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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$200 MILLION

TO THE

KINGDOM OF MOROCCO

FOR A

STRENGTHENING AGRI-FOOD VALUE CHAINS PROGRAM-FOR-RESULTS

NOVEMBER 29, 2017

Agriculture Global Practice
Trade and Competitiveness Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective October 31, 2017)

Currency Unit	=	Moroccan Dirham (MAD)
US\$ 1.00	=	MAD 9.44
MAD 1.00	=	US\$ 0.11

GOVERNMENT FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADA	<i>Agence pour le Développement Agricole</i> (Agricultural Development Agency)
AFD	<i>Agence Française de Développement</i> (French Development Agency)
BDS	Business Development Services
CAM	<i>Crédit Agricole du Maroc</i>
CETIA	<i>Centre Technique Industriel marocain de l'agro-alimentaire</i> (Moroccan Technical and Industrial Center for the Agri-Food Sector)
CIA	<i>Centre d'Innovation Agro-Alimentaire</i> (Agri-Food Innovation Center)
CNCP	<i>Commission Nationale de la Commande Publique</i> (National Commission for Public Procurement)
CP	<i>Contrat-Programme</i> (Results-based Contractual Programs)
CPS	Country Partnership Strategy
CTT	<i>Centre de Transfert & Technologie</i> (Center for Technology Transfer)
DDFP	<i>Direction du Développement des Filières de Production</i> (Directorate for the Development of Value Chains)
DEFR	<i>Direction de l'Enseignement, de la Formation et de la Recherche</i> (Directorate for Education, Training and Research)
DERS	<i>Division de l'Evaluation des Risques Sanitaires</i> (Division of Sanitary Risks Assessment)
DF	<i>Direction Financière</i> (Directorate of Finances)
DLI	Disbursement Linked Indicator
DPA	<i>Direction Provinciale de l'Agriculture</i> (Provincial Directorate of Agriculture)
DPL	Development Policy Loan
DRA	<i>Directions Régionales de l'Agriculture</i> (Regional Directorate of Agriculture)
DSS	<i>Direction de la Stratégie et des Statistiques</i> (Directorate of Strategy and Statistics)
EBA	Enabling the Business of Agriculture
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIA	Environmental Impact Assessment
ENA	<i>Ecole Nationale d'Agriculture de Meknès</i> (National Agriculture School of Meknès)
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESSA	Environmental and Social Systems Assessment
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDA	<i>Fond de Développement Agricole</i> (Agricultural Development Fund)
FSA	Fiduciary Systems Assessment
FY	Fiscal Year
GCC	General Contract Conditions
GDP	Gross Domestic Product

GEF	Global Environmental Facility
GHG	Greenhouse Gas
GI	Geographical Indications
GIE	<i>Groupements d'Intérêt Economique</i> (Economic Interest Group)
GoM	Government of Morocco
GRS	Grievance Redress Service
IAV	<i>Institut Agronomique et Vétérinaire</i> (Agronomic and Veterinary Institute)
IBRD	International Bank for Reconstruction and Development
ICPC	<i>Instance Centrale de Prévention de la Corruption</i> (Central Body for Corruption Prevention)
ICT	Information and Communications Technologies
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IGA	<i>Inspection Générale de l'Agriculture</i> (General Inspectorate of Agriculture)
IGF	<i>Inspection Générale des Finances</i> (General Inspectorate of Finances)
IMF	International Monetary Fund
INRA	<i>Institut National de Recherche Agronomique</i> (National Agronomic Research Institute)
IPF	Investment Project Financing
IRR	Internal rate of return
ISP	Implementation Support Plan
IVA	Independent Verification Agency
KG	Kilograms
M&E	Monitoring and Evaluation
MAD	Moroccan Dirham
MAPMDREF	Ministry of Agriculture, Marine Fisheries, Rural Development, Water and Forests
MCC	Millennium Challenge Corporation
MEAS	Ministry of Employment and Social Affairs
MEF	Ministry of Economy and Finance
MENA	Middle East and North Africa
MI	Ministry of Interior
MIICEN	Ministry of Industry, Investment, Commerce and the Digital Economy
MIS	Market Information Systems
MoU	Memorandum of Understanding
MT	Metric Ton
MTEF	Medium-Term Expenditure Framework
ONCA	<i>Office National de Conseil Agricole</i> (National Agricultural Extension Agency)
ONCB	Open National Competitive Bidding
ONSSA	<i>Office National de Sécurité Sanitaire des produits Alimentaires</i> (National Food Safety Agency)
OPRC	Operations Procurement Review Committee
PforR	Program-for-Results
PAP	Program Action Plan
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability
PGI	Protected Geographical Indications
PMU	Program Management Unit
PMV	<i>Plan Maroc Vert</i> (Morocco Green Plan)
PPP	Public-Private Partnership
R&D	Research and Development
RRA	<i>Rabat Région Aménagement</i>
SCD	Systematic Country Diagnostic
SDL	<i>Société de Développement Local</i> (Local Development Company)

SDOQ	<i>Signes Distinctifs d'Origine et de Qualité</i> (Distinctive Signs of Origin and Quality)
SDR	<i>Société de Développement Régional</i> (Regional Development Company)
SECO	Swiss State Secretariat for Economic Affairs
SME	Small and Medium Enterprises
SNDD	National Sustainable Development Strategy
SORT	Systematic Operations Risk-Rating Tool
SPS	Sanitary and Phytosanitary
SSSD	State Secretariat for Sustainable Development of the Ministry of Environment
TA	Technical assistance
UNDP	United Nations Development Program
US	United States of America
WB	World Bank

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KINGDOM OF MOROCCO

Strengthening Agri-food Value Chains Program-for-Results

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PAD DATA SHEET

KINGDOM OF MOROCCO

STRENGTHENING AGRI-FOOD VALUE CHAINS PROGRAM-FOR-RESULTS

PROGRAM APPRAISAL DOCUMENT

*Middle East and North Africa Region
Agriculture and Trade and Competitiveness Global Practices*

Basic Information

Date:		Sectors:	General agriculture, fishing and forestry (35%), Agro-industry, marketing and trade (35%), Climate Change Adaptation/Mitigation (20%) and, General water, sanitation and flood protection (10%)
Country Director:	Marie-Francoise Marie-Nelly	Themes:	Micro and SMEs Support (20%), Rural services and Infrastructure (40%), Export Development and competitiveness (30%) and Other social Development (10%).
Practice Managers/Global Practices	Julian Lampietti/ Agriculture Nabila Assaf/Trade and Competitiveness		
Vice President:	Hafez Ghanem		
Program ID:	P158346		
Team Leaders:	Marianne Grosclaude/ Hind Kadiri		
Program Implementation Period:	Start	12/20/2017	End Date: 12/31/2022
Expected Financing Effectiveness Date:		02/01/2018	
Expected Financing Closing Date:		09/30/2023	

Program Financing Data

<input checked="" type="checkbox"/> Loan	<input type="checkbox"/> Grant	<input type="checkbox"/> Other
<input type="checkbox"/> Credit		

For Loans/Credits/Others (US\$M):

Total Program Cost: US\$450 million Total Bank Financing: US\$200 million

Other Financing: US\$250 million Financing Gap: US\$ 0 million

Financing Source	Amount
BORROWER	US\$250 million
IBRD:	US\$200 million
Total	US\$450 million

Borrower: The Kingdom of Morocco

Responsible Agency: The Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests (MAPMDREF)

Contact: Mr. Nabil Chaouki

Title: Director, DDFP

Telephone No.: +212 537 10 31 76

Email: n.chaouki@agriculture.gov.ma

Expected Disbursements (in USD Million)

Fiscal Year	2018	2019	2020	2021	2022	2023	2024
Annual	65.0	14.0	35.0	33.0	27.0	26.0	0.0
Cumulative	65.0	79.0	114.0	147.0	174.0	200.0	200.0

Program Development Objective(s)

The Program Development Objective is to increase the volume of added-value products commercialized in selected agri-food value chains in the Program area.

Compliance**Policy**

Does the program depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes []	No [X]	
Have these been approved by Bank management?	Yes []	No []	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Overall Risk Rating: Substantial			
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Program Operational Manual Loan Agreement Section I. B.4 of Schedule 2	Yes		Continuous
Description of Covenant The Borrower shall carry out the Program in accordance with the Program Operational Manual (POM). Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of the POM.			
Steering Committee Loan Agreement Section 1.A.1 (a) of Schedule 2	Yes		Continuous
Description of Covenant Maintain, throughout Program’s implementation, a Steering Committee, composed of representatives of entities and institutions participating in the implementation, monitoring and evaluation of the Program, responsible for strategic oversight and guidance under the Program, all under terms and conditions acceptable to the Bank and described in the POM.			
Program Management Unit Loan Agreement Section I.A.1 (b) of Schedule 2	Yes		Continuous
Description of Covenant Maintain, through Program implementation, a Program Management Unit (PMU), responsible for the monitoring of day-to-day implementation of the Program, including the preparation of the Program’s annual progress reports, preparation of pertinent financial statements, and staffed with adequate professional, fiduciary, administrative and technical personnel (including a` social and environmental specialist), with qualifications, experience and terms of employment acceptable to the Bank, all as described in the POM.			

Verification Protocol Loan Agreement Section III.2 of Schedule 2	Yes		At least annual
Description of Covenant			
The Borrower shall carry out verification missions at least annually, in accordance with terms of reference set forth in the POM, through the IGA for the verification of achievement of DLR#1 through DLR#8 which are set forth in the table in Section IV.A.2 of Schedule 2 of the Loan Agreement, and furnish to the Bank not later than sixty (60) calendar days after the verification of compliance of said DLRs, a report on the results of said verification of compliance process of such scope and in such detail as the Bank shall reasonably request.			
Program Action Plan Loan Agreement Section I.B.3 of Schedule 2	Yes		Continuous
Description of Covenant			
The Borrower shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in accordance with the schedule set out in said Program Action Plan and in a manner acceptable to the Bank.			
<i>Convention de Partenariat</i> Loan Agreement Section I. B.1 of Schedule 2	No	Prior to carrying out of any activity under Result area 1 (c)	
Description of Covenant			
Prior to the carrying out of any activity under Result area 1 (c) of the Program (including any related DLRs), the Borrower shall, together with the relevant Borrower's national and subnational authorities, including Rabat Région Aménagement, enter into a <i>Convention de Partenariat</i> under terms and conditions set forth in the POM, including the Borrower's obligation to ensure that <i>Rabat Région Aménagement</i> : (i) assist the Borrower in the implementation of the activities under Result area 1(c) of the Program which fall within its administrative jurisdiction, including the construction works and oversight of the wholesale market; and (ii) comply with the pertinent provisions of the POM (including the pertinent actions under the Program Action Plan and the Anti-corruption Guidelines).			
Disbursement condition Loan Agreement Section IV.B.1 (c) of Schedule 2	No	Prior to disbursement for any DLR under Category (4)	
Description of Covenant			
No withdrawal shall be made for any DLR under Category (4), until and unless: (i) the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved; and (ii) the <i>Convention de Partenariat</i> has been duly signed by all parties under terms and conditions described in the POM.			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit

Marianne Grosclaude	Lead Agriculture Economist	TTL	GFA03
Hind Kadiri	Sr Private Sector Development Specialist	Co-TTL	GTC05
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David Olivier Treguer	Agriculture Economist	Agricultural Economics	GFA05
Serhiy Osavolyuk	Sr. Private Sector Specialist	Private Sector Development	GTCME
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Asma Ben Abdallah	Program Assistant		MNC01
Funda Canli	Sr. Program Assistant		GFA03
Elena Segura	Sr. Counsel	Legal	LEGLE
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Name	Title	Location	
Patrick Labaste	Agribusiness Specialist	Washington, DC	
Gilbert Houins	Food Safety Specialist	Brussels	
Philip Van der Celen	Sustainability Consultant	New York City	
Khalid Anouar	Environmental Safeguards Specialist	Rabat	
Barbara Coello	Gender Specialist	Washington, DC	
Stephanie Kuttner	Social Development Specialist	Washington, DC	
Marie-Helene Collion	Producers' Organization and Productive Alliances Specialist	Marseilles	
Carlos Puig	Value-Chains Development Specialist	Quebec	
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I. STRATEGIC CONTEXT

A. COUNTRY CONTEXT

1. **Morocco is a lower middle-income country with a population of approximately 33.8 million which has carried out major political and institutional reforms over the past sixteen years.** During that period, a series of reforms and new laws to gradually liberalize the economy, privatize public enterprises, restructure the financial system, strengthen the rule of law, and guarantee fundamental human rights have been implemented. With the adoption of a new Constitution in 2011, Morocco has engaged in a series of reforms, aimed to set the basis for a more democratic society, greater separation of powers and increased decentralization.

2. **These reforms have been accompanied by a significant improvement in economic performance and poverty reduction.** The average rate of growth of per capita GDP in the last 15 years has been 3.4 percent (doubling to US\$7,360 purchase power parity 2015 – since 2000), extreme poverty has virtually been eradicated and the national poverty rate fell to 4.8 percent in 2014. There have been improvements in several indicators of well-being, such as a steep decline of the fertility rate (2.2 in 2015), an increase in life expectancy, expansion of access to education, health and water supply and sanitation services.

3. **However, major socio-economic challenges remain with regards to the quality and sustainability of growth and, specifically, closing the urban-rural gap.** Private sector activity has slowed down in recent years. Over the period from 2010 to 2015, just 50,000 net new jobs have been created on average each year while the working age population showed an average net increase of 270,000 per year. The integration into the labor market of young people, who constitute 44 percent of the working age population, is a major challenge. While the unemployment rate was 9.3 percent in the second quarter of calendar year 2017, it reached 23.5 percent among the youth. Furthermore, Morocco has one of the lowest shares of female labor market participation globally, with less than one-quarter of working-age women active in the labor market. With regards to income levels, the gap between urban and rural living standards is amongst the highest in Middle East and North Africa (MENA). Although 40 percent of the population lives in rural areas, rural dwellers account for 79 percent of the 1.6 million poor and 62 percent of the 5.4 million vulnerable (*Haut Commissariat au Plan (HCP)*, 2014).

B. SECTORAL AND INSTITUTIONAL CONTEXT

Contribution of the agri-food sector to inclusive growth

4. **The agriculture sector will play a fundamental role in ensuring sustainable and inclusive growth in the future.** First, Morocco's GDP growth is strongly correlated with that of agriculture GDP. Agriculture was the fastest growing economic sector from 2000 to 2015, and the share of agriculture in Morocco's GDP has fallen very slowly remaining at 15 percent in 2015. Second, agricultural exports represented 23 percent of total exports in 2016. Third, the agriculture sector is the first employer in Morocco, representing 41 percent of total employment (an estimated 4 million people) and 85 percent of employment in rural areas. Women actively engage in agriculture, with 57 percent of the female population participating in agricultural work. The pace, quality and sustainability of transformation of the agriculture sector will therefore have a direct impact on the country's key socio-economic development challenges.

5. **The growth of the agriculture sector has been strong overall.** From 2008 to 2015, agricultural GDP has increased by 5.6 percent per year compared to 4.5 percent for the rest of the economy, although

with strong annual variations due to the sector's vulnerability to climate variability. High agricultural GDP growth has been driven by a 70 percent increase in agricultural investments while agricultural exports have also increased by 40 percent in value during that period. Growth projections to 2020 indicate that the agriculture sector has the potential to continue to grow at high rates subject to the continuation of sound reforms and investments (International Monetary Fund, 2015). The agriculture sector has been diversifying towards high-value products for which Morocco has a comparative advantage, such as horticulture and tree crops (e.g., citrus), particularly for exports to European and African markets. Changing consumer demand on domestic markets – as urbanization accelerates and diets diversify towards higher-value food products such as fresh and prepared fruit and vegetables – also present opportunities for Moroccan producers.

6. **High-value crops (such as tree crops and vegetables) have been driving sector growth.** Approximately 64 percent of agricultural growth since 2008 was driven by high-value, export oriented sub-sectors, including horticulture, citrus and other tree crops (citrus experienced the highest growth rate at 12 percent per year on average). The Government's agricultural sector strategy, the *Plan Maroc Vert* (PMV, Green Morocco Plan), contributed to this performance by supporting the plantation of 400,000 hectares of high-value crops (olive, citrus and other fruit trees), improved water management (the conversion of 220,000 ha to drip irrigation) and better access to improved agricultural inputs. As of 2013, high-value products (defined under the PMV as horticulture, citrus, other fruit trees, olive and industrial crops) represented one third of the total value-added of the agricultural sector and up to three million jobs. During the 2008-2013 period, all those sub-sectors saw an increase in productivity (3 percent per year on average for horticulture, 4 percent for citrus, 7.2 percent for other fruit trees and 1.7 percent for olive) and in planted areas.

7. **Morocco has a strong comparative advantage in citrus production.** Citrus represents 31 percent of Morocco's fresh agri-food exports and generates approximately US\$350 million per year in foreign exchange revenues (Maroc Citrus, 2017). National on-farm employment from citrus production is estimated between 59,000 and 97,000 full time jobs. Including seasonal jobs, the citrus sub-sector generates 25 million work-days annually, including 18 million at production level and 7 million through storage, packaging and processing. However, new markets would have to be found for the rapidly expanding citrus production. Planted areas have increased substantially since 2008 and reached 123,000 hectares in 2016. Based on recent plantings, projections indicate that production of citrus will increase by 50 percent between 2015 and 2020, while exports have remained relatively constant at approximately 0.5 million metric tons (MT) per year. The rapid increase in citrus production will need to be accompanied by the development of exports and export market diversification, as well as that of domestic consumption and processing.

8. **The olive sub-sector could contribute more substantially to inclusive growth including in the lagging regions.** Moroccan olive production costs are competitive, including in the less favored regions. Approximately 400,000 Moroccan producers are involved in olive production. However, the low quality of Moroccan olive oil constrains the growth of exports. The preponderance of traditional oil mills in Morocco contributes to the low quality of the olive oil produced (60 percent *lampante*). As of 2010, extra virgin olive oil represented only an estimated 5 percent of the olive oil produced in Morocco¹, and virgin and ordinary olive oil accounted for 35 percent. While demand for olive oil has been growing at global level, it is growing faster for virgin and extra virgin olive oil, which also convey important price premiums (e.g., in 2013, importing countries paid on average 80 percent more for virgin olive oil than for *lampante* oil²).

9. **The dualistic nature of the agriculture sector is affecting small producers' ability to participate and benefit from strong sector growth.** The rural poor remain largely employed in agriculture and regions with large shares of agricultural GDP have poverty rates well above national

¹ This compares to 65 percent in Tunisia and Egypt, 70 percent in Greece and 45 percent in Spain.

² World Bank. Inclusive agricultural growth in Morocco – A Deep Dive into the Citrus and Olive Value-Chains. June 2017.

averages (HCP, 2015). Less than one percent of farmers—representing 14 percent of cultivated land—have highly profitable, commercial, and export-oriented farms. Most small farms are operated by older household heads with low education levels—more than 45 percent of the heads of farming families are over 55 years old and 75 percent are illiterate. Those heads of household lack technical know-how and rarely use modern technologies. Notwithstanding those structural issues, the emergence of more commercially-oriented family farms and medium-size farms has been observed in the past decade, particularly in the favorable agricultural areas. Increasing the productivity of small and medium-size farms, improving producers' integration with modern value-chains and diversifying employment opportunities beyond the farm gate will be critical for further progress on poverty reduction and inclusive growth in rural areas.

10. **There are concerns about the sustainability of the current agricultural growth pattern.** The agricultural growth path followed by Morocco since 2008 has been relatively extensive, and growth is now getting constrained by the rarefaction of key resources (such as land and water). The agri-food sector is also highly vulnerable to climate variability resulting in the high volatility of agricultural GDP. Morocco is susceptible to chronic drought³, and climate change is likely to exacerbate water scarcity, reduce yields, and increase volatility of agricultural production, with substantial variation among regions⁴. The 2010 World Development Report ranks Morocco amongst the countries for which climate change will have the greatest impact on agricultural yields. Morocco has been addressing those risks by promoting more efficient water management in agriculture, improved soil management practices and the transition towards crops that provide higher value for the same amount of water used.

11. **The growth of agroindustry has not kept pace with the growth of the agriculture sector.** Agroindustry is the second largest industrial sector representing 27 percent of industrial GDP and five percent of total GDP. The sector's value-added is around MAD30 billion (US\$3 billion). However, its growth has been lower than that of the manufacturing sector and that of (primary) agriculture over the past years. While exports from agroindustry have increased in value, volumes have remained constant over the past decade. Products from agroindustry are mostly destined for the domestic market, with exported goods accounting for only 12 percent of total industrial exports. It is estimated that close to 40 percent of the revenues generated by enterprises in agroindustry relate to the processing of imported products (milling, tobacco, sugar beverages, etc.) rather than adding value to domestic agricultural production.

12. **The economic fabric of the agri-food sector (including agriculture, agroindustry and related services) is dominated by small and medium enterprises and cooperatives.** The agri-food sector comprises some 2,050⁵ industrial units, most of them small and medium enterprises (SMEs), and employs up to 143,000 people. Most SMEs in the agri-food sector are active in simple value addition, and the dominant products include milled cereals, oil, canned fruits and vegetables, canned fish, and animal feed. Since the passing of the law on cooperatives in 2012, there has been a sharp increase in the number of agriculture cooperatives, reaching 10,500⁶ cooperatives in 2015 (of which 2,140 are women's cooperatives). An estimated 10 percent of them is also active in the processing and/or marketing of their own production.

13. **Market conditions are favorable to a higher growth of the agri-food sector in Morocco.** Domestic demand for high-value and differentiated products is increasing with a growing population, growing urbanization and changes in consumption habits; export opportunities are substantial for products with growing demand worldwide such as olive oil and fruit and vegetables, which can be produced at competitive costs in Morocco; the Free Trade Agreement with the EU offers increased export opportunities; and the sector's growth potential is also supported by the improvement of the enabling environment for

³ For example, the 1994/95 drought caused agricultural GDP to fall by 45 percent and total GDP to fall by 8 percent.

⁴ World Bank. Morocco study on the impact of climate change on the agricultural sector. 2009.

⁵ Ministry of Industry database, 2013

⁶ ODCO database, 2015

doing business in Morocco in general. Transport infrastructure has been significantly improved through the development of highways, the rural roads network and port infrastructure, reducing the time and the cost of transportation of perishable products.

14. **Tapping into that potential will require the development of a larger and stronger fabric of enterprises able to competitively add value to agriculture products and to meet the demand of domestic and export markets.** Investments in the agri-food sector have been limited and concentrated with large players, in part because public support and incentives to investments are not adapted to the needs of SMEs. The diagnostic of the agri-food sector carried out by the Ministry of Agriculture, Marine Fisheries, Rural Development, Water and Forests (MAPMDREF)⁷ in 2014 through interviews with over 60 players across the agri-food sector indicates that sector performance is hindered by constraints at firm level, particularly SMEs' limited access to capital, lack of capacity for product innovation, and difficulties accessing modern marketing networks. Finally, many small producers and SMEs still lack the capacity to comply with stringent (public and private) food safety, quality, traceability, labeling and environmental sustainability requirements imposed by high value export markets.

Institutional Context

15. **The Ministry of Agriculture, Marine Fisheries, Rural Development, Water and Forests is responsible for elaborating and implementing the Government's agriculture and rural development policy.** The PMV launched in 2008 is the Government's strategy for the development of the agriculture sector. The PMV aims to transform the sector into a stable source of growth, competitiveness and broad-based economic development in rural areas through a combination of investments and systemic public sector reforms. The PMV is facilitating a paradigm shift from a highly-protected agriculture sector to a more open sector which emphasizes value-addition among the various agri-food chains to create better opportunities for producers. MAPMDREF has refocused on its core regulatory functions while service delivery and investment support in agriculture have been delegated to the regional and local level⁸, to autonomous agencies and to the private sector through public-private partnerships (PPP). Finally, one of the core objectives of the PMV is to create an enabling environment to crowd in additional investments from the private sector.

16. **The Ministry coordinates the implementation of the PMV with the support of several autonomous agencies that it oversees.** Those agencies include: (a) *Agence pour le Développement Agricole* (Agricultural Development Agency, ADA) which contributes to the implementation of the PMV by promoting private investment in both commercial and smallholder agriculture projects, (b) *Office National de Sécurité Sanitaire des produits Alimentaires* (the national food safety agency, ONSSA) which controls the application of norms and regulations related to food safety and SPS (phytosanitary products, varieties, pests and diseases, traceability), and (c) *Office National du Conseil Agricole* (the national agricultural extension agency, ONCA), responsible for providing training and advisory services to producers and their organizations.

17. **The implementation of the PMV also involves close coordination with other government agencies.** Those include the Ministry of Interior (MI), Wilayas (regional governorates) and municipalities for the management of market infrastructure, and the Ministry of Industry, Investment, Commerce and the Digital Economy (MIICEN) for the development of agroindustry. The *Crédit Agricole du Maroc* (CAM) provides financial services to producers through a range of financial products (commercial, intermediate

⁷ *Définition d'une stratégie de développement du secteur des industries agroalimentaires et accompagnement à l'élaboration d'un projet de contrat-programme* Marché N°14/2014, Roland Berger consulting, April 2014.

⁸ Through MAPMDREF's deconcentrated services (*Directions Régionales de l'Agriculture – DRAs and Directions Provinciales de l'Agriculture - DPAs*)

and microfinance). The National Agriculture Research Institute (INRA) undertakes agricultural research in various areas (adaptation to climate change, irrigation, productivity, soil conservation etc.) through 30 research centers. Other research institutions include the *Institut Agronomique et Vétérinaire Hassan II* (IAV) and the *Ecole Nationale d'Agriculture de Meknès* (ENA).

18. **To improve value-chain integration and public-private dialogue, intra-branch professional associations (*Interprofessions*) were institutionalized in 2012 (Law 03-12).** Under the law, the interprofessions are mandated to organize private operators in the sub-sector that they represent (from producers to processors and exporters) and to implement a broad set of actions (such as market research and development, research and extension programs, dissemination of norms and standards and the promotion of labels of quality). There are also several categories of producer organizations, including Agriculture Chambers (*Chambres d'Agriculture*), federations, cooperatives (and their union), associations, and Economic Interest Groups (*Groupements d'Intérêt Economique*, GIE).

C. RELATIONSHIP TO THE CPS

19. **The proposed operation would contribute to the World Bank Group's twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner.** It would improve the integration of Morocco's small and medium agri-food producers and enterprises in agri-food value chains, as well as strengthen the resilience and sustainability of the selected value chains. The proposed operation is aligned with the Country Partnership Strategy (CPS) 2014-2017⁹. The Program would support the three strategic result areas of the CPS: (1) "Promoting Competitive and Inclusive Growth"; (2) "Building a Green and Resilient Future"; and (3) "Strengthening Governance and Institutions for Improved Services". Specifically, the Program's support for the strengthening of the interprofessions recently recognized by MAPMDREF, improved market infrastructure management and access to market information, and addressing constraints to SME development through agri-food innovation centers and industry-specific training programs would contribute to the achievement of Outcome 1.1 (Enhance the business environment with a more supportive institutional framework for business entry, trade facilitation, and SME development). The Program's support for increased investment in agri-food processing and aggregation, innovative products and green technologies and practices, as well as improved food safety and quality would contribute to Outcome 1.3 (Increase the productivity and value-added of the agri-food sector). Finally, the Program's support for improved sector planning and budgeting processes as well as integrated program monitoring, evaluation and reporting systems would contribute to the achievement of Outcome 3.2 (Enable more transparent and accountable management of public resources through budget and procurement reforms).

20. **The proposed operation contributes to the implementation of the World Bank Group's MENA regional strategy's pillar on renewal of the social contract, with an emphasis on more inclusive economic growth.** The analytical work which informed the preparation of the Program highlights the high number of young people, and in particular young women, who find employment opportunities in horticulture and fruit packaging and processing. The proposed operation is expected to expand employment opportunities in those subsectors, including for youth and women. While the Program would have national coverage, it is expected that it would particularly benefit the lagging regions which contribute approximately 40 to 50 percent of national production in the selected value chains supported by the Program (Beni-Mellal-Khénifra, Marrakech-Safi, Fès-Meknès) and which are home to smaller value-chains benefitting from the Program's support to Distinctive Signs of Origin and Quality (Draâ-Tafilalet, Souss-Massa).

⁹ The World Bank Group CPS for FY14-17 (Report No. 86518-MA) was discussed by the Board on April 29, 2014. A Performance Learning Review of the CPS (Report No. 105894-MA) was presented to the Board on May 24, 2016.

D. RATIONALE FOR BANK ENGAGEMENT AND CHOICE OF FINANCING INSTRUMENT

21. **The Program would represent the next phase of the World Bank’s support for the implementation of the PMV.** The World Bank has supported the implementation of the PMV since its inception, including through: (a) a series of two development policy loans (DPL) in support of the PMV (during 2011 to 2014, for a total of about US\$400 million) with a focus on institutional and regulatory measures to improve the efficiency of domestic markets through the development of modern management models for wholesale markets and slaughterhouses, improve the effectiveness of the agricultural innovation system and establish effective food safety management systems; and (b) two ongoing investment operations (US\$70 million Modernization of Irrigated Agriculture in Oum Er Rbia Basin Project, 2010-2017; and US\$150 million Large Scale Irrigation Modernization Project, 2015-2022) with a focus on improving water services to small farmers in large scale irrigation perimeters and increasing agricultural water productivity. In addition, sustainability concerns in the agriculture sector have been addressed through two grants by the Global Environmental Facility (GEF) (US\$4 million Integrating Climate Change in the Implementation of the Plan Maroc Vert Project, 2010-2015; and US\$6 million Social and Integrated Agricultural Project, 2013-2017) focused on climate change adaptation, biodiversity and land conservation. The Program would build on the achievements of the earlier DPLs with regards to the sector reform agenda by accelerating the actual implementation of those reforms and placing a greater focus on results. In addition, the Program would complement the ongoing operations focused on the reform of water management in agriculture and on improving the management of irrigation by providing services and instruments to promote market integration and value-addition beyond the farm gate; while improvements in water management brought about by those operations would contribute to the sustainability of the Program investments in the selected value chains.

22. **The Government of Morocco has demonstrated its commitment to results and reforms through adaptive management of the PMV.** The achievements of the PMV and continued Government commitment to its objectives provide a solid foundation for the proposed Program. MAPMDREF has solicited the support of the World Bank Group for the second phase of the implementation of the PMV following on the recommendations of the 2014 mid-term review of the PMV: (a) to accelerate the implementation of reforms, and (b) to place greater emphasis on inclusive value-addition and value-chain development in the Moroccan agri-food sector. The World Bank Group is well positioned to accommodate this request considering: (a) its extensive international experience in developing inclusive and resilient value chains and supporting agribusiness development, and (b) previous support to the PMV.

23. **The proposed operation supports the World Bank Group’s MENA Climate Change Action Plan.** In line with the Plan’s targets of doubling adaptation financing and increasing all climate-related lending in MENA, the proposed operation will contribute to increasing the resilience of selected agricultural value chains to climate change (through more efficient use of agricultural inputs, including water, and the adoption of improved technologies) and the reduction of greenhouse gas emissions from the selected subsectors.

24. **A Program-for-Results instrument is best suited to support the implementation of the second phase of the PMV.** In selecting a Program-for-Results (PforR) instrument, the following factors were taken into consideration: (a) the proposed operation would support the implementation of the existing Government program (PMV) while supporting adjustments to the PMV to accelerate progress and deliver desired outcomes; (b) the proposed operation would support a mix of institutional strengthening activities, improvements in systems and processes for PMV implementation, and also finance selected sub-programs of the PMV; and (c) the proposed operation would support MAPMDREF’s increased focus on results under the PMV, thereby contributing to strengthening overall sector governance and informing the preparation of any successor program by strengthening existing monitoring and evaluation systems.

II. PROGRAM DESCRIPTION

A. GOVERNMENT PROGRAM

25. **The Government's program is the Plan Maroc Vert, launched in 2008 to modernize and foster the growth of the agri-food sector.** The PMV aims to transform the agri-food sector into a key source of economic growth that contributes to employment creation and poverty reduction in rural areas, while promoting the sector's integration into the global economy, and helping the sector adapt to climate change. The PMV includes a set of transversal institutional reforms, as well as an investment support program based on public-private partnerships. At sub-sector level, specific targets and actions have also been jointly negotiated between MAPMDREF, the Ministry of Economy and Finance (MEF), and representatives of the private sector (Interprofessions) through *Contrat-Programmes* (CPs, result-based agreements) in 18 sub-sectors. For each action, the CPs define the respective contributions of the public and the private sectors. The PMV has also been translated into agricultural development plans endorsed by each region.

26. **The PMV's transversal reforms include actions in the following areas** (see Table 1 for further details):

- a. *Sector governance.* Reorienting the role of MAPMDREF towards planning, policy development and core regulatory functions and delegating other agricultural services functions to private actors through public-private partnerships (through the CPs), to autonomous agencies and to the regional and local level deconcentrated services of the Ministry;
- b. *Market efficiency.* Improving the efficiency of domestic markets through improved management of marketing and processing infrastructure, specifically wholesale markets (for fruit and vegetables) and slaughterhouses;
- c. *Food safety.* Strengthening food safety through the creation of a national food safety agency (ONSSA) and the 2008 food safety law;
- d. *Agricultural knowledge and innovation systems.* Reorganizing and strengthening agricultural advisory services, through a National Advisory Strategy and the creation of the national extension agency (ONCA); and reforms of the research system;
- e. *Trade.* Improving access to high value export markets through the gradual liberalization of protected sectors and new Free Trade Agreements;
- f. *Water management.* Strengthening irrigation water services by delegating their management to the private sector, extending existing irrigation perimeters and promoting on-farm drip irrigation; and
- g. *Land management.* Mobilizing agricultural land through private sector participation in the development of state-owned and collective lands and promoting contract farming.

27. **One of the core objectives of the PMV is to increase private investments in the agri-food sector.** The investment support policy of the PMV is based on a set of incentives aimed at leveraging private investment in the sector for value-addition and value-chain development. Under the first pillar of the PMV, financial incentives are provided through the *Fonds de Développement Agricole* (Agricultural Development Fund, FDA) for private investments in modern equipment and technologies and for aggregation projects targeting small and medium producers who are willing to enter in commercial partnerships with processors (*agrégateurs*). Under the PMV's second pillar, financial incentives target subsistence family producers in disadvantaged areas to support their transition to higher value crops. Incentives include financial support for collective investments in production and processing (e.g., orchard plantations and processing units), technical assistance for project preparation and capacity building for producers. Both pillars aim at improving productivity and incomes of agricultural producers, improving linkages between producers and buyers, and enabling greater integration of producers in modern value-chains.

28. **The investment support policy of the PMV focuses both on attracting commercial private investments in value-chain structuring projects and on facilitating access to finance for private investors.** As highlighted in the 2016 Morocco Financial Sector Assessment¹⁰, access to commercial finance remains a challenge in Morocco even for well-established medium and large size private companies, due to a variety of reasons, for instance, high collateral requirements. While a range of financing instruments have been developed to address the needs of the sector (commercial, intermediate and microfinance), the agriculture sector remains perceived as particularly risky by financial institutions considering its exposure to climate variability and market price volatility. Morocco's low ranking for finance in the Enabling the Business of Agriculture (EBA) 2017¹¹ reflects weaknesses in the enabling environment for producers' access to finance. The FDA incentives¹² aim to address this market failure in supporting private investments in processing, packaging and storage facilities and farm modernization, by reducing the risks for producers and investors and thereby also facilitating access to commercial financing. The FDA incentives consider the positive externalities that those investments generate on the structuring of agricultural value chains, by linking small and medium producers and buyers (including exporters). For instance, citrus packaging stations are the necessary gateway for sorting and conditioning of export produce, and they require large capacity to be economically viable, which leads private investors to work closely with surrounding producers in meeting export standards.

29. **The findings of the 2014 mid-term review of the results achieved under the PMV are being incorporated into the second phase of the PMV.** The review was carried out by MAPMDREF and quantified implementation progress with respect to agricultural output growth and value added, yields, exports, job creation, as well as the PMV's transversal reforms. Considering the projected growth in production resulting from the investments made during the first phase of the PMV (2008-2014), the review recommended a shift in emphasis towards the promotion of investments in value-adding, agri-food processing and a greater focus on market diversification. The review highlighted the need to accelerate the implementation of the PMV's transversal reforms related to domestic market efficiency, the promotion of food safety and quality, and the improvement of the enabling environment for the development of the agri-food sector. Finally, the review emphasized the need to leverage more private sector investment, including through adjustments to the PMV's instruments for investment support. MAPMDREF, in consultation with MIICEN and sector stakeholders, elaborated in 2015 a strategy to support the development of agribusiness under the umbrella of the PMV, which integrates those recommendations.

30. This strategic review of the PMV also led to the preparation of a new *Contrat-Programme* (CP), signed in April 2017 between the MAPMDREF, MIICEN, MEF and the interprofessions and defining areas for collaboration to increase value-added beyond the farm gate at sub-sector level. The agribusiness CP (CP IAA) outlines targeted value chain development efforts in the following priority sub-sectors: olive oil; citrus; fresh fruit and vegetables; fruit and vegetable processing; dairy; meat; bakery and confectionary products; and pasta and couscous. The CP IAA aims to further shift the focus of the PMV towards: (a) the integration between upstream production and downstream processing; (ii) developing new products with higher added value; (iii) the inclusion of the agri-food industry in the international economy and improving its competitiveness, notably through the modernization of production tools; (iv) promoting exports in both traditional markets and new high-growth markets; (v) stimulating private investment; (vi) increasing farmers' incomes; and (vii) creating jobs in the sector. Under the CP IAA, the Government envisages to create by 2021 (compared to 2016) 38,457 additional permanent agribusiness jobs, US\$1.25 billion of additional annual export turnover, and US\$1.31 billion of additional annual added value. The CP IAA is

¹⁰ World Bank. Financial Sector Assessment Program – Financial Inclusion, Technical Note. January 2016.

¹¹ World Bank Group. Enabling the Business of Agriculture. 2017.

¹² Incentives range between 10 and 30 percent of total investment, up to defined ceilings.

expected to be financed through a government contribution of US\$400 million (33 percent of the total budget envelope) and a private sector contribution of US\$800 million.

B. PROGRAM DEVELOPMENT OBJECTIVE (PDO) AND KEY RESULTS

31. The **Program Development Objective** is to increase the volume of added-value products commercialized in selected agri-food value chains in the Program area.

32. The Program would thereby contribute to the broader, higher level objectives of the Government's program (PMV), which are to increase investments in the agri-food sector, to increase the added-value of the sector, to increase agri-food exports, to create additional jobs, and to increase rural incomes. The Program would primarily (but not exclusively) focus on areas of the Government's program which addresses constraints to market access and value-addition beyond the farm gate, taking into account the findings of the mid-term review of the PMV.

33. *Targeting.* While some of the Program's activities would benefit a broad range of stakeholders in the agri-food sector, the Program would include activities specifically aimed at promoting the inclusion of small and medium producers and enterprises with modern value-chains and their capacity to produce and commercialize added-value products.

34. *Selected agri-food value-chains.* While the Program would strengthen the overall enabling environment for agri-food value chain development in Morocco, it would also place a specific focus on addressing constraints that producers and agribusiness firms in the olive and citrus value chains are facing with regards to value-addition, product quality, and market integration. Those two sub-sectors were selected by MAPMDREF based on the following considerations: (a) their contribution to agricultural GDP growth and to the rural economy, (b) the expected increase in production by 2022 following investments in plantations since 2008, and (c) their potential in terms of further value-addition and increased exports.

35. The **PDO results indicators** measure volume of added value products commercialized, specifically: (a) volume of conditioned and exported citrus; (b) volume of conditioned and exported olives; (c) volume of high quality olive oil commercialized.

C. PFORR PROGRAM SCOPE

36. In selecting areas for support under the proposed PforR, the following considerations provided the basis for the definition of the Program's scope and boundaries:

- a. The Program would be aligned with the recommendations of the mid-term review of the PMV for greater emphasis on agri-food value-chains development. Substantial progress has been made at farm level under the PMV, in terms of increasing production and productivity, whereas important bottlenecks remain to be addressed beyond the farm gate. The Program would support and help improve the PMV's interventions that address those bottlenecks, so as to create new market opportunities that will drive further investments in the sector;
- b. The Program would apply the principles of maximizing finance for development/"cascade" approach and seek to maximize private sector investments in the agri-food sector by improving selected regulations, instruments and programs impacting private investments in the agri-food sector;
- c. The Program would selectively support interventions that have the potential to accelerate the broader transformation of the agri-food sector towards greater added-value and inclusion of

- small and medium producers with markets (such as the reform of wholesale markets; the use of information and communications technologies (ICT) for producers' access to information; the promotion of commercial partnerships between small producers and buyers; and strengthening the ecosystem for agribusiness development);
- d. Program interventions would be focused on key areas of the Government's program where the Bank's international experience can be brought in to improve existing instruments and continue the reform efforts supported under the earlier DPL series;
 - e. The Program would serve as a leverage to facilitate multi-stakeholder dialogue and reforms. The design of the Program recognizes that it can provide a platform to facilitate dialogue and accelerate the implementation of reforms in areas that require good intra-governmental coordination as well as public-private partnerships (such as the wholesale market reforms, the implementation of the food safety law and the strengthening of the recently recognized interprofessions); and
 - f. Transversal measures would be complemented by support to selected value-chains. Considering the breadth of the Government program both with regards to transversal reforms and investment support, Program support for increased value-chain integration and investments at value-chain level would focus on two high priority sub-sectors (olive and citrus) under the PMV, with the understanding that success in those two sectors could subsequently serve as a blueprint for other sub-sectors.

37. Table 1 below summarizes the content of the Government's program, key achievements to date, and the scope of the proposed Program. The Program would support selected activities in four of the seven transversal sub-programs of the PMV (sector governance, market efficiency, food quality, and agriculture knowledge and innovation systems), as well as the PMV's investment support program in two of the 18 sub-sectors supported by the PMV over a five-year period (2018-2022). The Program area includes the regions of Tanger-Tétouan-Al Hoceima, l'Oriental, Fès-Meknès, Rabat-Salé-Kénitra, Béni-Mellal-Khénifra, Casablanca-Settat, Marrakech-Safi, Draâ-Tafilalet, and Souss-Massa.

Table 1. Key attributes and scope of the Program

ATTRIBUTES	PLAN MAROC VERT			PROGRAM
Development Objective	The PMV aims to transform the agri-food sector into a source of economic growth that contributes to employment creation and poverty reduction in rural areas. In addition, the policy reforms and investments in a productive, dynamic and market-oriented agri-food sector supported under the PMV seek to improve food security, promote Morocco's integration in the global economy and help the sector adapt to climate change.			To increase the volume of added-value products commercialized in selected agri-food value chains in the Program area.
DO Indicators	Deliver, compared to 2008: (i) up to 1.5 million additional working days per year; (ii) a 50 percent drop in rural poverty; (iii) up to US\$14 billion of combined public and private sector investments; and (iv) up to US\$9 billion of additional annual added value.			(i) volume of conditioned and exported citrus; (ii) volume of conditioned and exported olives; (iii) volume of high quality olive oil commercialized
Components	Strategic Initiatives	Key Achievements	Outstanding Issues	Proposed Program
Transversal/Institutional Reforms				
Sector governance	Reorienting the role of MAPMDREF towards its policy and regulatory functions and delegation of agricultural services delivery to deconcentrated services, autonomous agencies or public-private partnerships	<ul style="list-style-type: none"> - Multi-annual expenditure framework agreements signed between MAPMDREF and MEF; - Regional Agricultural Plans (PARs) developed to "localize" the PMV; - Creation of <i>Agence pour le Développement Agricole (ADA)</i> to facilitate Pillar I and II (2008); - Creation of <i>interprofessions</i> for intra-branch coordination and to support public-private dialogue (2012); - Result-oriented <i>contrat-programmes (CP)</i> signed by MAPMDREF, MEF and interprofessions in 18 sub-sectors and with FENAGRI for the agri-food industry (CP IAA) 	<ul style="list-style-type: none"> - Lack of integrated financial management system - Need to strengthen program coordination, monitoring and evaluation - Weak interprofessions - Contrat-programmes partially implemented (results behind targets in selected areas) 	<ul style="list-style-type: none"> -Develop integrated financial management system - Strengthen program coordination, monitoring and evaluation -Strengthen at least two interprofessions - Support for the implementation of the olive and citrus <i>contrat-programmes</i> - Support for the implementation of the <i>contrat-programme</i> for the agri-food industry (CP IAA)
Market efficiency	Improving the efficiency and transparency of domestic markets	<ul style="list-style-type: none"> -National Strategy and Action Plan for the Restructuring of Fruit and Vegetable Wholesale Markets adopted (2010) - New management model for wholesale market identified - Domestic market for red meat liberalized - <i>Asaar</i> market information platform established 	<ul style="list-style-type: none"> - Reduce market distortions through progressive liberalization of domestic fruit and vegetable market - Implement new wholesale market management model -Upgrade slaughterhouse infrastructure - Upgrade <i>Asaar</i> platform and increase outreach through ICT 	<ul style="list-style-type: none"> - At least one wholesale market with new management model - Upgrade <i>Asaar</i> platform and expand outreach to users with new ICT tools
Food quality	Strengthening food quality, including food safety, in response to market demand	<ul style="list-style-type: none"> - Creation of the national food safety agency (ONSSA) in 2012 - 2008 food safety law 	<ul style="list-style-type: none"> - Need to strengthen ONSSA's capacity - Scale up certification schemes 	<ul style="list-style-type: none"> -Strengthen ONSSA's capacity to implement the law - Scale up certification schemes

		- Law on Quality and Origin Labels (2008) - Law on Organic Products (2013)	- Raise public awareness of food quality standards	- Raise producer, industry and consumer awareness of food quality standards
Agriculture knowledge and innovation systems (AKIS)	Reorganizing and strengthening agricultural advisory services, through a National Advisory Strategy and the creation of ONCA (<i>Office National du Conseil Agricole</i>)	- Creation of the national extension agency (ONCA) in 2012 - National strategy for a pluralistic, demand-driven AKIS - Adoption on Law 62-12 on the profession of agricultural adviser - Competitive research grant mechanism	- Need to strengthen ONCA - Implementation of the national AKIS strategy, including the development of private agricultural extension - Need to develop the ecosystem to foster private sector innovation in the agri-food sector	- Network of specialized technical and business innovation centers co-managed with the private sector (new, adjustment to the program) - Competitive innovation grants (new, adjustment to the program) – including for water savings in the agri-food sector
Trade	Improving access to high value export markets	- Agricultural Free Trade Agreement with EU (2012) - Export platforms	Establish export platforms to support the diversification of export markets	See above (food quality and safety standards)
Water management	PNEEI ¹³	220,000 ha converted to drip irrigation	Continue PNEEI reforms	
Land management	Mobilizing agricultural land through private sector participation	19,000 ha of state-owned and collective lands mobilized through public-private partnerships	Mobilize additional 300,000 ha of state-owned and collective lands	
Investment Support				
<i>Pillar I</i> – Investment projects: Incentives by sub-sector	Providing incentives (grants) for 900 investment projects aimed at integrating market-oriented producers in agri-food chains	- Law on aggregation (2010) - 169 aggregation project submitted of which 57 certified, representing approximately 32,000 producers, thereby potentially leveraging MAD 19 billion of private investment	- Improve modalities and incentives for aggregation - Pilot alternative approaches for vertical and horizontal integration	- Amended Law on aggregation - Pilot alternative approach for aggregation projects through productive alliances (new, program adjustment) - Incentives for aggregation projects in the olive and citrus sub-sectors
FDA incentives for investments in value addition	Providing incentives (grants) for private investments in (i) on-farm equipment; (ii) processing, conditioning and storage in priority value-chains	- High producer demand for on-farm investments - Revision of incentives for value-addition under the CP IAA	- Improve appraisal and monitoring modalities - Integrate lessons of early implementation	- Enhanced appraisal and monitoring modalities - Incentives in processing, conditioning and storage in the olive and citrus sub-sectors ¹⁴ (grants)
<i>Pillar II</i> – Support for small producers in disadvantaged areas	Financing 400 smallholder projects aimed at increasing smallholders' incomes through crop switching, diversification and intensification	530 projects under preparation or implementation. 237,000 hectares of new plantations have been established, representing an investment of approximately MAD 5.2 billion	- Ensure sustainability of investments - Transition from pillar II to more sustainable approach	- Technical assistance for beneficiaries transitioning towards high value products, such as olive GIEs and cooperatives (new, program adjustment)
Geographic scope	National coverage (all 12 regions)			Program area (nine regions)
Implementation period	2008-2015 (phase I) and 2016-2022 (phase II)			2018-2022 (five years)
Cost	US\$6.66 billion for 2008-2022			US\$450 million

¹³ With regards to water management in agriculture, the PMV is complemented by the National Program for Saving Water in Irrigation (PNEEI) which promotes more productive water use by improving water service in public irrigation perimeters, introducing more efficient irrigation technologies (mainly drip irrigation) with a target of 555,000 ha by 2020, and promotes higher value crops in irrigated areas.

¹⁴ Includes the promotion of water recycling in processing units– including in areas covered by PNEEI

38. To achieve its development objective, the Program would invest in two focal areas: (a) *increased market efficiency and integration*, by (i) strengthening the capacity of interprofessions, (ii) enabling greater access of small and medium producers and enterprises to existing instruments (targeted incentives) to foster vertical and horizontal integration, (iii) upgrading selected market infrastructure and improving their management, and (iv) developing agriculture market information systems; and (b) *improved added-value of agri-food products*, by (i) enabling risk-based implementation of the national food safety law and regulations, (ii) promoting quality standards and certification systems, (iii) improving access to business development services for producers and agribusiness SMEs and their readiness for access to finance, and (iv) financing innovation.

39. **Result Area 1 – Increased market efficiency and integration.** Result area 1 aims at improving market efficiency and transparency, and facilitating the integration of small and medium producers and enterprises with modern value-chains. The Program would support the following four sub-programs of the PMV in order to reach that objective:

- a. *Strengthening the interprofessions.* The Program would provide technical and financial support to strengthen the capacity of at least two interprofessions (Maroc Citrus and Interprolive) so as to enable them to carry out their missions under Law 03-12 and to become effective and inclusive platforms for intra-branch coordination and public-private dialogue. Program activities would focus on the preparation of their respective business plans (specifically covering: revenue mobilization and sustainability, including through the adoption of intra-branch financing agreements for each interprofession – *Accords interprofessionnels*, - strategic activities, improvement of representativeness and capacity building) and financing the subsequent execution of those business plans;
- b. *Supporting the integration of small and medium producers and markets.* The Program would support adjustments to existing PMV instruments for the promotion of private investment with a view to improving their structuring impact on selected value chains, as well as better inclusion of and access to finance for small and medium producers and enterprises, including: (i) the amendment of the Law 04-12 on agricultural aggregation to allow for direct sales of fruit and vegetables from aggregation investments to supermarkets and other modern commercialization platforms; (ii) incentives for investments in value-addition and support for aggregation in the selected value-chains under the FDA’s universal support system following adjusted operational modalities; and (iii) the piloting of a new support mechanism (productive alliances) to support producer groups interested in entering into commercial partnerships with buyers. The proposed Program would initially finance projects in the olive and citrus sub-sectors prepared and implemented following those enhanced operational modalities (support could be extended to other sub-sectors during implementation, subject to further appraisal);
- c. *Modernizing the management of wholesale markets.* The Program would finance the construction and operationalization of at least one new wholesale market and support the establishment of a new management model with a view to improving domestic market efficiency and transparency in the fruit and vegetables sector. The wholesale market with most advanced readiness conditions is that of the Rabat-Salé-Kénitra region;
- d. *Improving access to information.* The Program would support MAPMDREF’s efforts to improve the transparency of market information and to make it accessible for small and medium producers, through the modernization of the existing *Asaar* market information platform, the strengthening of the market price analysis unit of the Ministry’s Department of Strategy and Statistics in Casablanca, as well as the development of new ICT tools (mobile apps, SMS, etc.) to increase producers and enterprises’ access to information.

40. **Result Area 2 – Improved added-value of agri-food products.** Result area 2 aims at improving the added-value of agri-food products, including food quality and food safety and sanitary and phytosanitary

aspects which have been identified as key constraints for operators in the agri-food sector to meet market demand and to access new market opportunity both domestically and for exports. Result area 2 also aims at improving producers and agribusiness SMEs' capacity to add value to their products by increasing their capacity for innovation and their access to marketing and distribution networks, through access to business development services, technical support services and training, and financing for innovation. Four sub-programs would be included: (a) improving food safety, (b) promoting quality standards and certification systems, (c) strengthening business development and technical support services, and (d) financing innovation.

- a. *Improving food safety.* The Program would support: (i) the carrying out of a census of agri-food enterprises and the provision of advisory services to private operators regarding compliance with food safety requirements and ONSSA's approval/authorization criteria and processes; (ii) the strengthening of the capacity of ONSSA to carry out its mandate through the carrying out of the activities described in the POM; (iii) the carrying out of awareness campaigns to inform consumers about food safety; (iv) the establishment of an input register for citrus in the Souss region; and (v) the implementation of the Mediterranean fruit fly control program through the creation of a new facility for the production of sterile *ceratitis* males and the expansion of the areas covered by releases of sterile males;
- b. *Promoting quality standards and certification systems.* The Program would provide technical support to: (i) certify new products under Distinctive Signs of Origin and Quality schemes (SDOQ); (ii) help producers and producer groups adopt good practices required to obtain organic certification; and (iii) strengthen the capacity of producers of organic and SDOQ-certified products to implement good hygiene practices, as well as value adding techniques. In addition, the Program would establish FDA financial support to producers for the certification costs of organic and SDOQ products. Finally, the Program would support awareness raising campaigns to raise the knowledge of producers and consumers about quality standards and organic and SDOQ certification systems, including for olive oil;
- c. *Strengthening business development and technical support services for the agri-food sector.* The Program would finance the design, establishment and operation of two Agri-Food Innovation Centers (*Centres d'Innovation Agro-Alimentaire*, CIA) providing a range of technical, training and business development services (including incubation services) to agribusiness SMEs, agribusiness start-ups and agricultural producer organizations seeking to move towards first processing or value-addition;
- d. *Financing innovation.* Complementing the development of the CIAs, the Program would establish and finance a competitive innovation grant mechanism in support of innovation by SMEs and producer organizations targeting the development and market introduction of new agri-food products, services or technologies.

41. **In addition, the Program would support and finance improvements to implementing agencies' capacity for Program implementation and monitoring and evaluation (M&E).** Specific activities have been included to that end in the Program Action Plan (PAP) as described in Section III of the PAD.

42. **Program beneficiaries.** Direct Program beneficiaries would include small and medium producers (including women and youth) and enterprises engaged in the agri-food sector. The beneficiaries and a broader range of stakeholders would also benefit from improved food safety and quality, increased efficiency of wholesale markets and access to market information, and better coordination among value-chains. Those beneficiaries include enterprises in the agri-food sector, such as traders and exporters, as well as Moroccan consumers, who will benefit from safer and better quality products. It is estimated that approximately 200,000 agri-food producers and enterprises would benefit from one or more of the Program activities in the nine regions included in the Program area. Finally, the Government agencies involved in

the Program (MAPMDREF, ONSSA, ADA) and the selected interprofessions would benefit from increased capacity to implement their mandates and to monitor and evaluate the results of their respective programs.

43. **The Program activities will generate adaptation and mitigation climate co-benefits.** Under Result area 1, several activities implemented by the interprofessions under their business plans would be geared towards increasing climate change co-benefits. This could include, for example, spurring the diffusion of agrometeorological information to farmers—thus increasing their resilience to climate change— or promoting the use of renewable energy in agri-food processing units. Climate change adaptation co-benefits would arise from the diffusion of improved irrigation technologies through the higher incentives for drip irrigation permitted by aggregation schemes, while mitigation co-benefits could derive from the inclusion of renewable energy in the newly created or modernized processing units incentivized by the Program. The modernization of wholesale markets would bring about mitigation co-benefits: the wholesale markets might include renewable energy generation and would spur better logistical efficiency overall, thus leading to better energy efficiency and decreased greenhouse gas (GHG) emissions. Improved market information will boost farmers’ adaptation to climate change, notably by helping them better time their harvests and thus decrease post-harvest losses. Under Result area 2, interventions supporting the adoption of quality schemes would bring about climate change co-benefits: certification schemes contain provisions that help farmers adopt new practices/techniques and varieties that increase their resilience to climate change and climate variability. Those schemes would also help tap the mitigation potential that can arise from improved agricultural practices and the ensuing increased carbon sequestration in soils. Activities carried out by the CIAs would lead to the increased adoption of climate-smart technologies and practices, which would strengthen the agri-food sector’s overall climate resilience, at different levels of the value chain. They would also bring about mitigation co-benefits due to renewable energy being adopted by CIA beneficiaries in their production processes and waste materials being used to produce renewable energy (in the case of olive oil mills).

44. **Program financing.** The Program financing parameters are provided in Table 2 below.

**Table 2. Program Financing
(US\$ million)**

Source	Amount	% of Total
Borrower	250	55%
IBRD/IDA	200	45%
Other Development Partners	-	-
Total Program Financing	450	100%

D. DISBURSEMENT LINKED INDICATORS (DLIS) AND VERIFICATION PROTOCOLS

45. **The following elements were considered to define the DLIs:** (a) inclusion of the milestones toward achieving the key Program outcomes and the PDO, in terms of activities, outputs and intermediate outcomes; (b) including scalable DLIs, allowing for disbursement against gradual achievement of results; and (c) setting a balance between process, qualitative and quantitative types of measurement and reporting. Table 3 summarizes the list of DLIs, with details presented in Annex 3. Disbursements against DLIs take into consideration their contribution to the objectives of the Program. Several DLIs entail sub-indicators, which increases scalability of disbursements (Annex 3).

Table 3. Disbursement Linked Indicators (DLIs)

Disbursement Linked Indicator (DLI)	DLI (US\$ million)	DLI scalability (yes/no)
DLI#1 – Number of <i>Interprofessions</i> with business plans approved and intra-branch agreements (<i>Accords Interprofessionnels</i>) adopted to ensure sustainability	10.0	Yes
DLI#2 – Amended Law no. 4-12 on Agricultural Aggregation dated 2012 is under implementation	10.0	No
DLI#3 – Number of new/upgraded conditioning, cold storage and/or processing units in selected agri-food value chains under operation	70.0	Yes
DLI#4 – At least one wholesale market operating and applying the new management model as defined in the POM	34.5	Yes
DLI#5 – Number of small and/or medium size agri-food enterprises authorized by ONSSA	30.0	Yes
DLI#6 – The Borrower’s center for the production of sterile <i>ceratitis</i> males providing farm treatment services to citrus producers	15.0	No
DLI#7 – Number of small and medium size producers and/or enterprises assisted by the Agri-food Innovation Centers (CIAs)	20.0	Yes
DLI#8 – Establishment of an integrated financial management system to improve Program management	10.0	No
Front end fee	0.5	
TOTAL	200.0	

46. **Verifying the achievement of the DLIs annually will provide the basis for disbursement.** The Program envisages disbursement throughout the Program implementation period based on the verification of achieved disbursement linked results. For scalable DLIs, payment would be made in proportion to the achieved results for each period after verifying the DLIs. Three DLIs would be non-scalable and, thus, only achieving the target in full would trigger the corresponding payment. Verification protocols are summarized as follows:

- a. Data source/agency: MAPMDREF, the lead implementing agency, through its Directorate for the Development of Value Chains (DDFP), will collect and consolidate data and report on the achievement of the DLIs. Data providers would be the DDFP, the Directorate for Strategy and Statistics (DSS), the Directorate of Finances (DF), ONSSA, ADA, the Wilaya of Rabat-Salé-Kénitra, Rabat Région Aménagement and the interprofessions;
- b. Verification entity: The General Inspectorate of MAPMDREF (IGA) will be tasked with verifying the achievement of the DLIs as per the defined verification protocols for each DLI;
- c. Verification procedures: The IGA will review and approve the reports prepared by the Program Management Unit of the DDFP and submit them to MEF, for submission to the Bank, along with the accompanying evidence. In addition, the IGA will carry out site inspections and in-depth reviews of specific items, such as investment projects and beneficiary SMEs, on a random sample basis.

E. CAPACITY BUILDING AND INSTITUTIONAL STRENGTHENING

47. **The need for capacity building and institutional strengthening to accelerate the implementation of key reforms and investments supported by the proposed Program are substantial.** The approach taken has been to incorporate the related capacity building and institutional strengthening activities into the design of the proposed Program. Key institutional strengthening efforts under the Program would be directed at MAPMDREF (building its capacity to coordinate, manage, monitor and evaluate the implementation of the Program; strengthening systems for the appraisal and monitoring of FDA-supported projects), ONSSA and the selected interprofessions (strengthening their capacity to carry out their mandate under the law). In addition, the establishment of an integrated financial management system by the

Directorate of Finance (DF) of MAPMDREF will be a critical activity to strengthen the Ministry's overall financial management capacity and its ability to monitor and report on Program activities. Actions to strengthen ONSSA's capacity to carry out its mandate include specialized training, improved management systems (e.g. expanded register of agri-food enterprises) and upgrades to its facilities (such as laboratories). The Program would further support and strengthen the management entity (*Société de Développement Local* or *Société de Développement Régional, SDL/SDR*) to be created for the management of the new wholesale market. When relevant, related indicators have been included in the PforR results framework, DLIs, and Program Action Plan (refer to the related sections of the PAD).

48. **In addition to the technical assistance built in and financed under the Program, external sources of technical assistance would also be sought.** With regards to technical assistance incorporated into the Program to support DDFP in the overall coordination of Program implementation, MAPMDREF has prepared terms of reference for the related expertise, which would be mobilized in the first year of Program implementation (see Section III of the PAD). In addition, a proposal has been submitted for technical assistance under the SECO facility for the International Finance Corporation (IFC) advisory services. That additional support (if approved) would cover managerial and technical support for the selected interprofessions, additional technical assistance for agri-food sector enterprises working on compliance with food safety standards and technical advice for the establishment and operation of the CIAs. Finally, complementary technical support is being provided by Food and Agriculture Organization of the United Nations (FAO), in the form of advice to Interprolive on olive oil quality improvement initiatives and advice to MAPMDREF with regards to its data collection and statistical analysis systems.

III. PROGRAM IMPLEMENTATION

A. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

49. **The Program's institutional architecture relies on multiple stakeholders with clear roles and accountability lines.** Given the nature of the Program, its implementation would be based on the combined intervention of key stakeholders comprising MAPMDREF departments, agencies under the supervision of MAPMDREF, and partner institutions linked to MAPMDREF through specific agreements. The main institutional risk for Program implementation relates to the quality of the coordination among those entities.

- a. *MAPMDREF Departments and deconcentrated services.* Three out of nine departments would be involved in Program implementation: the Directorate for the Development of Value-Chains (DDFP), the Directorate of Finance (DF), and the Directorate of Strategy and Statistics (DSS). At subnational level, MAPMDREF relies on its network of deconcentrated offices in regions and provinces, the Regional Directions for Agriculture (DRA) supported by the Provincial Directorates of Agriculture (DPA) under their authority. The DRAs and DPAs play a central role in identifying Pillar I and Pillar II projects that are in line with the regional agriculture strategy and in appraising and implementing Pillar II projects. They also host the FDA one-stop-shop (*guichet unique*), which is the point of contact for producers applying for financial incentives granted by the FDA;
- b. *ONSSA.* The Office is administered by a board of directors composed of government representatives and managed by a Director General. ONSSA is organized around four central directorates, with about 350 staff, as well as regional and provincial structures covering the entire territory with 1,446 staff;
- c. *ADA (Agence pour le Développement Agricole).* ADA is responsible for proposing to the Government action plans to support the development of high-potential value chains with a view to improving productivity. It oversees the implementation of Pillar I and Pillar II projects under the PMV;

- d. *Interprofessions*. Seven interprofessions have been approved (recognized by MAPMDREF) by October 2017, among them *Maroc Citrus* representing the citrus sub-sector and *Interprolive* representing the olive sub-sector. Most interprofessions are newly created and have limited in-house capacities and resources;
- e. The *Wilaya* is the regional governorate under the Ministry of Interior (MI). *Walis* represent the central Government at the regional level. *Walis* (region governors) are appointed by His Majesty the King. They have a coordination role across deconcentrated services at regional level. The *Wilaya* oversees multi-stakeholder projects such as wholesale markets;
- f. *Rabat Région Aménagement* is a state-owned enterprise created in 2014 for the execution of structuring projects in the region of Rabat-Salé-Kénitra. It would oversee the construction of the proposed wholesale market for Rabat, under the draft agreement (*Convention de Partenariat*) to be signed by MAPMDREF, the Ministry of Economy and Finance (MEF), MIICEN, MI, the Regional Council of the Rabat-Salé-Kénitra region and the *Wilaya* of the Rabat-Salé-Kénitra region. Once built, the new market would be managed by a *Société de Développement Local/Régional* (SDL/SDR) which would also be part of the implementing arrangements of the Program once it is created.

Program strategic oversight

50. **Steering Committee (*Comité de Pilotage, COPIL*)**. Strategic decision-making responsibilities will rest with a Steering Committee comprising representatives of MAPMDREF (relevant directorates and autonomous agencies under the ministry), MEF, MIICEN, MI, the State Secretariat for Sustainable Development, the *Wilaya*, *Rabat Région Aménagement*, and the interprofessions. The Steering Committee has been established. It will be chaired by the Secretary General of MAPMDREF (or his/her representative) and it will meet every six months to review progress and make decisions required for effective Program implementation.

Coordination of Program implementation

51. **Overall coordination of Program implementation**. MAPMDREF will be responsible for the coordination of the overall Program implementation, through its DDFP, and more specifically its Agribusiness Division. DDFP is organized into five divisions and is responsible for: (i) the approval and coordination of the regional development plans for agriculture and agribusiness, (ii) monitoring the supply of agricultural inputs, (iii) monitoring and regulation of markets for agricultural products, (iv) support to private actors and professional agricultural organizations in the framework of CPs, and (v) the development and promotion of quality labels.

52. **MAPMDREF has established a dedicated Program Management Unit (PMU) under its DDFP**. MAPMDREF has experience with large donor-funded programs. Considering the need for close coordination of the various entities involved in Program implementation, the Ministry has established a dedicated PMU within the DDFP. The PMU will be responsible for day-to-day program coordination, management, and monitoring and evaluation. It will include technical, social and environmental, and monitoring and evaluation specialists. Its roles will include: (i) Program monitoring and evaluation, (ii) coordination of the Program's stakeholders at the operational level, within the extended PMU, and (iii) secretariat of the Steering Committee. The extended PMU includes representatives of all departments and institutions involved in Program implementation, namely DF, DSS, ONSSA, ADA, the *Wilaya* of Rabat-Salé-Kénitra, *Rabat Région Aménagement*, and the interprofessions (*Interprolive* and *Maroc Citrus*). Those representatives are designated by their respective departments.

53. **The PMU will be supported throughout Program implementation by technical assistance**. The DDFP has good technical capacities, has experience in managing complex programs and substantial presence in the field through the DRAs/DPAs. However, the capacity of DDFP is constrained by limited

staff resources and its monitoring systems need to be upgraded. Technical assistance will be mobilized to strengthen the DDFP (and PMU) for the monitoring and implementation of activities at central and field level, monitoring the financial management of the Program, preparing annual progress reports, and the monitoring and reporting of DLIs. Terms of reference for the technical assistance to the PMU have been prepared by MAPMDREF and the associated costs are budgeted under the Program.

54. **Fiduciary and audit responsibilities.** MAPMDREF will be responsible for overall coordination of financial management and procurement under the Program. The General Inspectorate of Finance (IGF) would carry out the financial audits of Program expenditures incurred by MAPMDREF, ONSSA and Rabat Région Aménagement. Two audit reports will be produced: an audit on the financial statements presented by the MAPMDREF, including ONSSA, and an audit on the financial statements produced by Rabat Région Aménagement (on the wholesale market).

55. **Environmental and social responsibilities.** The DDFP (with support from the PMU, which will be staffed with social and environmental specialists) will be responsible to ensure compliance with and monitoring of social and environmental requirements across Program activities.

B. RESULTS MONITORING AND EVALUATION

56. **MAPMDREF, through the DDFP, would coordinate the monitoring and evaluation (M&E) of the Program.** The DDFP would compile and consolidate data and supporting documents, ensure data quality, and prepare and submit the reports to the Bank on a timely basis. The DDFP, along with the DSS, DF, ADA, ONSSA, and the Wilaya, would collect data about physical progress, achievement of results in each program area, and the flow of financial funds. DRAs, the interprofessions, and the CIAs would support data collection efforts (refer to Annex 3 for further details). The DDFP would report to the Bank on a semiannual basis, covering the following items: (i) expenditures; (ii) physical progress; (iii) results framework indicators; (iv) disbursement linked indicators (DLIs); (v) compliance with social and environmental requirements; and (vi) grievances and any allegations on fraud and corruption. Reports would be endorsed by the Steering Committee and submitted on a semiannual basis. A mid-term review would assess progress with implementation and towards the development objective of the Program and, at the end of Program implementation, an independent evaluation would assess the Program's results and impacts.

57. **The Program's M&E system would draw on the existing Government's systems used to track the implementation of the PMV.** To collect, consolidate and report achievement of results and DLIs, the Program would take advantage of existing tracking mechanisms and types of records put in place for the activities and investments under the PMV. Investments under the FDA are monitored by the DF through a Microsoft-based database that manages the information on applicants, proposals, and awarded incentives. The DDFP tracks the implementation of the CPs with the interprofessions. A more sophisticated online-based platform (STATAGRI), administered at central level by the DSS, helps manage data on agricultural production, collected by DRAs by means of surveys and administrative records. Regarding aggregation projects, ADA uses an information system to collect field data (e.g., number of producers participating in the aggregation schemes, aggregated surface, etc.) and consolidates them at central level. Although those systems have been extensively used, they have substantial weaknesses. Some are paper-based (spreadsheets) and limited in depth and scope, whereas others use more advanced methods and technologies; several databases are subject to internal inconsistencies, while others are inherently more robust. The systems in place do not constitute an integrated M&E system and are not interoperable. In addition, most of those systems are not georeferenced and lack public accessibility.

58. **Addressing those weaknesses and building M&E capacity will be part of the Program's activities.** Through the Program, MAPMDREF will put in place a simple, integrated web-based data administration system (Management Information System) that will allow better data management and periodic reporting, including specific requirements such as gender-disaggregated data. To ensure transparency and strengthen citizen engagement, MAPMDREF will conduct at least one public consultation per year on the Program throughout the implementation period. This will be monitored as an indicator in the PforR results framework.

C. DISBURSEMENT ARRANGEMENTS

59. **Disbursement arrangements.** Disbursement of the Bank loan proceeds would be made at the request of the Borrower upon achievement of Disbursement-Linked Indicators (DLIs). Disbursements for DLI#1, DLI#3, DLI#4, DLI#5 and DLI#7 are scalable, thus allowing for disbursements to be proportional to the progress towards achieving the targeted DLI value. Disbursements under DLI#2, DLI#6 and DLI#8 are not scalable as the indicator relates to actions that are either achieved or not. For results not achieved, or partially achieved, by the due date in a given year, the allocated amount outstanding would be carried over to subsequent years. The specific amounts to be disbursed against achieved and verified results is determined in accordance with the formulas provided in Annex 3.

60. **Advances and prior results financing.** An advance up to US\$50 million (representing up to 25 percent of the loan amount) may be requested by the Borrower once the Program becomes effective to facilitate the achievement of DLI results. The advance would be necessary to enable the construction of public infrastructure under the Program (Mediterranean fruit fly control center and wholesale market for Rabat), to support the first batch of investment projects in conditioning, storage and processing units under Result area 1, to scale up ONSSA's support to private operators for compliance with the food safety law, to contract technical assistance under the Program, and to launch the development of the integrated financial management system. This advance would be available throughout Program implementation on a revolving basis. In addition, a disbursement of up to a maximum amount of US\$50 million may be made upon effectiveness for such DLRs achieved prior to the date of the loan agreement but on or after November 22, 2016. The Borrower has indicated its intention to avail itself of the full advance upon effectiveness, as well as a possible request for prior result achievements for DLI#3 and DLI#5.

61. **Verification protocols.** The verification of progress towards the achievement of the Program's objectives will be carried out by the General Inspectorate of MAPMDREF (IGA). The verification missions will be carried out at least annually, in accordance with the terms of reference set forth in the POM. The verification of achievement of Disbursement-Linked Indicators by IGA will be supported by the PMU who will compile and make available the documentation required for verification. Based on its validation, MAPMDREF, through MEF, will notify the World Bank of DLI achievement, supported by the relevant evidence and documentation. Following the World Bank's review of the complete documentation, including any additional information considered necessary, the World Bank will confirm the achievement of the DLI(s) and the level of Program financing proceeds available for disbursement against each DLI, including any incremental disbursement.

62. **Disbursement requests.** MEF will submit to the World Bank the relevant evidence of the total or partial achievement of DLIs. After analysis of that evidence, the World Bank will communicate to MEF and MAPMDREF the results of its analysis with regards to the fulfillment of DLIs and the corresponding level of disbursement for each DLI. On that basis, disbursement requests will be submitted to the World Bank by MEF. A copy of the World Bank's official communications confirming DLI achievements will be attached to the disbursement requests.

IV. ASSESSMENT SUMMARY

A. TECHNICAL

63. **The proposed Program is underpinned by the strategic relevance of the PMV and the strong commitment of the Government of Morocco.** The pace, quality and sustainability of transformation of the agri-food sector continue to have a direct impact on the country's key socio-economic development challenges. The Government's program (PMV), in its second phase, aims at improving the efficiency, impact and sustainability of the instruments put in place under the PMV, while accelerating key institutional reforms, based on the findings of the mid-term review carried out in 2014. The mid-term review, as well as the subsequent adjustments to the PMV, are indications of the Government's continued commitment to the objectives of the PMV.

64. **The design of the Program aims at accelerating progress towards the objectives of the PMV.** The design of the Program recognizes that reaching the objectives of the PMV with regards to the overall transformation of the Moroccan agri-food sector and, specifically, value-addition in the agri-food sector, agricultural exports, increased private sector investments and job creation will require progress in three areas: (a) first, the capacity of the institutions and entities responsible for PMV implementation, including several of them still relatively recent, would need to be strengthened to enable them to fully implement their mandate, (b) second, some of the key institutional reforms initiated under the PMV are not yet fully implemented (such as reforms of the management of market infrastructure, a cornerstone of the strategy to improve market efficiency and transparency), and (c) enhancements can be made to the instruments (targeted incentives) introduced under the PMV to support investment in the agri-food sector, innovation and value-addition, as well as small and medium producers' linkages with modern value chains.

65. **The Program contributions focus on strategic areas to accelerate reform efforts, to improve the impact and inclusiveness of investments and to strengthen the PMV's focus on results.** At the institutional level, the proposed Program will help strengthen some of the key entities involved in the implementation of the PMV in its second phase. With regards to MAPMDREF, the Program will strengthen the Ministry's capacity for overall coordination, monitoring and evaluation of key activities under the PMV while also assisting in improving existing instruments, and supporting its efforts to strengthen core public functions (such as ensuring market efficiency and transparency; improving the legal and regulatory framework for private investments in the agri-food sector – "enabling the business of agriculture"; ensuring the food safety of agri-food products; etc.). With regards to ONSSA, the Program would strengthen its capacity to implement the 2008 food safety law. Finally, the Program would also build the capacity of the interprofessions to help them fully carry out their mandate under the law.

66. With regards to the instruments put in place under the PMV to facilitate value-chain coordination, market efficiency, producers' linkages with markets and investments in value-addition, the Program would contribute to their improvement based on lessons from early implementation of the PMV and international experience. This would involve enhancements to the processes used for Pillar I of the PMV and piloting of new modalities for horizontal and vertical integration of producers through commercial partnerships with buyers (productive alliances); improvements of the appraisal and monitoring of investments in value-adding and processing under the FDA (with a specific focus on their economic viability and environmental and social aspects); and upgrading and expanding MAPMDREF's market information services. New activities would also be introduced through public-private partnerships (the CIAs) to address the critical gap identified in the availability of business development services for agri-food sector SMEs.

67. Finally, with regards to key market reforms initiated under the PMV, the Program would also support the Government of Morocco as it transitions from the strategic planning and regulatory phase to actual implementation of a pilot wholesale market under the proposed new management model. The

Program incorporates the lessons from the DPL series with regards to wholesale markets reforms, including: (a) the need to ensure broad and continued stakeholder support for the proposed reforms at all levels, and (b) the need for the Bank’s convening power and international experience to accompany the implementation of the reform.

68. **The design of the Program was informed by recent reviews and sector work.** They include the findings and recommendations of the mid-term review of the PMV, as well as ex-post reviews and evaluations of earlier operations in support of the PMV (on the Bank side, the Implementation Completion and Results reports of the two DPLs as well as those of Bank- and GEF-financed operations; Millennium Challenge Corporation (MCC) and Agence Française de Développement (AFD) evaluations of their respective programs, and information shared by the EC, FAO and the Belgian Cooperation Agency); and recent sector work¹⁵. Finally, the design of the Program also incorporates the lessons from other Bank-financed operations which have supported agribusiness development and value-chain development. Annex 4 details how these lessons and international experience have informed the design of the Program.

69. **Leveraging private investment for development.** The design of the Program incorporates the maximizing finance for development/ “cascade” approach aiming at scaling up private investment and facilitating access to commercial financing for private investments. In that respect, the Program includes support for regulatory reforms and the improvement of targeted incentives aimed at accelerating private investment in the agri-food sector, and facilitating SMEs’ readiness for access to finance.

70. **The main technical risks** associated with the implementation of the Program lie with: (a) the need for strong collaboration between the various entities involved in its implementation, and (b) specific staffing and capacity constraints of those entities. With regards to collaboration between implementing entities, strong leadership at government level will be needed to ensure, specifically, the quality of inter-ministerial coordination. Capacity and staffing constraints have been mitigated through the design of the Program. The technical assessment has also identified some specific risks associated with the following activities and specific mitigation measures, which will need to be monitored:

71. **Wholesale market reforms.** First, the closure of existing wholesale markets and their transfer to new markets under improved management are delicate operations because they lead to a profound change in the interactions between market users. It is critical that the municipalities where the existing wholesale markets are located (e.g., Rabat, Salé and Kénitra) have a clear commitment to close those markets as soon as the new market becomes operational, and that the Wilaya does not allow the opening of any competing wholesale markets on its territory. Second, the existing commission system and lack of expertise with wholesale markets at the level of the recently created *Rabat Région Aménagement* could result in misalignments between the design of the wholesale market infrastructure and the needs of the future operators and market users¹⁶. It is therefore essential that the SDL/SDR be created as soon as possible and a "project team" be established and trained to form the nucleus of the SDL/SDR’s future market management team. Third, the newly established SDL/SDR must be actively involved in the design phase of the project and in all the phases preceding the launch of the new market. Finally, the government authorities must ensure the construction of required off-site infrastructure (access roads, etc.), connectivity to utility networks (water, electricity, etc.), and the development of an environmental management plan that would render the market a model structure from an energy use and waste management perspective. The Bank’s engagement in supporting these processes continues to be essential to foster continued cooperation between all parties involved and to enable Morocco to integrate international best practice with regards to

¹⁵ World Bank. *Inclusive agricultural growth in Morocco: A deep dive into the olive and citrus value-chain*. June 2017; World Bank, 2017, *Igniting Climate Entrepreneurship in Morocco*; FAO/EBRD, FAO Investment Center, June 2017, *Investing in collective action: Opportunities in the Morocco agri-food sector*, Final Draft; FAO, 2016, *Public-private partnerships for agribusiness development – A review of international experience*.

¹⁶ Rabat Aménagement S.A.’s contract provides for the payment of a 3 percent commission on the amount of the work.

the technical, operational, social and environmental dimensions of the new wholesale market management model.

72. **CIA.** The proposal presents some risks that would be mitigated in the final design and implementation plan: (a) the extent of market demand for support services and beneficiaries' willingness to pay. A survey of a representative sample of target firms has been carried out for a more precise appreciation of demand for services; (b) the heterogeneity of potential beneficiaries' capacities and needs (SMEs' start-ups, cooperatives) highlighting the need to develop tailored support programs based on specific sub-groups. The centers will need to focus on specific services initially and extend gradually their offer; (c) limitations coming from the low offer of private providers with required capacity to support implementation, in some areas; and (d) the need to pay utmost attention to the CIA positioning and value proposition, coming to fill gaps (both in terms of services and geographic reach) and build ties with the existing private and public players.

Program Economic Rationale

73. **Rationale for public intervention.** The Program aims at strengthening the provision of key public goods in the agri-food sector such as food safety, while also addressing a number of other market failures affecting the performance of sector—such as lack of access to market information for small producers and asymmetries in access to information between small and larger operators; high risks associated with the adoption of innovative technologies and practices; lack of incentives for the adoption of improved and more sustainable practices; and lack of access to finance.

74. **World Bank value added.** Bank support is expected to improve the efficiency and targeting of the various activities supported under the Program, thereby increasing both its economic benefits and inclusiveness. The World Bank has global expertise in the design and implementation of innovative projects and programs in the agri-food sector. In addition, the World Bank has been deeply involved with the Government of Morocco (GoM) since the inception of the PMV, notably through the DPL series and is thus in a unique position to support the GoM in designing and implementing the Program in order to maximize economic, social and environmental benefits.

75. **Economic impact of the Program.** The Program would be instrumental in accelerating the gradual structural transformation of the Moroccan agri-food sector and strengthening the value chains that require public sector support to mitigate the impact of market failures (mostly public goods, externalities, and information asymmetries). More precisely, the Program aims at addressing the key constraints that are holding back the development of the agri-food sector. These constraints originate in the existence of different types of market failures that occur at several points of the value chains, and across the whole sector. They include: the lack of traceability (information asymmetry); unreliable access to quality raw materials that support value addition (productive and allocative inefficiency); inefficient inspections and certification processes for food safety and food export (public good); the lack of quality infrastructure (public good), including post-harvest facilities; the need to upgrade informal processing to improve quality and market access (information asymmetry/ productive and allocative inefficiency); and the limited access to finance for medium- and long-term investments (missing markets). In addition, agribusiness SMEs are constrained by lack of skills, finance and access to Business Development Services (BDS).

76. **Economic evaluation of the Program.** The economic evaluation of the proposed Program was carried out through the analysis of the individual Program interventions underpinned by: (a) a financial

analysis of the main physical investments included under the Program (i.e. the wholesale market¹⁷ and the processing/storage/conditioning units supported under the FDA¹⁸), and (b) an international benchmarking done by analyzing similar activities in past projects/programs in countries that present strong similarities with Morocco as far as their agri-food sectors are concerned. The analysis confirmed the economic soundness of the interventions supported by the Program.

B. FIDUCIARY

77. **A Fiduciary Systems Assessment (FSA) was conducted, building on the results of the recent Public Expenditure and Financial Accountability (PEFA) diagnostic and the financial management and procurement review of the entities involved in the proposed Program.** The objectives of the FSA were to ascertain whether the procurement and financial management (FM) system capacity and performance of these entities are adequate to provide reasonable assurance that the funds will be used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The assessment was conducted based on: (i) the knowledge of the financial management and procurement systems in force in Morocco, (ii) the recent national PEFA diagnostic completed in 2017, (iii) those entities' track record in implementing World Bank-funded operations, and (iv) the annual audit reports of those entities.

78. **Risk assessment.** The Program's fiduciary systems are acceptable and they will provide reasonable assurance on the use of the Program's resources for the intended purposes. The fiduciary risk is rated substantial. The main risk identified relates to the overall monitoring of the financial management system (planning, budgeting, reporting) as a result of the multiplicity of the entities (central directorates, provincial directorates, and agencies) under the responsibility of MAPMDREF.

79. **Mitigation measures.** To mitigate the abovementioned risks, MAPMDREF has anticipated the need for and intends to acquire and deploy an integrated financial management system. This major initiative would also increase the efficiency in the monitoring and the oversight of MAPMDREF's work program and accountability. The Program's DLIs includes an indicator (DLI#8) related to this important activity. The system will help reconcile the financial execution of the Program and the expected results. It is a core mitigation measure of the Program itself and will increase efficiency of the Programs through: (i) the timely release of the budget appropriations for Program activities, and (ii) the early identification of any procurement issues related to the Program to take appropriate corrective measures. Change management associated with this initiative will need to be managed with due care. Like for all information management systems, the risk of slippages in the installation of the new system will need to be properly managed, in addition to the need for interfaces with the existing systems.

80. **Exclusions.** There are no contracts with a value expected to exceed the exclusion thresholds under the proposed PforR.

81. **Program fiduciary arrangements.** MAPMDREF will be responsible for overall Program coordination. Program activities would be executed by MAPMDREF and other relevant agencies/partners (including ONSSA, an "*Etablissement Public*", and Rabat Région Aménagement, a state-owned enterprise

¹⁷ A financial analysis of the new wholesale market identifies a sound Internal Rate of Return (IRR) of 9.83 percent over a 20-year period. A sensitivity analysis leads to similarly robust IRRs of 6.15 percent (in the case of a 20 percent increase in variable costs) and 14 percent (in the case of a 20 percent increase in revenues).

¹⁸ A financial analysis has been carried out for a model of representative integrated olive oil projects selected under the FDA program. This analysis results in a sound IRR of 28.4 percent. A financial analysis was also carried out for packaging houses supported under the FDA program. The analysis led to a robust IRR of 28 percent.

created in 2014). Three entities (MAPMDREF, ONSSA and Rabat Région Aménagement) will have fiduciary responsibilities during the implementation of the Program. The Program will follow those entities' planning and budgeting processes. The challenge of overseeing/monitoring the budget planning and preparation of the various entities (central/provincial directorates, agencies) under MAPMDREF has been identified as the main risk in the budgeting and planning processes. These risks will be mitigated, including through specific actions included in the PAP. The Program will apply MAPMDREF's and its partner agencies' (ONSSA and Rabat Région Aménagement) budget execution procedures combined with the adoption of a pre-defined reporting format to be prepared by each entity. The Program will rely on MAPMDREF, ONSSA, and Rabat Région Aménagement's internal control procedures which were found adequate. Program funds will be disbursed directly to a country Treasury Single Account opened in the books of the Public Treasury based on the achievement of results (DLIs).

82. **Audits.** The audit arrangements of the Program will rely on central government, ONSSA and Rabat Région Aménagement's external audit arrangements. The General Inspectorate of Finance (IGF) will carry out the financial audits of the Program expenditures incurred by MAPMDREF, ONSSA and Rabat Région Aménagement (for the wholesale market). Two financial statements will be produced: one by MAPMDREF, which will include the expenses made by MAPMDREF and ONSSA, and another one by Rabat Région Aménagement, according to a format defined in the POM. They will indicate the budget expenditure lines included within the framework of the Program as defined in the POM. Audits will be conducted in accordance with the terms of reference of PforR audits agreed between the IGF and the Bank. The audits will cover the period corresponding to a fiscal year of the Borrower from the year of first disbursement. Two audit reports will be produced: one on the financial statements presented by MAPMDREF (for MAPMDREF and ONSSA) and the second one on the financial statement produced by Rabat Région Aménagement for the wholesale market. The scope of these audits will include an opinion on the procurement system. The audit reports will be produced no later than nine months after the closure of accounts.

83. **Governance risks.** As to broader governance risks, the Program will rely on local and national institutions such as: (i) the National Commission of Public Procurement (*Commission Nationale de la Commande Publique* - CNCP) - Morocco's new public procurement regulatory body in charge of handling public procurement complaints and regulatory oversight, including for municipalities; and (ii) the Central Body for Corruption Prevention (*Instance Centrale de Prévention de la Corruption* - ICPC). The ICPC has recently drafted a National Strategy on Anticorruption based on the International Convention on Anticorruption. The Borrower will use the existing country systems to take all appropriate measures to prevent fraud and corruption in connection with the Program. The World Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing", dated February 1, 2012, and revised on July 10, 2015, will apply.

C. ENVIRONMENTAL AND SOCIAL EFFECTS

84. Considering the Program activities and the results of consultations with key Program stakeholders during the preparation of the Environmental and Social Systems Assessment (ESSA), the Program's environmental and social risks are considered substantial. They will be easy to identify in advance and to prevent and minimize with effective mitigation measures. They will be subject to a simple environmental and social monitoring system to identify and manage potential risks in real time. The ESSA for the proposed PForR was prepared by the World Bank, supported by broad consultations with Program stakeholders (Annex 6). The ESSA assessed, against the requirements of the World Bank's Policy and Directive, the national and sub-national environmental and social management systems applicable to the proposed PforR. Potential environmental and social risks were identified and screened based on the activities to be financed under the Program. The draft ESSA report was shared with counterparts, and public consultations on the ESSA were held on October 6, 2017, at MAPMDREF. The public consultations showed that the main

concerns of stakeholders are related to the Rabat-Salé-Kénitra wholesale market, for which mitigation measures are included in the PAP. The final ESSA was disclosed on November 17, 2017.

85. **Social effects.** All activities involving physical displacement will be excluded from the Program, and no involuntary land taking will be allowed. For activities supporting private sector entities, the Program will not result in involuntary resettlement or involuntary land acquisition, as expropriation is excluded under national systems for private sector activities. Under the Program, activities engendering civil works on private sector sites and financed through the grant mechanism of the FDA will use, if any, land acquired using standard commercial exchanges between a willing buyer and a willing seller. The Program, through the standard grant request mechanism under the FDA procedures, includes a verification mechanism for the status of real estate to be used for the activities. Land used for public sector activities, such as for CIAs or the wholesale market, will be in the government domain. Land used for public sector activities may have been acquired using involuntary land taking under the Moroccan law 7-81 on land expropriation for public utility projects prior to the Program. The ESSA action plan requires the PMU to review the real estate status and identify any prior involuntary land acquisition. The social and environmental specialist of the PMU will regularly review the files submitted to the one-stop-shops of the FDA (*guichets uniques*). In case any prior involuntary land takings are identified, the PMU will undertake a review and, if need be, prepare and implement a mitigation plan to ensure that the core principles of the World Bank's Policy and Directive on PforR Financing regarding involuntary land acquisition are met, that proper proceedings under national laws have been followed, and that replacement value has been achieved in compensation. The current use of land in the public domain used for Program activities will be assessed for identified sites (wholesale market, ceratitis control center) and when the other sites are identified (for CIAs). If current non-titled users are identified who would lose their livelihoods, the Borrower will prepare and implement a social action plan to ensure that people do receive proper assistance in finding alternative land or alternative livelihoods prior to the start of the civil works, and prior to the transfer of productive assets/workplace/business in the case of the wholesale market users, all in a manner acceptable to the Bank and as described in the POM. Details will be provided in the Environmental and Social Technical Manual, which will be developed by the Borrower and approved by the Bank within the first six months of Program implementation and included in the POM.

86. Retrenchment due to activities financed under the Program are limited to the impacts on users of the existing markets due to the transfer and consolidation of three wholesale markets in the Rabat-Salé-Kénitra region in a single site. A social action plan will be prepared under the *Convention de Partenariat* to be signed between different parties for the establishment of the new wholesale market. The PMU will provide technical assistance and supervision of the social action plan through the social and environmental specialist to ensure the plan is properly consulted with all relevant stakeholders and implemented prior to the transfer of activities. These procedures will be described in the Program's Environmental and Social Technical Manual.

87. **Gender and youth.** Currently, 60 percent of the women active in the labor market are engaged in agriculture and have little or no education. Women's work in agriculture-related activities is often precarious and generally concentrated in low levels of agriculture value-chains, performing basic activities where their labor rights may not be respected. In the agricultural sector, women are often paid 50 percent less than men – the largest gender wage gap of any sector in Morocco. Youth register the highest rate of unemployment and under-employment in the country with 23.5 percent and 16.3 percent, respectively, in the second quarter of calendar year 2017. Lack of aspiration from young professionals in pursuing agriculture-related careers is causing an ageing agricultural labor force.

88. The Program will create opportunities for vulnerable groups - women and youth – by: (i) fostering innovation and entrepreneurship of SMEs, and (ii) increasing formal employment opportunities in the olive and citrus sub-sectors. To ensure that the Program's activities will benefit vulnerable groups who face

information gaps, the social specialist recruited in the PMU will work on those topics in collaboration with the MAPMDREF's decentralized gender focal points. Training will be provided to increase the capacity of the latter to share timely information with potential beneficiaries about timeline, criteria of selection and more broadly about project-funded activities and ensure an equal opportunity of participation among different population groups.

89. The Program, through the activities it aims to finance, will create more formal employment opportunities in the agri-food sector. It is expected that a significant part of those employment opportunities would benefit vulnerable population groups such as women and youth (through specific targeting in some of the Program activities, as per the POM modalities). However, existing studies show that working conditions of vulnerable groups- such as women and youth- working in agribusiness can be precarious, under-paid and sometimes not aligned with national labor regulations (e.g., registration under the national social security – CNSS). To improve the practice in the targeted sectors in agricultural production and transformation regarding the respect of existing labor codes and regulations, including on child labor and social security, the interprofessions will carry out sensitization campaigns on those subjects to their members. Those will be supported by the Program and assistance provided on the design of these campaigns by the social and environmental specialist in the PMU. Details will be presented in the Program's Environmental and Social Technical Manual.

90. **Environmental effects.** Most of the activities envisaged under the Program should not raise risks to the safety of workers or other environmental issues. The majority of Program activities are dedicated to strengthening stakeholder systems and capacities.

91. The remaining activities can be divided in two categories. The first one includes activities that must undergo an environmental impact assessment in accordance with the procedure established under Morocco's Law 12-03. Those activities are: wholesale markets, the center for the production of sterile *ceratitis* males (Mediterranean fruit fly), collective pools for drying liquid residues of olive processing, and olive oil mills. The actions identified to bridge the gap between the Moroccan regulation (Law 12-03) and the Bank's procedures must be satisfied to ensure the control of impacts and to monitor the efficacy of the mitigation measures. The second category includes activities with low environmental risks: those are investments in refrigeration and packaging units. The files submitted to the one-stop-windows during the application for FDA incentives for those activities will include a letter of commitment from the project proponent that will specify its commitment to apply and comply with the national laws and regulations that apply to this activity. These laws and regulations are: (a) Law No. 11-03 on the protection and enhancement of the environment, (b) Decree 6199 of 28/19/2013 which sets the general limit values for rejection, and (c) Law 28-00 on Waste Management and Disposal. The monitoring and supervision of the implementation of those regulations during construction is the responsibility of the municipalities in accordance with Law 113-14 relating to municipalities. In addition, upon notification of the request for prior authorization, MAPMDREF will send a letter to the president of the municipality which houses the activity inviting him/her to monitor and control the aspects relating to the safety of the construction site, the application of environmental regulations and the sharing of monitoring and control reports with the Program's environmental and social focal point. In the operational phase, the State Secretariat for Sustainable Development has agreed to put in place a control plan for the units supported by the Program to ensure their compliance with environmental regulations, in particular with regards to water management and waste management. Those procedures will be described in the Program's Environmental and Social Technical Manual.

92. **Climate change mitigation and adaptation.** Morocco's strategy for climate change adaptation and mitigation in the agriculture sector, under the PMV, as reflected in its international commitments (such as its Intended National determined Contribution under the Paris Agreement), is based on the following actions: (a) the re-orientation of agricultural production from crops highly vulnerable to climate change

towards those showing greater resilience and demonstrated mitigation co-benefits (such as olive cultivation), and (b) improving the efficiency of water use in agriculture. An estimation carried out by FAO in 2010 using the EX-ACT tool shows that the PMV as a whole would act as a net carbon sink. In addition to the cross-cutting actions undertaken by the GoM to climate-proof agriculture under the PMV, all the interventions included in the proposed Program have been designed to include climate co-benefits, both on the adaptation and mitigation sides. Hence, by strengthening agri-food value chains overall, the Program will be key to ensuring that climate-smart agricultural activities at the production level will be sustained over time, thus contributing to the achievement of Morocco's NDC targets in agriculture—which are principally focused on agricultural production (Annex 4).

93. **Grievance redress service.** Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

94. Morocco has numerous institutions responsible for hearings and grievance redress. The existence of grievance and appeal mechanisms and their recent promotion at the constitutional level give them the necessary independence and financial autonomy, and reinforce their power of self-referral. The World Bank's corporate Grievance Redress Service does not affect the solidity of the Moroccan grievance redress system.

D. RISK ASSESSMENT

95. The overall risk for the proposed Program is substantial, driven by institutional capacity, technical, environmental and social, and fiduciary risks. The institutional capacity for implementation and sustainability risk is substantial, reflecting the need for strong collaboration between the entities involved in Program implementation. This risk will be mitigated through establishment of a dedicated PMU to ensure coordination among implementing agencies, and through capacity building activities incorporated into the Program design, the DLIs and the Program Action Plan. The technical design risk is substantial due to the innovative nature of some activities (e.g., the new management model for wholesale markets and the CIAs) in the context of Morocco. Risk mitigation measures include the provision of technical assistance to the DDFP, including through partner agencies (FAO). Other Program activities are a continuation of the existing program with low to moderate technical design risks. Mitigation measures related to the identified environmental and social risks of Program activities (e.g., wholesale markets, olive mills) have been included in the Program design (including the Program Action Plan). Fiduciary risks relate to the number of entities involved in Program implementation. Those risks will be mitigated through additional staffing of the PMU and through the establishment of an integrated financial management system by MAPMDREF.

E. PROGRAM ACTION PLAN

96. Based on the risk assessment, the Program Action Plan (PAP) includes actions aimed at strengthening the capacity of implementing agencies in the following four areas: (a) Program management, (b) fiduciary systems, (c) environmental and social management, and (d) Program monitoring and

evaluation. As such, it is focused on mitigating the most substantial risks identified with regards to Program implementation, which are: (a) inter-agency coordination and MAPMDREF's staff resources to coordinate, manage, monitor and evaluate the Program, (b) weaknesses identified in the fiduciary systems and risks associated with the number of Program implementing entities, and (c) the need to increase the Program implementation entities capacity with regards to social and environmental aspects. The PAP also includes critical actions necessary to operationalize the adjustments to the Government program supported by the PforR. Details are provided in Annex 8.

Annex 1: Detailed Program Description

1. **The Program Development Objective is** to increase the volume of added-value products commercialized in selected agri-food value chains in the Program area.
2. The Program would thereby contribute to the broader, higher level objectives of the Government's program (Plan Maroc Vert, PMV) which are: to increase the added-value of the agriculture sector, create additional jobs, increase rural incomes, increase agri-food exports, and increase investments in the sector. The Program would primarily (but not exclusively) focus on areas of the Government's program that address constraints to market access and value-addition beyond the farm-gate, taking into account the findings of the mid-term review of the PMV, which recommended that the PMV should move beyond its early emphasis at production/farm level (see Annex 4).
3. *Targeting.* While some of the Program's activities would benefit a broad range of stakeholders in the agri-food sector, the Program would include activities specifically aimed at promoting the inclusion of small and medium producers and enterprises with modern value-chains and their capacity to produce and commercialize added value products.
4. *Selected agri-food value-chains.* While the Program would strengthen the overall enabling environment for agri-food value chain development in Morocco, it would also place a specific focus on the olive and citrus value chains and on addressing constraints that producers and agribusiness firms are facing in those two sub-sectors with regards to value-addition, product quality and market access. Those two sub-sectors were selected by the Government based on: (a) their contribution to agricultural GDP growth and to the rural economy, (b) the expected increase in production by 2021, and (c) their potential in terms of further value-addition and increased exports.
5. The **PDO results indicators** measure volume of added value products commercialized, specifically: (a) Volume of conditioned and exported citrus; (b) volume of conditioned and exported olives; (c) volume of high quality olive oil commercialized.
6. To achieve its development objective, the Program would invest in two focal areas: (a) *increased market efficiency and integration*, by (i) strengthening the capacity of intra-branch organizations (interprofessions), (ii) enabling greater access of small and medium producers and enterprises to existing instruments to incentivize vertical and horizontal integration, (iii) upgrading selected market infrastructure and improving their management, and (iv) developing agriculture market information systems; and (b) *improved added-value of agri-food products*, by (i) enabling risk-based implementation of the national food safety law and regulations, (ii) promoting quality standards and certification systems, (iii) improving access to business development services for producers and agribusiness SMEs and their readiness for access to finance and investments, and (iv) financing innovation.

Program Scope and Boundaries

7. In selecting areas for support under the proposed PforR, the following considerations and principles provided the basis for the definition of the Program scope and boundaries:
 - a. The Program would be aligned with the recommendations of the mid-term review of the PMV for greater emphasis on agri-food value-chains development. Substantial progress had been made at farm level, under the PMV, in terms of increasing agricultural production and productivity, whereas the mid-term review of the PMV found that important bottlenecks remain to be addressed beyond

the farm-gate. The Program would support and help improve PMV’s interventions that address those bottlenecks – so as to create new market opportunities that will drive further investments in the sector;

- b. The Program would apply the principles of maximizing finance for development/ “cascade” and seek to maximize private sector investments in the agri-food sector by improving selected regulations, instruments and programs impacting private investments in the agri-food sector;
- c. The Program would selectively support interventions that have the potential to accelerate the broader transformation of the agri-food sector towards greater added-value and inclusion of small and medium producers with markets (such as the reform of wholesale markets; the use of ICT for producers’ access to information; the promotion of commercial partnerships between small producers and buyers; strengthening the ecosystem for agribusiness development; etc.);
- d. Program interventions would be focused on key areas of the Government’s program where the Bank’s international experience can be brought in to improve existing instruments and continue the reform efforts supported under the previous DPL series;
- e. The Program would serve as a leverage to facilitate multi-stakeholder dialogue and reforms. The design of the Program recognizes that it can provide a platform to facilitate dialogue and accelerate the implementation of reforms in areas that require good intra-governmental coordination as well as public-private partnerships (such as the wholesale market reforms, the implementation of the food safety law and the strengthening of the newly-recognized interprofessions); and
- f. Transversal measures would be complemented by support to selected value-chains. Considering the breadth of the Government program both with regards to transversal reforms and investment support, Program support for increased value-chain integration and investments at value-chain level would focus on two high priority sub-sectors (olive and citrus) under the PMV, with the understanding that success in those two sectors could subsequently serve as a blue print for other sub-sectors.

8. Table A1.1 below summarizes the content of the Government’s program and the scope of the proposed Program. The Program would support selected activities in four of the seven transversal sub-programs of the PMV (Sector governance, market efficiency, food quality and agriculture knowledge and innovation systems) as well as the PMV’s investment support program in two of the 18 sub-sectors supported by the PMV over a five-year period (2018-2022). The Program area includes the regions of Tanger-Tétouan-Al Hoceima, l’Oriental, Fès-Meknès, Rabat-Salé-Kénitra, Béni-Mellal-Khénifra, Casablanca-Settat, Marrakech-Safi, Draâ-Tafilalet, and Souss-Massa.

Table A1.1 Government program and scope of the Program

<i>Attributes</i>	<i>Plan Maroc Vert (Government program)</i>	<i>Proposed Program</i>
<i>Development objective (PDO)</i>	The PMV aims to transform the agri-food sector into a source of economic growth that contributes to employment creation and poverty reduction in rural areas. In addition, the policy reforms and investments in a productive, dynamic and market-oriented agri-food sector supported under the PMV seek to improve food security, promote the Morocco’s integration in the global economy and help the sector adapt to climate change.	To increase the volume of added-value products commercialized in selected agri-food value chains in the Program area.
<i>PDO Indicators</i>	Deliver, by 2020, and compared to 2008: (i) up to 1.5 million additional working days per year; (ii) a 50 percent drop in rural poverty; (iii) up to US\$14 billion of combined public and private sector investments; and (iv) up to US\$9 billion of additional annual added value.	(a) volume of conditioned and exported citrus; (b) volume of conditioned and exported olives; (c) volume of high quality olive oil commercialized.
<i>Transversal /Institutional Reforms</i>		

Sector governance	<ul style="list-style-type: none"> - Multi-annual expenditure framework agreements signed between the MAPM and the Ministry of Economy and Finance (MEF) for the implementation of the PMV; - Regional Agricultural Plans (PARs) developed to “localize” the PMV and its targets, adopted by the Regional Councils, the Chambers of Agriculture, and local authorities - Creation of <i>Agence pour le Développement Agricole</i> (ADA) to manage investment support programs (2008); - Creation of <i>Interprofessions</i> for intra-branch coordination and to support public-private dialogue (2012); - Result-oriented <i>contrat-programmes</i> signed by MAPM and MEF with the professional organizations of 18 agri-food chains (<i>filières</i>); - <i>Contrat-Programme</i> for the development of the agri-food industry signed by MAPM, MEF, MICIEN and FENAGRI (2017) 	<ul style="list-style-type: none"> Develop integrated financial management system; - Strengthen program coordination, monitoring and evaluation; -Strengthen at least two interprofessions; - Support for the implementation of the olive and citrus <i>contrat-programmes</i>; - Support for the implementation of the <i>contrat-programme</i> for the agri-food industry (CP IAA).
Market efficiency	<ul style="list-style-type: none"> -Reduce domestic market distortions through modernization and improved management of wholesale markets and slaughterhouses - Liberalize distribution systems for fruit and vegetables and for meat - Upgrading of <i>Asaar</i> market information system 	<ul style="list-style-type: none"> - At least one wholesale market with new management model - Upgrade <i>Asaar</i> platform and expand outreach to users with new ICT tools
Food quality	<ul style="list-style-type: none"> - Creation of the national food safety agency (ONSSA) in 2010 - Implementation of 2008 food safety law - Quality promotion schemes 	<ul style="list-style-type: none"> -Strengthen ONSSA’s capacity to implement the law - Scale-up certification schemes - Raise producer, industry and consumer awareness of food quality standards
Agricultural knowledge and innovation system	<ul style="list-style-type: none"> - Creation of the national extension agency (ONCA) in 2012 - National strategy for a pluralistic, demand-driven agricultural knowledge and information system - Development of private agricultural extension - Competitive research grant mechanism - Promoting innovation and entrepreneurship through specialized geographical clusters (<i>agropoles</i>) - Strengthening of vocational training programs 	<ul style="list-style-type: none"> - Network of specialized technical and business innovation centers co-managed with the private sector (new, adjustment to the program) - Competitive innovation grants (new, adjustment to the program)
Trade	<ul style="list-style-type: none"> - Pursuing new agricultural Free Trade Agreements and reorienting existing ones to improve access to high value export markets. - Export promotion and new market development - Export platforms 	<ul style="list-style-type: none"> - See above (food quality and safety standards)
Water management	Plan National d’Economie de l’Eau en Irrigation (PNEEI)	<ul style="list-style-type: none"> - See above on support to innovative green projects, including water saving; - See above on agri-food processing units which includes the promotion of water recycling– including in areas covered by PNEEI
Land management	Mobilize agricultural land by accelerating the process of private sector participation in the management of state-owned and collective lands and promoting aggregation	
Investment Support		
<i>Pillar 1</i> – Investment projects: Incentives by sub-sector (industrial crops, olive, citrus, fresh fruit and vegetable, dairy, etc.)	Providing incentives (grants) for 900 investment projects aimed at integrating market-oriented producers in agri-food chains	<ul style="list-style-type: none"> Amended Law on aggregation - Pilot alternative approach for aggregation projects through productive alliances (new, program adjustment) - Incentives for aggregation projects in the olive and citrus sub-sectors
FDA incentives for value-addition	<ul style="list-style-type: none"> - On-farm modernization of equipment and adoption of good agricultural practices 	<ul style="list-style-type: none"> - Enhanced appraisal and monitoring modalities

	- Support for private investments in processing, conditioning and storage in priority value-chains	- Incentives in processing, conditioning and storage in the olive and citrus sub-sectors (grants)
<i>Pillar II</i> – Support for small producers in disadvantaged areas	Finance 400 smallholder projects aimed at increasing incomes of smallholder farms through crop switching, diversification, and intensification, as well as strengthening farmer organizations and supporting their integration in sustainable agri-food chains	- Technical assistance for beneficiaries transitioning towards high value products, such as olive GIEs and cooperatives (new, program adjustment)
Geographic scope	All 12 regions and 62 provinces (1.2 million rural households)	Program area (9 regions)
Implementation period	2008-2014 (phase I) and 2015-2022 (phase II)	2018-2022 (5 years)
Cost	US\$6.66 billion for 2008-2022	US\$450 million

9. Considering its focus on selected agri-food value chains, it is expected that the Program would benefit in particular citrus and olive growing areas, among them many disadvantaged and lagging areas across the country characterized by poverty rates significantly above national average. It is estimated that 40 to 50 percent of the national production of citrus and olives originates in provinces such as Al Haouz (Marrakech-Safi region), Taounate and Taza (Meknès-Fès region), Beni Mellal Khénifra, Taroudant (Souss Massa), with significant levels of monetary poverty based on 2014 HCP figures. Other value chains supported through the SDOQ and organic extension activity of the Program are particularly important in disadvantaged areas, in particular dates in Draâ-Tafilalet and l’Oriental, aromatic and medicinal plants in Beni Mellal-Khénifra, and saffron and argan oil in Souss-Massa.

10. The Program would cover the period from 2018 to 2022.

Result Area 1 – Increased market efficiency and integration

11. Result area 1 aims at improving market efficiency and transparency, and at facilitating the inclusion of small and medium farmers into modern value-chains. Four sub-programs would be included in order to reach that objective: (1.1) strengthening the interprofessions to carry out their mandate, (1.2) support for the integration of small and medium producers with markets, (1.3) modernizing the management of wholesale markets, and (1.4) improving access to information.

12. **Strengthening the interprofessions** (1.1). The recently recognized interprofessions (the intra-branch organizations representing the various stakeholders in each agricultural sub-sector) have a mandate to improve coordination and transparency among value-chain actors. The Program would provide technical and financial support to strengthen the capacity of the interprofessions, so as to enable them to carry out their missions under Law 03-12 and to become effective and inclusive platforms for intra-branch coordination and public-private dialogue. Program activities would focus on the preparation of their respective business plans (including revenue mobilization and sustainability, strategic activities and improvement of their representativeness) and support for the subsequent execution of those business plans, through the existing modalities for MAPMDREF support to interprofessions (“conventions” – agreements - defining activities co-financed by MAPMDREF and the private sector). Those will include the preparation and adoption of *Accords Interprofessionnels* (intra-branch financing agreements), which will define, *inter alia*, members’ financial contributions for each interprofession. Support from the Program would be provided to at least two interprofessions, starting with Maroc Citrus (citrus sub-sector) and Interprolive (olive sub-sector). The *Direction du Développement des Filières de Production* (DDFP) of MAPMDREF would oversee the implementation of those activities.

13. **Support for the integration of small and medium producers with markets** (1.2). The Program would provide technical assistance and incentives (grants) for investments by small and medium producer

groups and/or private operators in the citrus and olive sub-sectors aimed at developing the existing network of processing units and improving the marketing of agri-food products. The guiding principles would be to promote value addition and improve market access, which would provide additional outlets for small and medium producers and would complement the upstream investments that have been supported under the PMV thus far. The Program would support adjustments to be made to existing instruments to incentivize investments with a view to improving their structuring impact on selected value chains as well as better inclusion of and facilitated access to finance for small and medium producers and enterprises:

- a. *Incentives for aggregation projects (under Law 04-12)*. The Program would support MAPMDREF and ADA (the agency responsible for the management of MAPMDREF's support program for aggregation projects) in improving operational modalities and incentives for aggregation projects. This would include the amendment of Law 04-12 to facilitate the commercialization of fruit and vegetables from aggregation projects, improved communication campaigns and training to further raise awareness about the benefits of aggregation projects; and improved monitoring and evaluation. The Program would also support MAPMDREF and ADA in updating as needed the regulatory framework (arrêté and ministerial instructions) under Law 04-12 (i.e. for commercial partnerships between producers and buyers that do not involve a processing unit¹⁹). Finally, the Program would finance aggregation projects following those adjusted modalities in the olive and citrus sub-sectors.
- b. *Incentives for processing, conditioning and transformation under the universal FDA support system*. The Program would support MAPMDREF in adjusting the modalities for the appraisal and monitoring and evaluation of investments projects receiving support under the universal FDA support systems, to increase their socio-economic impact and their environmental sustainability. The Program would finance projects appraised under those adjusted modalities in the citrus and olive sub-sectors.
- c. *Piloting new modalities for vertical and horizontal aggregation (productive alliances)*. To increase the inclusiveness of the above incentive schemes and scale-them up, incentives (such as grants and technical assistance) would be provided under the Program on a pilot basis to producers and their organizations (such as cooperatives and GIEs) interested in entering in commercial partnerships with buyers but in need of business development assistance, as well as managerial and technical support to meet buyer requirements.

14. **Modernizing the management of wholesale markets (1.3)**. Underdeveloped domestic marketing and distribution systems for fruit and vegetables in Morocco result in high marketing costs, low producer incomes and high consumer prices, while undermining incentives for improving quality. An analysis of price formation along domestic marketing channels for citrus indicates that inefficiencies in marketing channels result in losses of up to MAD 2/kg at producer level and higher prices for Moroccan consumers, without the food safety and product quality standards observed for exports. In addition, weak wholesale market services push many producers to market their produce through fragmented informal channels. The Program would finance investments in at least one modern wholesale market and support the establishment of a new (delegated) management model. The Wilaya of Rabat-Salé-Kénitra has demonstrated a strong desire to advance the development of a regional agri-food platform to which the existing municipal wholesale markets of Rabat, Salé, Témara and Kénitra would be transferred. The draft agreement (*convention de partenariat*) to be signed between the project's national, regional, and local government sponsors²⁰ defines the responsibilities and commitment of the various parties to the agreement, including those of the designated entity in charge of construction (*Rabat Région Aménagement SA*) and those of the

¹⁹ Incentives are currently limited to partnerships that involve processing, such as the construction of semi-modern oil mills, oil mills with waste management, crushing unit for small fruits, and storage and packaging facilities in the case of citrus

²⁰ Project sponsors include MAPMDREF, MEF, MIICEN, MI, and Rabat-Salé-Kénitra Region, as well as the municipalities of Rabat, Salé, Témara, Ain Ain, Kénitra, Ain Attig, Skhirat, Ain Aouda, Sidi Yayha des Zaers, El Harhoura, and Sidi Abi El Canadel.

local development company (*Société de Développement Local/Régional*, SDL/SDR) that will be created to oversee the management of the wholesale market. It is expected that the wholesale market would be built, within two years of the signature of the *Convention de Partenariat*, under the oversight of *Rabat Région Aménagement*, after which management responsibilities would be transferred to the SDL/SDR and its management team. Due to its links to a major and rapidly growing consumption center, the creation of a modern wholesale market in the Rabat-Salé-Kénitra region could have a structuring effect on fruit and vegetable value chains in the region, while its demonstration effect could accelerate the modernization of the broader network of wholesale markets in Morocco. The implementation of those activities would be overseen by the DDFP.

15. **Improving access to information** (1.4). Improved market information tends to reduce the risks and lower the transaction costs of farmers and other actors participating in agri-food value chains. The Program would strengthen the dissemination of information regarding domestic agricultural markets (e.g. price, location of points of sale, etc.) to producers and other operators. The Program would support the modernization of MAPMDREF's existing *Asaar* market information platform, the strengthening of the market price information and analysis division in Casablanca, as well as the development of new ICT tools (mobile apps, SMS, etc.) in the platform to reach up to 200,000 users (producers and enterprises). The implementation of those activities would be led by the *Département de la Stratégie et des Statistiques - DSS* (Department of Strategy and Statistics) of MAPMDREF.

Result Area 2 – Improved added-value of agri-food products

16. **Result area 2 aims at improving the added-value of agri-food products**, including food quality, food safety, and sanitary and phytosanitary aspects which have been identified as key constraints for operators in the agri-food sector to meet market demand and to access new market opportunity both domestically and for exports. The Program would work both on the demand side (increasing Moroccan consumers' awareness of and shifting demand towards higher quality and safer products) and on the supply side (compliance of producers and processors with food quality standards). Result area 2 also aims at improving producers and agribusiness SMEs' capacity to add value to their products by increasing their capacity for innovation and their access to marketing and distribution networks, through access to business development services, technical support services and training, and financing for innovation²¹. Four sub-programs would be included: (a) improving food safety, (b) promoting quality standards and certification systems, (c) strengthening business development and technical support services, and (d) financing innovation. Considering the vulnerability of Morocco to climate change and water scarcity, this result area will also support the adoption of climate smart technologies at all levels of the value chain.

17. **Improving food safety** (2.1). Sanitary and phytosanitary (SPS) measures have become the most significant non-tariff barriers to accessing export markets. As a result, compliance with international food safety standards has become a pre-condition for producers and manufacturers to entering major export markets (such as the EU, the US, Canada and the Russian Federation in the case of Moroccan exports). To further strengthen food safety systems and conditions in Morocco, the Program would strengthen the capacity of ONSSA to carry out its mission which is the implementation of the national food safety law (Law 28-07), while also supporting private operators in complying with food safety requirements and raising awareness about food safety and quality in Morocco. To that end, the Program would support:

- a. A census of agri-food enterprises and the provision of advisory services to private operators towards ONSSA approval/authorization, with a special focus on the olive sub-sector considering the size of the informal processing sector;

²¹ Agribusiness SMEs encompass the various possible legal forms of production entities such as registered companies, cooperatives, farmers' groups, etc.

- b. Awareness raising campaigns regarding the national food safety law and regulations, which would target both consumers and agri-food industry stakeholders;
- c. Upgrading of four ONSSA laboratories in the phytosanitary sector, with a special focus on phytopathological analyzes;
- d. Strengthening of ONSSA's risk assessment capacity by: (i) integrating the results of existing food analyses into ONSSA's data management platform (SIPS); (ii) conducting a national food study assessing the exposure of the Moroccan population to contaminants and residues; (iii) and providing complementary training for members of the new Risk Assessment Division;
- e. The establishment of an input register for citrus in the Souss Region (five provinces and prefectures), which is mandatory under the national food safety law and is also required for exporters to meet traceability criteria, through targeted awareness-raising campaigns and accompanying actions, especially among small producers; and
- f. The implementation of a Mediterranean fruit fly control program, to reduce the area of citrus plantations affected by the Mediterranean fruit fly (*ceratitis*) through the creation of a new facility for the production of sterile *ceratitis* males and extending the areas covered by releases of sterile males.

18. The implementation of this sub-program would be under the responsibility of ONSSA (with some activities carried out in partnership with the Interprofessions, such as Maroc Citrus for the Mediterranean fruit fly control program).

19. **Promoting quality standards and certification systems (2.2).** Compliance with specific quality standards and certification systems can enable Moroccan producers and agribusinesses to tap into growth opportunities in value added markets (such as organic, a fast-growing market segment in the EU). In addition, origin and quality labels such as SDOQ can further differentiate product offerings in high value markets, which are characterized by an increasing focus on more niche and targeted products. The proposed Program would support the strengthening of existing governance systems and producer capacity in Morocco for implementing specific quality standards and certifications. The Program would provide technical support to: (i) certify new products under SDOQ; (ii) help producers and producer groups adopt good management practices required to obtain organic certification; and (iii) build the management capacity of organic and SDOQ-certified producers to implement good hygiene practices, as well as value adding techniques. In addition, the Program would establish FDA financial support to producers for the certification costs of organic and SDOQ products. Furthermore, the Program would support both targeted and mass awareness raising campaigns to raise the knowledge and profile of both organic and SDOQ certification systems among producers, commercial and industrial operators, and consumers. Finally, the Program would support communication campaigns in support of government and industry efforts to enhance the quality of Moroccan olive products (olive oil and table olives). Specifically, the campaigns would help shift olive consumption from bulk to packaged and labeled olive products by: (i) sensitizing consumers to the health risks linked to consuming olive products in bulk; and (ii) reassuring consumers of the authenticity and natural taste profile of packaged and labeled olive products. The implementation of these activities would be jointly led by the Labeling Division and the Vegetable Value Chain Division of the DDFP.

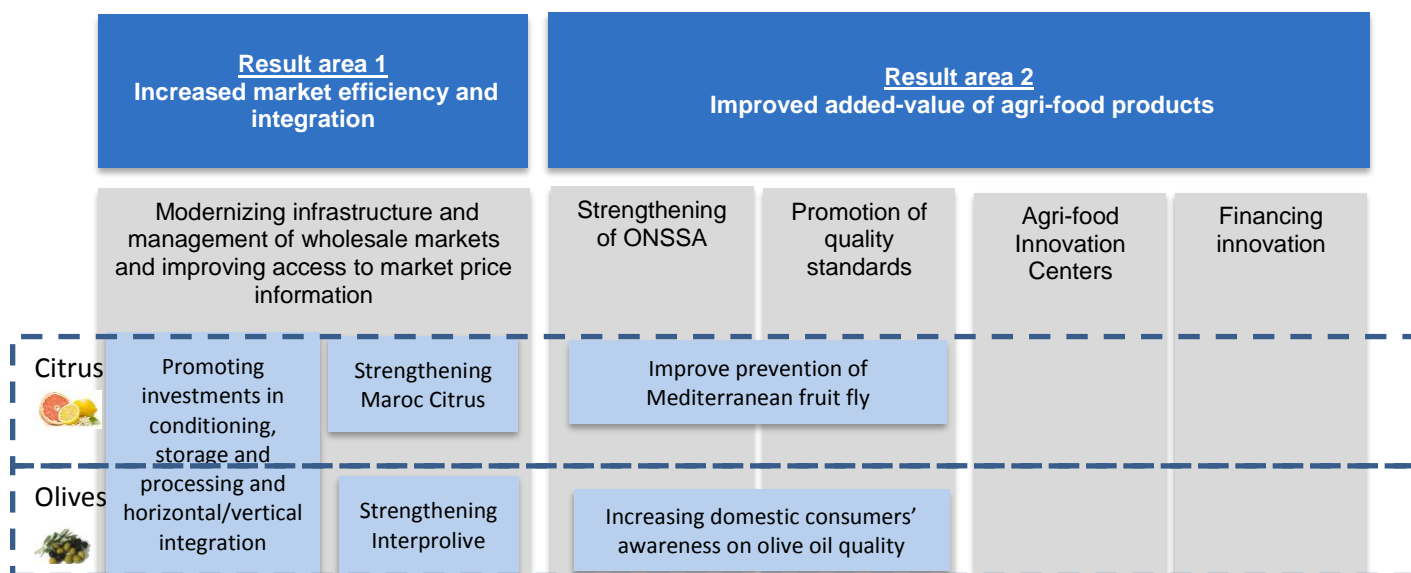
20. **Strengthening business development and technical support services for the agri-food sector (2.3).** The Program would support the development of Agri-Food Innovation Centers (*Centres d'Innovation Agro-Alimentaire*, CIA). The mission of those centers would be to support the development and growth of innovative agribusiness SMEs by offering: (i) technical support services (e.g., development, improvement, testing and marketing of agri-food products); (ii) management support services (e.g., preparation of business plans for new or existing agribusiness SMEs, business management capacity building, access to finance readiness support, etc.); (iii) knowledge and market access support services (e.g., market studies, business development and contracting opportunities, etc.); (iv) incubation support services (e.g., services,

shared facilities and funding of innovative projects and/or companies); and (v) networking services to foster collaboration between firms and within the broader public and private agri-food ecosystem. The CIAs would also provide specialized short training programs. Finding the right skills is one of the three main challenges highlighted by surveys of agri-food enterprises in Morocco. The *Contrat-Programme* for the development of the agri-food sector (CP IAA) has identified and assessed the needs of skilled labor for main agri-food value chains and highlighted the need for specialized agri-food trained staff both at technical and management level. The Program would support the design, establishment and operations of two CIAs. The main beneficiaries of the CIAs would be established agribusiness SMEs, agribusiness start-ups, and upstream agricultural operators (producers or their organizations) who are seeking to evolve towards (first or simple) processing or value-addition, and/or new product development, in all agri-food value-chains based on beneficiaries' demand. The implementation of those activities would be led by the Agribusiness Division of the DDFP. To ensure the financial sustainability of the CIAs and the alignment of their services with market demand, CIA management and operation would involve a private partner (national or international operator with experience in the provision of services and training for producers and enterprises in the agri-food sector), selected on a competitive basis, with transferred management responsibilities. This model would allow a higher degree of flexibility and efficiency in terms of CIA management. The detailed CIA management model is being finalized among several options (including public contracting, project under public-private partnership (PPP) law, new dedicated public-private owned entity, or association).

21. **Financing innovation** (2.4). Complementing the development of the CIAs, the Program would include the funding of a competitive innovation grant mechanism to finance innovation by SMEs, start-ups and producer organizations in the agri-food sector targeting the development and market introduction of a new agri-food product, service or technology, including environment-friendly or climate smart technologies for the agri-food sector. The Program would offer grants to innovation projects submitted by proponents. Grants would be attributed on a competitive basis based on project business plans and alignment with Program objectives in terms of value chain targeting, youth and gender inclusiveness, and environment sustainability. Through the matching grants, beneficiaries would be able to access support services and test-phase investments for the development of projects that contributes to open growth opportunities, at product or process level. Services will be provided by private experts selected on project-basis. The mechanism would be managed by CIA staff, as a coordinator between beneficiaries and expert service providers. To strengthen the result-oriented management model of the CIA, as well as an active role in projects sourcing, and building on the experience of industry-centers developed by MICIEN in Morocco, part of the public funding of CIA would be indexed on the implementation of projects supported by the competitive innovation grants.

22. Figure A1.1 below summarizes the combination of transversal and value-chain-specific activities supported by the Program.

Figure A1.1 – Program transversal and value-chain-specific activities



23. **In addition to its two Result areas, the Program would support and finance improvements to implementing agencies' capacity for financial management and program monitoring and evaluation (M&E), as well as enhancements to the existing M&E systems.** Specific activities have been included to that end in the Program Action Plan (PAP).

Program Implementation Arrangements

24. **The Program's institutional architecture relies on multiple stakeholders with clear roles and accountability lines.** Given the multi-dimensional character of the proposed Program, its good implementation will require the combined intervention of key stakeholders comprising MAPMDREF departments, agencies under the supervision of MAPMDREF, and partner institutions linked to MAPMDREF through specific agreements:

- a. **MAPMDREF Departments and deconcentrated services:** Three departments out of nine would be involved in Program implementation: the Directorate in charge of the Development of Value-Chains (DDFP), the Directorate of Finance (DF) and the Directorate of Strategy and Statistics (DSS). At subnational level, MAPMDREF relies on its network of deconcentrated services in regions and provinces. The *Regional Directions for Agriculture (DRA)* oversee the development, programming and monitoring of the implementation of regional agricultural development plans, and they are supported in their missions by the provincial directorates of agriculture (DPA) under their authority. The DRAs and DPAs play a central role in identifying Pillar I and Pillar II projects that are in line with the regional agriculture strategy and in appraising and implementing Pillar II projects. They also host the FDA one-stop-window (*guichet unique*), which is the point of contact

for producers applying for financial aids granted by the Agriculture Development Fund (Fond de Développement Agricole, FDA);

- b. *ONSSA*. *ONSSA (Office National de Sécurité Sanitaire des produits Alimentaires)* is the national food safety authority and controls the application of norms and regulations related to food safety and SPS (phytosanitary products, varieties, pests and diseases, traceability). It was established in 2009 through Law 25-08. The Office is administered by a board of directors composed of government representatives and managed by a Director General. While the Office is fairly recent, it has gained international recognition following the audits carried out by the European Commission and various countries to which Morocco exports agri-food products. *ONSSA* is organized around five central directorates, with around 350 staff, as well as regional and provincial structures covering the entire territory with 1,446 staff. Its integrated structure is aligned with international best practices recommending that each country should have a single coordinating body for food chain controls "from farm to fork";
- c. *ADA (Agence pour le Développement Agricole)* was created in 2008 through Law 42-08. Its mission is to contribute to the implementation of the national policy and strategy for agriculture development. The Agency is responsible for proposing to the government action plans to support the development of high-potential value chains with a view to improving productivity and oversees the implementation of Pillar I and II projects under the PMV;
- d. *Interprofessions*. In 2012, the GoM adopted Law 03-12 establishing a regulatory framework for agricultural and fisheries professional organizations, "*interprofessions*". The role of the *interprofession* is to organize the operators at all levels of the value chain (production, processing, and marketing) around a concerted vision and objectives and to coordinate efforts for the development of the value chain in areas such as research, extension, transfer of technology, dissemination of information, product promotion and market development. The *interprofessions* must meet criteria of representativeness of stakeholders in their specific value chain in order to be recognized and to benefit from public support in the framework of mutually agreed Contrat-Programmes. Seven interprofessions have been approved by April 2017, among them *Maroc Citrus*, for the citrus sub-sector. The olive value chain organization called *Interprolive* is in the process of being recognized as the interprofession representing the olive sub-sector. Most interprofessions are newly created and have limited in-house capacities and resources;
- g. The *Wilaya* is the Regional governorate under the Ministry of Interior (MI). *Walis* represent the central Government at the regional level. *Walis* (region governors) are appointed by His Majesty the King and they have a coordination role between deconcentrated services at regional level. The *Wilaya* oversees multi-stakeholder projects such as wholesale markets;
- e. *Rabat Région Aménagement* is a state-owned enterprise created in 2014 for the execution of structuring projects in the region of Rabat-Salé-Kénitra. The company would be responsible for and oversee the construction of the wholesale market in Rabat-Salé-Kénitra, under the draft agreement (*convention*) to be signed by the MAPMDREF, MIICEN, MI, the Regional Council of the Rabat-Salé-Kénitra Region, the *Wilaya* of Rabat-Salé-Kénitra region, *Rabat Région Aménagement* and the communes involved. The new market would be managed by a *Société de Développement Local/Régional (SDL/SDR)* which would also be part of the implementing arrangement of the Program once it is created in virtue of the agreement on the wholesale market.

25. **The institutional arrangements for the supervision and implementation of the proposed Program includes two levels of decision-making**, a Steering Committee for strategic oversight and

guidance and MAPMDREF supported by a Program Management Unit for overall coordination of Program implementation, monitoring and evaluation.

Strategic oversight

26. Steering Committee (Comité de Pilotage). Strategic decision-making responsibilities will rest with a Steering Committee comprising representatives of MAPMDREF (PMU and relevant directorates), the Ministry of Economy and Finance (MEF), the Ministry of Industry, Commerce, Investment and Digital Economy (MIICEN), the Ministry of Interior (MI), the State Secretariat for Sustainable Development, the Wilaya of Rabat, Rabat Région Aménagement and representatives of the private sector (interprofessions). This Steering Committee will be chaired by the Secretary General of the MAPMDREF (or his/her representative) and will meet every six months to review progress and make decisions required for effective Program implementation.

Overall coordination of Program implementation

27. Overall coordination of Program implementation. The Ministry of Agriculture, Marine Fisheries, Rural Development, Water and Forests (MAPMDREF) will be responsible for the coordination of overall Program implementation, through the *Direction de Développement des Filières de Production* (DDFP, Directorate for the Development of Value-Chains), and more specifically its Agribusiness Division. DDFP is organized into five divisions and is responsible for: (i) the approval and coordination of the regional development plans of agriculture (plants and livestock) and agribusiness, (ii) monitoring the supply of agricultural inputs, (iii) monitoring and regulation of markets for agricultural products, (iv) support to private actors and professional agricultural organizations in the framework of program contracts, and (v) the development and promotion of products quality labels and certifications.

28. A Program management unit (PMU) has been established within DDFP to carry out day-to-day program coordination, management, and monitoring and evaluation responsibilities, including on social and environmental aspects. It will include technical specialists, social and environmental specialists, and monitoring and evaluation specialists. Its roles will include: (i) Program monitoring and evaluation, (ii) coordination of the Program's stakeholders at the operational level, within the extended Program Management Unit, and (iii) secretariat of the Steering Committee. The PMU will have its dedicated staff within DDFP and an extended Program Management Unit would include representatives of all departments and institutions involved in Program implementation, namely DF, DSS, ONSSA, ADA, the Wilaya of Rabat-Salé-Kénitra, Rabat Région Aménagement, the wholesale market SDL/SDR (to be created), and Interprofessions (Interprolive and Maroc Citrus). Those representatives or focal points are designated by their respective departments.

29. The PMU would be supported throughout Program implementation by technical assistance. DDFP has good technical capacities, it has experience in managing complex programs such as the MCC program implemented from 2009 to 2014 and substantial capillarity in the field through the DRAs which support local implementation and monitoring of MAPMDREF programs. However, the capacity of DDFP is constrained at central level by limited staff resources and monitoring systems. Technical assistance will be mobilized to strengthen the DDFP for the monitoring and implementation of activities at central and field level, monitoring the financial management of the Program, preparing progress reports and data collection, and the management and reporting of performance indicators related to disbursement. Terms of reference for the technical assistance to the PMU have been prepared by MAPMDREF.

30. Monitoring and evaluation responsibilities. MAPMDREF, through the DDFP, will be responsible for the following tasks: (i) compiling and consolidating data and verification documents, (ii) ensuring data quality, and (iii) preparing and submitting the reports to the Bank on a timely basis. In line

with the implementation arrangements of the Program, the following directorates and agencies would engage in data collection:

- a. The DDFP, in addition to its role as M&E coordinator, will collect data for the following fields and indicators: (i) productive investments and support to interprofessions under Result Area 1, with the support of the DF; (ii) promotion of and certification under organic and geographical indication schemes and coverage of the CIAs under Result Area 2;
- b. ADA will also provide field data for aggregation projects, with regards to number of producers aggregated in olive and citrus, under Results Area 1, with the support of DRAs;
- c. The Directorate of Strategy and Statistics (DSS) will: (i) oversee a survey to be carried out under the Program to measure the first PDO indicator with regards to volumes of quality olive oil commercialized, and (ii) gather data on the users of the market information system (Result Area 1);
- d. The Directorate of Finance (DF) will provide financial data on Program implementation; and
- e. ONSSA will record data for the activities and indicators included under Result Area 2 related to food safety.

31. The IGA of the MAPMDREF will act as the independent verification agency (IVA) to verify the DLIs.

32. **Data collection, records and administration.** To collect, consolidate and report achievement of results and DLIs, the Program will build on the multiple tracking mechanisms and types of records put in place for the monitoring of the PMV. Most of the data will be gathered on an ongoing basis during implementation, as part of the workflow of each of the implementing agencies. For instance, investments under FDA are regularly recorded through a Microsoft-based database that manages the information on applicants, projects, and awarded incentives. With regards to agricultural production information, a more sophisticated online-based platform (STATAGRI), administered at central level by the DSS, helps manage data such as cultivated surface, crop yields, and livestock heads, collected by MAPMDREF's subnational services by means of surveys and administrative records. Regarding aggregation projects, ADA uses an information system to collect field data from the projects (e.g., number of producers participating in the aggregation scheme, aggregated area, and so on) and then processes and consolidates them at central level. Some indicators refer to self-reported progress, such as the strengthening of the interprofessions, for which qualitative information will be systematized and provided by the executing entity. Self-reporting also applies to reporting compliance with social and environmental Bank standards for the entire Program. Data collected in real-time following formal processes will be administered in the existing official records, from which different extracts will serve as basis to verify achievement of results and DLIs. A simple, integrated Management Information System will be developed under the Program to address those weaknesses.

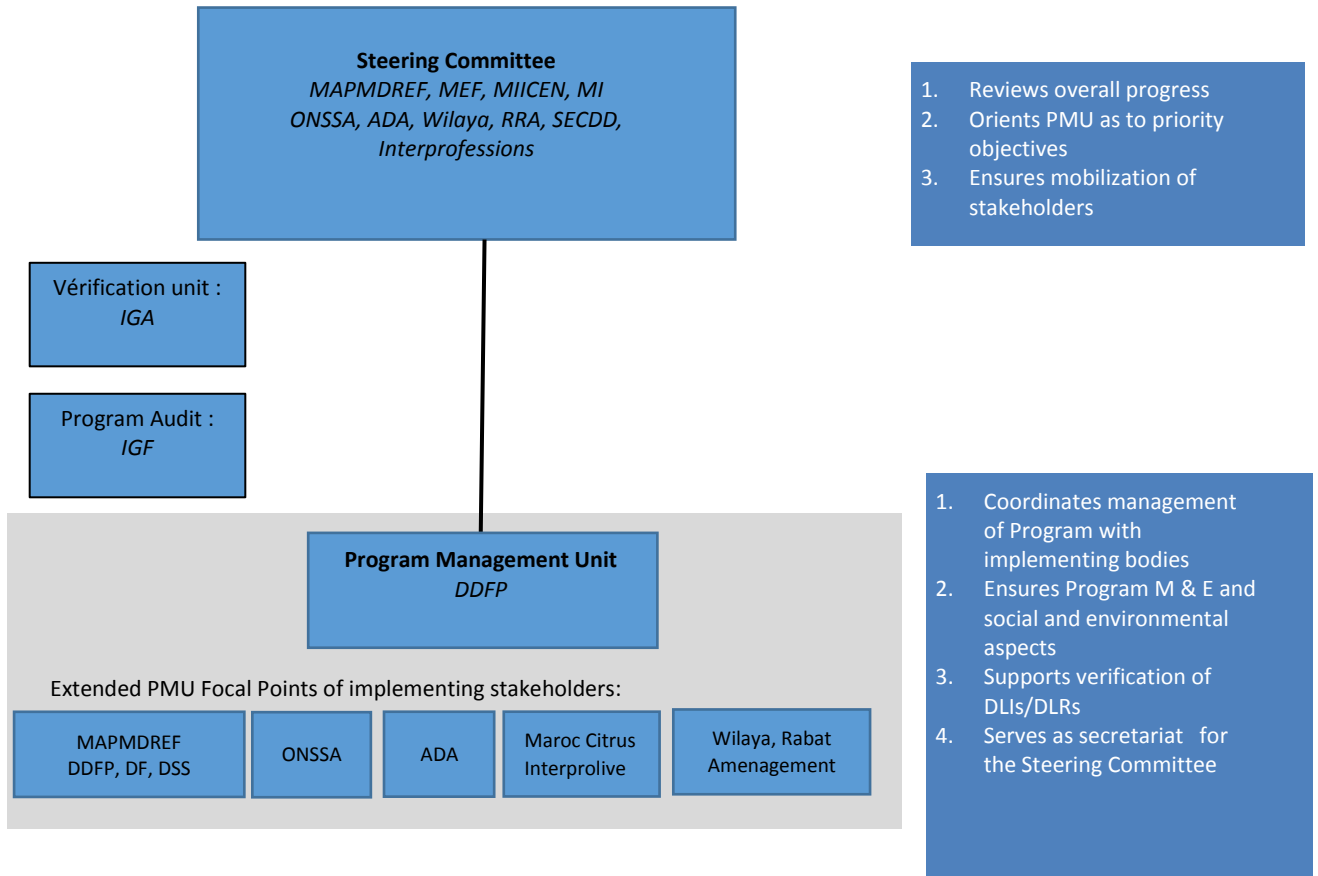
33. **Reporting.** The DDFP will report to the Bank on a semiannual basis, covering, among others, the following items: (i) expenditures; (ii) physical progress; (iii) results framework indicators; (iv) disbursement linked indicators (DLIs); (v) compliance with social and environmental safeguards; and (vi) grievances and any allegations on fraud and corruption. Verification documents, such as signed agreements (conventions) or extracts from records, will be an integral part of the reports, in accordance with the definition and verification protocol for each indicator.

34. **Results verification.** The General Inspection of Agriculture (IGA) will act as Verification Agent under the Program. The role of the General Inspectorate of the Department of Agriculture is to regularly inform the Minister, to which it is directly attached, of the functioning of the services, to examine any request entrusted to it and to carry out on its instructions all inspections, surveys and studies. It also monitors audit operations. IGA has a clear inspection role, and its missions have been covering both financial and management inspections, as well as technical audits, including verifying field-level data. It is seeking ISO

9001 certification, and it has also been strengthening its capacity for monitoring and evaluation of the performance, effectiveness and efficiency of public expenditure programs, as well as impact evaluation.

35. **External audit.** The General Inspectorate of Finance (*Inspection Générale des Finances*, IGF) – a Department of the Ministry of Economy and Finance – will be responsible for the annual external audit of the Program’s financial accounts. IGF has already performed this role satisfactorily under a range of other Bank-financed PforR operations in Morocco.

Figure A1.1 Program institutional arrangements



Annex 2: Results Framework

Result Areas	Results Indicators	DLI #	Unit of Measurement	Baseline (2017) ²²	End Target (2022)
PDO Indicator 1: Volume of conditioned and exported citrus		--	MT	556,800	750,000
	PDO Indicator 2: Volume of conditioned and exported olives			73,129	98,000
	PDO Indicator 3: Volume of high quality olive oil commercialized			10,000 ²³	20,000
Result Area 1: Increased market efficiency and integration	IR Indicator 1.1: Interprofessions with business plans approved and intra-branch agreements adopted to ensure sustainability	1	Number	0	2
	IR Indicator 1.2: Private investments in conditioning, cold storage and processing units (olive, citrus) generated through FDA incentives		Value (MDH)	0	700
	IR Indicator 1.3: Amended Law no. 4-12 on agricultural aggregation dated 2012 is under implementation	2	Yes/No	No	Yes
	IR Indicator 1.4: Additional producers aggregated (olives, citrus)		Number	0	1,500
	IR Indicator 1.5: At least one wholesale market is operating and applying the new management model as defined in the POM	4	Yes/No	No	Yes
	IR Indicator 1.6: Use of market information services for mobile phones and of the application Publi-Asaar		Number	0	200,000
	IR Indicator 1.7: At least one public consultation on the Program carried out each year by MAMPDREF		Yes/No	No	Yes

²² Baselines for PDO indicators 1, 2 and 3 and for IR Indicator 2.1 are for 2016.

²³ This value is indicative and represents the total volume of olive oil exported in 2016-2017; the actual baseline will be established in February 2018 through a survey.

Result Area 2: Improved added-value of agri-food products	IR Indicator 2.1: Small and/or medium agri-food enterprises authorized by ONSSA Of which, women-owned:	5	Number ^(g)	5,000	6,000
			Number		+100 ²⁴
	IR Indicator 2.2: Area treated for Mediterranean fruit fly through the new Center		Hectares	0	20,000
	IR Indicator 2.3: Producers with an input register in the Souss-Massa region Of which, women:		Number ^(g)	0	2,000
				0	100
	IR Indicator 2.4: SDOQ Products certified by the Certification and Control Agency (OCC)		Number	8	28
	IR Indicator 2.5: Small- and medium-size producers and/or enterprises assisted by the Agri-food Innovation Centers (CIAs) Of which, women:	7	Number ^(g)	0	50
		Number	0	5	
IR Indicator 2.6: Projects using green practices and technologies implemented by beneficiaries of the Program		Number	0	10	

(g) gender-disaggregated

Indicator Description

Indicator Name (#)	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLI	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
PDO: Volume of added-value products commercialized	The indicator includes the following: (i) Volume of conditioned and exported citrus	Annual	Private businesses ⁷	(i) and (ii) based on export approvals by EACCE	(i) Maroc citrus (i) and (ii) EACCE	--	--

²⁴ This indicator has not been monitored by gender until now (no baseline) but ONSSA will start monitoring it under the Program for newly authorized operators

	(ii) Volume of conditioned and exported olives (iii) Volume of high quality olive oil commercialized (i.e. quality is higher than <i>lampante</i>)		records and official records	(iii) survey by DSS	(iii) DSS Data to be consolidated by the DDFP		
IR 1.1: <i>Interprofessions</i> with business plan approved and intra-branch agreement adopted to ensure sustainability	The two milestones to strengthen the <i>Interprofessions</i> (approval of a business plan by the management of the interprofession and by MAPMDREF, and adoption of an <i>Accord Interprofessionnel</i> by members of the interprofession through its General Assembly) have been completed	Semiannual	Records of the <i>Interprofessions</i>	Self-reporting	Data provided by the <i>Interprofessions</i> , information validated by the DDFP	IGA	Yes
IR 1.2: Private investments in conditioning, cold storage and/or processing units (olive, citrus) generated through FDA incentives	Value of private investment in conditioning, cold storage and/or processing units for projects receiving incentives from the FDA (olive, citrus) under adjusted modalities for appraisal and monitoring by MAPMDREF.	Annual	Official records of the DF	Data collected by DF through the <i>guichets uniques</i> as part of information provided by proponents	DF	--	--
IR 1.3: Amended Law no. 4-12 on agricultural aggregation dated 2012 is under implementation	The Law on aggregation has been amended to allow direct sales of products from aggregation projects to supermarkets and other modern commercial entities. The related Implementation Decree and <i>arrêtés</i> have been published.	Annual	Official Bulletin Minutes of the Government Council	Official Bulletin publications, collected by DDFP	DDFP/ADA	IGA	No
IR 1.4: Additional producers aggregated (olive, citrus)	Number of additional producers aggregated within the scope of the Program, disaggregated by gender	Semiannual	ADA's official records	Producer aggregation certificates granted by ADA	ADA	--	--
IR 1.5: At least one wholesale market is operating and applying the new management model as defined in the POM	At least one wholesale market has been built and is operating; operators from other markets are transferred to the new market in line with the social plan.	Semiannual	Wilaya	Monitoring by DDFP, the Wilaya and Rabat Région Aménagement through the wholesale market convention	DDFP	IGA	Yes
IR 1.6: Use of market information services for mobile phones	This indicator aggregates the following: (i) additional SMS sent to users (160,000 at	Semiannual	DSS's database	Automatic record of SMS sent and downloads	DSS	--	--

and of the application Publi-Asaar	EOP), and (ii) additional downloads of the mobile application (40,000 at EOP)						
IR 1.7: At least one public consultation on the Program carried out each year by MAMPDREF	This indicator measures citizen engagement. The schedule and detailed content of the consultation will be defined in accordance with the Program implementation schedule for each activity. It will systematically include progress on the wholesale market. A report on the consultation will be prepared by the DDFP.	Annual	DDFP's reports	DDFP reports	DDFP	--	--
IR 2.1: Small and/or medium enterprises agri-food authorized by ONSSA	This indicator refers to the number of additional small and/or medium enterprises (as defined by Maroc PME), authorized by ONSSA, reflecting their compliance with the food safety law. This indicator will be disaggregated by gender (owner in case of enterprises)	Semiannual	Records of ONSSA	Use of official documents	ONSSA	IGA	Yes
IR 2.2: Area treated for Mediterranean fruit fly through the new Center	This indicator refers to the citrus production area (hectares) treated once the Center is built, fully equipped and staffed, and it starts to provide treatment for producers	Annual	Records of ONSSA	Use of official documents	ONSSA	IGA	No
IR 2.3: Producers with an input register in the Souss-Massa region	This indicator includes the number of agricultural producers who are using an input register in the Souss-Massa region, disaggregated by gender	Annual	Records of ONSSA	Use of official documents	ONSSA	--	--
IR 2.4: SDOQ Products certified by the OCC	Number of SDOQ products with a certificate granted by the OCC	Annual	Records of OCC	Use of Annual report of the OCC	DDFP	--	--
IR 2.5: Small- and/or medium-size producers and/or enterprises assisted by the Agri-food Innovation Centers (CIAs)	Small- and/or medium-size producers and enterprises with value-addition projects that have requested and benefitted from at least one of the services offered by the CIAs (technical support services; management support services; knowledge and market access support services; incubation support services, and networking services). This indicator will be disaggregated by gender (owner in case of enterprises)	Annual after having established the CIAs	Record/data base of the CIAs	Use of formal record established in each center	DDFP	IGA	Yes
IR 2.6: Projects using green practices and technologies	The indicator aggregates all projects adopting green practices and technologies, including those to treat residues and enhance climate	Annual	Record/data base of the CIAs	Use of formal record established in each center and of the	DDFP and DF	--	--

implemented by beneficiaries of the Program	adaptation and mitigation, either as a result of the support provided by the CIAs or within the scope of FDA's financial support		DF records on FDA	records of FDA (maintained by the DF)			
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Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Disbursement-Linked Indicator Matrix²⁵

	<i>Total Financing Allocated to DLI (US\$ m)</i>	<i>As % of Total Financing Amount</i>	<i>DLI Baseline (2017)</i>	<i>Year²⁶ 1 (2018)</i>	<i>Year 2 (2019)</i>	<i>Year 3 (2020)</i>	<i>Year 4 (2021)</i>	<i>Year 5 (2022)</i>
DLI 1: Number of <i>Interprofessions</i> with business plans approved and intra-branch agreements (<i>Accords Interprofessionnels</i>) adopted to ensure sustainability			0		1	2		
<i>Allocated amount:</i>	10.0	5%			5.0	5.0		
DLI 2: Amended Law no. 4-12 on Agricultural Aggregation dated 2012 is under implementation: 2.1 Adoption by the Council of Government 2.2 Amended Law published 2.3 Implementation Decree and <i>arrêté</i> published			2.1 No 2.2 No 2.3 No	2.1 Yes	2.2 Yes	2.3 Yes		
<i>Allocated amount:</i>	10.0	5.0%		2.0	5.0	3.0		
DLI 3: Number of new/upgraded conditioning, cold storage and/or processing units in selected agri-food value chains under operation			0	5	27	53	62	70
<i>Allocated amount:</i>	70.0	35.0%		5.0	22.0	26.0	9.0	8.0
DLI 4: At least one wholesale market operating and applying the new management model as defined in the POM:			4.1 No 4.2 No 4.3 No		4.1 Yes		4.2 Yes	4.3 Yes

²⁵ Annual values of indicators are cumulative

²⁶ Calendar year January 1st to December 31st

4.1 SDL/SDR established and registered 4.2 Wholesale market constructed and fully equipped 4.3 New wholesale market is fully operational as described in the POM.								
<i>Allocated amount:</i>	34.5	17.25%			10.0		12.5	12.0
DLI 5: Number of small- and/or medium-size agri-food enterprises authorized by ONSSA			5,000 (2016)	5,200	5,400	5,700	5,900	6,000
<i>Allocated amount:</i>	30.0	15.0%		6.0	6.0	6.0	6.0	6.0
DLI 6: The Borrower's center for the production of sterile <i>ceratitis</i> males providing farm treatment services to citrus producers: 6.1 Agreement between the Borrower and IAEA signed for the provision of equipment and relevant training for the center 6.2 The center has been constructed and fully equipped, and has launched its activities			6.1 No 6.2 No	6.1 Yes			6.2 Yes	
<i>Allocated amount:</i>	15.0	7.5%		5.0			10.0	
DLI 7: Number of small- and medium-size producers and enterprises assisted by the Agri-food Innovation Centers (CIAs): 7.1 Two Agri-food Innovation Centers (CIAs) constructed/rehabilitated and fully equipped, and are operational 7.2 Number of small- and/or medium-sized producers and enterprises with added-value project assisted by the CIA			7.1 0 7.2 0		7.1 1	7.1 2 7.2 10	7.2 30	7.2 50
<i>Allocated amount:</i>	20.0	10.0%			2.5	5.5	6.0	6.0

DLI 8: Establishment of Integrated Financial Management system to improve program management: 8.1 System designed 8.2 System fully operational			8.1 No 8.2 No	8.1 Yes	8.2 Yes			
<i>Allocated amount:</i>	10.0	5.0%		3.0	7.0			
<i>Front End Fee</i>	0.5	0.25%						
Total Financing Allocated:	200.00	100%	0.5	21.0	57.5	45.5	43.5	32.0

DLI Verification Protocol Table ²⁷

#	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source /Agency	Verification Entity	Procedure
1	Number of <i>Interprofessions</i> with business plans approved and intra-branch agreements adopted to ensure sustainability	Number of interprofessions with: (a) their business plans approved by their respective board; and (b) with <i>Accord interprofessionnel</i> (intra-branch financing agreement) adopted by their members (through the General Assembly) under terms and conditions acceptable to the Bank	Yes	Interprofession	IGA	Verified by the IGA by reviewing the business plans and agreements.
2	Amended Law no. 4-12 on Agricultural Aggregation dated 2012 is under implementation 2.1 Adoption by the Council of Government 2.2 Amended Law published	Amended Law adopted by the Government Council; Amended Law, Implementation Decree and related <i>arrêté</i> published in the Official Bulletin	No	Minutes of the Government Council. Official Bulletin (law, decree)	IGA	Verified by the IGA by reviewing the Official Bulletin.

²⁷Values of indicators are cumulative

	2.3 Implementation Decree and <i>arrêtés</i> published					
3	Number of new/upgraded conditioning, cold storage and/or processing units in selected agri-food value chains under operation	Investment projects in new and upgraded processing, cold storage and /or conditioning units in the olive and citrus sub-sectors fully implemented with FDA incentives. The DRA/DPA has verified that the construction of the unit has been completed as per the approved designs and that the unit can start operations. The certificate of final eligibility for FDA support has been issued. The cold storage units can be used for multiple fruit and vegetables.	Yes	Official record at DF	IGA	Verified by the IGA by reviewing DF records of investments supported by the FDA (certificate of eligibility and supporting documentation).
4	At least one wholesale market operating and applying the new management model as defined in the POM 4.1 SDL/SDR established and registered 4.2 Wholesale market constructed and fully equipped 4.3 New wholesale market is fully operational	4.1: SDL/SDR that will manage the wholesale market is established; 4.2: The wholesale market is fully built and equipped; 4.3: Wholesale market is operating in accordance with specific criteria defined in the POM (among others, operators from other markets have transferred to the new market in line with the social action plan).	Yes	Wilaya	IGA	Verified by the IGA by reviewing the official bulletin. 4.1: Verification through the submission of legal evidence of the creation of the entity; 4.2 and 4.3: Verified by the IGA by reviewing progress reports.
5	Number of small- and/or medium-size agri-food enterprises authorized by ONSSA	Small- and/or medium-size producers and enterprises authorized and integrated into ONSSA's official register (i.e. complying with the food safety law).	Yes	ONSSA	IGA	Verified by the IGA by reviewing ONSSA's register and official records.
6	The Borrower's center for the production of sterile <i>ceratitis</i> males providing farm treatment services to citrus producers: 6.1 Agreement between the Borrower and IAEA signed	6.1 Agreement with IAEA signed 6.2 Center established and carrying out initial activities (producing sterile males and providing integrated pest control services)	No	DDFP	IGA	Verified by the IGA based on review of agreement with IAEA and by means of site inspections and by reviewing reports prepared by the center.

	<p>for the provision of equipment and relevant training for the center</p> <p>6.2 The center has been constructed/rehabilitated and fully equipped, and has launched its activities</p>	<p>through fly releases for at least 10,000 hectares).</p>				
7	<p>Number of small- and/or medium-size enterprises assisted by the Agri-food Innovation Centers (CIAs):</p> <p>7.1 Two Agri-food Innovation Centers (CIAs) constructed/rehabilitated and fully equipped, and are operational</p> <p>7.2 Number of small- and/or medium-sized producers and enterprises assisted by the CIAs.</p>	<p>7.1 Centers with dedicated facilities and resources and delivery of services to SMEs started.</p> <p>7.2 Number of small- and medium-size producers and enterprises with value-addition projects that have requested and benefitted from at least one of the services offered by the CIAs (technical support services; management support services; knowledge and market access support services; incubation support services, and networking services).</p>	Yes	DDFP CIAs	IGA	<p>Verified by the IGA by reviewing the reports of activities and beneficiaries provided by the CIAs and DDFP.</p>
8	<p>Establishment of Integrated Financial Management system to improve program management:</p> <p>8.1 System designed</p> <p>8.2 System fully operational</p>	<p>8.1 The system has been designed and is ready for installation</p> <p>8.2 The system is fully operational</p> <p>The system is a software package to enhance the Ministry's financial management functions and support evidence-based decision-making.</p>	No	DDFP	IGA	<p>8.1 Verified by the IGA by reviewing system design and installation documents.</p> <p>8.2 Verified by the IGA by reviewing the budget allocation and execution reports generated from the system</p>

Bank Disbursement Table

#	DLI	Bank financing allocated to the DLI (US\$ m)	Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
1.	Number of <i>Interprofessions</i> with business plans approved and intra-branch agreements (<i>Accords Interprofessionnels</i>) adopted to ensure sustainability	10.0	December 31, 2021	1	2	US\$5 million for each Interprofession with both a business plan approved and Intra-branch agreement adopted
2.	Amended Law no. 4-12 on Agricultural Aggregation dated 2012 is under implementation 2.1 Adoption by the Council of Government 2.2 Amended Law published 2.3 Implementation Decree and <i>arrêté</i> published	10.0	December 31, 2020	2.1 Yes 2.2 Yes 2.3 Yes	2.1 Yes 2.2 Yes 2.3 Yes	(2.1) US\$2 million for the adoption of the amended law by the Council of Government (2.2) US\$5 million for publishing the amended Law (Official Bulletin) (2.3) US\$3 million for publishing the related implementation Decree and <i>arrêté</i> (Official Bulletin)
3.	Number of new/upgraded conditioning, cold storage and/or processing units in selected agri-food value chains under operation	70.0	December 31, 2022	5	70	For each new/upgraded unit for conditioning, cold storage and/or processing in selected agri-food value chains receiving FDA incentives to operate, US\$1,000,000 may be made available for withdrawal by the Borrower, up to USD 70,000,000, with a minimum threshold of five (5) new/upgraded units having received FDA incentives
4.	At least one wholesale market operating and applying the new management model as defined in the POM: 4.1 SDL/SDR established and registered 4.2 Wholesale market constructed and fully equipped 4.3 New wholesale market is fully operational	34.5	December 31, 2022	4.1 Yes 4.2 Yes 4.3 Yes	4.1 Yes 4.2 Yes 4.3 Yes	(4.1) US\$10 million for establishing and registering the SDL/SDR (management entity) (4.2) Following the establishment and registration of the SDL/SDR referred to in DLR 4.1, US\$12.5 million for finishing the construction and equipment of the market, no later than December 31, 2021 (4.3) Following the construction and full equipment of the wholesale market referred to in DLR 4.2, US\$12 million for fully operational new

						wholesale market, no later than December 31, 2022
5.	Number of small- and/or medium-size agri-food enterprises authorized by ONSSA	30.0	December 31, 2022	+100 operators	+1,000 operators (cumulative)	For each additional small and/or medium size enterprise authorized by ONSSA and integrated into ONSSA's official registry occurred during a CY, starting CY 2017 US\$30,000 may be made available for withdrawal by the Borrower, up to US\$30,000,000, with a minimum threshold of: (a) one hundred (100) small and/or medium size agri-food enterprises for the first Borrower's withdrawal application request; and (b) additional fifty (50) small and/or medium size agri-food enterprises for each subsequent Borrower's withdrawal application request.
6.	The Borrower's center for the production of sterile <i>ceratitis</i> males providing farm treatment services to citrus producers: 6.1 Agreement between the Borrower and IAEA signed for the provision of equipment and relevant training for the center 6.2 The center has been constructed and fully equipped, and has launched its activities	15.0	December 31, 2021	6.1 Yes 6.2 Yes	6.1 Yes 6.2 Yes	(6.1) US\$5 million for the execution of the agreement between the Borrower and IAEA (6.2) US\$10 million for operation of the Mediterranean fruit fly control center
7.	Number of small- and/or medium-size producers and/or enterprises assisted by the Agri-food Innovation Centers (CIAs): 7.1 Two Agri-food Innovation Centers (CIAs) constructed/rehabilitated and fully equipped, and are operational 7.2 Number of small- and/or medium-sized producers and/or enterprises assisted by the CIAs.	20.0	7.1 December 21, 2021 7.2 December 31, 2022	7.1 One center 7.2 10	7.1 Two centers 7.2 50	7.1 US\$2.5 million for the first center established and US\$2.5 million for the second. 7.2 For each additional small and/or medium size producer and/or enterprise assisted by the CIA(s), US\$300,000 may be made available for withdrawal by the Borrower, up to US\$15,000,000, with a minimum threshold of ten (10) small and medium size producers and/or enterprises assisted
8.	Establishment of Integrated Financial Management system to improve Program management: 8.1 System designed 8.2 System fully operational	10.0	December 31, 2020	8.1 Yes 8.2 Yes	8.1 Yes 8.2 Yes	8.1 US\$3 million 8.2 US\$7 million

Annex 4: Summary Technical Assessment

A. STRATEGIC RELEVANCE OF THE PROPOSED PROGRAM

1. **Considering its role in the national economy, the agriculture sector will play a fundamental role in ensuring sustainable and inclusive growth in the future.** Morocco's GDP growth is strongly correlated with that of agriculture GDP. Agriculture was the fastest growing economic sector from 2000 to 2015, and the share of agriculture in Morocco's GDP has fallen very slowly remaining at 15 percent in 2015. In 2015, the sector represented 21 percent of total exports, and it was the first employer representing 41 percent of total employment (an estimated 4 million people) and 85 percent of all employment in rural areas. Women actively engage in agriculture, with 57 percent of the female population participating in agricultural work. The pace, quality and sustainability of transformation of the agri-food sector will therefore have a direct impact on the country's key socio-economic development challenges.

2. **However, agricultural growth has not substantially narrowed the rural-urban gap and there are concerns about the sustainability of the current agricultural growth pattern.** Morocco's poverty rate dropped to 4.8 percent in 2014, but this decline is not equally distributed between rural and urban areas. The country's gap between urban and rural living standards is the highest in MENA. The rural population accounts for 40 percent of the total population but 79.4 percent of the poor. The rural poor are largely employed in agriculture (including fisheries and forestry) and regions with large shares of agricultural GDP have poverty rates well above national averages (HCP, 2015). Furthermore, the agricultural growth path followed by Morocco since 2008 has been relatively extensive and based on production factor accumulation, and it is now getting constrained by a rarefaction of key resources (such as land and water). The agri-food sector is also highly vulnerable to climate variability resulting in the high volatility of agricultural GDP (which affects Morocco's GDP). Morocco is susceptible to chronic drought²⁸, and climate change is likely to exacerbate water scarcity, reduce yields, and increase volatility of agricultural production, with substantial variation between regions.²⁹ Higher farm and household incomes, sustainable farming practices, better market access and more diverse income opportunities will be needed to improve the prospects of the rural poor.

3. **The dualistic nature of the agriculture sector is an important factor limiting inclusive and sustainable agricultural growth.** Less than one percent of farmers—representing 14 percent of cultivated land—have highly profitable, commercial, and export-oriented farms. Most small farms are operated by older household heads with low education levels—more than 45 percent of the heads of farming families are over 55 years old and 81 percent are illiterate. These heads of household lack technical know-how and rarely use modern technologies. To meet food consumption needs for their livestock and themselves, smallholders produce low-value agricultural commodities—such as wheat and barley—for which subsidy schemes and market protection incentives are provided by the Government. Notwithstanding those structural issues, the emergence of more commercially-oriented family farm and medium-size farms has been observed in the past decade, and accompanied by an increase of the average farm size. Beyond farm level, the dualistic nature of the agriculture sector is also reflected in the segmentation between domestic and export markets. For example, in the olive sub-sector, the majority of olive oil production is directed to domestic markets, with lower quality oil (lampante) processed in traditional mills which in many cases do not comply with domestic food safety standards; while, in parallel, a smaller modern sector oriented towards export markets is producing a broader range of products and trying to diversify export destinations. In the citrus sub-sector, unlike with competitors, domestic production and distribution channels are relatively disconnected from export channels.

²⁸ For example, the 1994/95 drought caused agricultural GDP to fall by 45 percent and total GDP to fall by 8 percent.

²⁹ World Bank. Morocco study on the impact of climate change on the agricultural sector. 2009.

4. **Agro-industry is the country's second-largest industrial sub-sector, however its growth has not kept pace with agricultural growth.** It represents 27 percent of industrial GDP and 5 percent of total GDP. The sector's value-added is around MAD30 billion (US\$3 billion). Its growth has been lower than that of the manufacturing sector and that of (primary) agriculture over the past years. While agro-industrial exports have increased in value, volumes have remained constant over the past decade, with exported goods accounting for only 12 percent of total industrial exports. A significant part of the industry uses imported inputs. It is estimated that close to 40 percent of the revenues generated by enterprises in the agri-food sector relate to the processing of imported products (milling, tobacco, sugar beverages, etc.) rather than adding value to domestic production.

5. **The economic fabric of the agri-food sector (including agriculture, agro-industry and the related services) is dominated by SMEs and cooperatives.** The agribusiness sector comprises some 2,050³⁰ industrial units, most of them SMEs, and employs up to 143,000 people. Most SMEs in the agri-food sector are active in simple value addition, and the dominant products include milled cereals, oil, canned fruits and vegetables, canned fish, and animal feed. Since the passing of a new Law on cooperatives in 2012, there has been a sharp increase in the number of agriculture cooperatives, reaching 10,500³¹ cooperatives in 2015. An estimated 10 percent of them is also active in the processing and/or marketing of their own production, including niche or certified products (such as argan and olive oil, and dairy products).

6. **Market conditions and sector attractiveness are favorable to a higher growth of the agri-food sector in Morocco and increased potential for job creation.** Domestic demand for high-value and differentiated products is increasing with a growing population, growing urbanization and changes in consumption habits. Export opportunities are substantial for products with growing demand worldwide such as olive oil and fruit and vegetables, which can be produced at competitive costs in Morocco. The Free Trade Agreement with the EU and the increasing ability of producers and agri-food enterprises to comply with phyto-sanitary and sanitary requirements are enabling Moroccan entrepreneurs to respond to those export opportunities. Finally, the sector's growth potential is also supported by the improvement of the enabling environment for doing business in Morocco in general³². Transport infrastructure has significantly improved through the development of highways, the rural roads network and port infrastructure, reducing the time and the cost of transport of perishable products.

7. **Agribusiness SMEs' performance is hindered by binding constraints at firm level.** The diagnostic of the agri-food sector carried out by the Ministry of Agriculture and Marine Fisheries (MAPM)³³ in 2014 through interviews with over 60 players across the industry indicates that those constraints include limited investment by SMEs, lack of capacity for product innovation, and difficulties accessing modern marketing networks. Investments in the agri-food sector have been concentrated with large players, in part because public support and incentives to investments are not adapted to SMEs. Agribusiness development in Morocco is also limited by weak capacity for innovation³⁴ by Moroccan SMEs, as they do not have the critical size to invest in research and development (R&D) activities or set up shared training mechanisms. Further consultations indicate that SMEs and cooperatives face three types

³⁰ Ministry of Industry database, 2013

³¹ ODCO database, 2015

³² Morocco's ranking in the Doing Business Indicators has been improved from 114 in 2011 to 68 in 2017, with significant progress in facilitation of administrative procedures, access to land and protection of investors rights.

³³ Définition d'une stratégie de développement du secteur des industries agroalimentaires et accompagnement à l'élaboration d'un projet de contrat-programme Marché N°14/2014, Roland Berger consulting, April 2014.

³⁴ An **innovation** is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations (Oslo Manual, Paragraph 146). The Oslo manual defines the following 4 main sub-types of innovations: product innovation (to the firm, to the market, to the international market), process innovation, marketing innovation and organizational innovation.

of challenges to innovation: *technical challenges* (mastery of industrial processes, product development, product testing, access to technological facilities, alignment with sanitary regulations, etc.), *management challenges* (business planning, business development, accounting, ability to raise financing, etc.) and *marketing challenges* (market knowledge, access to markets, etc.).

8. **The Government's strategy for the development of the agri-food sector the PMV has been reviewed in 2014 to better respond to those challenges.** The Plan Maroc Vert (PMV), the sector strategy launched in 2008, was evaluated by MAPMDREF in 2014. Notwithstanding initial achievements at the institutional level and results at farm level (e.g. expanded areas under new plantations and productivity gains), the review recommended that the PMV should place greater emphasis on value-chain development, adding value beyond the farm gate, the diversification of markets and attracting private sector investments to the agri-food sector. The review highlighted specifically the situation of tree crops (such as fruit trees and olives) and the need to match recent increases in plantation areas with increased investments in value addition in response to market demand. With regards to the PMV's instruments for investment support, the review also recommended adjustments to increase their accessibility to a larger range of stakeholders and to address impact and sustainability concerns. The proposed Program would support MAPMDREF in the implementation of those recommendations with a view to consolidating and sustaining the achievements of the first phase of the PMV – while addressing some of the shortcomings that have been identified in terms of marketing and valorization of agri-food production.

B. TECHNICAL SOUNDNESS

9. **The design of the Program was informed by recent evaluations and analytical work.** It benefitted from the results and the recommendations of the mid-term review of the PMV carried out by MAPMDREF in 2014 and from reviews of earlier donor assistance to the PMV³⁵. It also benefitted from recent sector work carried out by the Bank³⁶, as well as other partners such as FAO³⁷. On that basis, the design of the Program recognizes that improvements are needed in three complementary areas: (a) strengthening the capacity of some of the entities and agencies created under the PMV, including ONSSA, ADA and the interprofessions to enable them to fully carry out their mandate; (b) accelerating the implementation of key reforms initiated under the PMV (such as the reform of wholesale markets); and (c) supporting improvements to existing PMV instruments for the promotion of investments by small and medium producers and enterprises in the agri-food sector.

10. To achieve its development objective, **the Program would invest in two complementary areas:** (a) *increased market efficiency and integration*, by (i) strengthening the capacity of intra-branch organizations, (ii) enabling greater access of small and medium producers and enterprises to existing instruments to incentivize vertical and horizontal integration, (iii) upgrading selected market infrastructure and modernizing their management, and (iv) improving access to market information; and (b) *improved value-added of agri-food products*, by (i) enabling risk-based implementation of the national food safety law and regulations, (ii) promoting quality standards and certification systems, (iii) improving access to business development services for producers and agribusiness SMEs and their readiness for access to finance and investments, and (iv) financing innovation.

Result area 1: Increased market efficiency and integration

11. The structure of the Moroccan agriculture sector, heavily dominated by small family holdings producing primarily for domestic markets and self-consumption, and the structure of the broader agri-food

³⁵ In particular, evaluations shared by AFD and MCC.

³⁶ World Bank. Inclusive agriculture growth in Morocco: A deep dive into the citrus and olive value-chains. June 2017.

³⁷ Morocco: Investing in collective action – Opportunities in Morocco's agri-food system, final draft, FAO and EBRD, June 2017.

sector with a small number of large, modern enterprises coexisting with a weak network of SMEs poorly equipped to meet the demands of high-value markets, represent important challenges for Morocco's ability to competitively meet the demand of export markets or that of more modern value-chains on domestic markets (e.g., supermarkets). The importance of improving market efficiency and coordination along value-chains has been reflected in the PMV, in particular through the creation of the interprofessions (intra-branch organizations) as platforms for public-private dialogue and to coordinate actions of stakeholders involved upstream and downstream in priority sub-sectors; through the specific actions taken to improve the legal and regulatory framework for wholesale markets and slaughterhouses considering the inefficiencies in the current management of those facilities; through the creation of a specific instrument under the PMV, to support aggregation projects through the FDA; and through a market information system to improve the transparency of market information. The mid-term review of the PMV pointed to the need to accelerate the actual implementation of those reforms and to specific adjustments to increase their impact.

Strengthening the Interprofessions (Intra-branch organizations)

12. **The interprofessions need support to build their capacity to carry out their mandate.** The Interprofessions were created by Law 03-12 in July 2012 as a cornerstone of the PMV and given a broad mandate which includes the promotion of Moroccan products on domestic and export markets, market development, contributing to research and extension programs, awareness raising about norms and standards, intra-sectoral coordination and conflict resolution, and representation of the private sector in public-private dialogue. Unlike similar intra-branch associations in competitor countries (Spain, Portugal, etc.), in Morocco the Interprofessions are still in their early stages of development and while some are relatively well organized (such as Maroc Citrus), most of them still lack adequate resources to carry out their mandate – and in need of technical and financial support before they can effectively fulfil their missions.

13. Under the proposed Program, Maroc Citrus (recognized to represent the citrus sub-sector) and Interprolive (recognized to represent the olive sub-sector) would receive support for the preparation and subsequent implementation of their business plans which would, in particular: (a) define a financing plan, (b) develop a road map for greater sector representation, and (c) on that basis, position more selectively and strategically their services to their members. The signature of intra-branch agreements on the financing of interprofessions (*Accords interprofessionnels*), as envisaged in Law 03-12, would be supported by the Program as a key milestone to ensure their financial sustainability.

Supporting the integration of small and medium producers in selected agri-food value chains

14. Under the PMV, two sets of instruments have been put in place by MAPMDREF to promote coordination between producers and buyers (whether cooperatives/GIEs, processors, exporters or other stakeholders) and to incentivize investments in value-adding activities. Those include the aggregation model under Pillar I of the PMV and the subprojects financed under its Pillar II. Those two schemes complement the incentive schemes which already existed under the FDA to promote, at farm-level, the adoption of improved technologies and farming practices and to foster, beyond the farm gate, investments into modern processing and conditioning units. The proposed Program would improve those instruments based on their evaluation carried out respectively by MAPMDREF and ADA, while also introducing best practices based on international experience.

15. **Scaling up and improving the inclusiveness of aggregation projects.** The Moroccan model of aggregation of production was created by Law 04-12 dated July 2012 to encourage vertical and horizontal integration along priority value-chains. The law regulates contractual arrangements between producers (*agrégés* in the context of aggregation) and buyers (*agrégateur*) in the context of an aggregation project. The law defines aggregation (*agrégation agricole*) as the voluntary association of a group of producers with

a specific buyer through a contract (*contrat d'agrégation*) defining both the technical support to be provided by the buyer to those producers and the conditions for the purchase of their production. Aggregation projects must aim at one or several of the following objectives: (a) better organization of agricultural production through technical assistance for producers, and collective purchase and/or use of production inputs and equipment, (b) facilitating access to finance and/or agricultural insurance, (c) facilitating market access for producers, and (d) value-addition for agri-food products (through conditioning, storage, processing, etc.). To be eligible for financial support from the FDA, aggregation projects must meet the requirements of the law and be validated by MAPMDREF through the regional technical committees in charge of evaluating the aggregation projects submitted by proponents.

16. Following ADA's evaluation of the aggregation model and to stimulate greater uptake by both producers and buyers, various adjustments have been introduced to simplify the requirements for proponents of aggregation projects. ADA intends to continue to adjust the model based on the experience to date, specifically to make it more accessible for operators of lower organizational capacity, such as cooperatives and GIEs, and to make it more attractive for producers. Similar to the lessons from other countries with programs fostering commercial partnerships between producers and buyers (such as the productive alliances model in Latin America), the proposed improvements that would be supported by the Program would include: (a) ensuring greater awareness about the benefits and specificities of aggregation through communication campaigns, (b) on a pilot basis, providing technical and financial assistance to groups of producers (such as cooperatives and GIEs) interested in aggregation to strengthen their organizational and managerial capacity and enable them to enter into commercial partnerships with buyers (productive alliances), (c) further simplification of the administrative requirements for aggregation, and (d) amendment of Law 04-12 to enable *agrégateurs* of fruit and vegetables to sell directly to supermarkets and other modern commercialization platforms.

17. While Law 04-12 provides for a wide definition of aggregation as forms of commercial partnerships between producers and buyers, existing instructions to enable the implementation of the law only cover the specific case of aggregation around a processing or conditioning unit. Partnerships involving other buyers/*agrégateurs* and/or which do not involve the establishment of a new processing or conditioning unit are therefore excluded from potential support, while the law itself would allow such partnerships (e.g. a cooperative interested in upgrading the quality of its products or business model to respond to market demand, or interested in developing a new range of products). The proposed pilot to support groups of producers to update their business models with a view to entering into commercial agreements with buyers would aim at testing new modalities to fill that gap. Subject to the results of the pilot, it could be expanded for example through the development of updated instructions under the law. Such adjustments would enable the aggregation model to become more inclusive while also accelerating progress towards better value-chain coordination.

18. **Transition from Pillar II support to aggregation.** Pillar II was designed to address the situation of small semi-subsistence producers located in challenging production areas. The modalities for the implementation of Pillar II projects differ significantly from those of aggregation projects, with the full costs of Pillar II projects born by MAPMDREF and by donors supporting Pillar II. While some value-addition projects have been successfully implemented, the sustainability of many is at risk due to factors such as over-dimensioning compared to the capacity of the beneficiaries, lack of attention to financing needs for operations, and/or the lack of management capacity of producers' groups. For example, the evaluation of the MCA-financed GIEs established for olive oil production, carried out by the DDFP, has identified the need for complementary technical and financial assistance to enable those GIEs to become operational and sustainable. The proposed productive alliances pilot under the Program could support such cooperatives and GIEs which have the potential to become commercially profitable and sustainable.

19. **FDA incentives for processing and value-adding.** The level of FDA incentives for processing and value-adding have been increased under the CP IAA for selected sub-sectors (including citrus). There is a need, however, to enhance the systems used by MAPMDREF to appraise, monitor and evaluate those investment projects, specifically to ensure that the projects financed are financial viable (financial evaluation) and that environmental and social regulations are complied with. The proposed Program would support those upgrades to operational modalities, and subsequently finance the related incentives for private investment in the olive and citrus sub-sectors.

Modernizing the management of wholesale markets

20. **Dysfunctional wholesale marketing and distribution systems for fruit and vegetables in Morocco result in high marketing costs, low producer incomes and high consumer prices on domestic markets, while undermining incentives for improving quality.** For example, an analysis of price formation along domestic marketing channels for citrus indicates that inefficiencies in marketing channels result in losses of up to MAD 2/kg at producer level and higher prices for Moroccan consumers, without the food safety and product quality standards observed for exports. The 38 municipal fruit and vegetable wholesale markets in Morocco are faced with decaying infrastructure, inadequate management, limited marketing services and poor sanitary conditions. The *Charte Communale* stipulates that the communes have a monopoly on decisions regarding the establishment and management of fruit and vegetable wholesale markets in their jurisdictions. Prices are in principle set by the market management and a fixed tax (*redevance*) of 7 percent on the gross sales value of each transaction is levied by the communes at the markets, which penalizes high-value products. The lack of uniform rules governing the operation of markets and the inadequate reinvestment of market revenues have contributed to the opaque management and poor physical and sanitary condition of Morocco's wholesale markets. Furthermore, current legislation prohibits farmers and traders from selling directly to food retailers and supermarkets in urban communes. However, farmers, especially small ones, often lack the resources to transport their products to distant wholesale markets. As a result, their produce is often first traded in a wholesale market closer to the farm where a 7 percent tax is levied, then marketed through a second wholesale market of the commune where the retailer is located which levies an additional 7 percent tax before selling to the retailer. The current system depresses producer revenues due to high transaction costs. It also creates high consumer prices, which hurts the urban poor disproportionately. It undermines incentive for value addition, constrains producers' integration in value chains, and distorts domestic trade flows. The weak services of wholesale markets have pushed many producers to market their produce through informal channels. MAPMDREF has estimated that currently only 30-50 percent of the domestic fruit and vegetable production flows through the municipal wholesale markets. Finally, this puts domestic producers in a disadvantageous position since importers are allowed to market imported produce directly to retailers after paying the fixed transaction tax of 7 percent at entry.

21. **The Government has been working to improve the institutional and regulatory framework governing fruit and vegetable wholesale markets.** A national strategy and action plan was adopted in 2010 for the restructuring of fruit and vegetable wholesale marketing (*Schéma National d'Orientation des Marchés de Gros de Fruits et Légumes*). The strategy includes: (i) an overall plan for reducing the number of wholesale markets (*Schéma d'Implantation des Marchés de Gros*) in a manner which takes into account the projected evolution of domestic production, consumption, and trade trends until 2020; (ii) the identification of viable wholesale market ownership and management models, including required institutional and regulatory adjustments; and (iii) necessary accompanying measures for the implementation of the *Schéma National d'Orientation*. As a next step, the Government has been planning to update the national strategy and action plan to integrate reforms on decentralization, and to implement the new management models for wholesale markets in partnership with interested communes and regional authorities. With World Bank support provided under the previous PMV DPL series, national, regional, and local government stakeholders have gradually converged on a viable ownership and management model for wholesale market infrastructure.

22. **Preconditions for introducing a new ownership and management model at the Rabat-Salé-Kénitra wholesale market are being met.** The Wilaya of Rabat-Salé-Kénitra has demonstrated a strong desire to advance the development of a regional agri-food platform to which the existing municipal wholesale markets of Rabat, Salé, Kénitra and Témara would be transferred. A suitable site has been identified for that purpose, which would accommodate a modern fruit and vegetable wholesale market in addition to warehouses, technical service areas (e.g., washing, cold storage, processing units etc.), business service areas (e.g., banks, offices, etc.), and retail product markets (e.g. seafood, meat, flowers etc.). The platform would be developed in three phases over a 10-year period. The Program would support the development of the core market infrastructure, which is envisaged during the first phase for a total cost of approximately US\$55 million. This core infrastructure could evolve flexibly over time (e.g., construction of additional warehouses) in response to changes in demand and the needs of operators. A convention would describe the respective roles of the project's national, regional, and local government sponsors³⁸, the designated entity in charge of the construction of the platform (*Rabat Région Aménagement SA*), and the (still to be created) local development company (*Société de Développement Local/Régional, SDL/SDR*) that will oversee the management of the wholesale market infrastructure. It is expected that the market would be built by *Rabat Région Aménagement SA* within two years of the signature of the convention, after which management responsibilities would be transferred to the SDL/SDR and its management team. Importantly, *Rabat Région Aménagement SA* and the Wilaya of Rabat-Salé-Kénitra have had the opportunity to visit successful wholesale markets abroad, including the wholesale markets of Madrid (Mercamadrid) and Paris (Rungis), and *Rabat Région Aménagement* has been benefiting from technical support provided by the Rungis wholesale market in the preparation of a detailed business plan. Technical support would continue to be provided during the detailed infrastructure design and construction phases of the project.

23. **The implementation of a new management model for wholesale market infrastructure and services under the proposed Program would deliver a variety of market efficiencies.** In 2016, an estimated 350,000 to 400,000 tons of fruit and vegetable were consumed in the Rabat region of which 225,000 tons were channeled through the existing municipal wholesale markets of Rabat, Salé, and Témara. Citrus fruit (oranges) accounted for 60 percent of the fruit marketed through those markets. Due to its links to a major and rapidly growing consumption center, the creation of a modern wholesale market in Rabat could have a structuring effect on fruit and vegetables value chains in Morocco, while its demonstration effect could accelerate the modernization of the broader network of wholesale markets in Morocco targeted under the *Schéma National*. In line with international practices: (a) the wholesale market's business model would no longer rely on fee-based tax collection (*redevance*) by proxies (*mandataires*), but on charging a cost of using the public space based on the areas, entrees, or services used; (b) the management of the wholesale market would be the responsibility of a local development society (*Société de Développement Locale, SDL/SDR*), an autonomous entity capable of reinvesting revenues, accessing bank loans, and recruiting professional market management teams; and (c) the regional agri-food platform would operate in a more competitive environment, especially with respect to warehousing, so that it is incentivized to offer services tailored to user needs at a competitive price. Finally, the proposed Program would support the development and implementation of the social management plan, which would accompany the closing of the existing wholesale markets being relocated with a view to proactively manage any adverse social impacts, in particular on current (25) *mandataires*, operators, communities, and public employment linked to the existing wholesale markets.

24. **A number of political, technical and commercial risks must be effectively managed to ensure the successful launch of the new wholesale market.** First, the closure of existing wholesale markets and

³⁸ Project sponsors include the MAPM, MEF, MICEN, MI, and Rabat-Salé-Kénitra Region, as well as the municipalities of Rabat, Salé, Kénitra, Témara, Ain Attig, Skhirat, Ain Aouda, Sidi Yayha des Zaers, El Harhoura, and Sidi Abi El Canadel.

their transfer to new sites are delicate operations because they lead to a profound change in the interactions between market users. The inability or lack of political will of municipalities to enforce this transfer has resulted in the failure of many wholesale markets in other countries. In light of this, it is critical that: (i) the municipalities where the existing wholesale markets are located (i.e. Rabat, Salé, Kénitra, and Temara) have a clear commitment to close these markets as soon as the new market becomes operational; and (ii) the Wilaya does not allow the opening of any competing wholesale markets on its territory.

25. Second, the existing commission system and lack of technical expertise with regards to wholesale markets at the level of the recently created *Rabat Région Aménagement* could result in misalignments between the design of the wholesale market infrastructure and the needs of the future operators and market users³⁹. It is therefore essential that the SDL/SDR which will manage the market be created as soon as possible and a "project team" be established and trained to form the nucleus of the SDL/SDR's future market management team. In this context, it is worth underlining that the steps and time required to create a SDL/SDR are often underestimated, in particular the modalities for transferring the new infrastructure to the SDL/SDR and the definition of the shares of the different shareholders in the company's capital. The latter not only has important implications for the flows of possible dividends to the participating municipalities, but also determines the weight of the different partners in the decision-making process relating to the functioning of the market.

26. Third, if the newly established SDL/SDR and its management team are to ensure the modern management of the wholesale market and meet the needs of its users, they must be actively involved in the design phase of the project and in all the phases preceding the launch of the new market, including signing contracts with users and service companies and defining the tariffs and internal rules of the market. Moreover, the SDL/SDR should have an adequate operating budget from its inception so that it can take on the work of prospecting users and preparing the market infrastructure, including through promotional activities. In this context, it is essential that the SDL/SDR clarifies the position of the future wholesale market in relation to large-scale distribution networks as the avoidance of the market by retailers would undermine the development of the market. Finally, the government must ensure the construction of required off-site infrastructure (access roads, etc.), connectivity to utility networks (water, electricity, etc.), and the development of an environmental management plan that would render the market a model structure from an energy use and waste management perspective.

Improving access to information

27. **Improved market information tends to reduce the risks and lower the transaction costs of producers and other actors participating in agri-food value chains.** These efficiency gains can lead to increased participation in the agri-food value chains and greater stability of prices and supply/demand. More efficient and transparent agricultural markets benefit all value chain actors (producers, traders, investors, policymakers, processors and consumers) and can improve agribusiness management across the value chain. Access to reliable market information helps farmers become better managers by assisting them in planning production in line with market demand and negotiate prices on a more even footing with wholesalers, processors, and retailers.

28. The Program would strengthen the dissemination of information regarding domestic agricultural markets (e.g. price, location of points of sale, etc.) to producers and other operators. Specifically, the Program would support the modernization of the MAPMDREF's existing *Asaar* platform as well as the development of new ICT tools (mobile apps, SMS, etc.) in the platform to reach up to 200,000 users. Currently, most producers do not have access to internet and therefore to information managed by the *Asaar* platform. In addition, the available information is not tailored to their needs. The use of voice messaging,

³⁹ Rabat Aménagement S.A.'s contract provides for the payment of a 3 percent commission on the amount of the work.

SMS and mobile apps present new opportunities to address this gap and increase the impact and inclusiveness of the current market information system.

Result Area 2: Improved added-value of agri-food products

29. **Food safety and quality are intricately connected and essential elements to improve the added-value of agri-food products.** Whereas food safety refers to all hazards that may affect the health of the consumers, quality includes all other attributes that influence a product's value to the consumer. This includes both negative (such as spoilage, discoloration, odors etc.) and positive attributes (such as the origin, color, flavor, texture, and production or processing method of the food). Food safety can therefore not be viewed as a totally independent aspect from quality. However, the complexity of both concepts has brought the need of managing food safety and quality aspects separately.

Improving food safety

30. **To take advantage of export opportunities for its agri-food products, Morocco needs to comply with importing countries' mandatory requirements with regards to food safety.** Sanitary and phytosanitary (SPS) measures have become the most significant non-tariff barriers to accessing export markets. Compliance with international food safety standards has become a pre-condition for producers and manufacturers to entering major export markets (such as the EU, the US, Canada and the Russian Federation in the case of Moroccan exports). Those requirements have been a driving force for the integration of various services dealing with food safety in Morocco into a single food safety agency, overseeing food safety for the entire food chain, the National Food Safety Authority (*Office National pour la Sécurité Sanitaire des Aliments*) - ONSSA. Created by Law 25-08 of 18 February 2009, ONSSA is an autonomous agency placed under the authority of the Minister of Agriculture and Marine Fisheries (MAPM). Its integrated structure is in line with best practice at international level which recommends that each country should have a single coordinating agency for food safety control "from farm to fork".

31. **ONSSA is generally considered at international level as a credible official agency for all aspects concerning the safety of agri-food products in Morocco.** Since its creation and the adoption of Law no. 28-07 of 11 February 2010, which empowers it to carry out its mandate, ONSSA has adopted a number of decrees so that Moroccan food safety regulations have practically incorporated much of the recent EU law in this area. As for its strategy, the Office is working on the implementation of its 2015-2020 business plan. From the outset, it opted for a quality management system integrated at all levels of the organization: ISO 9001 for central administration and all regional directorates, ISO 17020 for regional inspection services and ISO 17025 for laboratories.

32. **While it is operational since 2010, ONSSA is confronted with a multiplicity of operators active in the agri-food sector and, in particular, the substantial size of the informal sector.** The main difficulties encountered by the Office are the informal culture and the resistance to change that persists in the agri-food sector, except for exporters who are aware that alignment with international standards is a condition for the development of exports. Faced with this, ONSSA acts with caution in its enforcement tasks so as not to jeopardize entire sections of the local economy. Progress on the ground is visible but slow.

33. The activities selected for support under the Program would aim at addressing critical areas for the improvement of food safety in Morocco, thereby accelerating the implementation of the key provision of Law 25-08. In line with international experience, and considering the relatively low awareness of Moroccan consumers about food safety issues, the Program includes actions targeting both the demand side (consumer demand for safe products) and the supply side (agri-food producers and processors' compliance with food safety requirements), while also strengthening the capacity of ONSSA to carry out its mandate:

34. **Census of agri-food operators and support for compliance with food safety standards.** The objective of improving the safety of agri-food products cannot be met without good knowledge of the economic operators by ONSSA. The current database of those operators at the ONSSA level is incomplete and many small and medium-sized enterprises (SMEs) are still poorly equipped to meet regulatory food safety requirements and to obtain the related authorizations from ONSSA. The Program would therefore finance both: (a) a census of agri-food enterprises, starting with those involved with olive trituration and the processing of citrus, and (b) technical support to those enterprises to enable them to meet food safety requirements and obtain the related authorizations.

35. **Accelerating the broad adoption of the producers' register of agricultural inputs.** Among the requirements imposed on agricultural producers is the traceability of their products and of their mode of production, including the identification of agricultural inputs used. This is a prerequisite for access to export markets (in particular, Morocco's main export markets, the European Union and the US), and to be able to fulfill the mandatory specifications, in particular, of large supermarkets. The region of Souss-Massa, which accounts for 40 percent of the national production of fruits and vegetables and 70 percent of the volume exported, is central to the development of an export-oriented fruit and vegetables sub-sector. While ONSSA estimates that approximately 3,000 producers of citrus of this region respect the legal obligation to keep an agricultural input register, many others do not and thus are left out of growing export market opportunities. The Program would finance awareness-raising and technical assistance activities (covering the rational use of pesticides and fertilizers, including commercial requirements with respect to residues) for those (often) smaller producers and their associations to eventually reach a target of 70 percent of producers implementing the agricultural inputs register requirements.

36. **Increasing awareness about food safety.** Since the Food Safety Act No. 28-07 is fairly recent (2008) with subsequent regulations even more recent, many agri-food producers, processors and other operators are still not fully familiar with their provisions (and with the role of ONSSA). On the other hand, consumers constitute an important group to demand that health rules be respected and who can drive the demand for improved food safety and quality. The Program would therefore finance structured awareness campaigns organized by ONSSA and targeting those two types of stakeholders. These campaigns would also raise consumers' awareness of the role of ONSSA. In many countries, consumers are an important source of information for food safety control agencies, allowing official services to become aware of anomalies and irregularities and thus improving the efficiency of controls. Topics such as accreditation / authorization of agri-food enterprises, maintenance of the agricultural input registers by producers and labeling of foodstuffs would be the focus of such campaigns. In other countries, such campaigns have contributed to the reduction of informal marketing channels by raising the awareness of consumers about the greater food safety risks in those circuits.

37. **Upgrading the capacity of ONSSA laboratories.** The safety of agri-food products is first and foremost the responsibility of producers and other operators involved with processing and marketing those products. The public authorities can only impose the rules to be respected and apply a control plan based on the evaluation of risks. This, of course, involves inspections of listed establishments, but also sampling to ensure that preventive systems are sufficiently well designed and applied (including good agricultural practices, good manufacturing practices, good hygiene practices, HACCP, etc.). This approach requires significant analytical capacities in laboratories with ISO 17025 accreditation attesting to their credibility. ONSSA has about ten laboratories, which means that some of the analyzes have to be outsourced, thus increasing quality control risks for the Office. The Program would focus on strengthening ONSSA's laboratory capacities for the non-animal products sector (phytopathology and contaminants; residues analysis), in line with the value-chains selected by the Program. The laboratories would receive complementary equipment and training would to provide services in response to the needs of local agricultural producers.

38. **Upgrading ONSSA's capacity for scientific risk assessment.** While ONSSA is recognized internationally, thanks to the audits of the work of the Office which have been carried out by the European Commission and by various other jurisdictions to which Morocco exports, it should be noted that its plans for the monitoring and control of agri-food value-chains are not yet sufficiently based on scientific risk assessment. To address this, a new Division was created at the end of 2015 (the DERS – *Division de l'Evaluation des Risques Sanitaires*, Division of Risk Assessment). The Program would aim at: (a) completing the training of this new team of four academics so that it better directs the control plans and the sanitary inspections of the Office to the most important food safety risks and; (b) carrying out in Morocco, for the first time, a whole food chain study. Such studies provide a better understanding of the actual exposure of consumers to residues and contaminants, thereby enhancing food safety risk assessments and enabling food safety authorities to take appropriate risk management measures.

39. **Control of the Mediterranean fruit fly.** The Mediterranean fruit fly (ceratitis) represents the highest phytosanitary risk for citrus in Morocco. Attacks by the Mediterranean fruit fly both reduce yields and makes citrus unsuitable for exports. Morocco has responded by introducing the release of sterile ceratitis males as part of its integrated pest management strategy. This biological control technique has already been successfully applied in various countries. This initiative has been welcomed by countries importing citrus from Morocco (EU, USA, Russian Federation) but it is currently limited to one region (Souss) and an area too small due to the costs and difficulties of securing a timely supply of insects. Those must currently be imported from Spain and the insects need to be delivered in good time and in good conditions for the operation to be effective. Currently, large quantities of citrus fruits are downgraded in quality and remain on the domestic market. The Program would finance in-country production of sterile males to address this major export constraint for Moroccan citrus. Whereas the International Atomic Energy Agency will be providing the sterilization equipment to Morocco, the Program would cover the transport of equipment, the construction and equipment of the ad hoc building as well as the identification of the areas to be treated. This long-awaited intervention is likely to reduce the use of pesticides and improve export opportunities, including in the longer term for other regions of Morocco. The sustainability of the facility will be ensured by collaboration between public agencies (ONSSA, DRA) and the interprofession (Maroc Citrus).

Promoting quality standards and certification systems

40. Although price and taste remain the most important factors determining consumer food choices, the purchases of consumers with higher disposable incomes are increasingly driven by other factors and values such as food safety, expected health benefits, sustainability, and product origin. Organic certification as well as origin and quality labels (*signes distinctifs d'origine et de qualité, SDOQ*), including Protected Geographical Indications⁴⁰ (PGIs), Appellations of Origin⁴¹ (AO), and agricultural trademarks⁴², are specific quality schemes that have proven to be particularly effective tools for differentiating agri-food products and generating added value in targeted agri-food markets.⁴³ Today, organic is the biggest sustainability standard in terms of area and product variety worldwide.⁴⁴ Although it only contributes to 1-8 percent of total food sales, organic agriculture is also the fastest growing agri-food sector in North

⁴⁰ A PGI identifies products whose quality or reputation are linked to the place or region where it is either produced, processed or prepared, although the ingredients used need not necessarily come from that geographical area.

⁴¹ An AO identifies products that are both produced, processed and prepared in a specific geographical area, using the recognized know-how of local producers and ingredients from the region concerned.

⁴² An agricultural trademark recognizes the specific quality of a product emanating from the manner in which it was produced, processed, or the geographic area from which it originated.

⁴³ Specific quality schemes are based on: (i) a voluntary approach to address a specific target (niche); (ii) a specification, code of practice related to specific characteristics (social, environmental, culture etc.); (iii) a guarantee system (verification, certification); (iv) and information (labeling).

⁴⁴ Lernoud, J. et al (2017) *The State of Sustainable Markets – Statistics and Emerging Trends*. ITC, Geneva

America and Europe.⁴⁵ SDOQs have been experiencing equally rapid growth in recent years.⁴⁶ Importantly, the price premiums linked to organic certification and SDOQs can raise producer incomes thanks to increased farm profitability. In addition, organic certification and SDOQs can deliver important employment benefits.⁴⁷ Whereas SDOQs can prevent the delocalization of production, jobs, and people in rural areas, especially when linked to other activities such as tourism, organic agriculture typically requires more labor due to more labor intensive agroecological farming practices (e.g., crop rotations, composting, weeding, pruning etc.), the higher share of labor intensive commodities (e.g., fruit and vegetables) that are certified organic, and smaller farm sizes⁴⁸.

41. Morocco has strong potential to seize upon these growing export opportunities. First, Morocco enjoys geographic proximity to the EU and improved market access thanks to the recently adopted agricultural FTA.⁴⁹ Second, agriculture in Morocco is less fertilizer-intensive: 56.6 kg of nitrogen and phosphate fertilizers per hectare of arable land per year compared to Spain (122.2 kg), France (130.2 kg), Italy (114.6 kg), and the US (107 kg). Third, the country's smaller farms (the average size of a family farm in Morocco is only about 2 hectares), in combination with competitive unit labor costs, lend themselves well for more labor-intensive organic production systems. Lastly, the Government has made important progress in recent years in establishing a supportive legal and institutional framework for building organic agri-food markets domestically⁵⁰.

42. **Morocco has extensive experience with SDOQs, but their socio-economic impact has been limited so far.** The legal and institutional framework governing SDOQs has been in place since 2009⁵¹. In

⁴⁵ Organic products with a total value of almost USD 82 billion were sold globally in 2015. Organic retail sales in the EU grew by an average annual rate above 15 percent between 2004 and 2015 compared to an average annual growth rate in grocery retail markets of around 2 to 3 percent in the period 2006-2012.

⁴⁶ The number of registered GIs in Europe grew at an average annual rate of 12.7 percent between 2007 and 2017.

⁴⁷ A recent meta-analysis of studies from North America, Europe, and India concluded that organic was more profitable than conventional as lower input costs and higher price premiums compensated for lower yields and higher labor cost. While data on organic consumer prices in Europe are not available, a recent USDA study estimating the retail price difference between 17 organic products and their nonorganic counterparts from 2004 to 2010 found that the premium, while fluctuating, was above 20 percent for all but spinach. A recent meta-analysis of geographical indications (GIs), for its part, concluded that the average percentage premium for GIs is 15.1% with the highest percentage premium in markets for products with short supply chains that are minimally processed and differentiated by product variety cultivar.

⁴⁸ A comprehensive field survey of organic farming in the U.K. and Ireland found higher labor intensity per organic farm (i.e. 97 percent and 27percent, respectively) relative to conventional farms. The U.K. Soil Association analyzed the survey data and found that on a weighted basis, organic farms averaged 32 percent higher labor requirements than comparable non-organic farms. On-farm employment gains included in particular casual and employed part-time labor inputs.

⁴⁹ Under their Association Agreement which entered into force in March 2000, the EU and Morocco established a Free Trade Area liberalizing two-way trade in goods. They have subsequently developed the FTA further through an agreement on trade in agricultural, agri-food and fisheries products and a protocol establishing a bilateral [dispute settlement mechanism](#) both of which entered into force in 2012.

⁵⁰ On February 21, 2013, Morocco established its legal framework for organic products and published the law 39-12 in the Official Bulletin 6128. The law 39-12 regulates the production, processing, marketing, and labeling of organic products. The implementing Decrees and *Arrêtés* have been developed and are awaiting publication in the Official Bulletin. Currently, organic products in Morocco are certified in line with international organic standards and certification requirements. The certification bodies currently operating in Morocco that have been accredited in line with international accreditation requirements include Ecocert, CCPB, Lacon, Bioagricert, Bureau Veritas, and Ceres Certification.

⁵¹ Law 25-06, which was published in the Official Bulletin 5640 on June 19, 2008, regulates specific origin and quality labels (SDOQs) in Morocco, including geographic indications (GI), appellations of origin (AO), and agricultural labels (AL). The implementing Decree 2-08-403 of December 28, 2008 outlines the conditions and process for recognizing national as well as international origin products, establishes the accreditation requirements for SDOQ certification bodies, and presents the official labels for certified products. Detailed procedures for recognizing and certifying specific origin and quality products have been further specified by the Ministry of Agriculture in *Arrêtés* 83-09 and 82-09 of January 5, 2009, respectively. The Law 25-06 provides for the establishment of a National Commission to act as the central coordinating and advisory body for SDOQs. The National Commission was created for this purpose by implementing Decree 2-08-404 of December 28, 2008, which defines both the composition and the functioning of the Commission. The National Commission's internal procedures have been further specified by the Ministry of Agriculture in *Arrêté* 81-09 of January 5, 2009. Following the recommendation of the National

addition, the promotion of SDOQs has formed an integral part of the technical assistance and investment activities pursued by MAPMDREF under the smallholder agricultural development pillar (Pillar II) of the PMV. As of January 2017, 53 products had been recognized as SDOQs in Morocco, including 43 PGIs, five AOs, and five agricultural trademarks. Of these 53 products, eight SDOQs, including seven PGIs and one AOs, had been certified. PGIs “Clémentines de Berkane” and “Agrane” account for the largest shares and have shown important growth in the period 2013-2016. However, both certified and non-certified producer organizations in Morocco continue to face difficulties in (i) disseminating knowledge of certification standards, criteria, and best management practices; (ii) developing and managing processing capacities; (iii) upholding effective internal control systems; (iv) maintaining transparent business management systems; and (v) finding stable marketing outlets. Consumer awareness of Morocco’s specific quality schemes is overall low and official labels are insufficiently protected to prevent misuse.

43. **Activities under the proposed Program would help deepen and scale up the impacts of existing quality schemes in Morocco.** The Program would help DDFP’s Labeling Division to develop training and communication materials, organize workshops and seminars, and deliver technical assistance and training to producers with regards to the regulatory and technical aspects of organic certification and SDOQs. Through a “train-the-trainer” approach, the proposed Program would build scalable capacity at the level of central (ONCA, ONSSA, ADA) and regional (DRA) government institutions as well as producer organizations to manage specific quality schemes’ certification processes and compliance requirements. In addition, the proposed Program would extend current FDA support of up to 70 percent of the certification cost for organic products to include SDOQs. Furthermore, the Program would support both targeted and mass awareness raising campaigns to raise the knowledge and profile of both organic and SDOQ certification systems among producers, commercial and industrial operators, and consumers. Finally, the Program would support communication campaigns in support of government and industry efforts to enhance the quality of Moroccan olive products (olive oil and table olives). Specifically, the campaigns would help shift olive consumption from bulk to packaged and labeled olive products by: (i) sensitizing consumers to the health risks linked to consuming olive products in bulk; and (ii) reassuring consumers of the authenticity and natural taste profile of packaged and labeled olive products.

Strengthening business development and technical support services for the agri-food sector

44. **The development of the agri-food sector requires business management skills** which in turn call for effective and inclusive business development services that suit the needs of small and medium enterprises and producers. Business services are also essential in facilitating the modernization and expansion of SMEs, which are often referred to as the “missing middle” – the rapidly transforming middle segments of agri-food chains (processing, logistics and wholesale) which accounts for up to 30–40 percent of the value-added of agri-food chains in developing economies⁵². So far, growth in Morocco’s food industry has been led by large enterprises with appropriate access to technology and the capacity to mobilize capital. To develop the agri-food industry further, however, strengthening and expanding the fabric of SMEs will be necessary. To reduce risks inherent to innovations, stimulate investments and facilitate the development of SMEs in the agri-food sector, multiple challenges must be tackled pertaining to access to technology, access to finance, improvement of capabilities, and improving return on innovation and investment.

45. The ecosystem of support to entrepreneurship and innovation in the agri-food sector (including business development services) has not kept up with the needs of SMEs in the sector. In fact, the ecosystem

Commission, the MAPM has accredited the private companies Normacert, Bureau Veritas, and CCPB as certification bodies for the SDOQ systems.

⁵² Public-private partnerships for agribusiness development, A review of international experiences, FAO 2016.

shows critical gaps that need to be addressed to facilitate the growth of SMEs as well as the influx of new SMEs in the agri-food sector.

46. **On the private sector side, there is a lack of a well-established private market of support services to innovation and entrepreneurship for SMES and, in particular, in agro-processing.** The private offer of support services to SMEs is of limited scale, scope and coverage and expertise. Incubation and entrepreneurship services are mainly offered by associative actors with limited resources and sustainability, and do not cover the whole territory. There is no incubator specialized in agro-processing. Most of the ecosystem is either highly dependent on funding from one private financier (i.e. OCP Entrepreneurship Network), or external donor programs, which poses a larger sustainability issue. Services offer is of uneven territorial coverage, with a higher concentration in Casablanca, Rabat and Marrakech.

47. **The span of services needed for entrepreneurship and innovation is unevenly covered,** with unequal performance and market orientation, as well as clear gaps in terms of acceleration services, later-stage financing and access to market. When accessible, most of the proposed activities cover the very first phases of entrepreneurship, namely awareness raising, incubation and support for project start-up financing through grants or loans of honor. Overarching and structured support in acceleration beyond the seed stage is currently lacking beyond ad-hoc programs. In the survey conducted for the Climate Entrepreneurship Support in Morocco in 2016, 54 percent of entrepreneurs found there to be a lack of access to market information, stating this as the biggest market barrier to doing business in Morocco.

48. **The supply of private specialized, technical agricultural services (agronomy and livestock husbandry, financial management services and laboratories) is incomplete compared to the needs expressed by agri-food sector SMEs.** Private support services for marketing and market access are almost nonexistent. The offer of services is difficult to identify and assess, due to its dispersion across the territory.

49. **Government-run support to SMEs is fragmented and uncoordinated, with a supply-driven approach that limits its impact.** For cooperatives, at least eight ministries and national and regional government agencies have a mandate for technical assistance, but with different approaches and objectives⁵³. Those include MAPMDREF, ADA, ODCO, MIICEN and MES. Beneficiaries emphasize that the programs are too limited in time to allow a transformative impact. Those services are not close to beneficiaries and they are not easily accessible even in the main agricultural production areas. Most of the agencies do not collaborate, have limited ties with the private sector, and thus operate relatively inefficiently as an ecosystem. Most technical assistance and public support players remain focused on primary agriculture extension services and on R&D and agronomic technology at farm-production level (e.g., CTT, CIRDA, INRA centers). The availability of advice or support services for marketing is low. Incubation services and agribusiness technical laboratory services are non-existent. “Business development services” is not provided besides ad-hoc programs.

50. **There is experience in the development of specialized post-production innovation and services centers in Morocco in specific value chains,** established through a form of PPP between professional organisations and line ministries (agriculture and industry), with mixed results. Those include the *Zoopole* in Casablanca specialized in meat and poultry processing, the *Centre de Transfert & Technologie (CTT) in Agadir* around fruits and vegetables founded by APEFEL in 2005 with the support of UNIDO, and the *Centre Technique Industriel marocain de l'agro-alimentaire (CETIA)*, founded in 1998 by FENAGRI. The technical assessment found that CTT and Zoopole show positive results, while CETIA has been closed due to a lack of financial resources. Consultations indicate that the success factors for those centers depend on the adequacy of proposed services to the demand of the industry (mix of research, technical support, training etc.), the financial sustainability of the business model with a diversification of income resources

⁵³ Morocco: Opportunities in the agri-food system, FAO, 2017.

(public support, professional organization contribution, service fees), and the adoption of results-based management (for instance, project-based financing for technical centers established by MIICEN).

51. **Innovation at firm level is also held back by the lack of skilled labor.** Finding the right skills is one of the three main challenges highlighted by surveys of agri-food enterprises in Morocco. The CP IAA estimates that, for 2016-2010, an additional 45,000 mostly workers and technicians would need to be trained to meet the needs of the agri-food sector.

52. **The Program aims at fostering innovation and entrepreneurship in the agri-food sector, by improving agribusiness SMEs access to finance and skills, increasing their capacity for innovation, and their access to marketing and distribution networks⁵⁴.** Considering the vulnerability of Morocco to climate change and water scarcity, this result area will also support the adoption of climate smart technologies. The rationale for Program intervention is to compensate the identified gaps and market failures that limit innovation and value-addition at SME level, in particular the lack of public goods such as innovation support infrastructure, the information asymmetry in agri-food markets, the lack of economies of scale at SME level and associated high cost of innovation, and high cost and scarcity of skilled labor.

53. To address the gaps in the ecosystem and support the development of innovative agribusiness SMEs, support under the proposed Program would be provided through two activities: (a) Technical and Business Services to be offered by the *Centres d'Innovation Agro-Alimentaire (CIA)*, and (b) a competitive grant mechanism to support SMEs innovative projects through CIAs.

54. **Establishment of CIAs.** The CIAs would offer a range of services (business development services, incubation, technical services, etc.) and trainings aiming at improving agri-food SMEs' capacity and skills (managerial, technical, access to market, etc.) to add value and access market opportunities. The Program would support the establishment and operation of two CIAs, whose mission, activities and main operational features are based on assessments of the existing ecosystems, survey of the demand for services from SMEs and early design feasibility carried out in 2017. The centers would offer a set of services identified based on SMEs' needs assessment, to which individual beneficiaries would have access on whole or in part depending on their specific needs which are expected to be heterogeneous: technical support, management support, market knowledge and market access, incubation and networking.

55. **The main design features** of the CIAs would include the following:

a. The CIAs would provide services mostly through partnerships with the existing private players and public agencies with established capacities (e.g., EACCE, ONSSA). The CIAs would complement the existing ecosystem, acting as an interface between beneficiaries and existing service providers, and developing internally only the services where a market gap has been identified. The centers would specialize in specific activities that no private player has the capacity to offer when the centers become operational (for instance, sensory analyzes, testing, conditioning, etc.) and would recruit staff with required expertise accordingly;

b. The CIA business model is built on public and private financing with an objective of gradual financial sustainability over the medium-term. The level of public financial incentives provided for services offered by the CIAs to private operators would be based on the status of those operators (SMEs, cooperatives, GIEs, etc.) and the nature of those services. Beneficiaries would pay a service fee and/or a membership fee which would be fully or partly subsidized by public financing. Public financing would be results-based depending on the CIA's performance in terms

⁵⁴ Agribusiness SMEs encompass the various possible legal forms of production entities such as registered companies, cooperatives, farmers' groups, etc.

of volume and quality of services provided. The CIAs would be established by MAPMDREF and would be managed in partnership with the private sector;

c. To ensure the financial sustainability of the centers and the alignment of their services with market demand, it is envisaged to delegate or contract out the management of the centers, on a competitive basis, to private operators with experience in the provision of services and training for producers and enterprises in the agri-food sector. This model, which needs to be assessed, would allow for a higher degree of flexibility and efficiency in terms of resource management, as compared to publicly-managed centers. Operators at both national and international level may be interested in managing those centers as part of such public-private partnerships. The most appropriate institutional arrangement is being assessed from options including sub-contracting to a PPP within the Moroccan PPP Framework or the establishment of new entity with public-private equity arrangements;

d. In terms of human resources, the CIAs would have a small team of dedicated staff including a CIA manager, administrative staff, ecosystem-coordination staff, and technical specialized staff in services to be developed internally. The incubator would be part of the CIA and would be managed by a dedicated team.

56. **Assessment of programs comparable to the CIAs indicate positive results and impacts.** Those include an assessment⁵⁵ conducted by FAO in 2016 on experiences of Agribusiness “Business Development Centers” offering a wide range of non-financial services; the assessment of good practices for agribusiness incubators led by the World Bank’s Independent Evaluation Group (IEG) in 2010 based on cases across Africa, Asia, and Latin America, which found that the majority have been successful in creating sustainable and competitive enterprises and benefits that outweigh the cost, while diffusing a number of technologies, as well as product and process innovations. International experience also indicates that returns to management and innovation support services are high.

57. The design of the centers builds on global experience. MAPMDREF’s proposal encompasses the set of principles recommended at international level, including by the World Bank’s Infodev Agribusiness Entrepreneurship Center approach:

- a. Location in area of significant population of beneficiaries to ensure proximity of service as well as scale of demand;
- b. Targeting of value-adding potential entrepreneurs and SMEs in agribusiness;
- c. “One stop” entry point instead of fragmented offer, with flexibility to adjust to specific demands of beneficiaries;
- d. Business model driven by market dynamics, relying at least partly on external resources generated through private demand; and
- e. Leveraging of public-private partnerships and existing expertise.

58. The Government’s proposal presents some risks that would be mitigated in the final design and implementation plan:

- a. Extent of market demand for support services and beneficiaries’ willingness to pay. A survey of a representative sample of target firms is currently underway for a more precise appreciation of demand for services. While the lack of capabilities for innovation among the target population is of consensus based on research, they might be either not aware of their lack of capabilities, which could be mitigated through communication and awareness building program to be executed by CIA;

⁵⁵ Public-private partnerships for agribusiness development, A review of international experiences, FAO 2016

- b. Heterogeneity of potential beneficiaries' capacities and needs (SMEs' start-ups, cooperatives) highlighting the need to develop tailored support programs based on specific sub-groups. The centers will need to focus on specific services initially and extent gradually their offer;
- c. Limitations coming from the low offer of private providers with required capacity to support implementation, in some areas; and
- d. The need to: (i) pay utmost attention to the CIA's positioning and value proposition, coming to fill gaps (both in terms of services and geographic reach), and (ii) build ties with the existing private and public players.

59. Technical assistance will be mobilized during the first year of the Program to further define the business model, the modalities of access for beneficiaries, and to support the preparation of the public-private partnership. This assistance will possibly be provided by International Finance Corporation (IFC) with SECO funding currently under review.

Financing innovation

60. In addition to the CIAs, the Program would facilitate agri-food SMEs' development of value-adding technology through a competitive innovation grant mechanism. In order to reduce the risks associated with innovation, the proposed Program would offer those grants to innovation projects which target the development and market-introduction of a new agri-food product or service, or an environment-friendly or climate smart technology for the agri-food sector, presented by existing SMEs or start-ups.

61. According to the World Bank assessment of Agribusiness Innovation Funds⁵⁶, matching grants are efficient tools when the objective is to promote: (a) the transfer and adoption of technology (particularly among research providers and the private sector); (b) overall agribusiness sector development (particularly through productive partnerships and technical assistance and services); or (c) the productive activities of farmer groups, value-added activities, and small-scale infrastructure, often associated with community-driven development approaches.

62. Detailed implementation design would build on learnings from international experience in matters of matching grants parameters, institutional arrangement and M&E in order to avoid possible distortions effects resulting from such mechanisms such as the promoting non-viable or non-feasible business activities, or the crowding out financial institutions and private investment.

Program's Result Framework and Monitoring and Evaluation

63. **Results chain.** Figure 4.1 summarizes the Program's logical chain. Structured around two complementary areas, the proposed Program is expected to increase market efficiency and integration in selected sub-sectors and to assist small- and medium-size producers and enterprises in adding value to and enhancing the quality of agri-food products. The outputs and intermediate outcomes which are included as DLIs in the proposed Program are circled in red in Figure A4.1.

⁵⁶ Designing and implementing agricultural innovation funds: Lessons from Competitive Research and Matching Grants, World Bank 2010.

Figure A4.1: Results chain for the Program

Program Development Objective: To increase the volume of added-value products commercialized in selected agri-food value chains in the Program area			
Activities/Actions	Outputs	Intermediate outcomes	Outcomes
Results Area 1: Increased market efficiency and integration			
<p>Supporting intra-branch organizations to fulfill their mandates and ensure their sustainability in the long term</p> <p>Supporting processing/aggregation through financial incentives and assistance (olives, citrus)</p> <p>Prepare an amendment to aggregation allowing direct transaction with buyers outside of wholesale markets</p> <p>Building wholesale markets (after signing the necessary conventions) and creating its managing entity</p> <p>Improving and extending reach of the market information system to farmers</p>	<p>Business plans for intra-branch organizations prepared</p> <p>Investment projects either to add value or to integrate small- and medium-sized producers to functioning markets</p> <p>Aggregation law amended and ready to be implemented (<i>arrêtés</i> published)</p> <p>At least, one wholesale market built</p> <p>Applications for access to market information through mobile telephones created</p>	<p>Business plans approved and intra-branch agreements adopted to secure organization sustainability</p> <p>New and upgraded conditioning, cold storage and processing units (olive, citrus) starting operations</p> <p>Additional producers aggregated (olives, citrus)</p> <p>At least, one wholesale market is operating and applying the new management model</p> <p>Use of market information services for mobile phones and of the application Publi-Asaar</p>	<p>[PDO] Increased volume of added-value products commercialized:</p>
Results Area 2 : Improved added-value of agri-food products			
<p>Strengthening ONSSA to implement the food safety law</p> <p>Accompanying private operators to adopt food safety standards</p> <p>Creating a center to produce sterile males for Citrus <i>Mediterranean Flu</i> (ceratitis) treatment</p> <p>Supporting the adoption of SDOQ and organic certification</p> <p>Setting out campaigns to encourage consumers to buy better quality olive oil</p> <p>Creating two centers to foster innovation and entrepreneurship in the agri-food sector</p> <p>Establishing a financing mechanism for projects to develop innovative products and green technologies</p>	<p>4 laboratories upgraded and ready to be certified according ISO 17025</p> <p>A monitoring and risk mitigation plan for the food industry established, based on a risk assessment</p> <p>An input register in the Souss-Massa region created for horticulture (vegetables), citrus, and “primeurs”, to facilitate certification</p> <p>Center for ceratitis treatment built</p> <p>Campaigns carried out</p> <p>Innovation centers established/built</p> <p>Financing mechanism for innovation defined and incorporated into the Operational Manual</p>	<p>Operators (small-/medium-sized enterprises) authorized and included in ONSSA’ register</p> <p>Center for the production of sterile <i>ceratitis</i> males providing farm treatment services to citrus producers</p> <p>Producers with an input register in the Souss-Massa region</p> <p>SDOQ Products being certified by the OCC</p> <p>Operators (small-/medium-sized producers/enterprises) assisted by the Innovation Centers</p> <p>Projects using green technologies</p>	<p>- Volume of conditioned citrus</p> <p>- Volume of conditioned olives</p> <p>- Volume of high quality olive oil</p>

64. **Risks related to M&E.** The assessment of the proposed M&E arrangements revealed the following risks:

- a. Although the existing systems have been extensively used over the past years within the scope of the PMV, they show substantial weaknesses that can jeopardize M&E quality. The systems are uneven in terms of technology adopted and reliability: some are paper-based (spreadsheets) and limited in depth and scope, whereas others use more advanced methods and informatic tools; several databases are subject to internal inconsistencies and errors, while others are inherently more robust. More importantly, the systems in place do not constitute an integrated M&E system and they are rather independent and non-interoperable. In addition, most of those systems are not georeferenced and lack public accessibility;
- b. The DFPP has limited M&E capacity. For instance, progress implementing the multiple agreements (“*contrat programme*”) with sectoral organizations is tracked with basic paper-based records (spreadsheets). Moreover, the DDFP lacks experience coordinating M&E in multi-stakeholder investments; and
- c. M&E capacity is uneven across the implementing entities, ranging from those who have no experience in M&E to agencies that have solid expertise collecting, consolidating and processing data.

65. **Enhancing M&E capacity.** The Program will further strengthen M&E capacity by providing training to all implementing entities with a focus on data collection, data quality and integrity, and data recording (consistency). During implementation, the Bank will provide methodological guidance on documenting progress towards achieving results and DLIs. Furthermore, the Program will put in place a simple, integrated web-based data administration platform (Management Information System, MIS) that will basically integrate data emanating from the different agencies and directorates to report, primary, on the Results Framework. The MIS will allow better data management and periodic reporting, including multiple specific requirements such as gender disaggregated data. The platform will be structured in modules with potential for expansion to track progress implementing the entire CPs for the agri-food sector and the PMV as a whole.

Program Governance Structure and Institutional Arrangements

66. The Program’s governance architecture is based on a two-tiered structure, including: (a) a Steering Committee for strategic guidance; and (b) Program management and coordination through a Program Management Unit (PMU) established in MAPMDREF with representation from the key departments, agencies and entities involved in Program implementation. The Steering Committee will play a critical role in ensuring engagement and coordination among the ministries and other entities external to the agriculture sector (e.g. municipalities in the case of the wholesale market, and interprofessions) involved in the implementation of the Program, and in mitigating the risks associated with inter-ministerial coordination.

67. With regards to ONSSA and ADA, while the Program will require close collaboration between those institutions and MAPMDREF, such arrangements are already in place through the existing governance arrangements for ONSSA and ADA, which are agencies placed under the umbrella of MAPMDREF. With regards to collaboration with other implementing entities (Wilaya, Rabat Amenagement, SDL for the wholesale market, interprofessions), an extended PMU would be established to ensure daily coordination of Program activities.

68. Both MAPMDREF and ADA have experience with the implementation of large donor-financed programs, including Bank-financed operations. The Ministry previously implemented two DPLs in support of the PMV, it is currently implementing two investment operations (IPFs) focused on water management for agriculture as well as a GEF-financed operation (ASIMA). The overall performance of MAPMDREF

in implementing those operations has been satisfactory. ONSSA is also experienced with the implementation of donor-financed programs. At the regional and local level, Program implementation will rely on the deconcentrated services of MAPMDREF (DRAs and DPAs). Specific information and training efforts will be required at Program inception to ensure that key staff involved at that level are well informed about the details of the Program activities and modalities (as per the Program Operations Manual) and, in particular, adjustments to existing instruments introduced with support from the Program.

69. Finally, the technical assessment has identified the need to strengthen the capacity of MAPMDREF to carry out its Program coordination, management and monitoring and evaluation, due to staffing constraints. To address those needs, MAPMDREF would recruit additional experts (technical assistance) to support the Program management unit (PMU) in the following areas: social and environmental aspects, monitoring and evaluation, financial management, and agri-business development. Those capacity building activities have been reflected in the PAP.

Program Economic Analysis

70. **Rationale for public intervention.** The proposed Program aims at strengthening the provision of key public goods in the agri-food sector such as food safety, while also addressing a number of other market failures affecting the performance of sector—such as lack of access to market information for small producers and asymmetries in access to information between small and larger operators; high risks associated with the adoption of innovative technologies and practices; lack of incentives for the adoption of improved and more sustainable practices; and lack of access to finance.

71. **World Bank value added.** Bank support is expected to improve the efficiency and targeting of the various activities supported under the Program, thereby increasing both its economic benefits and inclusiveness. The World Bank has global expertise in the design and implementation of innovative projects and programs in the agri-food sector. In addition, the World Bank has been deeply involved with the GoM since the inception of the PMV, notably through the DPL series and the Bank is thus in a unique position to support the GoM in designing and implementing the Program in order to maximize economic, social and environmental benefits.

72. **Economic impact of the Program.** The Program would be instrumental in accelerating the gradual structural transformation of the Moroccan agri-food sector and strengthening the value chains that require public sector support to mitigate the impact of market failures (mostly public goods, externalities, and information asymmetries). More precisely, the Program aims at addressing the several constraints that are holding back the development of the agri-food sector. Those constraints originate in the existence of different types of market failures that occur at several points of the value chains, and across the whole sector. Those include: the lack of traceability; unreliable access to quality raw materials that support value addition; inefficient inspections and certification processes for food safety; the lack of quality infrastructure, including post-harvest facilities; the need to upgrade informal processing facilities to improve quality and market access; and producers and SMEs' limited access to finance for medium- and long-term investments. In addition, agribusiness SMEs are constrained by lack of skills, finance and support services such as BDS.

73. **Economic evaluation of the Program**⁵⁷. The economic evaluation of the program is carried out through the analysis of the individual interventions contained in the program, underpinned by: (a) a financial analysis of the main physical investments expected under the proposed Program (i.e. the

⁵⁷ Given the nature of the benefits brought about by the Program— i.e. the correction of market failures in different value chains and across the whole agri-food sector— their precise economic evaluation is difficult. For instance, USAID (2011) assessed more than 200 projects in agriculture and value chain development and noted that only 10 projects reported their IRRs which ranged from 5 percent to 566 percent — the details of the calculations were not provided. The most detailed information available on IRRs are from Productive Alliances projects financed by the World Bank.

wholesale market and the processing units supported under the FDA); and (b) an international benchmarking—done by analyzing similar activities in past projects/programs in countries that present strong similarities with Morocco as far as their agri-food sectors are concerned.

74. **Result area 1.** The interventions in the Program would provide technical and financial assistance to Interprofessions (Maroc Citrus and Interprolive) through the preparation and the implementation of their business plans. Interprofessions play an important role in promoting communication among value chain actors as well as in the public-private dialogue by positioning themselves as a focal point for policy dialogue between value chain representatives and the Government. By supporting export and domestic market promotion, Interprofessions contribute to increasing market opportunities. A recently completed African Development Bank (ADB)-financed project that supported producer associations' business plan preparation and implementation calculated a financial internal rate of return of 30 percent (ADB, 2017)⁵⁸, but this project included access to finance as well.

75. *Financial analysis of the processing units supported under the FDA.* The financial analysis has been carried out using a model of representative integrated olive oil projects selected under the FDA program. This analysis results in a sound IRR of 28.4 percent. A financial analysis was also carried out for packaging houses—also supported under the FDA program. The analysis led to a robust IRR of 28 percent.

76. A key finding of this financial analysis is the strong positive effect from *agrégation* on overall profitability of such integrated investments. This mainly hinges on the fact that entering *agrégation* contracts allows the processing units to operate at full capacity from the first year onward. Hence, *agrégation* contracts are mutually beneficial: i) they allow the *agrégateur* to operate at full capacity from the very beginning—and they also allow the processing unit to secure a guaranteed quantity of agricultural raw material of increasing quality over the medium to long term; and ii) they provide producers with technical assistance over a sustained period of time, while allowing them to benefit from a guaranteed outlet for their production.

77. As an illustration of the strategic interest for an operator of engaging in aggregation contracts, a similar financial analysis was carried out for an integrated olive oil processing project, but which only gets to full capacity during the fifth year. Hence, by foregoing the opportunity of engaging in aggregation contracts—and thereby operating at full scale before its own olive trees can provide sufficient agricultural raw materials—this project was characterized by a lower IRR of 7.35 percent.

78. *Improved wholesale market management model.* Investments in the new model of wholesale market is expected to lead to a reduction of inefficiencies along fruit and vegetables value-chains, which will result in economic gains both for consumers and producers. Additional benefits will also include safer agri-food products for Moroccan consumers.

79. The business model of the new wholesale market would offer a clean break from the old model of wholesale markets in force in Morocco for 50 years. It removes the tax on the value of products which has several major drawbacks which open the door to many bypass opportunities: (i) it is difficult to assess objectively because it is the result of monitoring-related data: a weight multiplied by an average price is sometimes elusive in the case of non-homogeneous cargo; (ii) it penalizes high value products—especially imported products or quality fruit—which thus tend not to go in those markets where the reception conditions (absence of cold conditions) are not adequate; and it does not provide to the managing entity a regular income throughout the year.

⁵⁸ African Development Bank, 2017. Egypt-Rural Income and Economic Enhancement Project - Project Completion Report. AHHD Department.

80. The new economic model for the wholesale markets is based on perfectly manageable and controllable components, namely the area occupied by the operators and an entry price that applies to all, depending on the size of the vehicle used. This system is fair because: (i) it allows operators to set themselves charges consistent with their means, modulating the space occupied, (ii) it offers a uniform price for each type of operators in each area, and (iii) it changes according to objective criteria, i.e. the cost of living.

81. The business model adopted will rest on a few simple principles: (i) all charges will be levied on the basis of the area actually occupied by each type of operators; (ii) the charge amount will be calculated not to exceed 5 percent of the theoretical value of the products; and (iii) the municipality will no longer receive taxes on the value of products, it will be remunerated on the basis of dividend from the entity in charge of managing the wholesale market.

82. The financial analysis of the new wholesale market model concludes to a sound IRR of 9.83 percent over a 20-year period. A sensitivity analysis leads to similarly robust IRRs of 6.15 percent in the case of a 20 percent increase in variable costs and 14 percent in the case of a 20 percent increase in revenues.

83. Market information systems (MIS) would reduce information asymmetries by making information on price and product quality available to value chain stakeholders. Efficiency analysis of MIS projects are not regularly available due to difficulties in measurement.

84. **Result area 2.** Safe food is considered a necessary condition of consumers' acceptance of food products. Food safety is a form of public good (non-tradable and hard to privatize), therefore justifying public financing. The primary benefit of food safety policies is the reduction in consumer health risks. In a Moroccan case study by Aloui and Kenny (2005), farmers and exporters interviewed agree that the main and only benefit in complying with SPS standards is access to export markets. On the other hand, many did recognize that implementing them does significantly improve the management at the packaging houses, quality of the end-product, and efficiency of employees. Compliance with higher standards for food and agriculture has however spill-over effects beyond the direct commercial benefits. For example, a share of production of olive, olive oil and citrus is sold in domestic markets, and higher safety standards will benefit domestic consumers. Application of management systems for compliance with higher standards, such as ISO 9001, results in better working standards in the workplace and more demand for trained staff. To the extent that meeting higher standards forms a license to export, it creates employment throughout the supply chain.

85. World Bank-financed BDS projects and other technical assistance projects to SMEs have had successful development outcomes in 84 percent of IEG evaluations from 2006 to 2012. Because BDS is often blended with other components, it was however hard to evaluate the separate contribution of the activity. BDS are often elements of linkage projects and of technical advisory, matching grant, or line of credit projects. The assessment of good practices for agribusiness incubators (based on 10 case studies of incubators distributed across Africa, Asia, and Latin America) is presented in ACI and ETG (2011). While the incubators assessed operate at vastly different scales (i.e. starting capital ranges from US\$10,000 to US\$50 million), the impact and cost benefit analysis conducted in conjunction with each of the case studies indicates that the majority have been successful in creating sustainable and competitive enterprises and benefits that outweigh the cost, while diffusing a number of technologies, as well as product and process innovations. A full cost benefit analysis of agribusiness incubator investment is available only for one of the case studies, namely for Fundación Chile. For other incubators, such in-depth analysis either is not possible due to the recent period of establishment of the incubator or lack of data. The study shows that US\$1.303 billion benefits of the seven selected programs are 23 percent higher than the US\$1.05 billion in total costs of Fundación Chile over the 30-year period.

Program Action Plan

86. The Program Action Plan (PAP) covers the following four areas: (a) Program management, (b) fiduciary systems, (c) environmental and social aspects, and (d) Program monitoring and evaluation. As such, it is focused on mitigating the most substantial risks identified with regards to Program implementation, which are: (a) inter-agency coordination and MAPMDREF's limited human resources to coordinate, manage, monitor and evaluate the Program, (b) weaknesses identified in the fiduciary systems and risks associated with the number of Program implementing entities, and (c) the need to increase the Program implementation entities capacity in the area of social and environmental management. The PAP also includes critical actions necessary to operationalize the adjustments to the government program supported by the PforR.

Climate co-benefits

87. Morocco's agriculture sector is highly vulnerable to climate variability. Morocco is susceptible to chronic drought⁵⁹, and climate variability and change is likely to exacerbate water scarcity, reduce yields, and increase the volatility of agricultural production, with substantial variation between regions.⁶⁰ Water scarcity is the most pressing impact of climate variability and change for the citrus sector. Citrus trees need irrigation to produce quality fruit. While olives are more drought tolerant than citrus, water scarcity can still be an issue, since reduced water (whether via rainfall or irrigation) results in less oil and lower oil quality.

88. Long-term actions pursued by the GoM to climate-proof the agricultural sector include measures that focus primarily on increasing water supply for agricultural activities. In parallel to these investments aimed at mobilizing more water for irrigation, the GoM has also enacted measures to save water in irrigation. The policy of encouraging localized irrigation (National Program for Saving Water in Irrigation—PNEEI) and the action to control the use of water was initiated together with the inception of the Plan Maroc Vert in 2008. It has acted as a logical complement to the policy of mobilizing and supplying irrigation water.

89. In addition to the cross-cutting actions undertaken by the GoM to climate-proof agriculture as part of its program, all the interventions included in the proposed Program have been designed to include climate co-benefits, both on the adaptation and mitigation sides. **Adaptation co-benefits** include the following: (i) interprofessions will participate in the diffusion of agrometeorological information to farmers; (ii) support for increased levels of aggregation will facilitate the diffusion of improved irrigation technologies (through higher subsidy levels for drip irrigation); (iii) better market infrastructure will improve the overall resilience of the value chain; (iv) improved market information will help farmers better time harvest and thus decrease post-harvest losses; (v) certification schemes contain provisions that will help farmers adopt new practices/techniques and varieties that will in turn increase their resilience to climate change and variability; and (vi) the activities carried out by the Innovation Centers will lead to increased adoption of technologies and practices, which will strengthen the sector's overall climate resilience, at different levels of the value chain. As for **mitigation co-benefits**, they include the following: (i) new projects funded under the FDA will potentially include renewable energy in their production processes; (ii) the wholesale market will include renewable energy generation (PV)—in addition, the new wholesale market will spur better logistical efficiency overall, which will lead to better energy efficiency, thus decreasing GHG emissions; (iii) certification schemes will spur the mitigation potential that can arise through improved agricultural practices leading to increased carbon sequestration in soils; and (iv) the activities carried out by the Innovation Centers will potentially lead to: (a) renewable energy being included in the production processes and (b) waste materials being used to produce energy (in the case of olive processing).

⁵⁹ For example, the 1994/95 drought caused agricultural GDP to fall by 45 percent and total GDP to fall by 8 percent.

⁶⁰ World Bank. Morocco study on the impact of climate change on the agricultural sector. 2009.

Annex 5: Fiduciary Systems Assessment

A. INTRODUCTION

1. As part of the preparation of the Strengthening Agri-Foods Value Chains Program (the Program), the World Bank task team carried out a Fiduciary Systems Assessment (FSA) of the proposed Program in accordance with the World Bank's Policy and Directive on PforR Financing.

2. **The FSA was conducted building on the results of the recent PEFA diagnostic and the financial management and procurement review of the entities involved in the proposed Program.** The objectives of the FSA were to ascertain whether the procurement and financial management (FM) system capacity and performance of those entities are adequate to provide reasonable assurance that the funds will be used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The assessment was conducted based on: (i) the knowledge of the financial management and procurement systems in force in Morocco, (ii) the recent national Public Expenditure and Financial Accountability (PEFA) diagnostic completed in 2016, (iii) those entities' track record in implementing World Bank funded operations, and (iv) the annual audit reports of those entities.

3. **Risk assessment.** The Program's fiduciary systems are acceptable and they will provide reasonable assurance on the use of the Program's resources for the intended purposes. The fiduciary risk is rated substantial. The main risk identified relates to the overall monitoring of the financial management system (planning, budgeting, reporting) resulting from the multiplicity of the entities (central directorates, provincial directorates, and agencies) under the responsibility of MAPMDREF.

4. **Mitigation measures.** To mitigate the above-mentioned risks, MAPMDREF has anticipated the need for and intends to acquire and deploy an integrated financial management system. This major initiative would also increase the efficiency in the monitoring and the oversight of MAPMDREF's work program and accountability. The Program's Disbursement Linked Indicators list will include an indicator (DLI#8) related to this important activity. Change management associated with this initiative will need to be considered and managed with due care. In addition, like for all information management systems, the risk of slippages in the installation of the new system will need to be properly managed, in addition to the need for interfaces with the existing systems.

B. PROGRAM EXPENDITURE FRAMEWORK

5. The Program expenditure framework (Table A5.1) will be reflected in MAPMDREF's budget on an annual basis according to the Finance Law. It will be grounded within the General Budget of the State (*Budget Général de l'Etat*) which alignment with Government priorities, classification, sustainability and predictability are assessed as more than adequate as per the 2016 PEFA. The Rabat wholesale market associated with the DLI 4 of the Program is the activity that could most affect its execution. This activity entails land, legal and design risks. Mitigation measures to address those risks have been incorporated in the Program's design. The deployment of an integrated financial management system in MAPMDREF, included in the Program expenditures, is a key activity aiming to improve its effectiveness and transparency.

Table A5.1. Program Expenditure Framework

	2018	2019	2020	2021	2022	Total MADm	Total US\$m
National Program expenditure	831	924	915	797	770	3837	450
Result area 1	368	432	429	340	311	1880	199
• Strengthening the Interprofessions	20	10	6	6	6	48	5
• Support for the integration of small and medium producers with markets	135	210	291	332	305	1,273	135
• Modernizing the management of wholesale markets (*)	210	210	130	-	-	550	58
• Improving access to information	2	2	2	2	-	9	1
Result area 2	448	477	477	449	449	2300	245
• Improving food safety	380	380	380	380	380	1,900	202
• Promoting quality standards and certification systems	58	58	58	58	58	290	31
• Strengthening business development and technical support services for the agri-food sector	5	34	34	6	6	85	9
• Financing innovation	5	5	5	5	5	25	3
Program Management and Monitoring (including Technical Assistance)	15	15	8	8	9	55	6

(*) total budget from MAPMDREF and other entities

1 US\$= 9.4 MAD effective 10/10/2017

Alignment with Government priorities

6. The activities contained in the expenditure framework meet the directions set by the Government, under the *Plan Maroc Vert* (Green Morocco Plan), which is the Government's strategy for the development of the agriculture sector. In addition, they are in line with national efforts: (a) to accelerate the implementation of transversal institutional reforms within the sector, as well as an investment support program based on public-private partnerships; and (b) for a greater emphasis on value-addition and value-chain development in the Moroccan agri-food sector. Lastly, the Program includes activities aiming to improve governance in MAPMDREF (such as the deployment of the integrated financial management system) which meet the requirements of the Public Finance Act adopted on June 2015⁶¹.

Sustainability

7. The sustainability of MAPMDREF's expenditure framework is ensured by the existence of several tools. *First*, the Medium-Term Expenditure Framework (MTEF) developed in the context of the Public

⁶¹ The Act is considered as a key entry point for the improvement of the performance of the public sector and the service delivery. It emerges as another Government cross cutting priority.

Finance Act. The current MTEF covers the period from 2018 to 2021. *Second*, a new multi-year program approach which will complement the MTEF. It is being developed with support from the Ministry of Finance (MEF) as part of the enforcement of the additional innovations introduced by the Public Finance Act. The deployment of this new approach is planned for January 2019. *Third*, the annual performance plan endorsed by the Parliament which describes the key programs, the associated budget and performance indicators. *Fourth*, the annual performance report which summarizes the results achieved and the budget executed for a given year. The Program is well included and articulated with the abovementioned tools.

8. In addition, the funding sustainability of the Program is ensured by the high visibility and ownership of the government program and the Program itself – by two key ministries, MAPMDREF and MEF, directly invested into it – but also through the measures taken under the Program aimed at supporting and financing improvements to implementing agencies’ capacity for monitoring and evaluation (M&E), as well as enhancements to the existing public financial management system.

9. Over the past five years MAPMDREF’s investment budget has acquired a degree of stability, with overall annual expenses stable (on average US\$768 million). During the same period, the capital budget expenditure outturns are in line the amount originally approved, as defined in government budget documentation and fiscal reports.

Budget structure

10. The Program’s budget structure is clear in terms of sources of funding, budgetary vehicles and categories of expenditures. The Program budget is funded by MAPMDREF resources, via the General Budget of the State. All expenses are programmed in line with the Classification of the Functions of Government (COFOG) and will be incurred between 2018 and 2022. Around 66 percent of the expenditures finance physical assets, the rest including technical studies, consulting and goods and equipment, including IT. Four main items are included in the physical assets: (i) the construction of at least one wholesale market, (ii) the construction/equipment of approximately 70 processing, packaging and conditioning units, (iii) the construction of one technical and two innovation centers, and (iv) the development and deployment of an integrated financial management system. The construction of the wholesale market represents the activity of the Program’s expenditures presenting the most substantial risks. The review of the readiness of the three other activities did not reveal any significant issue⁶². Pre-requisite actions (resettlement, feasibility studies, social action plan) have been reviewed as part of the Program design to mitigate the risk of low budget execution of the budget appropriation associated with the construction of the wholesale market. In addition, a DLI related to this activity has been included in the PforR.

Predictability

11. Overall, as per the 2016 PEFA, the predictability of the GoM’s expenditures is robust with the indicator on predictability rated as “A”⁶³ with timely release of the budget’s appropriations to the budget holders. MAPMDREF’s investment budget execution over the past five years is also exemplary with 85 percent and 65 percent in average, respectively for the commitment and the payment. More specifically, the execution rate of the Program’s expenditures (except for the Rabat wholesale market),⁶⁴ including ONSSA over the last two years (2015 and 2016) is more than adequate (close to 100 percent on the commitment and 90 percent on the payment). An annual midterm review of the budget execution has been

⁶² The procedures for the construction/equipment of the processing units is well embedded and mastered by MAPMDREF. The development of the integrated financial statement is advanced with the bidding documents developed and ready to be published. A steering committee comprising all the key players has been put in place as to build a coalition at early stage. The deployment of this system is included in the Program Action Plan.

⁶³ “A” being the highest score.

⁶⁴ No budget appropriation was made in 2015 and 2016.

recently introduced by the Financial Directorate (DF) of the Ministry with a view to identifying bottlenecks in the budget execution and redeploying the budget appropriations to more performing managers. Key bottlenecks in the budget execution relate to the relative modest capacity at the decentralized level to implement the activities including, the long lead time to centralize/coordinate the financial information between the central and decentralized levels. The deployment of the integrated financial management system included in the Program will be a critical tool to address this issue.

Effectiveness

12. Activities included under the expenditure framework are subject to technical and financial assessments in order to ensure their timely execution at envisaged costs. The construction of the wholesale market is the main activity which entails land or legal issues that might pose a risk to implementation. This risk has been identified and adequate mitigation measures have been incorporated as part of the Program design. All Program executing entities – including *Rabat Région Aménagement* and ONSSA – are subject to public procurement rules, allowing for Program activities to be executed at lowest cost.

13. The Program's own fiduciary risk control mechanisms (which are more fully assessed within the Fiduciary System Assessment) provide further drivers of efficacy of expenditures under the Program. The following measures will contribute to ensure the effectiveness of the Program activities:

- The mid-term review of MAPMDREF's budget will be extended to the Program. This measure will be monitored as part of the Program Action Plan;
- The close monitoring of *Rabat Région Aménagement* and ONSSA's budget execution by MAPMDREF's PMU;
- The deployment of the integrated financial management system within MAPMDREF and its decentralized directorates as to increase timely production of reliable financial information allowing improved decision making process;
- The Treasury General of the Kingdom that checks the regularity of the expenses incurred by the entities involved in the Program and their compliance with the agreements it has signed before paying them;
- The General Inspectorate of Finance (IGF), under the authority of the Minister of Finance, is also called upon to audit the accounts of local and regional authorities;
- The Supreme Audit Institution which has a standing control mandate over MAPMDREF but also over related bodies such as *Rabat Région Aménagement* and ONSSA;
- The Minister in charge of agriculture can order external audit operations targeting the Program itself as well as any entity for which it is responsible for the implementation of the Program;
- The publication of the Program's results will be included in the Program Action Plan as to increase transparency that will positively affect its effectiveness.

C. PROGRAM FIDUCIARY ARRANGEMENTS

An overview of the country PFM cycle

14. **Overall, Morocco's PFM system suffers from two interrelated weaknesses: the shortcoming in the selection of investments projects which affects the programming and planning processes and the mixed impact of those investments on the quality of the public services.** In addition, the publication of the budget execution report in a disaggregated manner remains another area of improvement in spite of

the ongoing efforts. The Supporting New Governance Framework Project and the Improving Infrastructure Service Delivery and PPPs in Morocco Project, both financed by the MENA Transition Fund, are two complementary interventions aiming to address the PFM issues at national level. The first project strengthens capacity in procurement and financial management in the context of the implementation of the new PFM Organic Law, which introduces program budgeting approach. The second project will focus on the establishment of a revised public investment management system and the improvement of the efficiency of state-owned enterprises in the infrastructure sector including mobilizing the private sector investment for infrastructure. As such, the Program will benefit from the technical assistance activities deployed and/or to be implemented under the two abovementioned projects. More specifically, MAPMREF is being supported under the first project in the design of new programs, associated indicators oriented on service delivery, an annual performance plan and annual performance report as well as in planning and execution processes.

15. **Other Morocco's fiduciary areas are considered exemplary with a moderate risk.** This will create an enabling fiduciary environment for the implementation of the Program. The main conditions for fiscal and financial discipline are indeed met, as evidenced by the credibility of the budget and the achievement of the planned objectives. Budget execution benefits from an adequate information management system, as well as from robust internal controls which includes an *ex-ante* control of expenditures based on a risk model. Internal audit function is more than adequate using a risk based audit with an acceptable completion rate of the audits planned including a proper follow up of the recommendations. Procurement reforms also translate Government's efforts to ensure a more strategic and efficient use of resources with the establishment of a National Commission for Public Procurement (CNCP) and the harmonization and simplification for the regulatory framework for procurement. The financial supervision of the local authorities, the public institutions and that of the state-owned enterprises is adequate and brings an essential contribution to the state financial stability. The Supreme Audit Institution (SAI), whose independence is well guaranteed (even if the rules of appointment and replacement of the first President are not defined in the Act), ensures an effective *ex-post* control.

Review of Public Financial Management Cycle of the entities involved in the Program

16. **Planning and budgeting.** The Program supports the objectives of the Plan Maroc Vert, the Government's medium-term sector strategy for agriculture and rural development. The PMV amounts to 6.6 billion dollars for the period from 2008 to 2021, including US\$200 million that will be funded by the Program. The Program will be implemented mainly by three entities with fiduciary responsibilities, MAPMDREF, ONSSA and Rabat Région Aménagement. The assessment of the planning and budgeting processes in effect at the level of each entity of the Program is as follows.

a. *MAPMDREF.* The planning and budgeting processes at MAPMDREF are deemed adequate thanks to an important level of efforts of consolidation of the number of entities involved, which affects efficiency. Those efforts include: (i) the enforcement of the medium expenditure framework, (ii) the consultations with the technical directorates from the decentralized to the central levels, and related agencies including the Ministry of Economy and Finance (MEF), (iii) the elaboration of an annual performance report in line with the program budgeting approach promoted by the new PFM Organic Act, and (iv) the timely availability of the budget appropriations. However, the system suffers from some deficiencies mainly due to the large number of provincial directorates and other relevant agencies under the supervision of the MAPMDREF's financial directorate. This implies intense manual tasks during the budget preparation, increasing the risk of mistake. To address this risk and increase efficiency in the budget preparation process, MAPMDREF is planning to procure and deploy an integrated management system for a total amount of US\$4 million. The development of the various modules (planning, programming, procurement, and execution) is expected to be completed in 18 months. This major initiative would

also increase the efficiency in the oversight of the MAPMDREF's work program and accountability and it would be reflected in the Program's result matrix and/or Program Action Plan (PAP). Change management associated with this initiative will need to be taken into account and managed with due care. In addition, like for all information management systems, the risk of slippages will need to be properly managed in addition to the interface with the existing systems.

b. *ONSSA*. The planning and budgeting processes at the level of ONSSA are drawn from the national PFM regulation governing the parastatals and further developed in the recently updated manual of procedures. Those rules require: (i) the elaboration of the budget following consultations with the technical services (within the ceiling included in the medium-term expenditure framework), (ii) the approval by the Board of Directors before the end of the fiscal year, (iii) and then validation by MAPMDREF. Overall, over the past years, the predictability of ONSSA's budget has been strong. The budget approved by the Board has been fully validated by MAPMDREF and made available for its execution in a timely manner. In addition, the existing procedures have provided sufficient flexibilities (modifications/adjustments) with regard to the emergency situations that ONSSA may face in case of food safety crises in the agriculture sector.

c. *Rabat Région Aménagement*. The planning and budgeting processes are drawn from the private sector as the entity is a limited liability company with public capital (SDLs). Those rules require the elaboration of a budget for the following year well in advance to allow its approval by its Board of Directors in November of each year. In addition, there is a multi-annual budgetary programming which is included in the Memorandum of Understanding (MoU) signed with the beneficiaries and approved annually by the Rabat Région Aménagement's Board. Some MoUs have a six-year timeframe and represent the basis for the planning and budgeting processes. A periodic evaluation of MoU is agreed with the beneficiaries to take stock of progress.

17. The Program will follow the planning and budgeting processes of MAPMDREF, ONSSA and Rabat Région Aménagement which are found appropriate. However, to increase efficiency in the Program planning and budgeting processes, the deployment of the integrated financial management information system under development by MAPMDREF will be key. To this end, this important activity is reflected in the Program's DLIs and Program Action Plan.

18. **Procurement planning.** Procurement planning and the publication of the plans are made mandatory by the public procurement decree (PPD). This apply to the implementing departments within MAPMDREF as well as to ONSSA and Rabat Région Aménagement. Each public procuring entity is required, according to the PPD, to publish its procurement plan which shall include all contracts planned for the fiscal year, under their budget. The publication should be done at least in two national newspapers (one in Arabic and one in foreign language) and on the procurement electronic portal, no later than the end of the first quarter of each fiscal year. This requirement fosters the access to information on procurement opportunities for all potential bidders. In practice, all the implementing entities are complying with this requirement.

19. **Procurement profile of the Program.** Each of the implementing entities (MAPM, ONSSA and Rabat Aménagement) will handle part of the Program activities. ONSSA and Rabat Région Aménagement will receive their allocated resources through transfers received from MAPMDREF. Procurement under the Program involves consultant services, goods, works and non-consulting services to support the implementation of activities included in the two result areas, including: technical assistance, design and implementation of industry-specific training and qualification programs, design, establishment and operation of two Agri-Food Innovation Centers (CIA), construction of a new wholesale market,

communication campaigns, modernization of MAPMDREF's existing Asaar market information platform, etc.

20. These consultant services, goods, works and non-consulting services are not expected to have a significant adverse impact on the environment and/or affected people, as defined in the World Bank's Policy and Directive on PforR Financing, and the resulting contracts are below the Operations Procurement Review Committee (OPRC) thresholds (high risk activities). During the implementation, the Bank will screen Program execution to ensure that no high-risk activity is included in the Program and there is compliance with the PforR policy requirements.

21. **Budget execution, accounting and reporting.** The assessment of the budget execution, accounting and reporting processes in effect at the level of each entity of the Program is as follows.

a. *MAPMDREF.* Once approved by the Parliament, the budget is made available for MAPMDREF within an acceptable timeline for its execution. MAPMDREF's budget classification is in line with international standards. The implementation of the risk-based approach in the *ex-ante* control of the expenditures by the financial controller and the devolution of budget authority to the decentralized level are key strengths in the budget execution procedures. The accounting standards are those prescribed by the accounting regulation which calls for the use of cash basis. Budget executions are monitored using GID (integrated financial management system for the expenditures). For the last three years on average, the commitment's execution ratio is acceptable (85 percent). However, the payment ratio is around 65 percent. Overall, the budget execution is affected by the modest capacity and weak incentives in the provincial directorates compared to the central directorates. To address this issue, MAPMDREF is reflecting on ways to increase the incentives' schemes in the provincial directorates. The in-year review of the budget execution against forecasts is embedded. Nevertheless, the in-year budget execution report's elaboration is made difficult as a result of multiple players at the decentralized level. The ongoing acquisition/deployment of the integrated management system will help to improve efficiency in the in-year budget execution report. MAPMDREF's annual budget execution reports are presented in the annual performance report in line with the program budget approach. To address the risk related to the difficulty to elaborate the budget execution report, a reconciliation sheet will be developed to extract the Program's expenditure from MAPMDREF's annual budget execution report. To this end, a pre-defined format of budget execution report and financial statements will be agreed upon.

b. *ONSSA.* The budget execution procedures are described in the recently updated manual of procedures. They comprise the *ex-ante* control by the financial controller. The risk-based approach in the *ex-ante* control is not yet enforced at ONSSA as a number of prerequisites need to be met. However, this does not significantly affect the budget execution rate which is more than adequate⁶⁵. The accounting procedure is based on accrual basis. This will be complemented by the ongoing deployment of the management accounting. The budgetary and accounting system are managed through an integrated management system (Saage Sari) deployed at the central level. Its deployment is underway at the decentralized level. This system could be customized to extract the Program's expenditures by adjusting the budget and accounting classifications.

c. *Rabat Région Aménagement (RRA).* The Managing Director, as a corporate officer, has the power to implement and execute budget approved by the Board. Rabat Région Aménagement uses a budgetary and accounting system (Saage Sari) which is able to report on the execution of the MoU signed with the beneficiaries. This system (Moroccan General Accounting Standards) is based on accrual basis.

⁶⁵ Commitment rate: 98 percent; Payment rate: 95 percent in 2016.

22. The Program will apply MAPMDREF, ONSSA and Rabat Région Aménagement budget execution, accounting and reporting procedures which are acceptable. MAPMDREF will be in charge of the overall consolidation of the Program's budget execution report and financial statements including for entities under its oversight. Technical assistance/hands-on-support will be provided/included in the Programme Action Plan, to extract from the entities' budget execution reports the Program's budget execution data and financial statement in a pre-defined format. In addition, the Program will support ONSSA in the convergence program to be eligible for the risk-based approach in the *ex-ante* control.

23. **Treasury management and funds flow.** The Program's funds will be reflected in the Government budget under MAPMDREF and part will then be channeled to ONSSA and Rabat Région Aménagement. For advances, prior results and achieved results, the funds will be disbursed to the Government's Treasury Single Account.

24. **Procurement processes and procedures.** Below is a summary of the processes and procedures that each implementing agency will follow:

a. MAPMDREF. Procurement by MAPMDREF under the Program will be carried out according to Morocco's existing systems and processes for Public Procurement Management, including the oversight of the Ministry of Finance (MEF). The main procurement methods are Open National Competitive Bidding (ONCB) and Shopping (purchase orders). The use of the latter method is limited to a list of works, goods and services with amount for individual purchase orders not to exceed MAD 250,000 or US\$25,000 (ref. list in annex 4 of the PPD No.2-12-349 dated 8 "Joumada" 1434 (March 20, 2013). Procurement by MAPMDREF is subject to the review of the "*Contrôleur des Engagements*" with regard to the respect of procedures and provisions of the PPD. In addition, the new PPD reinforces the legal basis for e-procurement in Morocco. The e-portal has increased the availability of information, especially in terms of making calls for proposals widely available, making contract-related documentation available to all potential bidders, disclosing an estimated cost for the goods or projects to be procured, and publishing the results of tendering contests. Additional features have been included which are now in use since very recently: electronic submission of bids and electronic reverse auctions. The portal includes also a database of suppliers. For the MAPMDREF, procurement handling is totally decentralized at the level of the technical departments for their respective activities. Each department sets up its own ad-hoc procurement committees for the management of procurement activities (approval of bidding documents, opening and evaluation of bids and recommendation of contract awards). All contracts including purchase orders ("*Bons de commande*") of less than MAD 20 million are signed by the director and the upper ones are signed by the Secretary General of the ministry. This mechanism seems to be well mastered. However, delays are frequent in the evaluation of bids phase.

b. ONSSA. As SOE, ONSSA has its own procurement regulations dated February 18, 2014. It is largely consistent with the Public Procurement Decree and is complemented by a manual of procedures, which includes specific details on procurement and contracts execution as well as the roles and responsibilities of different actors involved. ONSSA is not yet eligible to full post review of its procurement (*contrôle modulé de la dépense*), which implies that its procurement activities are still subject to the review of the DEPP ("*Contrôleur d'Etat*") with regard to the respect of procedures and provisions of the PPD.

c. Rabat Région Aménagement (RRA) has its own procurement regulations which are largely consistent with the Public Procurement Decree. The procedures manual is under approval. Procurement activities for RRA are subject only to post review by DEPP (entity eligible for *contrôle modulé de la dépense*). This allows more flexibility in procurement. Created in 2014 as a limited liability company with public capital, RRA, a "*société de développement local*" (SDLs), is a

relatively new entity, with a short history with regards to its fiduciary performance in implementing projects. In the absence of audit reports, implementation reports of projects/program since its creation, the fiduciary assessment could not review the performance and achievements regarding procurement aspects. During the last three years (2015-2017), RRA, as a delegated manager, has accumulated considerable experience in different types of procurement (works, consulting services, goods). Indeed, RRA has signed more than 350 contracts, including 242 for works and 105 for consulting services for a total value of MAD 3,745 million. The most important contracts awarded in the last two years include the following: project management services (MAD 213 million), consulting services (MAD 175 million), studies (MAD 4.7 million) and architectural services (Euro 8 million). Although there are statistics available on performance and achievements, it is noted an upward trend in unsuccessful tenders over the three-year period under consideration.

25. **Contract administration.** Contract administration by each implementing agency will follow the below modalities:

a. *MAPMDREF.* Each one of the departments involved in the implementation of the program has a budget authority (*sous-ordonnateur*) and will be responsible for implementing the activities under its responsibility including contract management. Given its transversal role the Department of Finance (DF) has large experience in contract management including in projects supported by donors. The setting-up of the integrated financial management system (including procurement) will be very useful as it will allow to generate consolidate reports, and to do analysis and performance evaluation on the execution of procurement plans. In term of evaluation and audit, all contracts are reviewed by the IGA (General Inspectorate of the ministry). Contracts higher than MAD 5 million are systematically reviewed while the lower-value contracts are reviewed on the basis of a sample of 10 to 20 percent. The IGA produces an annual report with risk mapping and an action plan for the implementation of the recommendations. In 2016, the audit conducted by IGA covered 90 contracts above MAD 5 million and a few dozen small contracts for which the risks identified were rated moderate to low.

b. *ONSSA.* Based on the data provided, ONSSA has good track record on procurement with 98 percent of its investment budget committed in 2016. Furthermore, the audit reports in 2015 and 2016 did not raise concern related to procurement, and payment delays have reduced. ONSSA have dedicated staff for procurement at central and regional levels. In 2017, it is planned to hire two additional staff to reinforce the procurement unit with the Finance and Administration Department.

c. *Rabat Région Aménagement.* The Procurement department (“*Pole Achat*”) is in charge of procurement at RRA. The other departments (*aménagement, habitat, patrimoine/culture, administration/finance, proximité, grands projets*) are also involved, in the definition of their respective needs and the preparation of the technical specifications of bidding documents and the follow-up of contract execution. RRA has limited staff (four in the procurement unit) given its mandate and activities (budget of MAD 9 billion for the period of 2014-2018). Created in 2014 as a limited liability company with public capital (SDLs), RRA is a relatively new entity, with a short history with regards to its fiduciary performance in implementing projects. In the absence of audit reports, implementation reports with achievements and performances of projects/program since its creation, the fiduciary assessment could not review information on its performance and achievements regarding procurement aspects. However, RRA, as the delegated authority in charge of overseeing the construction of the wholesale market (the only activity it is responsible for in the Program) has few staff for the management of the activity (procurement, supervision and monitoring). Therefore, as a recommendation included in the PAP, RRA must reinforce its technical staff with a technician dedicating most of his/her time if not all, to the construction of the wholesale market. Also, the periodic program implementation report will include a specific section

on the execution of the wholesale market with details on physical progress (respect of the deadlines vs chronogram, the difficulties / constraints of implementation and the solutions provided, etc.) as well as fiduciary aspects (commitments, payment ratio, compliance with regulatory deadlines for payment, constraints and difficulties faced). The Program Operational Manual will include in its section on reporting the requirement to include a status report on technical and financial achievements and performance related to the construction of the wholesale market.

26. **Integrity and transparency.** With regards to integrity and transparency, the following systems are in place:

a. *Arbitration in procurement.* The country arbitration system is required by law. As part of the 2007 reforms, a law for arbitration and mediation procedures was introduced but many of its provisions have remained unsatisfactory (not reflected in the existing General Contract Conditions (GCCs)).

b. *Complaint management.* The “*Commission Nationale de la Commande Publique*” (CNCP), has the mandate to handle and manage complaints in procurement and contract execution. It replaces the *Commission des Marchés* (Procurement Commission), but is still not yet effective (designation of members underway). Its membership includes key stakeholders such as the Ministry of Economy and Finance (MEF), the TGR, representatives of private sector, etc. According to the 2016 PEFA report, the mechanism set up to investigate complaints related to public procurement is not satisfactory in the light of the PEFA framework criteria. Information on the resolution of complaints relating to the award of public contracts by the *Commission des Marchés* is not made available to the public

27. **Internal control.** The assessment of the internal control arrangements in effect at the level of each entity of the Program is as follows.

a. *MAPMDREF.* Internal control rules are laid down in the regulation of public accounting. Execution of non-salary expenditures follows the steps of engagement, liquidation, approval and payment. The first three steps that make up the administrative phase are under the responsibility of the budget holders. The payment is the responsibility of the line ministry treasurer after the *ex-ante* control of the financial controller based a risk model. Overall, effectiveness of the control system is satisfactory and a major part of the non-salary expenditures are performed according to the normal procedure, and the exceptional procedures are well established and justified.

b. *ONSSA.* ONSSA internal control procedures are described in the recently updated manual of procedures which includes clear segregation of duties between the key players and lead time for each player in the processing of budget transactions. Enforcement of the manual of procedures is ensured by the financial directorate, the internal audit department, the quality department and the financial controller. Overall, effectiveness of the internal control system is adequate.

c. *Rabat Région Aménagement.* The internal control procedures are those of the private sector but not formalized. In view of this situation, a formal manual of procedures has been drafted with support from an audit firm but it has not yet been approved.

28. The Program will apply the internal control arrangements of MAPMDREF, ONSSA and Rabat Région Aménagement which meet the minimum standards. However, the formal approval of the manual of procedures of Rabat Région Aménagement will be part of the Program’s fiduciary key performance indicators (KPI). To assess the soundness of the control environment over the Program implementation, the external audit reports of the entities of the Program will include management letters on the internal control.

Program governance and anti-corruption arrangements

29. **Morocco's Constitution, enacted on July 1, 2011, explicitly mentions the need to fight corruption and to ensure good governance and transparency** as fundamental tools of public sector management. The Constitution sets the ground for more transparency and efficient use of public resources, through Title II on conflict of interest, misconduct in public procurement, misuse of public funds, greater transparency, accountability, and the fight against fraud and corruption and through Title XII for good governance. The institutional framework for fighting against fraud and corruption includes several entities described below.

30. Pursuant to the provisions of Article 6 of the United Nations Convention against Corruption which it signed in 2003 and ratified in 2007, Morocco created the “*Instance Centrale de Prévention de la Corruption (ICPC)*” by Decree No. 2- 05-1228 (13 March 2007). The ICPC is responsible for coordinating, supervising and monitoring the implementation of corruption prevention policies, collecting and disseminating information in this field. To this end, it shall in particular be responsible for: (i) proposing to the government the main orientations of a policy of prevention of corruption, particularly in the area of cooperation between the public and private sectors to fight against corruption; (ii) proposing measures to raise public awareness and organize information campaigns to this effect; (iii) contributing, in cooperation with the administrations and entities concerned, to the development of international cooperation in the field of prevention of corruption; (iv) ensuring a monitoring and evaluation of the measures taken to implement government's policy in this area and making recommendations to the public administration, public agencies, private companies and all those involved in the prevention of corruption policy; (v) providing advices to the administrative authorities on possible measures to prevent corruption; (vi) collecting all information related to the phenomenon of corruption and managing the related database; and (vii) informing the competent judicial authority of all the facts brought to its attention during the performance of its duties, which it considers may constitute acts of corruption punishable by law. The number of complaints or anonymous whistle blowing cases declared by ICPC is usually small: about 100 allegations at national level after the first year the launch of ICPC secured electronic site. This is a sign of lack of bidders' confidence in the systems with regard to appeal mechanisms or judicial process, and of their fear to be penalized.

31. At the level of the Program, any allegation of fraud and corruption will be reported to the ICPC.

32. *The Institution of the Ombudsman (L'Institution du Médiateur)* is a constitutional body that was established by the Constitution⁶⁶ to replace the former Grievances Office (*Diwan Al Madalim*). The Ombudsman's mandate covers handling complaints and grievances of citizens, domestic or foreign individuals or legal entities against the administration (including regional and local governments) and organizations which benefit from financial support of the state (CC, SDL). The Ombudsman is, in addition, empowered with capacity of investigation on its own initiative (*autosaisine*). It is free and easily accessible as grievances, complaints and claims can be introduced through regular or registered mail, fax or internet. According to its latest annual report, the total number of complaints and grievances treated by the institution reached 1,919 in 2013. Complaints brought to the Ombudsman mostly related to administrative, real estate and financial and legal cases.

33. **Anti-corruption arrangements.** The Borrower will use the existing country systems to take all appropriate measures to prevent fraud and corruption in connection with the Program. The Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 10, 2012 and revised July 10, 2015 (the Anti-Corruption Guidelines) will apply.

⁶⁶Article 162 of the 2011 Constitution and Royal Decree n° 1-11-25 of March, 17th 2011.

34. **Reporting.** The Borrower will handle and report to the Bank allegations occurring under the Program via the annual reports during Program implementation. The World Bank's prerogative of administrative inquiry for allegations of fraud and corruption has been clarified to the borrower during the Program preparation. The borrower's collaboration with the Bank on the administrative inquiries into allegations which the Bank intends to pursue has been confirmed during preparation. In accordance with the Bank's Anti-Corruption Guidelines, the Program will take steps to ensure that "any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension". During the procurement processes, each of the implementing entities will verify the names of the contractor against the Bank's database⁶⁷ of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program.

35. **Actions related to fraud and corruption.** The Borrower will: (a) take all appropriate measures to ensure that the Program is carried out in accordance with the Bank's Anti-Corruption Guidelines; (b) take all appropriate measures to prevent fraud and corruption in connection with the Program, including (but not limited to) adopting and implementing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted; (c) promptly inform the Bank of all credible and material allegations or other indications of fraud and corruption in connection with the Program that come to its attention, together with the investigative and other actions that the Borrower proposes to take with respect thereto; (d) unless otherwise agreed with the Bank with respect to a particular case, take timely and appropriate action to investigate such allegations and indications; report to the Bank on the actions taken in any such investigation, at such intervals as may be agreed between the Borrower and the Bank; and, promptly upon the completion of any such investigation, report to the Bank the findings thereof; (e) if the Borrower or the Bank determines that any person or entity has engaged in fraud and corruption in connection with the Program, take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its recurrence; and (f) ensure that any person or entity debarred or suspended by the Bank is not awarded contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension. The Bank's debarment list, which is easily accessible, will be checked by all procuring entities before awarding contracts.

36. **Internal audit.** The assessment of the internal audit arrangements in effect at the level of each entity of the Program is as follows.

a. *MAPMDREF.* The internal audit function is under the responsibility of the General Ministerial Inspectorate. This entity is one of the three General Ministerial Inspectorates fully operational in Morocco. It is mentored by the General Inspectorate of Finance with the view to introduce the risk based audit and the performance audit.

b. *ONSSA.* The internal audit department is fully operational. The entity prepares and shares with the management its annual audit plan which covers both the central and decentralized levels. The entity capacity is deemed adequate.

c. *Rabat Région Aménagement.* The internal audit unit mentioned in the company organigram is not yet staffed. The recruitment process has been launched and is ongoing. To ensure the appropriate management of the risk and compliance with the provisions of the manual of procedures once adopted, it will be crucial to establish an operational internal audit unit.

⁶⁷ [https:// www.worldbank.org/debarr](https://www.worldbank.org/debarr)

37. The Program will apply the internal audit arrangement of MAPMDREF, ONSSA, and RRA which are found acceptable. The operationalization of the internal audit unit of RRA will be an action to follow up as part of the Program Action Plan.

38. **Auditing.** The assessment of the external audit arrangements in effect at the level of each entity of the Program is as follows.

a. *MAPMDREF:* Donor funded projects managed by MAPMDREF are subject to annual audits carried out by the General Inspectorate of Finance. The reports are made available within nine months after the end of the fiscal year. The General Inspectorate of Finance is staffed with qualified staff and uses the international auditing standards. MAPMDREF is also subject to some performance audits by the Supreme Audit Institution. Two World Bank-financed projects linked to MAPMDREF have no overdue audit reports. The review of the audit reports did not reveal any systemic issue that could affect the Program's financial management system.

b. *ONSSA:* An external auditor from the private sector is recruited following a competitive process. A rotation of external auditors is in place. The auditors apply local auditing standards that even if they are not totally in line with the international auditing standards of IFAC remain acceptable. Following some qualifications in the 2015 financial statements, as a result of lack of clarity on the tax situation, the 2016 audit comprises an unqualified opinion. ONSSA is also subject to the audits of the Supreme Audit Institution.

c. *Rabat Région Aménagement.* An external auditor from the private sector is recruited following a competitive process for a three-year mandate. A rotation of external auditors is in place. The auditors apply local auditing standards that even if they are not totally in line with the international auditing standards of IFAC remain acceptable. The 2015 and 2016 financial statements were audited with a clean audit opinion. No material weaknesses were identified in the external auditor's management letter.

39. The General Inspectorate of Finance (IGF) will carry out the financial audits of the Program expenditures including the expenditures incurred by MAPMDREF, ONSSA and Rabat Région Aménagement. The audit report will be carried out based on the terms of references agreed between IGF and the Bank for PforR operations. Two audit reports will be produced, one for the financial statements presented by MAPMDREF (for MAPMDREF and ONSSA), and one for those of Rabat Région Aménagement (for the wholesale market). It is envisaged that the production of audit reports no later than nine months after the closure of accounts will be part of the Program Action Plan.

40. **Staff capacity.** The assessment of staff capacity at MAPMDREF, ONSSA and Rabat Région Aménagement revealed the following:

a. *MAPMDREF:* The Finance Directorate comprises five units (among others budget, accounting, and procurement). At the provincial level, adapted unit exists to support the budget holder. The challenge is mainly with the automation of the planning and budgeting processes rather than the recruitment of additional staff. To this end, the acquisition/deployment of the integrated financial management information system will be key. Another challenge is the incentives for the staff located in the provincial directorates.

b. *ONSSA:* Over the last three years, the ONSSA has gradually increased the staffing in the financial directorate. This is complemented by outsourcing of some tasks such as legal and tax functions.

c. *Rabat Région Aménagement.* The company comprises 42 staff, including eight at the Financial Directorate (four in the procurement unit and four in the finance and accounting unit). Two additional staff are being recruited so as to reinforce the staff in the fiduciary function.

41. **Contribution to the Program Action Plan.** Table A5.2 details the PAP’s fiduciary actions as well as actions that will be monitored by the World Bank as Key Performance Indicators (KPIs) with regards to fiduciary aspects.

Table A5.2 PAP Fiduciary Actions

Risk	Mitigation action	Responsible	Type of action (PAP, DLI, KPI)
Inefficiencies in the planning and budgeting processes	Deploy the integrated financial management information system	MAPMDREF	PAP / DLI
Difficult to report on the Program’s expenditures	TA activities to draft a pre-defined format of the Program’s financial report; Prepare consolidated periodic reports with a performance analysis, on contract execution	MAPMDREF/WB	KPI
Lack of formal manual of procedures at RRA	Approve the manual of procedures	RRA	KPI
Lack of operational internal audit unit at RRA	Recruit the internal auditor and adopt a first audit plan	RRA Aménagement	KPI
Lack of formal contract monitoring and reporting on contract execution	Prepare consolidated periodic reports with a performance analysis, on contract execution	MAPMDREF/ONSSA/RRA	PAP
Limited staff of RRA for handling of the construction of the wholesale market	Strengthen technical staff with dedicated technician, for managing the construction of the wholesale market Due date: before the launch of the call for tenders	RRA	PAP
Absence of close monitoring and follow up on performance in the construction of the wholesale market	Periodic reporting on the construction of the wholesale market (physical and financial progress) including technical and fiduciary performance aspects Due date: following program implementation report	RRA	PAP

42. **Implementation support.** Fiduciary support will include:

- i. Close monitoring of the acquisition/deployment of the integrated financial management system of MAPMDREF;
- ii. Reviewing implementation progress and working with the task team to examine the achievement of Program results and DLIs that are of a fiduciary nature;

- iii. Helping the borrower resolve implementation issues and carry out institutional capacity building;
- iv. Monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP; and
- v. Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.

Annex 6: Summary Environmental and Social Systems Assessment

1. This Environmental and Social Systems Assessment (ESSA) of the Strengthening Agri-food Value Chains Program was carried out by the World Bank with the support and collaboration of the Borrower in the preparation of the Program. The proposed PforR instrument, is part of the implementation of the second phase of the government's Plan Maroc Vert and is aimed at increasing the volume of added-value products commercialized in selected agri-food value chains in the Program area.

Objectives and Approach of the ESSA

2. The ESSA analyzes the compatibility of the Program's systems with the requirements of the World Bank's Policy and Directive on PforR Financing, with regards to the following components: (i) laws, regulations, procedures, etc. (the "system as defined"); and (ii) the capacity of the institutions of the Program to effectively implement the systems (the "system as it is applied in practice"). It identifies and analyzes the gaps between national systems and the basic principles applying to the Program, and recommends actions for improvement aimed at the compatibility of environmental and social management systems with the requirements of the World Bank's Policy and Directive.

3. The preparation of the ESSA and the development of measures to strengthen the environmental and social management systems benefited from various sources of information and an extensive consultation process, including: interviews and field visits; a review of the documentation; and consultation meetings with the various stakeholders involved in the Program. The draft ESSA was presented and discussed with the various actors and stakeholders during an extensive public consultation on October 6, 2017. Subsequently, it was disseminated and published in order to collect and take into consideration the comments and opinions of the different stakeholders. The final report of the ESSA was publicly released on the World Bank's website and on the website of the Ministry of Agriculture, Marine Fisheries, Rural Development, Water and Forests (MAPMDREF) on November 17, 2017.

General Presentation of the Program

4. The Program Development Objective (PDO) is to increase the volume of added-value products commercialized in selected agri-food value chains in the Program area.

5. The proposed Program includes two result areas that comprise the following activities:

a. **Result Area 1 – Increased market efficiency and integration.** Result area 1 aims at improving market efficiency and transparency, and facilitating the integration of small and medium producers and enterprises with modern value-chains. The proposed Program would support the following four sub-programs of the PMV in order to reach that objective:

i. *Strengthening the interprofessions.* The Program would provide technical and financial support to strengthen the capacity of at least two interprofessions (Maroc Citrus and Interprolive) so as to enable them to carry out their missions under Law 03-12 and to become effective and inclusive platforms for intra-branch coordination and public-private dialogue. Program activities would focus on the preparation of their respective business plans (specifically covering: revenue mobilization and sustainability, including through the adoption of intra-branch financing agreements for each interprofession – *Accords interprofessionnels*, - strategic activities, improvement of representativeness and capacity building) and financing the subsequent execution of those business plans;

- ii. *Supporting the integration of small and medium producers and markets.* The Program would support adjustments to existing PMV instruments for the promotion of private investment with a view to improving their structuring impact on selected value chains, as well as better inclusion of and access to finance for small and medium producers and enterprises, including: (i) the amendment of the Law 04-12 on agricultural aggregation to allow for direct sales of fruit and vegetables from aggregation investments to supermarkets and other modern commercialization platforms; (ii) incentives for investments in value-addition and support for aggregation in the selected value-chains under the FDA's universal support system following adjusted operational modalities; and (iii) the piloting of a new support mechanism (productive alliances) to support producer groups interested in entering into commercial partnerships with buyers. The proposed Program would initially finance projects in the olive and citrus sub-sectors prepared and implemented following those enhanced operational modalities (support could be extended to other sub-sectors during implementation, subject to further appraisal);
 - iii. *Modernizing the management of wholesale markets.* The Program would finance the construction and operationalization of at least one new wholesale market and support the establishment of a new management model with a view to improving domestic market efficiency and transparency in the fruit and vegetables sector. The wholesale market with most advanced readiness conditions is that of the Rabat-Salé-Kénitra region.
 - iv. *Improving access to information.* The Program would support MAPMDREF's efforts to improve the transparency of market information and to make it accessible for small and medium producers, through the modernization of the existing *Asaar* market information platform, the strengthening of the market price analysis unit of the Ministry's Department of Strategy and Statistics in Casablanca, as well as the development of new ICT tools (mobile apps, SMS, etc.) to increase producers and enterprises' access to information.
- b. **Result Area 2 – Improved added-value of agri-food products.** Result area 2 aims at improving the added value of agri-food products, including food quality and food safety and sanitary and phytosanitary aspects which have been identified as key constraints for operators in the agri-food sector to meet market demand and to access new market opportunity both domestically and for exports. Result area 2 also aims at improving producers and agribusiness SMEs' capacity to add-value to their products by increasing their capacity for innovation and their access to marketing and distribution networks, through access to business development services, technical support services and training, and financing for innovation. Four sub-programs would be included:
- i. *Improving food safety.* The Program would support: (i) the carrying out of a census of agri-food enterprises and the provision of advisory services to private operators regarding compliance with food safety requirements and ONSSA's approval/authorization criteria and processes; (ii) the strengthening of the capacity of ONSSA to carry out its mandate through the carrying out of the activities described in the POM; (iii) the carrying out of awareness campaigns to inform consumers about food safety; (iv) the establishment of an input register for citrus in the Souss region; and (v) the implementation of the Mediterranean fruit fly control program through the creation of a new facility for the production of sterile *ceratitis* males and the expansion of the areas covered by releases of sterile males;
 - ii. *Promoting quality standards and certification systems.* The Program would provide technical support to: (i) certify new products under Distinctive Signs of Origin and Quality schemes (SDOQ); (ii) help producers and producer groups adopt good practices required to obtain organic certification; and (iii) strengthen the capacity of producers of organic and SDOQ-certified products to implement good hygiene practices, as well as value adding techniques. In addition, the Program would establish FDA financial support to

producers for the certification costs of organic and SDOQ products. Finally, the Program would support awareness raising campaigns to raise the knowledge of producers and consumers about quality standards and organic and SDOQ certification systems, including for olive oil;

- iii. *Strengthening business development and technical support services for the agri-food sector.* The Program would finance the design, establishment and operation of two Agri-Food Innovation Centers (*Centres d'Innovation Agro-Alimentaire*, CIA) providing a range of technical, training and business development services (including incubation services) to agribusiness SMEs, agribusiness start-ups;
- iv. *Financing innovation.* Complementing the development of the CIAs, the Program would establish and finance a competitive innovation grant mechanism in support of innovation by SMEs and producer organizations targeting the development and market introduction of new agri-food products, services or technologies.

6. In addition to those two result areas, the Program would support and finance improvements to implementing agencies' capacity for implementation and monitoring and evaluation (M&E) of the Program.

7. **Program beneficiaries.** Direct Program beneficiaries would include small and medium producers (including women and youth) and enterprises engaged in the agri-food sector. These beneficiaries and a broader range of stakeholders would also benefit from improved food safety and quality, increased efficiency of wholesale markets and access to market information, and better coordination among value-chains. Those beneficiaries include enterprises in the agri-food sector, such as traders and exporters, as well as Moroccan consumers, who will benefit from safer and better quality products. It is estimated that approximately 200,000 agri-food producers and enterprises would benefit from one or more of the Program activities in the nine Provinces included in the Program area. Finally, the Government agencies involved in the Program (MAPMDREF, ONSSA, ADA) and the selected interprofessions would benefit from increased capacity to implement their mandates and to monitor and evaluate the results of their respective programs to implement their mandates and to monitor and evaluate the results of their respective programs.

8. The proposed Program will cover the period from January 2018 to December 2022.

9. The IBRD loan amount is US\$200 million. The disbursements of the loan are not linked to specific expenditures, but to the achievement of results agreed upon by the World Bank and the Government of Morocco.

Environmental and Social Benefits of the Program

10. The activities of the Program will have clear *environmental, social and economic benefits*.

Environmental Benefits

11. Through the activities that it aims to fund, the Program will:

- a. Support, introduce and monitor the implementation of sustainable farm management practices by supporting small producers and their associations (such as cooperatives and GIEs) in the implementation of Distinctive Signs of Origin and Quality (SDOQs) and organic production systems.
- b. Strengthen the regulatory and partnership framework through the development, adoption and implementation of the Decree on the spreading of olive mill residues, as well as a partnership agreement with the State Secretariat for Sustainable Development.
- c. Improve the environmental performance of business units through the minimization and recycling

- of waste, as well as the use of by-products.
- d. Avoid the use of pesticides in the fight against citrus fruits pests (Mediterranean fruit fly or *Ceratitis capitata*).
 - e. Reduce and control the use of pesticides by creating registers of inputs, in accordance with the Decree of the Minister of Agriculture and Fisheries No. 1129-13 dated April 2, 2013.
 - f. Introduce a new model for the management of wholesale markets to be accompanied by sustainable management practices for the trade in agricultural products and a better control of solid waste and liquid effluents.
 - g. Reduce the health risks related to the consumption of agricultural products with more information and awareness-raising among professionals and consumers about the provisions of Law 28-07 on the food safety and the texts adopted for its application, which have introduced a number of principles to guarantee the safety of food products.
 - h. Determine, monitor and inform decision-making on risk management of food products through a national food consumption study and by strengthening ONSSA's control laboratories.

Social Benefits

12. From a social point of view, the Program aims to:

- a. Strengthen the value chains of the agri-food sector in Morocco and, in particular, contribute to removing obstacles to market access for small and medium-sized enterprises, individual agricultural producers and groups of agricultural producers (such as cooperatives and GIEs).
- b. Improve the ability of small and medium-sized enterprises, individual agricultural producers and groups of agricultural producers to take risks, in a considered and informed manner, in order to improve their business activities and the overall performance of the agri-food sector, by establishing systems to provide them with better access to information, including on market prices, and supporting their integration into the most promising value chains.
- c. Provide more effective services to producers and enterprises in the agri-food sector, particularly concerning access to information on markets, prices, etc., by strengthening horizontal and vertical cooperation through the interprofessions established in 2012.
- d. Consolidate the market positions of small and medium producers by strengthening practices of certified organic production and the development of products based on origin and quality such as *Signes Distinctifs d'Origine et de Qualité* (SDOQs).
- e. Contribute to improving the production of public goods such as the security and safety of food products.
- f. Create jobs, mainly local, in the construction phase for the Results Area 1 investments such as the wholesale market, and the investments in conditioning, storage and processing units.
- g. Create opportunities for hiring and additional jobs, in particular through the incentives for companies investing in conditioning, storage and processing units, and maintain a focus on companies and cooperatives managed by women.
- h. Awareness raising for SMEs and cooperatives through the interprofessions supported by the Program on applicable labor laws, including on child labor, and other applicable regulations such as requirements for registration with the National Social Security Fund (CNSS).
- i. Improve the situation of the many women who are involved in agribusiness and agricultural activities and who lack basic education, and contribute to the reduction of social stigma to which women are subject.
- j. Improve the situation of small traders, operators, and formal and informal workers in wholesale markets in the Rabat-Salé-Kénitra region affected by the modernization of market infrastructures, leading to a reduction in risks to workers' health and improvements to their working conditions.
- k. Help to reduce the unemployment and under-employment rates among young men and women

(respectively 23.5 percent and 16.3 percent at the national level)⁶⁸; create incentives to foster the involvement of young men and women in agricultural and commercial activities, and opportunities to make the transition from informal work to formal hiring.

Environmental and Social Risks of the Program

13. Overall, the negative environmental and social risks associated with the Program are *substantial*. The related impacts will be moderate, reversible, and easily mitigated. They will be easy to identify in advance and to prevent and minimize with effective mitigation measures, and moreover may be subject to a simple system of environmental control and monitoring making it possible to identify and manage potential risks in real time. This is related to the following aspects:

- a. The nature of the program, conceived as a PforR, which by definition excludes any investment entailing major environmental and social risks (namely, activities classified as Category A), in accordance with the provisions of the World Bank's Policy and Directive on PforR Financing. Therefore, in the context of the PforR, an activity will be considered ineligible, if it could:
 - i. have an irreversible impact on natural resources;
 - ii. have an irreversible impact on physical cultural resources of an archaeological or historical character;
 - iii. require significant displacement of persons, involuntary land acquisition, demolition of private houses, or significant restrictions on access to economic resources;
 - iv. exacerbate social conflicts.
- b. The limited number of activities identified as capable of generating environmental risks.
- c. The nature of the activities of the Program means they are mostly dedicated to strengthening the processes of the different stakeholders in the program—ONSSA, MAPMDREF, ADA, the interprofessions, producers and companies in the agri-food sector—and should not generate pollution or significant degradation of the environment.
- d. Measures recommended for the mitigation and monitoring of impacts, which are known, controllable and effective.
- e. The existence of institutions capable of managing the social and environmental aspects of the Program and a clear and complete legal framework.

14. Overall, the Program will have positive effects on the environment (introduction of sustainable techniques, proper management of agri-food waste, etc.) and the population (improvement of income and living conditions). The negative environmental and social impacts of the Program are limited, of moderate magnitude, harmless, controllable and manageable. However, even if when taken individually the potential effects of the Program appear to be minimal, in the long term the cumulative impact of those negative effects could prove to be moderate. Therefore, environmental and social mitigation measures will be identified in order to reduce any potential negative effect. In addition, a rigorous system of environmental and social control and monitoring should make it possible to minimize those effects.

15. All activities involving physical displacement will be excluded from the Program, and no involuntary land taking will be allowed. For activities supporting private sector entities, the Program will not result in involuntary resettlement or involuntary land acquisition, as expropriation is excluded under national systems for private sector activities. Under the Program, activities engendering civil works on private sector sites and financed through the grant mechanism of the FDA will use, if any, land acquired using standard commercial exchanges between a willing buyer and a willing seller. The Program, through the standard grant request mechanism under the FDA procedures, includes a verification mechanism for

⁶⁸ HCP, 2017

the status of real estate to be used for the activities. Land used for public sector activities, such as for CIAs or the wholesale market, will be in the government domain. Land used for public sector activities may have been acquired using involuntary land taking under the Moroccan law 7-81 on land expropriation for public utility projects prior to the Program. The ESSA action plan requires the PMU to review the real estate status and identify any prior involuntary land acquisition. The social and environmental specialist of the PMU will regularly review the files submitted to the one-stop-shops of the FDA (*guichets uniques*). In case any prior involuntary land takings are identified, the PMU will undertake a review and, if need be, prepare and implement a mitigation plan to ensure that the core principles of the World Bank's Policy and Directive on PforR Financing regarding involuntary land acquisition are met, that proper proceedings under national laws have been followed, and that replacement value has been achieved in compensation. The current use of land in the public domain used for Program activities will be assessed for identified sites (wholesale market, ceratitis control center) and when the other sites are identified (for CIAs). If current non-titled users are identified who would lose their livelihoods, the Borrower will prepare and implement a social action plan to ensure that people do receive proper assistance in finding alternative land or alternative livelihoods prior to the start of the civil works, and prior to the transfer of productive assets/workplace/business in the case of the wholesale market users, all in a manner acceptable to the Bank and as described in the POM. Details will be provided in the Environmental and Social Technical Manual, which will be developed by the Borrower and approved by the Bank within the first six months of Program implementation and included in the POM.

16. The positive effects of the Program are many and should remain in place in the long term with regards to the following aspects:

- a. The type of facilities and infrastructures, which are small in size, generally well located and with a relatively limited spatial extent.
- b. The nature of the works and installations, which should not generate significant air or noise pollution or significant degradation of the environment.
- c. The feasibility, effectiveness and rationality of the planned activities, on the basis of the results of the prerequisite diagnostic studies, based on specific social, economic and environmental parameters.
- d. The existence of a range of manageable and effective measures to mitigate the potential risks and monitor any impact, both during the construction phase and during operation.
- e. The existence of specialized agencies that are able to manage most of the environmental and social aspects of the program.
- f. The existence of a "Strategic vision for the integration of women in the development of the agricultural sector," based on a number of national instruments intended to advance gender equality.
- g. The existence of an appropriate legal framework making it possible to effectively manage all aspects of the environmental and social management of the Program.

17. *During the preparation phase (design of specific investments under the Program)*, the risk consists in the low level of consideration of environmental and social aspects in the implementation of technical studies and/or the preparation of unsatisfactory environmental and social studies, as well as ignoring those in the preparation of tender documents. The main social risks are potentially associated with infrastructure works, which may exceptionally require the temporary use of private lands. The Program will not support activities requiring involuntary land acquisition and causing the physical or economic displacement of people, loss of habitat, homes, or land, or the creation of restrictions in terms of access to productive land. In some exceptional cases that could require the use of private land, amicable settlements will be reached with the legitimate landowners, including compensation, among other elements. Another risk is related to the activity of modernization of market infrastructure, which may lead to restructuring of existing markets and transfer of activities to new sites, and may need social actions to ensure the existing users are not

negatively affected.

18. The following key mitigation measures have been identified:

- a. Carrying out an environmental impact assessment in accordance with the procedure established under Morocco's Law 12-03 for the following activities: wholesale markets, center for the production of sterile *ceratitis* males (Mediterranean fruit fly), collective pools for drying liquid residues of olive processing, and olive mills.
- b. For all activities supported by FDA, including those with low environmental risks (refrigeration and conditioning unit activities) – including in the authorization files submitted to the one-stop-windows during the application for incentives a letter of commitment from the project proponent that specifies its commitment to apply and comply with the national laws and regulations that apply to its activity. These laws and regulations are:
 - i. Law No. 11-03 on the protection and enhancement of the environment;
 - ii. Decree 6199 of 28/19/2013 which sets the general limit values for rejection; and
 - iii. Law 28-00 on Waste Management and Disposal.
- c. The monitoring and supervision of the implementation of these regulations is the responsibility of the municipalities in accordance with Law 113-14 relating to municipalities. In addition, upon notification of the request for prior authorization, the DF will inform the PMU (the focal point for safeguards), who will send a letter to the president of the municipality which houses the activity inviting him to monitor and control the aspects relating to the safety of the construction site, the application of environmental regulations and the sharing of monitoring and control reports with the Program's focal point for social and environmental aspects.
- d. Include a section on respect of environmental clauses and the safety of work sites in the specifications of bidding documents.
- e. With regard to the wholesale market, the Wilaya of Rabat-Salé-Kénitra will ensure, through the convention signed between the territorial entities involved and Rabat Région Aménagement that any transfer of activities from markets will be carried out with the aim of avoiding exacerbating social conflicts, including through the preparation of the social action plan.

19. *During the construction phase*, the creation of building sites and agri-food production units could generate solid waste and give rise to nuisances associated with vehicles and machinery, entail environmental risks to natural habitats, the quality of surface waters and groundwater as well as to cultural heritage, generate temporary disturbances to economic activities, result in losses or temporary restrictions on access to revenues and temporary difficulties of access of residents to their homes, stores and other public institutions (schools, health clinics, etc.). In addition, another risk is related to the possible employment of children under 15 years of age. The integration of mitigation measures identified in the EIAs for activities subject to Law 12-03 into the specifications of construction companies is the main mitigation measure during the construction phase.

20. *During the operational phase*, negative environmental and social impacts may arise from inadequate design, lack of awareness raising among populations, lack of maintenance, the inappropriate use or degradation of infrastructure, or an inadequate application of security measures.

21. All activities funded under the Program have been classified and evaluated during the ESSA preparation to define the levels of environmental and social risks and impacts of each type of activity, as well as the type of management instrument required. This categorization made it possible to identify those activities that require an *Environment and Social Impact Assessment Study* (ESIAs), according to the Moroccan's regulatory framework. Some of those activities will be monitored and controlled directly by the entities responsible for their implementation, namely the wholesale market and the center for the production of sterile *ceratitis* males. The other activities subject to Law 12-03 on impact studies will be

operationalized by private entities, i. e. olive oil mills. Those will be monitored during their operation by the State Secretariat for Sustainable Development, which agreed to put in place a control plan targeting the units that will be supported by the Program. The details of this control will be specified in the Environmental and Social Technical Manual. Monitoring and control of all activities submitted to the EIA will be coordinated by the PMU environmental and social specialist with the support of technical assistance.

22. Based on the Program phases, each type of risk will have a corresponding specific risk level as well as appropriate mitigation measures (including the strengthening of existing regulations), making it possible to reduce, or even eradicate, the risk.

Evaluation of the applicable systems

Environmental Management System

23. The national framework for the protection of the environment has been enshrined in article 31 of the Moroccan Constitution, adopted in 2011, which stipulates that: “*The State, public institutions and local authorities must work to mobilize all the means in their possession in order to facilitate the access of citizens to conditions that enable them to enjoy their rights, including the right of access to water, to a healthy environment and to sustainable development.*”

24. The fundamental aims of actions taken by the state in terms of environmental protection are set out in Act 99-12, on the National Charter for the Environment and Sustainable Development. This Act, which brings sustainable development within the scope of regulation, includes among its objectives “strengthening of the protection and preservation of natural resources, the environment, biodiversity and cultural heritage, and of the fight against pollution and contamination.” This law further stipulates the development of a National Strategy for Sustainable Development (SNDD), which was adopted in June 2017. The Program responds to seven of the 31 strategic pillars defined by the SNDD.

25. The national system of environmental impact assessments (EIAs) has been in place since 1991 and has been the subject of several actions to strengthen it over the last twenty years. It is currently well-adjusted, integrated into the decision-making process and helps to ensure that the environmental impacts of new projects subject to EIAs are dealt with correctly. In this regard, the system allows detailed analysis of impacts on the environment and the identification of measures to be implemented to remove, mitigate or compensate for those negative impacts, to acceptable levels. An Environmental Monitoring and Surveillance Plan (PSSE) is systematically required to control and monitor the compliance of approved projects during the construction and operational phases.

26. The main shortcomings of the national EIA system relate to the absence of regulatory provisions and procedures specific to: (i) assessment of social impacts; (ii) evaluation of the no-project option; (iii) establishment of mechanisms for complaint management; (iv) publication of EIA reports; and (v) environmental and social monitoring of projects after construction.

27. These gaps have been considered during the preparation of the operations financed by the World Bank⁶⁹ and specific measures (see Box below) have been required to cover them and to make sure the national system complies with the environmental and social policies of the World Bank. These gaps can be covered without resorting to a change in the laws and regulations in force in Morocco.

⁶⁹ For example, Morocco Oum Er Rbia Sanitation Project and Solid Waste Sector Development Policy Loan.

Specific measures necessary to cover the gaps between the national system and the environmental and social protection policies of the World Bank

- Systematic consideration of project alternatives including the no-project option.
- Proposing concrete measures for mitigating the negative impacts of the project, assigning responsibilities for implementation and a budget estimate for each proposed measure. Documents on potential sub-projects must contain details on the management, control and monitoring plan including contractual clauses applicable during the realization of potential sub-projects.
- Development of a detailed monitoring and surveillance plan assigning responsibilities for implementation and a budget estimate for each proposed measure.
- Identification of needs and capacity-building activities recommended.
- Separation of the EIA from the technical studies of the activities financed in the framework of the program: it is recommended to preserve the independence of EIAs by ensuring they are carried out by entities other than those who perform the project technical studies.
- Public consultations and stakeholder information: public consultations will be organized for each of the projects. They will be intended to inform the population and the actors involved about the activities of the project, the alternatives considered, the principal results of the EIA, as well as the measures recommended to reduce the environmental impact of the project. The questions and the comments of the stakeholders in the project will be recorded in minutes together with the replies of the government officials concerned. The minutes of the public consultation will be annexed to the EIA report on the projects.
- Publication of the results of the project EIA: The EIA reports will be published and the comments received will be recorded in the register of the environmental monitoring of the project activities.

28. With regard to the health and safety at work plan, Act 65-99 of the Labor Code places particular emphasis on the field of health and safety at work. However, it has become clear that the existing legal framework is unable to guarantee adequate and effective protection against occupational risks, given the lack of consistency and disparate character of the legislative texts. To this effect, an inter-ministerial commission has been established, on High Royal Instruction. This commission has been charged with proposing the measures required to strengthen workplace safety by emphasizing the need to implement an integrated policy for the prevention of occupational risks, to promote a culture of prevention in the area of health and safety at work, and to prepare an overall legal framework in which the various preventive actions will be developed, consistent with international labor standards. In this regard, the Ministry of Employment and Social Affairs (MEAS) has developed a draft law on health and safety at work in both the private and public sectors.

29. These improvements are expected to cover the gaps in the current system of waste management. The existing Act 28-00 has laid the groundwork for proper management and disposal of waste; however, the texts of application of this law are not complete. The decree currently being prepared by MAPMDREF and the State Secretariat for Sustainable Development will establish the modalities of spreading liquid residues from olive mills on agricultural land. It submits for authorization the operations of collection, transportation, storage and spreading of these residues. The application for authorization will be reviewed by regional commissions chaired by the Regional Department of Agriculture of the region concerned.

30. A joint draft decree is also in preparation and it is expected to enter into force before the end of calendar year 2020. This decree involves MAPMDREF, the Ministry of Equipment, Transport, Logistics and Water as well as the Ministry of Energy, Mines and Sustainable Development. This draft decree lays down the conditions and modalities for spreading the residues from olive mills on agricultural land: quantities per hectare, the quality of residues before spreading, periods of spreading, accountability of the

MAPMDREF in monitoring the spreading operation, monitoring indicators, etc. Those terms, once defined and approved by the stakeholders, will help to establish a sustainable mechanism for the management of by-products of olive oil processing.

31. The IAEA, which is providing the irradiator for the control of Mediterranean fruit flies (sterile male technique), will be in charge of the management of radioactive sources (transport, installation and commissioning). Law 142-45 stipulates in Article 55 that radiation sources becoming obsolete must be taken over by their suppliers. The Moroccan agency (*Agence marocaine de sûreté et de sécurité nucléaires et radioactives*) is in charge of the implementation of the Law 142-45. The agreement that will be signed between MAPMDREF and IAEA will clarify their roles and responsibilities.

32. In order to support the different stakeholders in the strengthening of the environmental management system, it is required that the DDFP develops a technical manual for environmental and social management. This manual will present the expected impacts of the Program, the related mitigation measures that have been budgeted for, and the tools for monitoring their implementation. It will also clarify the role of the stakeholders involved.

33. At the institutional level, the approach of the different stakeholders to environmental management is poorly integrated. Indeed, none of the stakeholders has staff working on this component in order to identify the impacts of activities at the planning stage, define mitigation measures and ensure the monitoring of their implementation during the construction and operation phases.

34. In order to deal with this lack of human resources at the level of the DDFP, the latter has decided to contract technical assistance for the monitoring activities for the implementation of the Program. In this context, the DDFP intends to entrust the monitoring component of the implementation of the mitigation measures identified in the ESSA to that technical assistance.

35. Institutional arrangements for monitoring the implementation of mitigation measures for identified risks together with a plan for capacity building in environmental management (based on the technical manual for environmental and social management) are presented in the ESSA.

Social Management System

36. With regard to the management of social safeguards, Morocco possesses a comprehensive legal framework. The Constitution of 2011 and the organic law on management of local governments recently adopted in the framework of the decentralization process in Morocco include provisions requiring public consultation and participation of citizens, including women, in the development and monitoring of policies, the presentation of petitions, access to information and mechanisms for the management of complaints. In addition, the recognition of Amazigh as an official language is enshrined in the Constitution. In addition to the possibility of administrative and judicial appeal, several independent constitutional mechanisms of complaint are easily accessible to the population, such as the National Council of Human Rights, the Institution of the Ombudsman, and the National Authority for Probity and the Fight against Corruption.

37. Respect for property is a fundamental principle of Moroccan law, enshrined in article 35 of the Constitution of 2011. National legislation on expropriation includes provisions on compensation for landowners. The acquisition of land by the state on the basis of public interest is governed by special rules and procedures and places numerous restrictions on the authorities seeking expropriation. Voluntary appropriations and temporary occupation are carried out by the local authorities in accordance with formal and legalized procedures (agreements, permissions or contracts of purchase). The law permits recourse to the courts to challenge expropriation, and to challenge the level of compensation if the expropriation considers that compensation does not allow the acquisition of land or property of equal value. However,

the legislation on expropriation does not include specific procedures: (i) applicable to persons affected who are not in possession of an official, recognized title or a title to the land that they occupy, or provisions for loss of income or potential gains; (ii) with regard to social assessment, public consultation and the monitoring and evaluation of social impacts beyond the construction phase. Those gaps, including those related to public consultation and compensation for land attachments and loss of income for non-titled users, have been addressed in the practices of many ministries and institutions which have recourse to the expropriation of land, thanks to the implementation of social support procedures. These gaps will also be addressed by the social action plan prepared under the Program as necessary.

38. Environment and Social Impact Assessment Studies (ESIAs) and Environmental and Social Management Plans (ESMPs) are systematically carried out for projects with social and environmental impact in accordance with Law 12-03. The contractual requirements of the construction companies contain specific clauses relating to the implementation of measures to prevent and mitigate the impact of the works.

39. With regard to working conditions, Morocco has a framework of regulations based on the Labor Code, codified in Dahir No. 1-03-194 of 14 Rajab 1424 (September 11, 2003) on the Labor Code Law no. 65-99, which includes regulations on employment, working conditions, trade union representation, intermediation and conflict management, and monitoring responsibilities. Morocco has a compulsory social security system since 1959, which has been extended to workers in the agricultural sector by Dahir No. 1-81-178 of 3 jomada II 1402 (08-04-1981) promulgating Law No. 26-79 extending the social security system to employers and workers on farms, forests and their dependencies. With regard to child labor, Morocco has an adequate legal arsenal, which sets, among other things, the age of admission to work at 15 years of age, lists the work prohibited to children between 15 and 18 years of age, and punishes any employer who hires a minor employee under 15 with a fine of MAD 25,000 to 30,000. The ILO has two fundamental conventions relating to child labor: Convention No. 138 on Minimum Age, adopted in 1973, and Convention No. 182 on the Worst Forms of Child Labor, adopted in 1999. Both conventions were ratified by Morocco in 2000 and 2001, respectively.

Elements to be integrated into the Program Action Plan

40. Although the environmental and social impacts of most of the activities arising from the Program are characterized as low to moderate and as substantial for only a few particular activities, the Program offers an opportunity to cover the gaps noted above, and to strengthen the whole environmental and social management system of the DDFP and of the stakeholders in the Program. To achieve this, the Program will support specific measures aimed at strengthening:

- i. The system of environmental and social management;
- ii. The implementation and monitoring of the system; and
- iii. Environmental and social management capacities.

41. All of those measures are recorded in the ESSA Action Plan, which guides the overall Program implementation. The application of environmental and social procedures by the Program Management Unit (PMU) as summarized in the report, will be subject to monitoring during the implementation of the Program. The implementation of some of those measures will be reinforced by their inclusion in the Program Action Plan (PAP).

42. The proposed Action Plan to support the Program is summarized as follows:

Action	Activities	Agency responsible	Deadline	Measures
Capacity-building actions to strengthen the environmental and social management system				
Technical Manual (Manual of good environmental and social management practices)	Collaborative development of Technical Manual	DDFP/PMU	During the first six months of Program implementation	Technical Manual submitted and approved by the World Bank
	Tools for the strengthening of environmental and social systems, to be included in the Manual			Dissemination plan
Dissemination of the Manual	PMU	Mission statement		
Environmental and Social Focal Point (E&S)	Terms of Reference			PMU
	Designation			
Training about the Technical Manual	Training of key personnel from program stakeholders (DDFP, DF, ONSSA, ADA, DPAs, one-stop windows, etc.)			
Measures to strengthen the implementation and monitoring of the environmental and social management system				
Procedures of environmental and social management	Implementation of all procedures and tools set out in the Technical Manual; Signature of agreement with the International Atomic Energy Agency	PMU/Focal Point (E&S)	Before the end of the 1 st year	Monitoring reports submitted by the Focal Point
Environmental and social monitoring procedures	Regular collection of monitoring sheets/reports		For the duration of the Program	Agreement signed Information System
Strengthening of regulations	Signature of the partnership agreement relating to projects for the collection, processing and/or recovery of waste from the olive sector		Before the end of the 2 nd year	Agreement signed
	Exclusion of involuntary land acquisition under the Program, ensure prior land acquisitions complies with national regulations and Bank policy core principles		Before the start of works	Impact assessment and action plan to implement any mitigation necessary
	Improvement in targeted agricultural production and processing sectors regarding compliance with existing environmental and labor laws and regulations, including child labor and social security		First year	Interprofessions will set up awareness-raising campaigns on these subjects.
	Consultations with stakeholders on the issue of the wholesale markets to be transferred, in order to ensure social		First year	Social plan for stakeholders

	sustainability through a social action plan			
	Decree on regulating the spreading of residues from olive mills on agricultural land		Before the end of the 2 nd year	Decree published in the Official Gazette
	Joint decree setting out the conditions and modalities for spreading the residues from olive mills on agricultural land		Before the end of the 3 rd year	Joint decree published

Annex 7: Systematic Operations Risk Rating (SORT)

Risk Category	Rating (H, S, M, L)
1. Political and Governance	M
2. Macroeconomic	M
3. Sector Strategies and Policies	L
4. Technical Design of Program	S
5. Institutional Capacity for Implementation and Sustainability	S
6. Fiduciary	S
7. Environment and Social	S
8. Stakeholders	M
9. Other	L
OVERALL	S

Annex 8: Program Action Plan

No.	Action Description	Due Date	Responsible Party	Completion Measurement	DLI*	Covenant*
Program management						
1	Recruitment of TA to strengthen PMU capacities	April 2018	MAMPDREF	TA recruitment contract signed	<input type="checkbox"/>	<input type="checkbox"/>
2	(i) Program Operational Manual (POM) approved by the Bank, and (ii) instructions issued for its use by Program implementing entities	(i) Effectiveness (ii) March 2018	MAMPDREF, ADA, ONSSA	POM approved and instructions issued	<input type="checkbox"/>	<input type="checkbox"/>
Fiduciary systems						
3	Deployment of the integrated financial management system	December 2019	DF	Information system deployed and operational	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4	Strengthen technical staff with dedicated technician, for managing the construction of the wholesale market	Before the launch of the call for tenders	RRA	Staff redeployed (dedicated to the management of the wholesale market)	<input type="checkbox"/>	<input type="checkbox"/>
5	Periodic reporting on the construction of the wholesale market (physical and financial progress), including technical and fiduciary performance aspects	Same as due date of program implementation report	RRA	Reports submitted by MAPMDREF	<input type="checkbox"/>	<input type="checkbox"/>
6	Prepare consolidated periodic reports on contract execution with a performance analysis	Recurrent	MAPMDREF/ ONSSA/RRA	Reports submitted by MAPMDREF	<input type="checkbox"/>	<input type="checkbox"/>
Environmental and social management systems						
7	Preparation of a technical guide and tools for environmental and social management practices and	June 2018	MAMPDREF	Guide and tools approved by World Bank and dissemination plan prepared	<input type="checkbox"/>	<input type="checkbox"/>
	Dissemination/training of all parties involved in Program implementation	December 2018		All parties involved trained		
8	Recruitment of Environmental and Social Focal Points (E&S specialists) within PMU	April 2018	MAMPDREF	TA hiring contract signed	<input type="checkbox"/>	<input type="checkbox"/>
9	Implementation of all procedures and tools defined in the technical manual including M&E	December 2018	PMU/ Environment & Social specialist	Follow-up reports submitted by the focal point and information system updated	<input type="checkbox"/>	<input type="checkbox"/>

10	Exclusion of involuntary land acquisition under the Program, ensure prior land acquisitions complies with national regulations and WB policy core principles	Before start of civil works	MI/ Wilaya/RRA/communes	Impact assessment undertaken and a social action plan acceptable to the Bank to implement any mitigation necessary for prior land acquisition, adopted and implemented	<input type="checkbox"/>	<input type="checkbox"/>
11	Improvement in targeted agricultural production and processing sectors regarding compliance with existing environment and labor laws and regulations, including child labor and social security	December 2018	PMU/ Environment & Social specialist/ Interprofessions	Awareness-raising campaigns conducted	<input type="checkbox"/>	<input type="checkbox"/>
12	Consultations undertaken with stakeholders of the existing wholesale market and current land users to ensure that the transfer of wholesale market activities is undertaken in a socially sustainable manner and loss of livelihood is mitigated	Before transfer of productive assets, work place, business	Wilaya/communes/MI/ RRA/SDL or SDR	A social action plan (including mitigation measures) acceptable to the Bank adopted and implemented	<input type="checkbox"/>	<input type="checkbox"/>
13	Agreement between the Borrower and IAEA duly signed for the provision of equipment and relevant training for the center for the production of sterile <i>ceratitis</i> males, under terms and conditions set in the POM	December 2019	ONSSA/DRA de Souss Massa	Agreement signed	<input checked="" type="checkbox"/>	<input type="checkbox"/>
14	Signature of partnership agreement and preparation of legal framework and implementation decrees relative to the conditions and modalities of spreading of liquid residues from the crushing units of olives on agricultural land	December 2020	MAPMDREF/ Ministry of Environment/ E&S Focal point	Application decree published	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring and evaluation capacities						
15	Establishment of a simple integrated M&E system for Program implementation	December 2018	DSS, DDFP, ADA, DRAs	M&E system deployed and operational	<input type="checkbox"/>	<input type="checkbox"/>
16	Conduct of mid-term evaluation and end-of-Program implementation evaluation of results and impacts	June 2020 (mid-term) March 2023 (end-of-Program)	MAPMDREF	Evaluations completed	<input type="checkbox"/>	<input type="checkbox"/>

Annex 9: Implementation Support Plan

- 1. The Implementation Support Plan (ISP) is adapted to the design and risk profile of the Program.** While the Borrower is responsible for the Program's overall implementation, including its technical aspects, the basic mandate of Bank implementation support under the Program includes: (i) review implementation progress, including the PAP and the achievement of program results and DLIs; (ii) provide support for resolving emerging Program implementation issues and bottlenecks; (iii) provide technical and institutional capacity building support to the Government for implementation of the PAP, the achievement of DLIs and other results; (iv) monitor the adequacy of systems' performance (e.g. through monitoring reports, audit reports, and field visits) as well as compliance with legal agreements and, as needed, the Program Action Plan; and (v) support the government in monitoring and managing changes in the various types of risks.
- 2. The ISP focuses on actions that the Bank will perform and on associated needs in terms of skills and resources.** Successful support and monitoring of Program implementation will require a multidisciplinary set of technical specialists along with fiduciary and environmental and social specialist. The approach is to mobilize the Bank's global expertise at the outset to help with operationalizing design improvements while relying on a core group of technical specialists to provide regular guidance and implementation support to the agencies involved in Program implementation. While results and DLIs are planned to be assessed as completed annually, a four-month approach to implementation support, where a specific one-week implementation support mission would be carried out, will be used during the first year of the Program. This approach will shift to a six-month approach during the remaining years of the Program. In addition, a number of technical specialists are based in the region and country office, which will allow timely follow-up on specific issues and/or areas of concern if needed.
- 3. The proposed Program will require well-coordinated technical support from the World Bank team, particularly during the early stages of implementation.** Program implementation will involve the combined intervention of various government stakeholders. This includes MAPMDREF departments and agencies (DF, DDFP, DSS, DEFR, ONSSA, ADA, DRAs) as well as other ministries (MEF, MIICEN and MI) and entities (Wilaya, Rabat Aménagement). In addition, Program implementation will involve public-private partnerships organized on the basis of specific agreements, including the *contrat-programme* for the agri-food sector, *contrat-programmes* for olive and citrus, the Rabat wholesale market convention, and other conventions signed with interprofessions (Interprolive and Maroc Citrus). Considering the DDFP's limited staff resources and monitoring systems at the central level, the main focus during the first 12 months of the Program will be the timely and targeted delivery of technical assistance aimed at strengthening both the DDFP and the Program's dedicated management support unit (PMU) in a manner that ensures the operationalization of effective program coordination, management, and monitoring and evaluation systems, as well as the operationalization of systems' improvement. Thereafter, the focus of implementation support will gradually shift to managing the implementation of the Program.

Table A9.1 Main Focus of Implementation Support

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>
Months: 0-12	Implementing the PAP; adjusting operational procedures and their communication to implementing entities; establishing arrangements for independent verification of compliance with the DLIs; strengthening the M&E system at various levels.	Fiduciary; environment and social management; M&E; Technical (Producers' Organizations; Value Chain Development; Wholesale Market Infrastructure Development; Agricultural Information Systems; Food Safety Standards and Certifications; Quality Standards and Certifications; Agricultural Innovation Ecosystems)	3 implementation support missions <u>Total 36 weeks over 12 months</u> US\$220,000 per year
Months: 13-60	Reviewing implementation progress; cross-checking linkages between planning, budgeting, and results; providing support in case of disputes relating to DLI verification.	Fiduciary; environment and social management; M&E; Technical (Professional Organizations; Value Chain Development; Wholesale Market Infrastructure Development; Agricultural Information Systems; Food Safety Standards and Certifications; Quality Standards and Certifications; Agricultural Innovation Ecosystems)	2 implementation support missions per years including mid-term review: <u>Total 96 weeks over 48 months</u> US\$160,000 per year

Table A9.2 Task Team Skills Mix Requirements for Implementation Support (entire Program life)

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>
Task Team Management	30	11
Producers' Organizations	13	11
Value Chain Development	11	11
Wholesale Market Infrastructure Development	11	11
Agriculture Information Systems	8	7
Food Safety Standards and Certifications	11	11
Quality Standards and Certifications	11	11
Agricultural Innovation Ecosystems	11	11
M&E	11	5
Procurement, FM, and Governance	11	0
Environmental and Social Management	10	5
Legal	1	0

Table A9.3 Role of Development Partners in Program Implementation

<i>Name</i>	<i>Role</i>
FAO	Mobilize technical specialists through WB-FAO Cooperative Program to participate in implementation support