

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No. **97613**

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Program Name	Morocco Sustainable Tourism Diversification Program (P4R)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Morocco
Sector	Tourism
Lending Instrument	Program-for-Results
Program ID	P154715
Borrower(s)	The Kingdom of Morocco
Implementing Agency	Société Marocaine d'Ingénierie Touristique (SMIT)
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Concept Review Decision	

I. Introduction and Context

A. Country Context

1. **Morocco enjoys a relatively stable political climate and has embarked on a decentralization process of its administration in the wake of the Arab Spring.** This distinctive national context in the region is largely due to the political opening initiated in the country since the late 1980s, as well as to sustained economic development supported by ambitious government-led programs and free-market reforms since the early 2000s. Since 2010, the country has been strengthening its governance framework in order to foster progressive political, institutional, and social reforms. The Constitution adopted in 2011 explicitly recognizes social rights of citizens and provides a framework for improved local governance of public affairs through increased decentralization.

2. **Tourism has become a key sector for Morocco's economic development.** The country surpassed the 10 million international tourist milestone in 2013 (compared to 4.4 million in 2001) and the sector amounts to over 10% of the national GDP. These significant results have been achieved through the development of two consecutive 10-year-long tourism strategies. Launched in 2000, *Vision 2010* contributed to: (i) boosting coastal tourism; (ii) reinforcing and professionalizing the marketing and promotion of tourism; (iii) developing an open skies strategy for international aviation; (iv) developing training; (v) boosting investment in the sector (particularly foreign investment); (vi) initiating key reforms regarding the governance of the sector, including an emphasis on public-private partnerships.

3. **Launched in 2011, *Vision 2020* builds on the progress of the previous strategy, with the**

objective of turning Morocco into one of the top 20 tourism destinations worldwide. Based on the definition of 8 tourism territories (*“territoires touristiques”*), *Vision 2020* promotes more diversified and sustainable forms of tourism through leveraging the specific cultural and natural assets of each geographic territory. While being relatively strong and already more diversified than some of its competitors in the Mediterranean region, the tourism sector remains mainly centered along the coasts and in a few cities. It does not take full advantage of the great cultural and natural wealth of the country, as much in the core historic areas of many of its cities (the *“medinas”*) as in the lagging regions. This situation also contributes to the country’s urban/rural divide and to regional disparities between the coastal cities, which tend to concentrate economic spillovers, and the less urbanized and rural areas that tend to lag behind these growth poles.

B. Sectoral and Institutional Context

4. **Despite the economic crisis of 2008 and the troubled political regional context, Morocco’s tourism sector has continued to perform well and represents a major driver of socio-economic growth for the country.** The sector currently generates about 500,000 jobs (accounting for nearly 5% of national employment) and the number of international tourists grew by 7% in 2013 compared to 2012. It generates foreign exchange earnings amounting to nearly 31% of exports of goods and services and the external travel balance (i.e. the difference between the resources generated by international tourists in Morocco and the expenses made by Moroccan tourists abroad) covered 24% of the trade deficit in 2013. The growth potential of the sector remains very high, given Morocco’s huge natural and cultural resources, its proximity to Europe, and its fairly stable political situation.

5. ***Vision 2020* sets ambitious objectives for the sector**, with a goal of doubling its overall size by the end of the period. This would include: (i) doubling accommodation capacity through building of 200,000 additional beds; (ii) doubling the number of tourist arrivals (including through attracting 1 million tourists from emerging markets); (iii) tripling the volume of domestic travel within the country; (iv) creating 470,000 new direct jobs to reach the milestone of 1 million by 2020; and (v) increasing the share of tourism in the national GDP by 2%.

6. **The Moroccan Company for Tourism Engineering (Société Marocaine d’Ingénierie Touristique, SMIT), a limited public company with public capital placed under the authority of the Ministry of Tourism, has been entrusted with developing and managing a national initiative to further contribute to the diversification of sustainable tourism, as a key input to Vision 2020.** To this aim, SMIT the design a program of diversification of sustainable tourism (the Government program) composed of two sub-programs focusing respectively on rural tourism (*“Qariati”*) and cultural tourism in the medinas (*“M’dinti”*). The Government requested World Bank support to help with the preparation and early implementation of the program, including the technical design of the two subprograms, in order to enhance their results orientation, encourage the participation of local communities, and boost private investments. The proposed operation would support the Government program in its entirety during its initial phase.¹

¹ The Bank supported Program (the Program) would match the boundaries of the Government program (the program).

7. **Qariati and M’dinti are expected to be implemented in the context of an overall program, in close collaboration,** with a view to build on existing synergies, maximize economic and social impact, and ensure sustainability. They will seek to facilitate the development of cultural visits and activities centered on the heritage of the medinas and their surrounding areas by encouraging and/or combining various cultural and leisure/sport activities. This more diversified offer should help attract new tourists, including domestic tourists, and increase their average length of stay. It will require developing basic services to improve access to the various destinations as well as the cities’ connection with their hinterlands. The rural territories, often overlooked by traditional tourism development schemes and dismissed as lagging areas, actually possess strong tourism potential. Unlocking this potential through inclusive and integrated projects would not only support tourism but also benefit the local communities in their daily life and generate jobs and revenues.

8. **Qariati seeks to encourage rural tourism:** it aims to attract visitors to natural assets without sacrificing environmental preservation, and to defend the cultural identity of local communities while giving them opportunities to improve their living conditions. Qariati focuses on four priorities: (i) establishing tourism facilities to provide information and orientation; (ii) developing tourist circuits to better link and promote existing tourist sites/activities (such as developing new hiking trails, etc.); (iii) promoting niche products through providing sport/adventure activities (such as rock climbing, cycling, sailing, kayaking, etc.) in a number of natural settings; (iv) promoting local and regional products; and (v) encouraging the creation/upgrading of tourist accommodation including small-scale lodging products (eco-lodges/guesthouses/hostels/home-stays, etc.).

9. **M’dinti aims to enhance the touristic value of the 31 medinas that have been identified throughout the country** while improving the living conditions of their populations and preserving cultural heritage through: (i) enhancing cultural assets; (ii) providing tourism facilities; (iii) developing tourist circuits; (iv) initiating and encouraging new cultural activities (e.g. presentation of handicrafts, cultural shows, children oriented visits, etc.); and (v) promoting the development of authentic tourist accommodation through the upgrading of traditional homes.

10. **In response to the crosscutting nature of the tourism sector, the two sub-programs will adopt a multi-sectoral and participatory approach, which will be coordinated by SMIT. A first “Convention de Partenariat” or memorandum of understanding (MoU) was signed in September 2014 regarding Qariati between the Ministry of Tourism, SMIT, and 6 other ministries.** It provides an estimation of the expected expenditure per region and each ministry’s commitment in terms of budget allocation and expenditure. The MoU also specifies SMIT’s role as program coordinator, including preparing tourism development plans, encouraging private initiatives, and coordinating the activities of the line ministries at the local level to ensure proper program implementation. Bilateral yearly MoUs between each ministry and SMIT will complete this approach and ensure the governance arrangements. A similar MoU for M’dinti is expected to be signed very shortly between SMIT, the Ministry of Tourism, the Ministry of Housing and Urban Policy, the Ministry of Culture, the Ministry of Handicrafts and Social Economy, and the Ministry of Interior. At the regional level, specific MoUs will also be concluded for both Qariati and M’dinti.

C. Relationship to Country Partnership Strategy

11. **The proposed PforR operation will contribute to achieving the objectives agreed with the Government of Morocco within the 2014-2017 Country Partnership Strategy (CPS) by supporting two strategic result areas, namely:**

(i) Result Area 1: “*Promoting Competitive and Inclusive Growth*” through encouraging the development of tourism and income generation activities in lagging regions as well as in deprived urban areas (i.e. medinas);

(ii) Result Area 2: “*Building a Green and Resilient Future*” by promoting sustainable tourism. The CPS references the operation as one of the main vehicles to support strategic outcome 1.4 of the CPS: Strategic Outcome 1.4. “*Better leverage the socio-economic potential of integrated rural development and tourism*”.

II. Program Development Objective

A. Program Development Objective

12. The Program Development Objective (PDO) is to further diversify sustainable tourism in Morocco and provide economic opportunities in selected medinas and rural areas.

B. Key Program Results

13. Three key results indicators have been selected to measure success in achieving the PDO:

- Percentage increase of tourism-related private investments in the regions targeted by the Program;
- Percentage increase of visitor arrivals in the regions targeted by the Program;
- Share of Qariati and M'dinti subprojects achieving their business plan objectives.

14. These indicators are designed to capture the goals reflected in the PDO by measuring: (i) the incremental private sector activity attributed to the Program and its impact on employment in the selected areas; (ii) diversification of tourism products in urban and rural areas targeted by the Program; and (iii) enhanced capacity of central and local stakeholders to develop and implement sustainable tourism programs.

III. Program Description

15. The Program supported by the proposed operation includes the two sectoral sub-programs (Qariati and M'dinati subprograms) defined in the Government long term strategy (Vision 2020) and the National Tourism Development Plan by: (i) leveraging Morocco’s exceptionally rich cultural and natural assets while contributing to their protection and sustainability; (ii) encouraging cross-sectoral collaboration; (iii) promoting and supporting the development of private investment through innovative incentives; and (iv) contributing to local economic development, job creation, and poverty reduction.

16. The Program will seek to harness the power of the heritage to develop tourism in a way that

is beneficial to surrounding communities, through engaging the private sector, providing revenue opportunities for the local populations, and supporting environmental protection and biodiversity. The M'dinti sub-program component aims to contribute to a better socioeconomic integration of historic city-centers which mostly host disadvantaged communities. The Qariati sub-program aims to help bridge the socioeconomic gap between cities and their hinterland through encouraging the creation of income-generating activities. The Program will underline local ownership and ensure that the benefits generated from tourism development will trickle down to the communities. To this aim, the Program will engage community members in the planning and implementation of tourism-related activities and provide them with adaptive support (e.g. support to start-up/expand micro-, small and medium-sized enterprises/businesses).

17. The Program's duration (2015-2020) covers the launching and initial implementation of the two-subprograms (expected to cover the 2015-25 period). The Program will be rolled through the gradual inclusion of selected regions and provinces for each sub-program. Three sites have been pre-identified for the initial phase, namely the Tadla-Azilal region under Qariati and the medinas of Tangier and Tetouan under M'dinti. Others are currently being identified.

18. The proposed operation will be articulated around the following components:

- *Access*: (i) improved access to touristic sites (including infrastructure works such as road construction and maintenance and other public works); (ii) signage in and around the sites; (iii) improved mobility within the sites (this also may include infrastructure, parking facilities, sanitation, and public lighting); (iv) tourist reception/information.
- *Appeal/attractiveness*: (i) improved and more diversified tourism products (site visits, circuits, local products, niche products) addressing both domestic and international tourists; (ii) upgrading of public spaces, facades, renovation of monuments and museums, etc.; (iii) initiatives and incentives to generate private sector investments in a broad range of tourism products tailored to different types of budgets (from lodges to boutique hotels); (iv) communication and marketing at both national and international levels.
- *Capacity Building*: Under this component the Program will support technical assistance to raise the quality of the touristic product: (i) in tourism engineering, strategic planning and programming; (ii) awareness raising among local stakeholders; and (iii) adapted training to all concerned partners (local authorities, private sector, NGOs and civil society, tour guides, etc.).

19. **Progress towards achieving the Development Objective of the Program will be measured through a set of Performance Indicators**, against which disbursements will be made. The following list of Development Linked Indicators (DLIs) has been tentatively developed with the Government counterparts. This list will be reviewed during the preparation stage and further articulated to provide incentives to the achievement of priority results and improvements under the Program.

Implementation

- Signature of all specific MoU in the regions targeted by the program by 12/31/16 (2 by 12/31/15);
- Number of integrated tourism circuits;
- Number of people trained, including the percentage of women benefitting from the training programs;
- Number of on-the-job training sites (“*chantiers-école*”);
- Set-up of an incentive scheme to strengthen private investments in the tourism sector (e.g., in the first year of the program, design, publication and dissemination of a guide for prospective small-size investors in rural areas and in the medinas);
- Rate of budget execution under the program.

Impact

- Increased visitors’ arrivals in the regions targeted by the Program;
- Increased occupancy rate in the regions targeted by the Program;
- Increase length of stay in the regions targeted by the Program;
- Increased number of tourism-related businesses in the regions targeted by the Program;
- Number of jobs created under the Program.

IV. Initial Environmental and Social Screening

20. In terms of environmental and social risk management, the proposed program is compliant with OP 9.00. In accordance with this policy, the program will finance investments which are not expected to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. In fact, the program is likely to yield important benefits to communities, both through its non-structural (capacity building) and structural activities. In the short term, the program will create jobs directly through the investments financed by the program, and directly support private investment by members of local communities in the project areas for both M’dinti and Qariati. In the longer term the program will support an enabling environment for private investment, for example by provision of capacity building services. Negative environmental and social impacts associated with the program are considered low or moderate to average. No physical displacement is likely to occur, and temporary or permanent land requirements for investments supported under the program are expected to be limited and will be mitigated by SMIT in compliance with OP/BP 9.00. Based on social and economic considerations, these negative effects are thus viewed as not particularly harmful and easily manageable and controllable.

21. Morocco has laws concerning environmental and social management and impact assessments and reliable country systems in place to manage the risks associated with the program’s activities. The key legislative text is Law no. 12-03 of 12 May 2003, aimed at minimizing the negative impact of projects and improve ecological sustainability. The Moroccan legal land tenure regime refers to different land-use systems. Respect for property is a fundamental principle of Moroccan law, consecrated by Article 35 of the new Constitution of 2011 and implemented by numerous laws. Moreover, Morocco has recently (March 2014) adopted a National Charter of the Environment and Sustainable Development. In the light of new principles, more focus should be on a strategic vision of the internal requirements for sustainable

development.

22. An Environmental and Social System Assessment (ESSA) is under preparation to assess the range of environmental and social impacts that may be associated with the program as well as the Borrower's organizational capacity for E&S management. The ESSA will contain an action plan for the project client containing measures to avoid, minimize or mitigate the impacts and risks. The ESSA will be based on a review of the legal, regulatory and institutional framework related to environmental and social matters, including assessment of the client's capacity to handle social and environmental risks, and experiences with implementation of safeguard instruments from past Bank projects in Morocco. The results of the ESSA will inform program design and key measures to improve E&S risk management will be included in the Program Action Plan and/or in the results framework. The development of the ESSA will additionally provide a platform to engage program stakeholders in consultations regarding E&S aspects. National consultations will be organized and the ESSA results as well as the final version of the document will be made public before appraisal. Measures will be proposed to increase the performance of SMIT's environmental and social management system, including its grievance redress procedures, and could be strengthened by disbursement-linked indicators.

V. Tentative financing

Source:	(\$m.)	
Borrower/Recipient	400.00	
IBRD	100.00	
IDA		
Others (specify)		
	Total	500.00

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