



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 08-May-2019 | Report No: PIDISDSC25629

**BASIC INFORMATION****A. Basic Project Data**

Country Morocco	Project ID P167894	Parent Project ID (if any)	Project Name MA North-East Economic Development Project (P167894)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date Jan 27, 2020	Estimated Board Date Mar 31, 2020	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Kingdom of Morocco	Implementing Agency Ministry of Equipment, Transport, Logistics and Water, Nador West Med SA	

Proposed Development Objective(s)

The proposed Project Development Objective is to increase economic activity and enhance access to economic opportunities in the Project area.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	500.00
Total Financing	500.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	200.00
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Non-World Bank Group Financing

Counterpart Funding	300.00
Borrower/Recipient	300.00



Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **Morocco is a lower-middle-income country with an estimated population of 35.7 million and an average gross domestic product (GDP) per capita of US\$3,007¹ in 2017.** During the last two decades, the country has been on a steady modernization process resulting in a stable economic growth with an annual GDP growth averaging 3.3 percent from 2000 to 2015,² and the percentage of the population living below the national poverty line fell drastically, from 15.3 percent in 2001 to 4.8 percent in 2014.³

2. **Morocco's economic activity has also largely developed around urban cities such as Casablanca, Rabat, Tangiers, Fes, and Marrakech.** For example, during the early 2000s, Morocco built a large maritime hub, Tanger Med, in the North-Western part of the country, which is well connected to rest of the country through the highway and railway networks. Tanger Med's ecosystem has gradually expanded to include several existing and newly created economic zones, attracting large global investors such as Renault and Siemens, thus enabling the economic take-off of the surrounding Tanger region. The Tanger Med port is considered an example of a major connectivity investment, which triggered sizeable economic benefits to its immediate hinterland. The contribution of the administrative region of Tanger-Tetouan-Al Hoceima (TTH) to the national GDP went up from 8.3 to 10.1 between 2007 (when Tanger Med started operating) and 2016. However, it has not had significant spillovers on the wider hinterland. Significant spatial disparities remain within the administrative region of TTH. While TTH is the third region of Morocco in terms on enterprises registered, 78 percent of the enterprises registered in the region are in the province of Tanger (Annex 1).

3. **In addition, Morocco investment efforts made, hardly sustainable in the long term, have not yet translated into significant productivity gains and job opportunities across all regions.** Morocco has failed to create sufficient and quality jobs. Between 2013 and 2018, only 54,833 net new jobs were created per year for a working-age population (15-65 years old) that grew by a net 349,333 people on average per year.⁴ Unemployment and underemployment remain high, especially among youth and women. In 2018, Morocco's overall labor participation rate hovered around 47 percent and did not exceed 22 percent among women, among the lowest in the MENA region. The overall unemployment rate was around 10 percent⁵ with the rate among youth (15-24 years old) more than double the overall rate. Only 17 percent of the economically active population has a formal job and less than 10 percent has a formal job in the private sector.⁶ Economic activity appears to have been driven mostly by established firms⁷ and business creation, hence job creation by

¹ Source : <https://data.worldbank.org/country/morocco>

² Real GDP growth was as high as 4.1 percent in 2017, then slowed down in 2018 to an estimated 3 percent, owing to the decline of agricultural value-added growth, which was only partially compensated by otherwise good performance of nonagricultural activities.

³ Source: Systematic Country Diagnostic, Kingdom of Morocco, The World Bank 2018

⁴ Source : Situation du marché du travail (2013-2018), HCP

⁵ Source : Situation du marché du travail en 2017, HCP

⁶ Source: Country Private Sector Diagnostic for Morocco based on national data from HCP , The World Bank Group, 2018

⁷ Source: Country Private Sector Diagnostic for Morocco, The World Bank Group, 2018



the private sector remain low. Morocco has shown an average business creation growth rate of 5 percent over the period 2010-2015, during which new businesses created accounted on average for 10 percent of the registered firms.⁸ The level of entrepreneurial activity⁹ has also been low compared to similar medium-income countries in the MENA region and around the world. An unlevelled playing field, nascent entrepreneurial ecosystem, difficulties in access to markets and finance, as well as lack of skills and under-skilled labor are considered among the biggest obstacles to economic growth and participation of the private sector in the economy.

4. The North-East of Morocco, where the Project activities will take place, shows a significant development potential, although actual growth rates for some provinces do not reflect their potential. The North-East, as referred to in the context of this project, broadly encompasses nine provinces¹⁰ spreading over predominantly the Oriental administrative region and the province of Tanger-Tetouan-Al Hoceima to cover Al Hoceima (Figure 1). With a population of about 2.7 million inhabitants,¹¹ this region contributes 8 percent of Morocco's total population but 6 percent to national GDP.¹² These provinces show different levels of economic development, often with unexplored potential,¹³ and can be categorized into three groups: (i) regional economic development poles, such as Berkane or Oujda, with high growth potential that is still not fully catalyzed, and intermediate growth performance; (ii) provinces such as Nador or Al Hoceima that have average performance and a potential that will be significantly impacted by the new port complex at Nador West Med (NWM); and, (iii) lagging areas such as Guercif, Taourirt or Jerada with varying potential. The regional economy is mostly driven by services and activities based on local resources and tailored to the local market (e.g., small commerce, services and construction). Lack of adequate connectivity to markets has limited the potential integration into national and global value chains. Informality has a significant weight in the local economy and the industrial fabric remains embryonic. This lack of local opportunities in part explains why the North-East region has one of the strongest diasporas in Morocco. It is estimated that one out of three Moroccan expatriates (Marocains Résident à l'Étranger – MRE in French) comes from this region and live primarily in the Benelux countries and Northern France.

5. The Government of Morocco aims to spur economic development and job creation in the Project Area by maximizing spillovers from the maritime and industrial complex to become operational in end 2021. The Nador West Med (NWM) concept has been conceived on the model of Tanger Med.¹⁴ With an initial public investment of around US\$1 billion, this large infrastructure under construction on the western Mediterranean Sea encompasses a deep-water port and a 630 hectare (ha) free zone to be expanded gradually based on market demand. This maritime and industrial hub is intended to: (i) enable better access to global markets, enhancing the region's attractiveness for investors and enhancing competitiveness of local enterprises, and (ii) support the development of industrial ecosystems in the port's hinterland, leveraging existing activities in the region (e.g. textile industries) but also the national experience in sectors such as the automotive industry. The port and free zone complex, located in a strategic position, offers proximity to the European markets¹⁵ and the possibility to leverage existing industrial ecosystems in Morocco.¹⁶ Expected to be operational by the end of 2021, the business plan developed for NWM estimates that the complex will create 90,000 jobs¹⁷ incrementally by

⁸ Source : Baromètre de l'Office Marocain de la Propriété Industrielle et Commerciale (2018)

⁹ Source : Etude du Global Entrepreneurship Monitor (2016)

¹⁰ Provinces considered here are: Oujda, Nador, Berkane, Driouch, Taourirt, Figuig, Jerada, Guercif, and Al Hoceima.

¹¹ Source: National population Census in 2014, HCP

¹² World bank calculations, based on an approximation of the GDP per capita in the provinces of Morocco in 2013, associated to the respective population per province.

¹³ World Bank calculations estimating the economic potential and performance of the Kingdom's provinces. The economic potential is a compound metric aggregating endowment of the provinces. The economic performance is proxied by the provincial GNI per capita.

¹⁴ The port itself is dubbed TM3 for terminal Maroc 3, TM1 and TM2 being the two terminals in Tanger Med.

¹⁵ The complex is 4-hour ferry shipping time from Almeria and Motril in Spain

¹⁶ Nador is currently 4 h away from Fez, 4h30 from Meknes, 5h45 from Kenitra. The expected highway connecting NWM to Guercif will help reduce this transit time by up to 1h30.

¹⁷ Including 34,000 direct jobs.



2034 and have an impact equivalent in value to three percent¹⁸ of the national GDP if properly implemented and complemented with the necessary investments and policy measures. The Government is also determined to maximize the spillovers from NWM. Several regional initiatives are being developed such as improvement of vocational training by the National Vocational Training Agency (Office de la Formation Professionnelle et de la Promotion du Travail - OFPPT) at the regional levels. The development of Regional “Centre des Métiers” in partnership with the private sector has just been announced (April 2019).

Relationship to CPF

6. The proposed Project is fully in line with the recently approved Country Partnership Framework (CPF) for Morocco for the period FY19-FY24. The Project’s objectives are particularly aligned with the overarching objective of the new CPF to contribute to social cohesion through building the conditions for job creation and reducing social and territorial disparities. More specifically, the Project will contribute to Pillar 1 of the CPF “Consolidating the environment for job creation by the private sector”, and to Pillar 3 “Promoting inclusive and resilient territorial development” and their respective objectives of: (i) increasing opportunities for private sector growth, and, (ii) improving performance of key infrastructure delivery services. By supporting job creation and reduction of spatial disparities, including through connectivity improvement, the Project will enable economic growth, thus contributing to the goals of reducing extreme poverty, and promoting shared prosperity and sustainable development. Proposed activities will also support the Government’s decentralization strategy under implementation, by helping develop and strengthen local capacity.

C. Proposed Development Objective(s)

7. The proposed Project Development Objective is to increase economic activity and enhance access to economic opportunities in the Project area.

Key Results (From PCN)

8. The Project’s expected beneficiaries include:
- i. Enterprises, particularly SMEs, operating in selected value chains supported under the Project, with a direct or indirect link to the NWM complex’s activity (export and industrial development).
 - ii. Enterprises and populations (especially job seekers, aspiring entrepreneurs and economically inactive people) located or residing in the areas where they can reasonably benefit from the improved physical connectivity and urban improvements.
9. Key results expected to be achieved include:
- i. Increased number of enterprises that operate in the value chains supported in the Project area.
 - ii. Increased jobs in the value chains supported under the Project.
 - iii. Improved connectivity between Nador West Med, and the production and consumption poles in the Project area (reduced travel time between key cities/towns/economic centers).
10. Accordingly, the proposed PDO results indicators are the following:
- i. Number of new private firms operating in the value chains supported under the Project and in the Project area;
 - ii. Amount of FDI investment in the NWM zone and the Project area;

¹⁸ Source: NWM feasibility study and World Bank calculations



- iii. Number of unemployed and inactive people integrated in the labor market, through formal employment and entrepreneurship opportunities, after benefiting from Project support;
- iv. Travel time on the roads improved by the Project.

D. Concept Description

11. **The Project will help create jobs in the Project Area by supporting interventions that will maximize the impact and spillovers of the NWM complex and foster social economic activities in the Project Area.** It will also help align, coordinate and synchronize the needed soft and hard investments to maximize the impact of the NWM complex on the economic activity in different provinces in the Project area. The Project will focus on three areas of intervention that reflect the theory of change (Figure 4):

- (i) Component 1: Supporting the development of competitive industrial activities leveraging Nador West Med in the Project Area;
- (ii) Component 2: Supporting the development of social economic activities leveraging existing potential in the Project Area;
- (iii) Component 3: Improving physical connectivity between NWM and economic poles, to support component 1 and component 2.

12. **The components will have differentiated contribution to job creation.** The first component is expected to create jobs in industrial clusters in Nador and large cities in the Project Area such as Oujda, Al Hoceima, and Guercif, as well as contribute to enhance induced job creation, in particular in services, in the closest city to the port and industrial complex, Nador, for which an urban shock is anticipated. The second component targets job creation in other economic activities that build on the region existing potential. The third component will increase physical connectivity of NWM with the rest of the Project Area, in particular with regional poles, streamlining transit time between the port and production areas and enhancing market potential of these poles. A cross-cutting component will be dedicated to overall project management, and to enable local capacity building and facilitate the replication of such a territorial development approach.

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

Summary of Screening of Environmental and Social Risks and Impacts

At this stage, the social risks identified are mostly related to the management of land acquisition, the management of labor including labor influx, and the management of expectations in the surrounding communities with regards to project benefits.

Further assessment of the risks will be undertaken during project preparation in form of an ESA. Based on the assessment, instruments for the management of all such risks, in the form of project plans and procedures, will be prepared prior to project appraisal, or included into the ESCP to be prepared during project implementation.



Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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APPROVAL

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