target values focus largely on measuring progress in terms of institutional gains achieved under the DPL program, rather than development gains on the ground. In fact, the program’s development gains are unlikely to materialize in the relatively short timeframe of the proposed program and hence would be difficult to measure.

The key results of the DPL series include:

- Improve the institutional and regulatory framework governing fruit and vegetable wholesale markets;
- Improve the institutional and regulatory framework governing slaughterhouses;
- Improve the governance and public financial management of projects directed to small farmers;
- Establish a legal and institutional framework supporting contract farming;
- Improve the effectiveness of the agricultural innovation system;
- Establish an effective food safety control system;
- Improve the application efficiency of farmers’ water use while preserving aquifers’ sustainability
- Improve the performance of irrigation service operators; and
- Improve irrigation infrastructure planning by the Government.

III. Concept Description

Component A. Improve the efficiency of domestic markets

The objective of Component A is to improve the efficiency of domestic markets by reducing marketing costs and improving marketing services through the modernization of fruit and vegetable markets and slaughterhouses. To this end, the DPL series supports the following two main institutional reforms: (i) Improve the institutional and regulatory framework governing fruit and vegetable wholesale markets; and (ii) Improve the institutional and regulatory framework governing slaughterhouses.

Prior actions of this component for DPL/2 are: (i) the signing of one convention between local government and relevant ministerial departments for implementing a fruit and vegetable wholesale market pilot project that will introduce a new management model; (ii) the adoption of specifications concerning technical, administrative, and contractual requirements for operating municipal slaughterhouse
Component B. Improve the socio-economic impacts of projects directed to small farmers

The objective of Component B is to improve the effectiveness of agricultural investments directed to small farmers. To this end, two main reforms are pursued through the DPL series: (i) Improve the governance and public financial management of projects directed to small farmers; and (ii) Establish a legal and institutional framework to support contract farming.

Prior actions of this component for DPL/2 are: (i) the implementation of a pre-selection technical committee for projects directed to small farmers at the provincial level; and (ii) the publication of a Law on contract farming (Loi sur l’Agrégation) on the Official Bulletin.

Component C. Improve agricultural services

The objective of Component C is to improve agricultural services. To this end, the DPL series supports the following two institutional reforms: (i) Improve the effectiveness of the agricultural innovation system; (ii) Establish an effective food safety control system.

The prior actions of this component for DPL/2 are: (i) Operationalization of the National and Regional Coordination Committees, comprising the MAPM, agricultural research and educational institutions, and professional organizations, with uniform rules of operation to coordinate agricultural research, extension, and training activities; (ii) Adoption by the MAPM of the National Agricultural Advisory Services Strategy and Action Plan for delivering agricultural advisory services, including the associated regional implementing actions; (iii) Publication of the implementing Decree of the Law No. 28/07 concerning the sanitary safety of the food products and adoption by the MAPM of the associated implementing regulations (Arrêtés) by the MAPM; and (iv) Adoption of a cost-recovery system for veterinary and/or phytosanitary services by the MAPM and Ministry of Economy and Finance (MEF).

Component D. Improve the use and the management of irrigation water and the planning of irrigation infrastructure

The objective of Component D is to improve the use and management of irrigation water and the planning of irrigation infrastructures. To this end, three main reform areas would be supported through the DPL series: (i) Improve the application efficiency of farmers’ water use while preserving aquifers’ sustainability; (ii) Improve the performance of irrigation service operators; and (iii) Improve irrigation infrastructure planning by the government.

The prior actions of this component for DPL/2 are: (i) Submission to the General Secretariat of the Government (SGG) of a draft amendment of the Law No. 23/97 on direct contribution concerning farmers’ financial contribution rates to the cost of modernizing off-farm irrigation systems; (ii) Submission to the SGG of a draft Law refocusing the mandates of the Public Agricultural Development Agencies (ORMVAs) solely on irrigation services; and (iii) Allocation of resources for the irrigation perimeters located downstream dams under construction or programmed in the budget law.

IV. Poverty and Social Impacts, and Environmental Aspects

Although the operation is expected to have significant positive impacts on poverty and social inclusion, preparation has included assessments of potential negative distributional impacts and related mitigation measures. A Poverty and Social Impact Assessment (PSIA) was carried out during DPL/1 preparation. It focused on the potential impacts of the: (i) restructuring of the fruit and vegetable wholesale markets and slaughterhouses on formal and informal operators; (ii) implementation of Pillar I and II projects including contract farming; (iii) irrigation water tariff adjustments; (iv) agricultural services reform and introduction of enhanced food safety and quality standards. The DPL/1 PSIA also built on consultations carried out in the form of specialized workshops involving key institutional actors. Consultations in relation to Component A (Domestics Markets) focused on the wholesale markets for fruits and vegetables in the potential pilot cities of Meknès, Rabat, and Agadir, and the slaughterhouses of Meknès, Rabat, and Marrakech. The geographic scope for the other three components (Agricultural Investment Support, Agricultural Services, and Irrigation Water) comprised the regions Tensift Al Haouz, Sous-Massa-Draa, Abda-Doukkala, Chaouia-Casablanca-Ourdigha, and Taza-Al Hoceima-Taounate. With the preparation of DPL/2, three additional studies (and corresponding consultations) are nearing completion to further develop the PSIA: (i) a Social Plan in relation to Component A (Domestics Markets); (ii) a Political Economy Analysis of the irrigation sector reform, jointly financed with the Belgian Technical Cooperation in relation to Component D (Irrigation Water); and (iii) a gender analysis of the PMV, specifically targeting the Components supported through the DPL.

The reform under Component A (Domestics Markets) is likely to benefit large numbers of small farmers, even if certain economic categories, particularly those at the interface between formal and informal sector, may be negatively affected. The first type of impact concerns the delocalization of markets and slaughterhouses away from the city centers into peri-urban areas. All employees as well as informal sector workers would face a steep rise in transport costs to retain their revenues, which may be attenuated by funding transport options (depending on whether the wholesale markets and slaughterhouses are publically or privately operated). A second type of impact concerns the restructuring of the management model through PPPs. The risk is that existing operators and their personnel as well as groups of informal sector workers (petty traders and restaurateurs, guards, transport people) would lose sources of revenue. Relevant actors at the level of Morocco’s 30 wholesale markets who could be negatively affected by the proposed reforms include 374 mandataires and their personnel (an estimated total of 1,343), 640 municipal wholesale market employees, and between 14,000 and 16,000 informal sector workers. Similarly, at the level of Morocco’s 180 municipal slaughterhouses on average between 60 to 80 chevillards and their personnel (estimated between 50 to 60 workers and 20 to 30 slaughterers), as well as between 10 and 20 municipal officials and 4 to 10 management personnel could potentially be disadvantaged through the proposed closure, re-designation, or introduction of the new management models at selected sites.

The MAPM recognizes the importance of undertaking specific mitigating actions to make the most out of wholesale markets and slaughterhouses reform. The development and implementation of communication and consultation plan is a key tool to raise awareness
among stakeholders about the goals of increased efficiency and effectiveness pursued by the reform program, as it can be used to highlight the expected impacts and envisaged solutions to the different groups of interest. The MAPM is well aware from their earlier experience with introducing concessions in slaughterhouses and that the reform will benefit from greater recognition of the contribution of informal sector workers to the wholesale markets and slaughterhouses operations. In this regard, the effects of both delocalization and privatization of wholesale markets and slaughterhouses could be partly mitigated by internalizing the impacts within the process and encouraging operators to take actions such as: (i) setting-up transport facilities linking old and new sites; (ii) re-absorbing (i.e. formalizing) informal sector workers; and (iii) guaranteeing security to employees. The GoM is aware that social programs centered on training, skilling and re-skilling, and aimed at economic reconversion and reinsertion of impacted stakeholders will need to be designed to accompany the proposed reforms. Tailored vocational training programs as well as financial incentives and technical support can support the development of microenterprises whose activities need to be integrated with the Domestic Market reform. At the institutional level, wholesale markets and slaughterhouses working conditions could be improved through the development and enforcement of Cahier des Prescriptions stipulating the technical, administrative, and contractual requirements for operating structures, including those related to urban transport, health and hygiene, security and infrastructure maintenance.

The Social Plan under preparation outlines measures for mitigating negative impacts on groups economically active in the wholesale markets and slaughterhouses. The Social Plan (referred to as the Plan d’Accompagnement Social in French) has as underlying objectives to ensure that the welfare and employment concerns of these groups are addressed as new systems are put in place while strengthening social acceptance of the reform. It includes the following elements:

- A set of fundamental principles to guide design and implementation;
- Measures for the redeployment, reintegration, and retraining of affected workers and economic agents linked to the wholesale markets and slaughterhouses, as appropriate;
- A communication strategy/plan targeting both national and local stakeholders;
- A cooperation framework for government stakeholders;
- A detailed series of intermediary steps for the Plan’s implementation; and
- Cost estimates of the measures, based on an estimation of the number of persons affected.

To strengthen its viability, the Social Plan takes into account and addresses institutional/governance issues at the national as well as local level. It also accounts for differences at the local level in terms of number and profile of persons affected and the economic environment, as well opportunities created by the reform measures. Finally, an assessment of existing national and local support mechanisms and resources is incorporated, along with identification of new support measures required. As much as possible, at the implementation level, the Social Plan encourages stakeholders to draw on lessons learned from similar reforms in Morocco as well as internationally. The Social Plan’s ultimate success lies in its design, implementation, and as well as good cooperation at the operational level between MAPM, MI, and MiCNT. Ministerial support and oversight, such as through a working committee which meets periodically, will be important for seeing it through. The World Bank is providing technical assistance for the drafting of the Social Plan which, in its general structure and guidelines, is expected to be completed by January 2013.

Measures promoted under Component D (Irrigation Water) aiming at enhancing irrigation efficiency have largely beneficial impacts, but require capacity building and awareness raising efforts to improve implementation. The MAPM is committed to the stepwise reform of the ORMVAs to show an improvement of service delivery. The MAPM has also requested specific assistance in designing a public information campaign re-introducing the effort to raise irrigation tariffs to cost recovery levels and this is underway as part of the ongoing Political Economy Analysis of the Irrigation Sector Reform, expected to be completed by December 2012. This analysis examines the political-economy factors that derailed earlier attempts at reform, assess the potential distributional impacts of irrigation sector reform on the different stakeholders, identify possible strategies for reform, define mitigating measures for potential negative impacts, and suggest a government communication strategy to accompany reforms. Consultations at the regional level have been carried out in three irrigation perimeters (Loukkos, Gharb, and Tadla). These perimeters have differing characteristics which will be useful for comparison (e.g. economic, technical, climatic).

Efforts by MAPM on integrating gender considerations into the PMV to enhance gender equality are currently underway with significant positive implications on the efficiency, effectiveness, sustainability, and equity aspects of the reform process. The MAPM has commissioned a comprehensive gender analysis of the PMV which will strengthen the agriculture strategy’s overall social inclusion goal which will be finalized in early 2013. A gender analysis of the DPL series highlighted the potential areas to enhance this gender dimension. No gender issues were discerned for Component A (Domestic Markets). For Component B (Agricultural Investment Support), it is suggested to support capacity building of the technical committees to develop and apply gender criteria in the selection of Pillar II projects and promote gender considerations in their implementation. Similarly, for Component C (Agricultural Services), the competencies of the Regional Coordination Committees for Research and Development can be developed, to apply gender criteria in the selection of priority research themes. Specific mechanisms integrated into the National Agricultural Advisory Services Strategy and Action Plan are already in place and can be easily used to report how the Plan is reducing the gender gap in access to advisory services with the associated measurable indicators. Regarding Component D (Irrigation Water), both women and men farmers are expected to benefit in similar ways from the development of drip irrigation in LSI areas. The employment potential of women/men will largely depend on the new crops adopted and will differ considerably by region. It is highly recommended that research be conducted on the impact of drip irrigation and crop switching/intensification on labor requirements by gender to be able to implement measures that capacitate both equally in the process.

Over the last decade, Morocco made significant progress in improving the institutional and legal framework for environmental protection. The State Secretariat (in charge of Water and Environment), within the Ministry of Mines, Energy, Water and Environment (MEMEE), has become a full-fledged environmental administration. Morocco developed a comprehensive environmental strategy in 2005 - the National Environmental and Sustainable Development Strategy- with four main priorities: water protection, waste reduction and management, water quality improvement, and soil protection. In addition, the Government passed Law No. 12/03 in 2003 defining the requirements for Environmental Impact Assessments (EIAs) and creating a national committee within the MEMEE for the review and oversight of EIAs. Furthermore, the Council of Government recently enacted two decrees related to the establishment of the national and regional EIA committees as well as a decree for public consultation and disclosure. Additional measures are also being taken to strengthen the Moroccan environmental institutions and legal framework with the support of various donors and international development agencies, notably GTZ. All these developments strengthen the environmental protection framework in Morocco, both at
National and local level, and contribute to the necessary legal and institutional capacity to manage the potential environmental impacts of the proposed reforms.

The assessment of the potential environmental impacts of the reforms under the proposed DPL series concluded that on balance it is likely to have significant positive effects on the environment. As per OP 8.60, the World Bank assesses whether specific country policies supported by a DPL series are likely to cause significant effects on the country’s environment, forests, and other natural resources. To this end, an Environmental Due Diligence Review was undertaken under DPL/1 (November 2012) and reviewed under DPL/2 (November 2012). The assessment identified the primary transmission channels through which the proposed reform actions could impact environmental and natural resources, and estimated the potential magnitude of these impacts. In addition, an assessment was conducted of the political, legal, and institutional framework governing these potential environmental impacts as well as the capacity of the environmental authorities in Morocco to address any additional environmental impacts that may emerge during implementation. Two consultations were completed during the preparation of DPL/1, one with representatives from non-government organizations working on environmental issues and the second with representatives from universities. A further environmental consultation was carried out during the preparation of DPL/2. Conclusions and recommendations of the Environmental Due Diligence Reviews build on the strategic environmental impact evaluation of the PMV program completed by ADA in August 2012, and for which extensive consultations were carried out with staff of the MAPM at central and local level, farmers, private stakeholders, and donor community.

The reforms under Component A (Domestic Markets) are likely to have medium negative environmental impacts. Potential negative effects include the concentration of pollution sources (water, land, air, noise) as a consequence to the increase in volume of product managed. This increase in volume steams from: (i) the number of facilities at national level thanks to a more rational organization of the network, and (ii) the estimated increase in agricultural products by 2020 (+280 percent in fruit and vegetables and +75 percent in red meat). These potential negative effects, if not properly mitigated, could be important and long lasting. The Environmental Due Diligence Review concludes that proper mitigation measures have been already identified, and include: (i) the preparation of an EIA, as defined under the Moroccan Law, for new wholesale markets and slaughterhouses; and (ii) the respect of the Cahier de charge for the proper management of the facilities. Notwithstanding the potential negative impacts, the Environmental Due Diligence Review highlighted that the new construction and/or rehabilitation of wholesale markets and slaughterhouses can have a number of positive environmental implications. Among others, the upgrade in the facilities can allow putting in place improved waste handling and disposal, enhancing environmental sustainability and public health.

The reforms carried out under Component B (Agricultural Investment Support), C (Agricultural Services), and D (Irrigation Water) are expected to have positive environmental impacts. These positive impacts include, among others, the improved water and land resources management and the increased environmental awareness in the agricultural sector. The Environmental Due Diligence Review concludes that potential positive impacts can be further enhanced by including: (i) environmental screening mechanisms governing the identification and selection for Pillar II projects (Component B); and (ii) promoting monitoring mechanisms for groundwater extraction (Component D).

V. Tentative financing

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