

AFRICAN DEVELOPMENT BANK GROUP



MOROCCO

SOUK AT TANMIA MOROCCO

APPRAISAL REPORT

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Translated Document

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ECONOMY AND FINANCE

FISCAL YEAR

1 January – 31 December

LIST OF ACRONYMS

AfDB	African Development Bank
COMA	Morocco Field Office
DANIDA	Danish International Development Assistance
F2I/ IIF	Fond Innov Invest
GCC	Central Guarantee Fund
HCP	High Commission for Planning
ITC	Information and Communication Technologies
MAD	Moroccan Dirham
MCC	Millennium Challenge Corporation
MEF	Ministry of Economy and Finance
MENA	Middle East and North Africa
MMAD	MAD Million
MNF	Morocco Digital Fund
NGO	Non-governmental organisation
NSO	Non-sovereign operation
OCP	Moroccan Phosphates Authority
PBO	Budget support
PMU	Project Management Unit
SAT	Souk At Tamnia
SME	Small- and medium-sized enterprises
TA	Technical assistance
UK	United Kingdom
USD	US dollars
USA	United States
VC	Venture Capital
VSME	Very small- and medium-sized enterprises

EXECUTIVE SUMMARY

Following the positive outcomes of the two Souk At Tamnia (SAT) editions launched by the African Development Bank in Tunisia in July 2012 and the Bank's continued commitment to fight unemployment by promoting entrepreneurship, it was decided that the SAT initiative should be reproduced in other countries of the region.

In Morocco, VSMEs make up a large portion of the industrial sector. However, they face specific problems attributable to inadequate size, difficulties in accessing financing, insufficient visibility, lack of strategic skills management and innovation, and problems in getting access to certain large markets.

Given their capacity to access opportunities, establish networks and mobilise resources, youths from affluent backgrounds are able to set up their own businesses.

Therefore, to ensure greater social inclusion and equity, and contribute to job creation and private sector development, it is necessary to leverage opportunities by targeting potential entrepreneurs and providing them with needed funds to start their businesses.

The project comprises two components: (i) support the establishment of a national entrepreneurial ecosystem coordination platform; and (ii) provide support to entrepreneurs, combined with technical assistance and seed funding.

This proposal to award an EUR 4 505 010 grant for entrepreneurship development in Morocco will be funded from the Multi-donor Trust Fund for Countries in Transition (TFT). The purpose of the Trust Fund is to improve, develop and consolidate the country's dynamic entrepreneurial ecosystem.

In this regard, resources should be given to potential entrepreneurs, especially youths and women in Morocco's hinterland regions, to set up, manage and run innovative and flourishing businesses. Given Government's heavy engagement in favour of entrepreneurship and VSEs-SMEs and several major initiatives that it has launched to create employment accessible to young people, this project could not have come at a better time. The Government has put several initiatives in place to promote the entrepreneurial spirit and encourage informal sector workers to formalise their activities (the auto-entrepreneur system), and the unemployed and students to develop self-employment or set up their own businesses.

ENTREPRENEURSHIP SUPPORT PROGRAMME - MOROCCO (SOUK AT – TAMNIA - COUNTRY PROGRAMME FOR MOROCCO)						
PERFORMANCE INDICATORS					Means of Verification	Risks and mitigation
		INDICATORS	BASELINE	TARGETS (2020)		
OUTCOMES	1. Strengthening of the entrepreneurial ecosystem and culture in Morocco 2. Facilitation of entrepreneurs' access to financing and technical assistance 3. Representativeness of women entrepreneurs	1.1 Increase in the volume of funding provided by the platform of partners to VSMEs	0	MAD 22 million	Programme completion report	Risk: Aggravation of the economic and financial situation Mitigation Measures: The programme will include marketing support to help new businesses find markets. This will involve different business strategies and access to exports to the region and beyond, depending on the products or services sold.
		2.1 Increase in the funding access rate for VSMEs	50%	75%	IFC report	
		2.2 Multiplier effect of funding provided	0	3x	Disbursement reports of the PMU or the financial intermediary	
		2.3 Rate of supported projects managed by women	0	30%	HCP reports	
ACTIVITIES (INDICATORS)	Establishment of the platform	Number of meetings organised by the entrepreneurial ecosystem coordination platform	0	8 meetings organised over the 2018-2022 period.	Annual reports	Risk: Partners and stakeholders will not maintain their commitments. Mitigation Measures: These include the establishment of a partnership agreement; the use of letters of participation to define the contribution of each partner, the organisation of communication events to promote their visibility and standardise their operations. The main partners will be invited to regular meetings to ensure their full participation in key decisions and problem solving.
	Establishment of partnerships and collaborations with key stakeholders of the ecosystem.	Number of partnerships and collaborations with key stakeholders of the ecosystem	0		Implementation report	
	Organisation of training modules to improve the effectiveness of the support provided to entrepreneurs.	Number of training modules offered to improve the effectiveness of the support provided to entrepreneurs.	0	12 over the 2018-2022 period.	Implementation report	
	Involvement of public or non-institutional structures providing support to entrepreneurs.	Number of public or non-institutional structures providing support to entrepreneurs.	0	12	PMU completion report	
	Organisation of events and conferences	Number of events and conferences	0	4	Completion Report of the Bank's Country Strategy Paper 2017-2021 for Morocco	
	Training of VSME managers and entrepreneurs or granting of financial or non-financial assistance	Number of participants in events and workshops organised by the platform on entrepreneurship issues or the	0	30	Implementation report	
					PMU completion report	

		<p>promotion of the entrepreneurial spirit</p> <p>Number of VSMEs and entrepreneurs trained or receiving non-financial assistance</p> <p>Number of entrepreneurs benefiting from the financial support (subsidies) of the programme.</p>	<p>0</p> <p>0</p> <p>0</p>	<p>800</p> <p>850, including 50% youth and 25% women.</p> <p>100 pre-seed funding programmes accredited by Innov Invest and 150 from the SAT programme (total 250).</p>	<p>PMU completion report</p> <p>Disbursement reports of the PIU or financial intermediaries</p>	<p>Mitigation Measures: Before disbursement of the grant, the Bank will ensure that each beneficiary has fully advanced in its investment plan. The Bank will also closely monitor project progress to ensure the proper use of resources.</p>
Key Activities	<p>Component 1: Establishment of a coordination platform for the entrepreneurship ecosystem</p> <p>Component 2: Technical support to entrepreneurs and entrepreneurship ecosystems</p> <p>Component 3: Direct financial support to increase the capital of the high-potential project</p>					EUR 4 505 010

I. Introduction

1.1 Establishment of a regional Souk At Tamnia

In view of the positive results of the two editions of Souk At Tamnia (SAT) launched by the African Development Bank in July 2012 in Tunisia, and the continued commitment of the Bank to combat unemployment by promoting entrepreneurship, a decision was taken to implement this initiative in other countries of the region. The SAT programme used an integrated approach combining financial and non-financial support to entrepreneurs, while drawing on lessons from the first two editions and international best practices. More than five years after the launch of the first edition of the programme in Tunisia and thanks to the support of Souk's donors and partners, several positive results have been achieved. The Partnership has therefore been successful in gaining recognition in the country and producing positive results, partly through the implementation of international best practice (feedback from partners and beneficiaries). The success of these editions of SAT Tunisia relate to job creation, reduction of the time needed to process administrative formalities, an increase in the approval rates of bank financing requests, resource mobilisation for entrepreneurs and promotion of an entrepreneurship culture.

With this in mind, the Bank has created a platform at its regional resource centre (located in Tunis) to coordinate the various entrepreneurship support activities carried out in Egypt, Morocco and Tunisia. A regional platform that targets the most disadvantaged entrepreneurs (youth and women) will be established based on best practice adopted under the two editions of the Souk At Tamnia Entrepreneurship Support Programme.

This platform aims at: (i) supporting current entrepreneurship needs and policy responses to be implemented in North Africa; (ii) promote the sharing of experiences among countries in the region; (iii) developing networks among entrepreneurial ecosystem stakeholders across the region; (iv) provide ad hoc expertise upon request to stakeholders; (v) identifying the operational work to be done by the Bank; and (vi) mobilising resources for the region.

Its objective is to serve as a resource centre for stakeholders in the North African ecosystem by enabling them to share expertise and experiences related to entrepreneurship, build networks among stakeholders of the entrepreneurship ecosystem, mobilise resources for entrepreneurship across the region and more particularly: (i) improve access to funding and technical support for North African entrepreneurs; and (ii) strengthen the ecosystem and entrepreneurial culture.

I.2 Country Programme Formulation

In a bid to focus the work of the Regional Platform on national and operational realities, the Bank will also develop SAT country programmes. These country programmes will benefit from the expertise of the Regional Platform and will in turn be informed by lessons gleaned from the field as well as the best practice instituted. These country programmes will be implemented by the Bank's country offices and monitored by the regional platform.

The various SAT country programmes will build on the experience and lessons from the SAT Tunisia programme. The generic activities to be considered under a SAT country programme will include: (i) engagement with financial, technical, public and private partners and other entities at the national level; (ii) identification of key partners and the establishment of partnership agreements; (iii) implementation of a national entrepreneurial ecosystem coordination platform; (iv) organisation and implementation of specific activities, local workshops, awareness-raising events, programme launch and related activities; (v) identification, selection and training of entrepreneurs and SMEs (start-ups); (vi) coordination and complete assistance of these entrepreneurs through different local agencies; (vii) setting-up of financing mechanisms for selected entrepreneurs with local partners/financial intermediaries; (ix) organisation of events, workshops and policy dialogue to promote an

entrepreneurship culture and raise awareness of entrepreneurship opportunities, challenges and needs; and (x) monitoring/evaluation with reporting on programme activities and achievements.

However, SAT country programmes must also be adapted to the specific context and needs of the country. Accordingly, SAT country programmes will be designed to address national economic challenges and the major constraints faced by entrepreneurs and SMEs.

Furthermore, each programme will be aligned on the Bank's strategy in the target country and on its actions to promote and support entrepreneurship. Finally, in each country, the programme should seek to build on the work already done by other stakeholders and create synergies.

The objective of this paper is to define the SAT country programme for Morocco. It starts with an overview of the entrepreneurial ecosystem, identifies the country-specific challenges faced by entrepreneurs in Morocco, and then explains how the Bank is currently helping the country to overcome these challenges.

This paper will also identify ongoing initiatives in Morocco on which the national country programme could be anchored, and then propose specific activities and an operational modus operandi. Resource exploitation, additionality and sustainability of the instruments developed have been central to the design of the Country Programme activities proposed for Morocco.

II. Context

2.1 VSMEs as Engines of Economic Growth

In Morocco, VSMEs constitute a large segment of the industrial sector (over 95% of the industry and 50% of jobs). They face specific problems due to an inadequate critical size and difficult access to funding, lack of visibility, lack of strategic skills management and innovation, as well as inaccessibility to some large markets. More than 2 million SMEs are officially active in the country. They make a modest contribution of only 11% to the national GDP and 21% to global value-added, which falls short of the Government target (about 16% of GDP).

Morocco is considered a large entrepreneurial economy compared to other countries in the region: 5.8 million adults (24-35 age group or 31% of the population) are reportedly engaged in entrepreneurial activity: 6.9% as nascent entrepreneurs; 9.4% as owners of start-ups; and 15.1% as owners of an established business (HCP 2009 data). These percentages are much higher than in other comparable countries.

Accordingly, the authorities have launched several initiatives in recent years to promote entrepreneurship and to encourage informal sector workers to register their businesses (self-employment schemes), and prompt the unemployed and students to develop their own jobs or enterprises.

Furthermore, the Bank's 2015 growth diagnostic, conducted in collaboration with government authorities and the Millennium Challenge Corporation (MCC), highlighted the need to strengthen coordination mechanisms between the various stakeholders operating within the entrepreneurial ecosystem. It also indicates that VSME development is constrained by various obstacles, including funding problems, poor human resources and the predominance of outdated management practices. Consequently, small enterprises in Morocco tend to remain small and large enterprises tend to remain large, which explains why there is a low rate of medium-sized enterprises. The result is a paucity of medium-sized enterprises that are the missing link in Morocco, and the private sector category that tends to be the most innovative in other countries. The transition matrix clearly shows that small enterprises do not grow since the probability that a firm with less than 10 employees would expand to over 100 employees after five years is negligible (0.4%).

According to this study, entrepreneurship in Morocco is constrained by two major challenges:

- (i) The low level of education (which limits the capacity to transform high-potential projects into real projects); and
- (ii) Limited private investment (low innovation that limits access to finance).

Consequently, there are many government and public sector entities and agencies supporting the promotion of entrepreneurship and innovation. However, there seems to be no coordination of stakeholders (public and private) within this ecosystem. Therefore, it is imperative for the public sector to involve the private sector more closely in this exercise to enhance the implementation of the national VSME development policy.

2.2 Morocco's Financial Inclusion Strategy

Morocco has instituted a national financial inclusion strategy that is currently under way (SNIF). Its objective is to coordinate the actions and define the priorities, roles and responsibilities of various stakeholders. *"This strategy will make it possible to capitalise on the individual initiatives of the various regulators and financial market players, particularly as regards the funding of VSMEs..."* It will accelerate the funding of start-ups and innovative companies through several mechanisms. Implementation of the new strategy is only one component of the entire effort envisaged by the Executive to increase financial inclusion. The positive effects of such financial inclusion on economic development and poverty reduction have been largely established.

- i) The first component is setting up the Innov Invest seed fund in 2016. This programme, which is managed by the *Caisse Centrale de Garantie* (CCG), will ensure that innovative start-up investors gain access to technical support and financial guarantees for the commencement of their projects. The current aim is to implement the various components (selection of management companies to set up venture capital funds in partnership with private investors, launching of the labelling procedure for ecosystem players who must provide technical assistance to projects, etc.).
- ii) The second component is aimed at strengthening the intervention of business angels in seed capital funding. Specifically, a study should be conducted in 2018 to establish a diagnosis of the activity of these investors in Morocco and propose an institutional and organisational framework for their operations (procedures, charters, etc.).
- iii) The third component focuses on crowdfunding. It will be recalled that the general principle of this mechanism is to link young project proponents with a wider public via the Internet. A bill governing this activity has already been prepared and should be adopted next year, with the obvious aim of ensuring better access to bank funding for businesses, especially SMEs.

The SAT Programme will support the creation of VSMEs and enable the Government of Morocco to provide new entrepreneurs with an innovative solution that combines nonfinancial and financial support.

2.3 Constraints faced by Existing and Emerging VSMEs (AfDB Study, 2016)

Entrepreneurship is a highly developed activity among North African youths. In Morocco, start-ups and new innovative VSMEs also experience the recurrent situation of the “valley of death”, defined as the time span between exhaustion of the resources of the entrepreneur, his/her family and friends, and the stage where the business is financially viable enough to attract financial market investments. Indeed, the main constraint is funding from the pre-start-up stage (USD 20,000) right up to the initial venture capital stage (USD 2 million) (MEF 2016 studies).

Furthermore, there are too many losses in the process that hurt widespread private sector-led growth. In this scenario, emerging entrepreneurs do not end up as new business owners. Statistically, emerging entrepreneurs are young (24-35 years) and come from low-income families. In contrast and from a statistical standpoint, “new business owners” are individuals who work part-time or full-time, come from “relatively wealthy” families and have access to informal investments (AfDB 2016 Study on young entrepreneurs).

Indeed, governments have a crucial role to play in supporting emerging entrepreneurs as they transition to the stage where they become new business owners. Governments, through mentoring and internship opportunities, can make emerging entrepreneurs more innovative and transform entrepreneurship into a culture, thus enabling new businesses to grow and prosper in a challenging economic environment (AfDB 2016 Study on Young Entrepreneurs).

Lastly, new businesses face difficulties in attracting traditional seed capital, either through bank loans or through equity. Accordingly, the financial inclusion strategy will make it possible to capitalise on the individual initiatives of different regulators and financial market players, notably in SME financing, microfinance, consumer protection, housing finance, insurance and mobile payments.

2.4 Existing Initiatives to Support Entrepreneurship in Morocco

The Moroccan entrepreneurial ecosystem is still embryonic but already fragmented. Most private stakeholders launched their businesses less than three years ago, with the majority doing so after the World Summit on Entrepreneurship held in Marrakech in 2014. Some international and local NGOs are active in this field and provide several support services, including entrepreneurship events, contests, mentoring, training, low-cost co-working spaces, etc.

Entrepreneurship support programmes are mainly on public-private initiatives, of which the most prominent are:

- (i) **The OCP Foundation:** this foundation ceased operating in 2017 but had been the most active entity in the field of entrepreneurship, supporting mainly the phosphate ecosystem. It did not invest directly in start-ups, but supported NGOs, incubators and other actors. Currently, it is in the process of redefining its operational status.
- (ii) **Maroc Numeric Fonds (MNF):** this is a public-private venture capital fund dedicated to high-potential companies operating in the new technologies sector. It was initiated by the Ministry of Industry, Trade and New Technologies in partnership with BMCE Bank, Attijariwafabank, *Caisse de Dépôts et de Gestion* and *Banque Centrale Populaire*. It offers support ranging from MAD 1 to 8 million, which is exactly the range within which the financing gap in Morocco is the widest (equity requirement < MAD 10 million). MNF also created an angel investor fund recently called, “MNF Angels”, which is technology-driven and offers assistance ranging from MAD 100,000 to MAD 1 million. Currently, "MNF Angels" is the only prominent angel fund in Morocco.

- (iii) **The Imtiaz (Excellence) Programme:** This is an initiative launched by Maroc PME, the public authority responsible for SME development, and it offers an investment bonus to SMEs operating in the industrial sector.
- (iv) **The national guarantee system is managed by the *Caisse Centrale de Garantie (CCG)*** and provides support in terms of facilitating access to funding for entrepreneurs and start-ups, particularly those managed by women. This support focuses primarily on facilitating access to financing, in collaboration with financial institutions, and does not involve in-kind assistance.
- (v) **The Innov Invest Fund:** launched by the Government with World Bank support (in 2016) to meet the needs of innovative enterprises with high growth potential in the early stages of their development. It seeks to fill a market gap in the supply of equity financing to small- and medium-sized innovative start-ups, and to catalyse the venture capital (VC) market. It will also address the limited investment expertise of ecosystem stakeholders by supporting entrepreneurs and stimulating the creation of viable enterprises.

III. Relevance of the Souk At Tanmia Maroc Programme

Various analyses indicate that the overall approach of the SAT country programme for Morocco could include the following dimensions: (i) the establishment of a coordination mechanism to support entrepreneurship; (ii) the provision of non-financial services to help develop emerging projects and improve their survival rates; and (iii) the provision of financial assistance specifically targeting the most vulnerable entrepreneurs to support inclusive private sector growth. Supported projects will be selected (in accordance with the Souk At Tanmia Tunisia mechanisms) following a national call for projects.

3.1 Programme Objectives

The objective of the Souk At Tanmia Morocco programme is to launch an entrepreneurship support programme under the SAT regional platform. It will help to establish an innovative mechanism in Morocco that comprises nonfinancial and financial support (provision of an equity grant).

In a bid to enhance its impact and effectiveness, Souk at Tanmia Morocco will be implemented in close collaboration with the Moroccan Government through the Ministry of Economy and Finance.

This programme seeks to establish:

- (i) A national entrepreneurial ecosystem coordination platform in Morocco that will bring all entrepreneurship stakeholders under one umbrella; and
- (ii) A programme that includes both financial and non-financial support for the most disadvantaged project leaders.

IV. Conformity with Bank and TFT Policies

4.1 Alignment on TFT Eligibility Criteria and Objectives

The request meets the eligibility criteria since Morocco is one of the five TFT beneficiary countries. Morocco witnessed uprisings following the Arab Spring, particularly with the 20 February 2011 Movement that led to the adoption of a new constitution and new legislative elections in November of the same year. Key social demands sparked by the Movement concern employment for young vocational training or higher education graduates.

Activities targeted under the programme are aimed at supporting youth entrepreneurship in general, and women in particular.

Principally, the resources under the programme will target three of TFT's five areas of intervention: (i) promote economic and social inclusion; (ii) create jobs; and (iii) support private sector development and entrepreneurship.

The project will contribute to reducing regional and gender disparities in the labour market. It will also improve access to financing for nascent enterprises.

4.2 Country Strategy Paper 2017-2021 for Morocco

The development of VSMEs and entrepreneurship is central to the AfDB's operations under the first intervention pillar of Country Strategy Paper 2017-2021 (Pillar I: Green industrialisation through SMEs and the export sector). This pillar supports the third of the Bank's High 5s, which is: "Industrialise Africa". Under this pillar and from the operational standpoint, the Bank will seek to help Morocco remove regulatory and financial constraints on SMEs and the export sector, as identified in the growth diagnosis. Such measures entail: (i) developing the industrial fabric through SMEs in strategic sectors; (ii) ensuring the growth and establishment of value chains through SMEs to increase the share of value added created locally and the volume of exported goods and services; and (iii) creating jobs and promoting innovation and entrepreneurship. Specifically, the Bank's intervention will be geared towards: (a) improving the business climate and competitiveness of the industrial fabric; and (b) increasing access to funding for VSMEs. In this regard, women's capacity to join the private sector will be strengthened through support to entrepreneurship policies in Morocco. The Bank will also provide direct and indirect support to improve funding for VSMEs and the export sector by mobilising all non-sovereign financing instruments.

The programme is fully consistent with the Bank's Jobs for Youth in Africa Strategy (2016-2025) aimed at creating 25 million jobs and leaving an impact on 50 million young people on the continent. The proposed SAT country programme will naturally blend with these intervention strategies. It will be informed by lessons drawn from past and current operations, and will serve as a springboard for the Bank's future entrepreneurship support operations. The programme will also contribute to the identification and formulation of future Bank operations (including private equity funds and policies).

4.3 AfDB Entrepreneurship Promotion Activities in Morocco

In recent years, the Bank has provided technical support to Moroccan authorities and stakeholders to boost private sector development and strengthen the entrepreneurship framework.

Thanks to the financial sector development programmes implemented between 2009 and 2016 (total USD 700 million for four budget support operations), a dedicated pillar aimed at facilitating access to funding for entrepreneurs and MSMEs was supported. This made it possible to: (i) modernise the national guarantee scheme and propose special products for start-ups (business development) and businesses run by women; (ii) improve microfinance sector governance and ensure its resilience by catering more to the interests of beneficiaries; and (iii) set up public-private investment funds to support start-ups.

These programmes improved access to funding for the population and SMEs, enhanced the governance of the insurance and pension sectors, and improved the stability and inclusion of the financial sector. To ensure the financial sustainability of reforms, measures were taken to: (i) involve stakeholders in each reform; (ii) have the various bills adopted as soon as possible by the Council of Government and transmitted to Parliament, thus facilitating their transposition into Moroccan law; and (iii) control the budget deficit, and factor the financial implications of these reforms into the State budget. The financial sector in Morocco has been modernised over the past 10 years, but major challenges remain in funding

VSMEs. Thanks to the 2015 Economic Competitiveness Programme, the Bank supported the new legal framework for entrepreneurship. Furthermore, the Industrial Acceleration Programme, approved in 2017, seeks to improve access to credit for innovative start-ups and provides incentives to industrial sector SMEs. The industrial acceleration programme mainly supported the development of the *Innov Invest* initiative.

Furthermore, the Bank also assisted the authorities in addressing the challenges of unemployment in the agricultural sector and in rural areas. A multisector PADIDFA programme (budget support - EUR 200 million) was recently approved by the Bank's Board of Directors in the second quarter of 2018. It will support the development of agricultural value chains to promote employment and entrepreneurship. The Green Morocco Plan, supported by the Bank since 2013 (Phase I and Phase II - EUR 250 million) through two budget support operations, has led to the implementation of major reforms that create entrepreneurial opportunities in agricultural value chains.

The Bank has also supported the promotion of young agricultural entrepreneurs by organising training to promote the creation of 160 viable microenterprises in the agricultural sector. This support made it possible to pool training and facilitate access to funding, by signing an agreement with *Crédit Agricole Maroc* to finance young agricultural entrepreneurs' projects. In terms of results, 77 projects operated by 104 young people (including 10% women) were finalised and approved by the project validation commission. However, since they did not receive financial support (only technical assistance), the projects could not be implemented because the youths had difficulties raising traditional financial resources.

In terms of support to private sector stakeholders, the Bank has invested in several private equity funds targeting SMEs in Morocco. Its operations are aimed at supporting the development and expansion of VSMEs by focusing on job creation. The Bank is also preparing new investments to support innovative VSMEs through a private equity fund (Azur Fund for EUR 4.25 million).

Furthermore, Bank projects in the infrastructure or energy sectors are aimed at developing local content to create opportunities for Moroccan entrepreneurs and VSMEs, in accordance with the provisions approved by the Bank in its Jobs for Youth in Africa Strategy.

V. Value-added for the Bank

The Souk At Tanmia partnership is a concrete and immediate response to the Bank's new policy, which calls for innovation and interaction with non-traditional partners, including non-governmental stakeholders.

Indeed, it makes it possible for the Bank to set up innovative forms of partnership aimed at mobilising new financial and technical resources for the benefit of vulnerable local communities, in order to promote VSMEs, social entrepreneurship and micro-enterprises.

Moreover, this partnership represents a new model for mobilising financial and technical resources. It enables the Bank to play the key role of resource catalyst, facilitating the transfer of the Danish Government's contribution through a Transition Fund. It should be recalled that the Governments of Denmark and Norway had contributed to the establishment of a trust fund for “youth entrepreneurship and innovation” (approved in November 2017).

Therefore, this partnership is designed to be a viable alternative intervention in a national context plagued by issues of inclusion and regional disparities.

Lastly, the fact that the Bank will succeed in mobilising a large sample of government and non-government stakeholders around this partnership helps to enhance its image as a privileged development partner.

VI. Project Description

The SAT entrepreneurship support programme comprises three components in Morocco:

- (i) Establishment of a national coordination platform for the entrepreneurship ecosystem;
- (ii) Technical support to emerging entrepreneurs and the entrepreneurial ecosystem; and
- (iii) Direct financial support to strengthen the equity capital of entrepreneurs with high-potential projects.

Components 2 and 3 will be implemented in accordance with the best practice adopted in the previous two editions launched under SAT Tunisia and will take into account lessons learned to address gender-related issues.

Component 1: Establishment of a national coordination platform for the entrepreneurial ecosystem

This component is a response to the request from the Moroccan Ministry of Economy and Finance (MEF) for assistance in setting up a national coordination platform for the entrepreneurial ecosystem. MEF wishes to broaden the spectrum of the entrepreneurial ecosystem beyond the Innov Invest Fund in order to coordinate and strengthen synergies between existing initiatives.

The national coordination platform will also mobilise national and international resources for the development of the entrepreneurial ecosystem, to communicate in particular on existing opportunities for project leaders and entrepreneurs, with a view to boosting business creation.

The national coordination platform will: (i) develop lasting links between technical support and financial support stakeholders; and (ii) create synergies between the various entrepreneurship support programmes. The coordination platform will include a virtual communication platform on existing programmes, serving as an effective sharing and exchange network between entrepreneurs and stakeholders in the entrepreneurial ecosystem.

The national coordination platform will: (i) bring together all entrepreneurial ecosystem stakeholders who develop programmes to support project proponents and entrepreneurs; (ii) coordinate existing stakeholders and programmes; (iii) establish synergies between the different programmes in order to enhance support to entrepreneurs; (iv) coordinate the entrepreneurial activities of various donors; (v) engage in sustainable collaboration to enhance the effectiveness of the entrepreneurial ecosystem; and (vi) serve as an organised relay between entrepreneurs and ecosystem stakeholders.

Component 2: Technical support to entrepreneurs and entrepreneurial ecosystem stakeholders

The SAT Entrepreneurship Support Programme combines both technical and financial support to project leaders at the creation stage.

This programme will build on five years of Tunisia's experience and will naturally be part of the Innov Invest Fund (F2I) Support to the Ecosystem component, particularly under the Entrepreneurship Support sub-component." The SAT Morocco programme will complement the activities planned in the aforementioned sub-component for the development of the emerging Moroccan ecosystem and the improvement of the quality and quantity of entrepreneurial initiatives that can be financed by the "Innov Invest Fund" programme.

Under Component 2, technical support services will be provided to contractors (the targeted number of contractors is 800 under the SAT Programme and the F2I Ecosystem Support Component). As such, the following activities could be carried out. Accordingly, the following activities will be executed:

1. **Coaching of entrepreneurs during the creation phase (ideation):** this activity will help candidates to receive support to finalise their financing plan under existing incubators, since a partnership agreement has been signed with the Souk At Tanmia platform. If necessary, experts may also be mobilised to provide technical or specific assistance (strategy, marketing, ITC).
2. **Creation of support groups led by coaches:** peer groups will be set up to meet specific needs (improvement of the development and financial model, marketing, improvement of financial management, problems related to administrative procedures and others...).
3. **Mentoring by experienced entrepreneurs:** this will help entrepreneurs learn from the experience of seasoned business operators.
4. **Business advisory services:** this activity targets companies requiring support in specific expertise. Hence, capacity-building services will be deployed to coordinate between the various partners and existing programmes in Morocco, identified through the national coordination platform in order to optimise the use of programme resources.
5. **Organisation of regular networking** meetings between beneficiaries and key stakeholders from the business world and the Moroccan Diaspora.

Technical support services will also be provided to stakeholders in the entrepreneurship ecosystem. These activities will be aimed at helping the various agents provide quality expertise to entrepreneurs, build a large portfolio of projects with high potential and mobilise resources.

Component 3: Direct financial support to enhance venture equity of the special interest project

This programme will be implemented in collaboration with the Innov Invest Fund (F2I) Ecosystem Support Component (see Annex 4). As with the SAT Tunisia, the programme will provide under this component, financial support to entrepreneurs through grants to overcome the lack of personal contributions to cover the equity portion. The selected candidates will have to contribute a minimum of 5% of the total cost of the project and receive grants proportionate to the cost of their project. The personal contribution is introduced to encourage entrepreneurs to ensure the success of projects without imposing an excessive burden. The amount of investment tickets will be defined according to the experience of SAT Tunisia.

A selection mechanism will be designed to identify potential entrepreneurs for financial support. Selection criteria may include: age, gender, region, innovation, sector and people with disabilities. Financial support should be provided to 200 entrepreneurs through the two planned editions of SAT Morocco, against 161 for the two editions in Tunisia. (See Annex 2). Under this component, the programme seeks to provide financial support in the form of grants to projects of specific interest, with the aim of improving their eligibility for funding. The selected project leaders must contribute at least 5% of the total project cost; the amount of the grant shall be proportionate to the total project cost.

A financial intermediary had been identified (ATTIJARIWAFABANK) to manage the funds and to act as a financial vehicle for the transfer of grants to beneficiaries. This entity will: (i) hold the resources raised for the programme in a special account opened solely for that purpose; (ii) prepare financial guidelines and reporting formats; (iii) prepare grant agreements and sign said agreements with beneficiaries; (iv) make disbursements to beneficiaries designated by the SAT Morocco Committee; and (v) produce periodic financial reports for presentation to MEF, the Bank and donors.

Target beneficiaries:

- (i) **The project generates concrete and measurable results for the target population:** The main beneficiaries are therefore a large segment of the population, especially the young and the disadvantaged. The programme is expected to generate measurable results in the following forms: (i) 800 entrepreneurs receiving technical support; (ii) 250 projects to be created (with 100 supported by Innov Invest); (ii) a potential to create 1,500 jobs in 2022; and (iii) 30% of beneficiary projects initiated by women entrepreneurs.
- (ii) **The project generates measurable results directly or indirectly in accordance with the objectives of the TFT:** The program generates measurable results consistent with the objectives of the TFT as it allows for job creation, economic and social inclusion (number of projects created in under-served areas, and youth and women categories) and private sector development through entrepreneurship.
- (iii) **The project includes specific beneficiaries:** There are three programme selection criteria: (i) feasibility; (ii) commercial viability; and (iii) job creation potential. There is also a bonus system for young people, the unemployed, projects with a positive impact on the environment, agricultural projects, projects in disadvantaged regions, women and people with disabilities. This type of selection produces positive results for the most underserved categories, namely women and youth.

Agricultural projects will be closely watched as the results of the needs assessment mission conducted by the AfDB on the Moroccan entrepreneurial ecosystem concluded that agriculture is not sufficiently funded, even though it is the country's main job-creation sector.

- (iv) **The project provides a direct benefit to countries in transition:** The programme will help to alleviate the frustration and resentment that continues to be fuelled by the difficult economic situation, in part because of the high rate of youth unemployment. The latter continues to be a major source of concern and a vector of social instability that could compromise the success of the political transition.

VII. Programme Implementation Arrangements

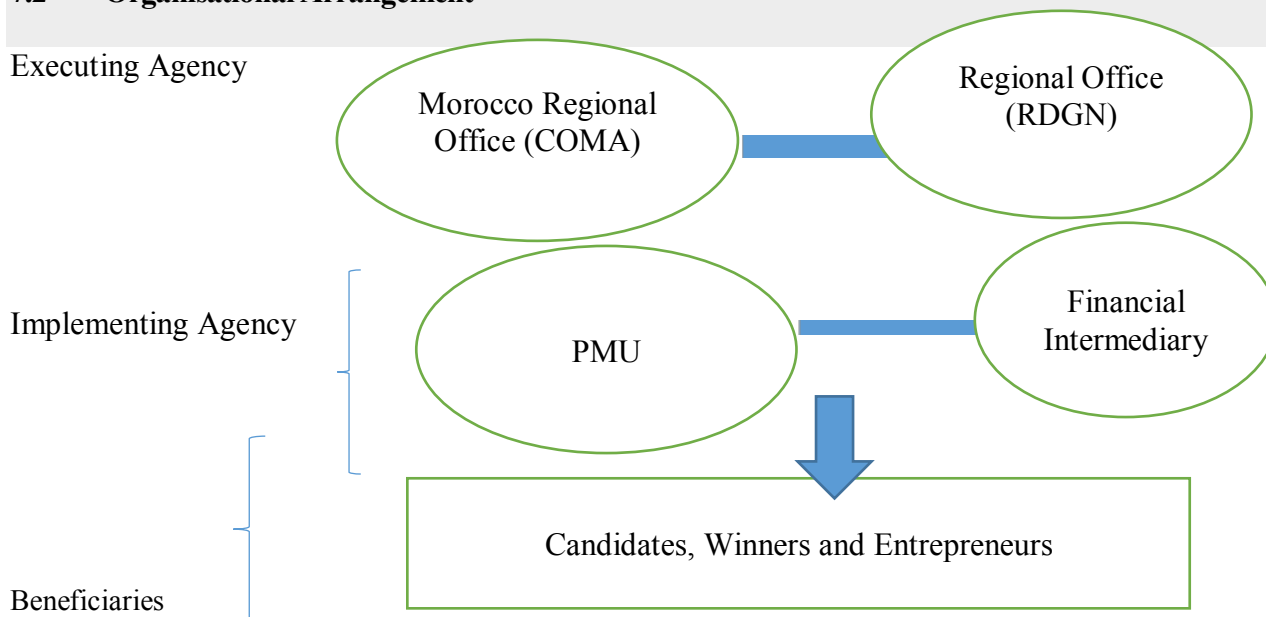
7.1 Strategic Approach

The SAT Morocco programme will be guided by the following principles of operation:

- i) Establish clear agreements with local and international partners to facilitate the development of longer-term partnerships and professional interactions between them;
- ii) Be relevant to the country by adapting the services of the Tunisian Partnership to the context and needs of Morocco with the aim of creating an efficient and continuous value chain of support for entrepreneurs;
- iii) Be strategic in the use of resources: avoid duplication of existing services, establish close collaboration with existing programmes and donors, and maximise synergies;
- iv) Build partnerships and local networks between entrepreneurship support actors;
- v) Focus on quality of service, effectiveness and efficiency of delivery;

- vi) Be fair and offer equal opportunities to all entrepreneurs and SMEs without any form of discrimination as to gender, location or age;
- vii) Be innovative in helping to implement international best practices in learning implementation and monitoring and evaluation;
- viii) Create and establish sustainable links between actors involved in capacity building and access to entities providing funding for entrepreneurs;
- ix) Build synergies and linkages with various donors and partners involved in business support and financing.

7.2 Organisational Arrangement



7.3 Project Management Organ

The body set up for the implementation of the program will be a Project Management Unit (PMU) and it will be recruited according to the institutional procurement procedures.

For Component 1: the PMU will be responsible for its implementation. It will initiate the national coordination platform and define its mission and mandate. It is also responsible for identifying the members of the Platform, establishing partnership agreements, running the platform and organising meetings. It will also be responsible for maintaining the platform and its supervision. It will organise networking and communication events, and will set up a website. The PMU will facilitate resource mobilisation activities with platform partners and the MEF.

For Component 2: The Programme Management Unit (PMU), in full collaboration with the platform's partners, will define the training activities and programmes that it must deliver to the beneficiaries.

Under Component 3: The PMU will define the selection criteria that will facilitate the identification of grant beneficiaries.

The Bank will recruit a consultant to monitor and coordinate project stakeholders.

7.4 Institutional Implementation

The institutional implementation of the SAT Morocco programme and the role of each stakeholder are as follows:

- a- **The African Development Bank will be the programme's executing agency.** It will play an overall fiduciary role and be responsible for: (i) managing aspects related to procurement and payments to service providers; (ii) regularly monitoring the performance of consultants; and (iii) submitting regular reports to donors. Its office in Morocco (COMA) is responsible for preparing and supervising the Morocco country programme in coordination with the Tunis regional office and the Souk At Tanmia Tunisia team.
- b- **The Ministry of Economy and Finance (MEF)** will supervise platform activities with partnership with MEF.
- c- **Programme Implementation Unit (PIU):** The Bank will sign a single contract with a project management firm (PMU). The latter will be responsible for providing all the services necessary for the programme's implementation and coordination. It will include in its team, among others, the following profiles: (i) a communication expert; (ii) an entrepreneurship expert; (iii) a financial expert; and (iv) a monitoring and evaluation expert. Thus, the Bank will sign a single contract with a PMU that will be responsible for providing all the services necessary for the programme's implementation and coordination. Thus, its role will be to: (i) ensure the efficient implementation of the various non-financial support activities; (ii) set up and manage the platform for coordinating the entrepreneurship ecosystem and provide all technical assistance activities; (iii) coordinate the selection committee for beneficiaries of financial and non-financial technical assistance; (iv) coordinate the production of periodic reports to be presented to the Steering Committee (consolidate and present tutoring and monitoring reports); and (v) consolidate financial and project implementation reports received from the financial agent..
- d- **Financial Intermediary identified (Attijariwafabank).** As for SAT Tunisia, to be responsible for the management of funds and to play the role of a financial vehicle for the transfer of subsidies to beneficiaries. A partnership agreement is being finalised between the two parties. The financial intermediary will undertake to manage the receiving account of the amounts that will be awarded in the form of donations to the selected entrepreneurs. Then, following Bank instructions, the financial intermediary will disburse the amounts indicated by the Bank to the beneficiaries, without account management fees or other expenses. The financial intermediary shall: (i) hold the resources raised for the programme in a special account opened solely for that purpose; (ii) prepare financial guidelines and reporting formats; (iii) prepare grant agreements and sign same agreements with beneficiaries; (iv) make disbursements to beneficiaries designated by the Selection Committee; and (v) prepare periodic financial reports for submission to MEF, the Bank and donors.

A negotiation was conducted with Attijariwafabank to designate it as a financial intermediary for the following reasons:

- i) The proposed offer is without account management fees or other charges which represents a net contribution of the private sector to the Souk At Tanmia programme.

- ii) Attijariwafabank is a Moroccan banking group.
- iii) It is the leading bank in Morocco and ranks fourth in Africa, having over 8.4 million customers and 17,696 employees in 25 countries.
- iv) It has branches and regional departments nationwide.
- v) It launched the Dar Al Moukawil initiative (One-stop Shop for Business Services), which provides support, awareness raising and training to entrepreneurs in a bid to give small businesses every opportunity to grow into big players in their field.
- vi) With the creation of Dar el Moukawil, this banking group has demonstrated its willingness to contribute actively to the promotion of entrepreneurship and the accelerated development of VSEs. Dar Al Moukawil is an exclusive concept dedicated to VSE support that enriches the services of the free web platform “Daralmoukawil.com”.
- vii) Attijariwafabank has established Daralmoukawil.com, a digital forum that gives small businesses and project leaders access to training and information in all areas of entrepreneurship.
- viii) “Daralmoukawil.com” is also a vast database of videos, documents, models, guides, online courses and webinars provided free of charge to small businesses.
- ix) It also facilitates contact with potential partners and experts to help them operate smoothly and to improve their management.

VIII. Description of Expected Outcomes

The Entrepreneurship Support Programme seeks to: (i) coordinate stakeholders of the entrepreneurial ecosystem; (ii) create networks and synergies between stakeholders and the support and financing programmes geared towards the promotion of entrepreneurship; (iii) improve access to financing for start-ups and SMEs; (iv) reduce the mortality rate of SMEs; and (v) contribute to the creation of sustainable jobs.

The national ecosystem coordination platform will be set up to build synergy between the various public and private sector programmes, and to improve their efficiency. It will facilitate the organisation of eight coordination meetings of all stakeholders.

Some 800 entrepreneurs will be targeted with technical support. Similarly, financial support will be granted to 250 entrepreneurs through the two editions of SAT Morocco (compared to 161 projects for the two editions of SAT Tunisia).

IX. Participatory Approach

The coordination platform for ecosystem stakeholders will bring together the majority of partners involved in this theme in Morocco, namely:

- i) ***Development institutions and donors***: These include the European Union Commission, German Cooperation through GIZ, the Islamic Development Bank, the European Bank for Reconstruction and Development (EBRD), American Cooperation and British Cooperation. Their contribution to the platform will be their sector expertise in various fields of development-oriented intervention, their fund-raising capacity, guidance and support.

- ii) **Private companies:** The value added of these companies lies in their entrepreneurial expertise in Morocco as well as their participation in social responsibility programmes. Their participation in this platform will create a sort of market place that puts beneficiaries directly in contact with promising sectors of the business world, thus giving the beneficiaries an opportunity to benefit from the expertise and/or their commercial networks of these companies. Their involvement will also strengthen the public-private partnership aspect and encourage other private sector stakeholders to engage in the development process.
- iii) **Civil society:** It plays the role of a catalyst, disseminator of information, generator of ideas and projects, and an active stakeholder that supports business creation.
- iv) **Public stakeholders:** These are State institutions and companies like the Ministry of Industry, the Central Guarantee Fund, Maroc SME and others, which will play a special role as facilitator and provider of complementary support.

X. Gender: Women in Morocco's Business Sector

In Morocco, barely 12% of all businesses are run by women and mostly in the service sector. Accordingly, it will take a long time to reach the parity threshold. Women, who represent a little over half of the population, still have to struggle to assert themselves and claim their full rights in society. Moroccan women continue to grapple with social and financial disparities. In theory at least, major achievements have been made in the legislative framework to ensure economic equality between men and women. The new Constitution is one such major achievements. The Labour Code also devotes several provisions to combating gender discrimination in employment and in business. Lastly, women complain about a lack of career prospects in business.

Under the Souk At Tamnia programme, special attention will be devoted to projects managed by women, and a special bonus system will be included among the criteria for evaluating proposals. The programme provides that 35% of supported projects should be managed by women. In addition, to ensure 35% participation of women, various approaches will be applied: (i) gender perspective will be a crosscutting focus of all proposed activities; (ii) specific activities will be put in place for women entrepreneurs (such as subsidies); and (iii) synergies will be established with entities working on women's empowerment and reduction of gender inequalities.

XI. Impact on the Environment

Since disadvantaged citizens are most likely to be affected by climate change, the programme pays particular attention to the environmental impact of its beneficiary projects.

This will be reflected in the implementation process at three levels:

- i) The application form will include environmental protection as an additional criterion during the selection process. Accordingly, any project that fails to comply with national environmental laws or is likely to have a negative impact on the environment will automatically be rejected, unless appropriate mitigation measures are presented.
- ii) In the grant allocation contract, a clause will be introduced requiring the grantee to respect the environment, under penalty of suspension or cancellation of the grant.
- iii) A section of the periodic reports will be devoted to monitoring to assess any negative effects that the project may have on the environment.

XII. Estimated Cost of Activities

The total estimated cost of the programme is EUR 4.572 million, equivalent of UA 3.930 million.

12.1 Detailed Cost Estimates (in Foreign Exchange and Local Currency)¹

Expenditure Category	Total cost in UA (July 2018 rate)	Total cost in MAD (July 2018 rate)	
Establishment of the coordination platform	60,000	729.39	665,781.39
Organisation of the meetings of the coordination platform	6,400	5,304.47	71,016.68
Capacity-building programme for public sector stakeholders and NGOs	133,332	110,508.651	1,479,499.40
Organisation of entrepreneurship events and conferences	152,000	125,981.12	1,686,646.19
Communication campaign (gender sensitive)	200,000	165,764.63	2,219,271.30
IT System	144,000	119,350.531	1,597,875.33
Detailed programme design and implementation modalities	36,000	29,837.63	399,468.83
Establishment of partnerships	60,000	49,729.39	665,781.39
Subsidies to be disbursed to selected enterprises	2,000,000	1,657,646.95	22,192,712.98
Capacity building for preselected entrepreneurs	125,000	103,602.89	1,384,044.56
Coaching before and after creation	300,000	248,646.95	3,328,906.95
Non-financial assistance to entrepreneurs (access to markets, technical support)	100,000	82,882.32	1,109,635.65
Operation of the Programme Management Unit (PMU)	1,188,278	990,231.66	13,201,977.77
Programme total	4,505,010	30,739,354.21	47,506,475.63

12.2 Financing Plan

Amounts in EUR	2018	2019	2020	2021	2022	Total
Establishment of the coordination platform	60,000					60,000
Organisation of the meetings of the coordination platform	-	1,600	1,600	1,600	1,600	6,400
Capacity-building programme for public-sector stakeholders and NGOs		33,333	33,333	33,333	33,333	133,332
Organisation of entrepreneurship events and conferences	16,000	52,000	68,000	8,000	8,000	152,000
Communication equipment		75,000	25,000	75,000	25,000	200,000
IT System	20,000	50,000	37,000	37,000	-	144,000
Detailed programme design and implementation modalities	36,000					36,000
Establishment of partnerships	60,000	-				60,000
Subsidies to be disbursed to selected enterprises			600,000	500,000	900,000	2,000,000
Capacity building for preselected entrepreneurs	-	62,500	-	62,500	-	125,000
Coaching before and after creation	-	-	150,000	37,500	112,500	300,000
Non-financial assistance to entrepreneurs (access to the markets, technical support)	-	-	25,000	50,000	25,000	100,000
Operation of the Programme Management Unit (PMU)		300,000	300,000	300,000	288,278	1,188,278
Programme total	192,000	574,333	1,239,933	1,104,933	1 393,711	4,505,010

¹ As the TFT Administrator, the Bank charges an administrative fee of 5% on each TFT grant administered by it. The fees, amounting EUR 237,106 for this grant, represent the Bank's management fees and are separate from project costs. Therefore, they are not included in the cost table for this project.

12.3 Estimated Costs per Component

Components / costs	Cost in Euros
Component 1: National coordination platform	673,711
Component 2: Technical support to entrepreneurs and ecosystem stakeholders	1,803,299
Component 3: Financial support to project developers	2,000 000
Total programme cost	4,505,010

12.4 Cost per cost category

Cost Category	Total Cost Euro
Services	2,505,010
Miscellaneous (subventions to entrepreneurs)	2,000,000
Total programme	4,505,010

XIII. Procurement of Goods and Services (where necessary)

13.1 Procurement of Services

All consultancy services will be procured in accordance with the Bank's Rules and Procedures for the Use of Consultants, May 2008 edition, revised in July 2012, and using the Bank's standard Request for Proposals. The services of service providers will be procured using the Quality and Cost Based Selection (QBQC) method. The services of the firm responsible for project management unit will be procured through Selection based on Quality and Cost (SBQC).

13.2 Procurement of Training Services

General Procurement Notice: In a bid to inform potential bidders in advance of major tenders scheduled under the project, a General Procurement Notice will be published. The text of the general procurement notice shall be endorsed by MEF and will be published upon approval of the grant by the Bank in at least one national newspaper of wide circulation, on the Bank's website and on UN Development Business (UNDB) online in accordance with the provisions of Article 2.5 of the Bank's Rules on the Use of Consultants. The General Procurement Notice will include the list of goods and consultancy assignments.

Request for Expressions of Interest: Requests for Expressions of Interest will be published for each consultation in at least one national newspaper with wide circulation (the Official Gazette, if applicable), on the Bank's website and in UNDB online.

Publication of the contract award: After contract award, the results shall be published on the Bank's website and UNDB online in accordance with the provisions of Article 2.28 of the Bank's Rules and Procedures on the Use of Consultants.

Procurement plan: The Bank will ensure that the Procurement Plan complies with the grant agreement and the Bank's applicable Rules. The Bank shall update the Procurement Plan yearly or as necessary, but always within the subsequent 18 months during the project implementation phase.

XIV. Financial Management

Financial management systems within the Bank include budget planning and implementation, contracting, accounting, financial statement preparation, reporting and internal control, and auditing. The Bank's financial management systems, rules and guarantees will apply to the management of resources held by the Fund. However, shorter time frames will be sought from AfDB management to

accelerate procurement and ensure execution of the platform's activities. Project accounts will be audited yearly by the Bank's external auditor. The audit report shall be submitted to donors upon request. As the funds are managed by the Bank, disbursements from grant resources will be made in accordance with internal procedures and will follow the same procedures used for administrative expenses. The project provides for two types of expenditure: (i) consultancy services; and (ii) financial support to SMEs and start-ups. In this regard, payments for advisory services will be made in accordance with the delegation of authority matrix and the bank's internal financial policies and procedures. Regarding the VSME funding programme (component 3), the terms and conditions for disbursement under this component will depend on the institutional and financial plan proposed by the consultants recruited. To validate the results of the consultants' mission and to define the modalities and in particular those of transfer of the funds to the selected entrepreneurs (financial support), disbursements on this second component; the Bank will use the same procedures as Souk At Tanmia Tunisia.

XV. Implementation Schedule

	2018	2019				2020				2021				2022			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Recruitment of the individual consultant																	
2. Establishment of the Coordination Platform																	
3. Support to the Coordination Platform																	
4. Recruitment of the PMU																	
5. Implementation of the non-financial support programme																	
6. Identification of the financial agent (s)																	
7. Implementation of the financial support programme																	

XVI. Conclusion

The Souk At Tanmia Partnership is an important mechanism that serves as a concrete and immediate response to the Bank's new policy on the search for innovative partnerships. It is also a viable alternative to the traditional assistance mechanisms that target beneficiary groups at reduced cost.

The proposed institutional set-up and governance structure allows ownership and institutionalisation of the Partnership by all partners, jointly and individually, and by the Moroccan government.

The rules and procedures governing the Multi-donor Trust Fund for Countries in Transition (TFT) administered by the Bank requires that any operation above USD 1 million should be approved beforehand by the Bank's Board of Directors. The Morocco Souk At Tanmia falls under this category.

In view of the foregoing, the Boards of Directors of the Bank and the Fund are requested to approve the award of a grant amounting to Four Million Five Hundred and Five Thousand and Ten Euros (EUR 4 505 010), from the TFT resources, to fund the Morocco Souk At Tanmia Programme, which will be implemented by the Bank in accordance with the conditions and modalities set out in this report.

ANNEX 1: OVERVIEW OF SOUK AT TANMIA TUNISIA PROGRAMME

Immediately following the 2011 Revolution, the African Development Bank, working closely with several partners including donors, public/private entities, civil society organisations and academic institutions, launched Souk At Tanmia (SAT), an initiative aimed at tackling the unemployment problem in Tunisia. The objective of Souk At Tanmia is to create opportunities for disadvantaged entrepreneurs and help them to start and grow their own businesses. In the process, entrepreneurs generate jobs and income for themselves and others, thereby contributing to creating a new economic dynamic in the disadvantaged regions of the country. The initiative was structured as a partnership that taps into the skills, network and resources of different partnerships. Thanks to this structure and its diverse partners, Souk At Tanmia was able to offer financing (in the form of subsidies) and non-financial aid (training, coaching and mentoring) to selected entrepreneurs.

Souk At Tanmia holds a special place in the Tunisian ecosystem due to its two unique characteristics. Firstly, it offers beneficiaries non-financial support (training, coaching, mentoring and market access), and financial aid. This is where it stands out from most entities and programmes available in Tunisia, which offer only coaching, or mentoring or financial support. Secondly, SAT is a partnership based on comparative advantage and network of various national and international public/private entities. This enables it to provide robust, comprehensive support and maximise the impact and visibility of its interventions. In particular, Souk At Tanmia is the greatest known mobilisation of partners in Tunisia, since it brings together some twenty international and national entities. These were selected based on their field of expertise and leadership positions in their respective spheres.

Through its two editions (July 2012 and April 2014), the Souk has proven to be extremely effective in achieving its objectives. The key outcomes are summarised in Table 1. The Danish Government was among the first proponents of the initiative.

In light of its positive achievements, SAT succeeded in developing a unique concept that challenges banks (henceforth encouraged to finance Souk projects due to the non-financial support that beneficiaries receive) and public sector entities (now urged to collaborate with the programme since they see tangible results). To illustrate, eight (8) of the 100 beneficiary projects of the second edition were entirely financed by non-partner banks. SAT also forged a partnership with the Ministry of Employment and Vocational Training in Tunisia to build on the Souk experience and share the coordination model with ecosystem stakeholders.

Souk 1 Partners:



Souk 2 Partners:



Table 1: Key Achievements of Souk At Tanmia Tunisia

	Pilot Edition	Second Edition
Number of project beneficiaries	61 projects	100 projects
Access to financing and leverage	<ul style="list-style-type: none"> • Grants: USD 0.89 million • Total resources mobilised: USD 2 million. • Multiplier effect (versus grants): 2.24 	<ul style="list-style-type: none"> • Grants distributed: USD 1.8 million • Total resources mobilised (including grants) USD 6 million • Multiplier effect: 3.3
Development impact	<ul style="list-style-type: none"> • 54% of beneficiaries are youth; • 64% of beneficiaries are from disadvantaged regions; • 33% are women entrepreneurs; • 34% are jobless; • 530 jobs created. 	<ul style="list-style-type: none"> • 66% of beneficiaries are youth; • 50% of beneficiaries are from disadvantaged regions; • 36% are women entrepreneurs ; • 50% are jobless; • 800 jobs created.
Capacity building for entrepreneurs and enterprises	<p>Capacity building: 3-day entrepreneurship training on financial planning and basic business management for 300 entrepreneurs</p> <p>Coaching and mentoring: 12 months of coaching and mentoring for 100 projects</p>	<p>Capacity building: 60 hours of “Build Your Business” and training for 250 entrepreneurs</p> <p>Coaching and mentoring: <ul style="list-style-type: none"> • 19 months of internship (9 months dedicated to fund-raising) 6 to 12-month mentoring period.</p>
Stronger entrepreneurial culture and economic empowerment of the youth	Participation in 8 events to promote employment, entrepreneurship and economic empowerment of youth	<ul style="list-style-type: none"> - Launching of a cycle of innovative conferences and organisation of 7 conferences on entrepreneurship challenges followed by thematic workshops (850 persons mobilised). - Participation in 17 events to promote the entrepreneurial culture.
Support in fulfilling administrative formalities (facilitation)		<ul style="list-style-type: none"> - Shorter time taken to process access to a Government entrepreneurship support fund from 128 to 86 days. - Reduction by 45% on average of the time taken to process applications in different financial institutions.

ANNEX 2: OVERVIEW OF MOROCCO'S ENTREPRENEURSHIP ECOSYSTEM

Morocco's entrepreneurship ecosystem is still nascent. Most actors were established less than three years ago. Most ongoing initiatives were initiated at the World Entrepreneurship Summit organised in Marrakech in 2014. The sector is growing through Government impetus and is currently dominated by public initiatives and NGOs. For their part, private initiatives are still limited in terms of number and impact.

Main Actors of the Entrepreneurship Ecosystem

	Entities	Specialty	Description	Type of Support	Capital
Incubators/ accelerators	Eirene 4Impact	Youth (below 35) Women	Generate, incubate and develop high-potential entrepreneurs and participate in rolling out innovative socio-economic and ecosystem models. Recent partnership with NUMA, a French incubator	Training: 4-week programme to develop entrepreneurial skills • Incubation: 3 months of support and specialised training (impact and profitability analysis) • Launch of start-up	500k-1500k
	<i>Réseau Entreprendre Maroc</i>	High impact	A peer-to-peer support network to enrich new entrepreneurs' projects with feedbacked experience, in order to prevent their isolation, foster experience sharing and integrate them in the economic ecosystem. Present in 7 Moroccan cities	• Financing • Mentoring (up to 3 years) • Networking	Interest-free and unguaranteed loan on trust < MAD 100,000
	Dare Inc.	Social enterprise	Incubation and acceleration programme to support social enterprises (from ideation, growth to markets). Twice every year, select the most promising and innovative social entrepreneurs (4 to 12 months for them to develop their ideas).	Mentoring • Co-creation • Financing	Financing of seeds MAD 30,000 • Access to local and international networks • Access to crowdfunding platforms
	Espace Bidaya (2015)	Social enterprise – green technology	The Social Green Tech incubator, launched in Casablanca in 2015, focuses on innovation and high-impact start-	Strategic mentoring • Practical exercises • Networking • Common work space	• NA

			ups. Incubate 12 start-ups each year for a minimum of 12 months.	<ul style="list-style-type: none"> • <i>Impact</i> network access 	
NGO	CEED Morocco (2013)		Steer economic growth by developing, linking and counselling entrepreneurs to consolidate their enterprises based on a peer-to-peer model, where entrepreneurs share their experiences, help each other overcome challenges and instil confidence in the other members of the network.	<ul style="list-style-type: none"> •Capacity-building •Market connections •Community commitment • Access to capital 	Preparation and access to investors' network
	Moroccan Centre of Innovation and Social Enterprise	Social enterprise	Dedicated to the search for innovative entrepreneurial solutions to all social challenges in Morocco. It was founded in 2012 by a group of 17 enthusiastic persons, eager to explore social change in Morocco. ^[1] _[SEP]	<ul style="list-style-type: none"> • Sensitisation and advocacy •Education •Research • Incubation • Co-working 	• NA
	Start up your Life		Identify, gather and empower innovative entrepreneurs in Morocco	<ul style="list-style-type: none"> Selection • Comments and mentoring •Visibility and networking •Access to financing 	NA
	Maroc start-up		Educate, inspire and connect young entrepreneurs, and facilitate access to necessary support for success	Variety of thematic competitions in partnership with international actors	• 100k
	Injaz al Maghrib (smart start)		Start creating and support activities in partnership with CEED and Attijari Finance Corp	<ul style="list-style-type: none"> 6-months mentoring programme •Networking • Access to investors • Mentoring • Access to networks • Access to sources of intelligent capital 	• NA

	Endeavor	High impact	Encourage high-impact entrepreneurship	•	• NA
Governmental Initiatives	Maroc Numeric		Public-private venture capital funds dedicated to high-potential enterprises operating in the new technologies sector	<ul style="list-style-type: none"> •Financing •Board Headquarters for counselling and monitoring •Operational assistance •Networking 	<ul style="list-style-type: none"> • 1-8M MAD • Access to business angels network
	Moroccan Centre of Innovation	Technical	Manage, promote and support an innovative project	<ul style="list-style-type: none"> •Financing •Technical support 	Intilak: < MAD 1M Tatwir: < MAD 4M
	OCP Entrepreneurship Network		Foster and support Morocco's entrepreneurship ecosystems	<ul style="list-style-type: none"> • Financing • Technical support 	NA
Precursors	Atlas Business Angels		No longer operates		
	MNF Angel (Maroc Numeric + OCP)	Technical	Monthly pitch session	<ul style="list-style-type: none"> •Financing •Technical support 	100K – 1M

The first remark is that the Moroccan start-up market is weak. The number of start-ups in Morocco was estimated at 200, against 2,400 and 3,200 in Paris and between 14,000 and 19,000 in Silicon Valley. Therefore, the first priority will be to concentrate on the initial phase and create a conducive environment for the gestation and development of budding enterprises by strengthening such first-stage support services as incubation, acceleration, and technical assistance.

A few international and local NGOs are active at this first stage and offer many support services such as entrepreneurship-related events, competitions, mentoring, training and low-cost co-working spaces. Although these initiatives give access to investor platforms and networks, they do not themselves provide financing.

At the public level, the OCP Foundation has increasingly been active in the entrepreneurship space, mainly by supporting the ecosystem. It did not directly invest in start-ups, but supported NGOs, incubators and other actors that did so. Currently, this Foundation has suspended its financing and is restructuring its intervention.

Maroc Numeric is also a public-private venture capital fund dedicated to high-potential enterprises operating in the new technologies sector. It was initiated by the Ministry of Industry, Trade and New Technologies in partnership with BMCE Bank, Attijariwafabank, *Caisse de Dépôts et de Gestion* (the Deposits and Management Fund) and *Banque Centrale Populaire*. It offers tickets ranging from MAD 1 to 8 M, which is exactly the highest financing bracket in Morocco (personal contribution needed MAD <10M). Although generally too expensive for business angels, these tickets are not significant enough for existing institutional funds. Therefore, the target ticket amount is right. However, with an overall allocation of MAD 100 million, the fund lacks the necessary impact to play a transforming role. Further, its strategy of serving as a specialised niche in new technologies makes it inaccessible to all other sectors of activity.

Recently, *Maroc Numeric* established *MFN Angels*, a technology-based business angel fund offering tickets of from MAD 100,000 to MAD 1 million. At present, *MFN Angels* is the only notable business angel in Morocco since *Atlas Business Angels*, an earlier business angel, has ceased operating. Therefore, angel investment is another weak point of the current ecosystem that must be reinforced.

On the private level, *Eirene 4Impact*, *Réseau Entreprendre Maroc*, *Dare Inc.* and *Espace Bidaya* are the main incubators/accelerators, offering a wide range of technical assistance and support services. They also provide funds, some as personal contribution and others as debt. The ticket amount ranges between MAD 30,000 (USD 3,000) and MAD 1,500,000 (USD 150,000).



Lettre d'engagement SOUK AT-TANMIA MAROC

Nous soussignés, Attijariwafa bank société anonyme au capital de DH 2.035.272.260, Siège Social : 2, boulevard Moulay Youssef, Casablanca, Agréée en qualité d'établissement de crédit par arrêté du ministre des finances et de la privatisation n° 2269-03 du 22 décembre 2003 tel que modifié et complété - RC 333, représentée par **M. Karim Idrissi Kaitouni et M. Issam Maghnouj**, respectivement **directeur exécutif en charge du marché des Entreprises et responsable du Marché de la TPE**,

confirmons, par la présente lettre, notre engagement pour un partenariat avec la Banque Africaine de Développement, en tant **qu'intermédiaire financier** dans le cadre du programme d'appui à l'entrepreneuriat « **SOUK At-TANMIA** »

M. Issam Maghnouj
Responsable du Marché de la TPE

M. Karim Idrissi Kaitouni
Directeur exécutif
en charge du marché des Entreprises

ANNEX 4: A NEW INITIATIVE: INNOV INVEST FUND

1. Rationale for the initiative:

In order to meet the needs of innovative companies with high growth potential in the early stages of their development, Moroccan authorities launched in 2016 a new initiative, the Innov-Invest fund (IIF or F2I). This fund aims to fill a funding gap for small and medium-sized innovative start-ups and to catalyse the venture capital (VC) market. The initiative will also address the challenge of weak ecosystem expertise of the actors supporting entrepreneurs and stimulating the creation of viable businesses.

2. Innov-Invest Fund Activities:

The fund has two main activities: (i) a funding programme; and (ii) an ecosystem support programme.

The funding program, the IIF, will target: ideation stage, early stage and venture capital stage. Equity or quasi-equity will be channelled to selected intermediaries who will invest in innovative start-ups. Investments will be supported by non-financial activities, generally provided by entities active in the ecosystem. Public funds will enable the mobilisation of private funds for an equivalent amount. Funding by way of Business Angel will be integrated alongside start-up and venture capital. Indeed, business angels invest in companies at a much earlier stage and at a higher risk, with an investment note size much smaller than that of venture capital funds. As a result, management costs for Angel funds are higher. To implement the funding programme, several business angel entities will be selected through a competitive process. The investment note will be capped at \$ 500,000. For start-up and venture capital investments, the targeted investment note has an average of \$ 500,000. Funds will be selected to mobilise private financing, equal to public investment, and to manage investments in innovative SMEs. To attract private investors, this activity results in a higher than normal transaction cost for the selected fund managers.

In the context of ecosystem support, the objective is to stimulate new innovative companies by strengthening the intervention of ecosystem actors. The program will propose three products (for which a budget of US\$ 2 million each is allocated):

- i) Anticipated Grants: For the first stage of entrepreneurship to help the entrepreneur or start-up test the viability of the business idea, a grant of up to US\$ 20,000 each, will be awarded to entrepreneurs and young innovative SMEs.
- ii) Soft Loans: for newly created start-ups, to finance the commercialisation of their innovation. The maximum loan amount can be up to US\$ 50,000 and can be repaid if the project is successful or converted into a grant if the project fails.
- iii) Entrepreneurship Support: Targets primarily ecosystem providers to mentor 100 or so entrepreneurs and strengthen the angel investor community. This will deepen the Moroccan entrepreneurial ecosystem.

3. Institutional Arrangements

Ministry of Economy and Finance (MEF). The MEF established the Innov Invest Fund initiative. As such, the MEF designed the initiative, set up the fund, consulted the various stakeholders to develop ownership and mobilized resources (debt, grants, TA). A US\$ 50 million loan from the World Bank was signed in 2017.

Role of the Central Guarantee Fund (CCG): The CCG has been mobilized by the MEF to help set up the Innov Invest Fund. MEF has delegated to CCG the management of Innov Invest Fund in 2016 (activity supported by the Bank during the implementation of PACEI).

Governance: two committees have been set up to oversee the initiative. They are both led by the MEF. The steering committee is in charge of the overall strategy of the fund, while the technical committee is in charge of supervising the instruments developed.

Start-up funds: these funds are in charge of the implementation of the financing programme. They apply to the fund managed by CCG. 4 funds had been labelled by Innov Invest in 2017 (Azur Innovation, Seaf Morocco Growth Fund, Morocco Numeric Fund II and Green Innov Invest). Innov Invest will inject MAD 300 million into these funds, which will in turn mobilise MAD 400 million.

Pre-Seed Fund: These funds are in charge of implementing ecosystem support. Six funds were labelled by Innov Invest in 2017 (APP publisher, Solar Cluster, Impact Lab, R & D Morocco, Network Entrepreneurs Morocco, Strat UP Morocco).

ANNEX 5: LETTER OF ADHESION TO THE PROGRAMME FROM THE MINISTRY OF ECONOMY AND FINANCE



03370118 IDTFE

31 JUL 2018

A Madame

La Représentante-Résidente de la Banque Africaine de Développement au Maroc

-Rabat-

Objet : Programme d'appui à l'entrepreneuriat

Madame la Représentante,

Comme vous le savez, le Royaume du Maroc a fait de la promotion et du développement de l'entrepreneuriat et en particulier des jeunes entreprises et des start-ups, une priorité majeure dans sa politique de développement.

A cet égard, le programme d'appui à l'entrepreneuriat, initié par la Banque Africaine de Développement, s'inscrit dans la lignée des efforts menés et revêt une importance particulière de par ses objectifs en termes de recherche de synergies entre les acteurs de l'écosystème et de renforcement des programmes de financement et d'appui à l'entrepreneuriat.

Aussi, nous exprimons notre adhésion et soutien à ce projet structurant, dans ses deux composantes en l'occurrence, i) la mise en place d'une plateforme de coordination nationale de l'écosystème entrepreneurial et ii) le lancement d'une offre de services d'appui à l'entrepreneuriat dans le cadre du projet « Souk Attanmia ».

Enfin, je saisis cette occasion pour remercier la Banque pour les efforts déployés, conjointement avec la Direction du Trésor, pour la mise en œuvre de ce projet.

Veillez agréer, Madame la Représentante, l'expression de ma haute considération.

Ministre de l'Économie et des Finances
x
Signé: Mohammed Boussaid