

AFRICAN DEVELOPMENT BANK



PROGRAMME: SUPPORT PROGRAMME FOR COMPETITIVE AND RESILIENT DEVELOPMENT OF CEREAL FARMING (P-MA-AA0-023)

COUNTRY: KINGDOM OF MOROCCO

APPRAISAL REPORT

COUNTRY: KINGDOM OF MOROCCO

Date: June 2022

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CURRENCY EQUIVALENTS

September 2022

UA 1 = MAD 13.77

UA 1 = EUR 1.3

UA 1 = USD 1.3

FISCAL YEAR

1 January - 31 December

WEIGHTS AND MEASURES (as applicable)

1 metric ton = 2,204 pounds (lbs)

1 quintal (Ql/Qx) = 100 kg

1 kilogramme (kg) = 2.200 lbs

1 metre (m) = 3.28 feet (ft)

1 millimetre (mm) = 0.03937 inch (")

1 kilometre (km) = 0.62 mile

1 hectare (ha) = 2.471 acres

ACRONYMS AND ABBREVIATIONS

ADA	Agricultural Development Agency
AEFPF	African Emergency Food Production Facility
AFD	French Development Agency
AfDB	African Development Bank
AME	Energy Efficiency Agency of Morocco
A-PMV	Acceleration of the Green Morocco Plan
AS	Agricultural Sector
AUEA	Association of Agricultural Water Users
AWF	African Water Facility
BAM	Bank Al Maghrib (Central Bank of Morocco)
CAM	Crédit Agricole du Maroc Group
CPS	Strategic Steering Committee
DAAJ	Department of Administrative and Legal Affairs
DDFP	Department of Production Sectors Development
DEFR	Department of Education, Training and Research
DF	Finance Department
DIAEA	Department of Irrigation and Development of Agricultural Space
DSI	Department of Information Systems
DSS	Strategy and Statistics Department
E-PMV	Green Morocco Plan Ecosystem
ESMP	Environmental and Social Management Plan
EU	European Union
FAO	Food and Agriculture Organisation
FDA	Agricultural Development Fund
FIAC	Interprofessional Federation of Cereal Activities
GDP	Gross Domestic Product
GE	Gender Equity
GIS	Geographic Information System
GoM	Government of Morocco
HCP	High Commission for Planning
IA	Irrigation Area
IBM	Impact-Based Monitoring
IGF	General Inspectorate of Finance
IMF	International Monetary Fund
INRA	National Institute of Agronomic Research
IWRM	Integrated Water Resources Management
JEA	Young Agricultural Entrepreneurs
JEV	Young Green Entrepreneurs
JICA	Japan International Cooperation Agency
LOLF	Organic Law on the Finance Law
MAD	Moroccan Dirham
MAMDA	Moroccan Mutual Agricultural Insurance
MAPMDREF	Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MEMEE	Ministry of Energy, Mines, Water and Environment
MIC	Middle Income Country
MICF	Middle Income Countries Fund
MTEF	Medium Term Expenditure Framework
NA	North Africa
NDC	Nationally Determined Contribution

OB	Official Bulletin
ONCA	National Agricultural Advisory Board
ORMVA	Regional Agricultural Development Authority
PAAIM	Industrialisation Acceleration Support Programme of Morocco
PADCRC	Support Programme for Competitive and Resilient Development of Cereal Farming
PADESFI	Financial Sector Support Programme
PADIDFA	Support Programme for Inclusive and Sustainable Development of Agricultural Sectors
PAPMV	Morocco Green Plan Support Programme
PAPNEEI	Support Project for the National Irrigation Water Saving Programme
PBO	Programme-Based Operation
PEFA	Public Expenditure and Financial Accountability
PEI	Irrigation Extension Programme
PGE	Government Equity Plan
PMF	Performance Measurement Framework
PMV	Morocco Green Plan
PNEEI	National Irrigation Water Saving Programme
RMC	Regional Member Country
RTWW	Reuse of Treated Wastewater
SGG	Secretary-General of the Government
SNE	National Water Strategy
TREEA	Revitalisation of Rural Morocco through Employment and Entrepreneurship in the Agricultural and Para-Agricultural Sector
TS	Technical Support
UA	Unit of Account
UAA	Useful Agricultural Area
VAT	Value-Added Tax
WB	World Bank

PROGRAMME INFORMATION

INSTRUMENT: AEFPP Sector Budget Support

DESIGN TYPE: Single Operation

PROGRAMME INFORMATION

Client Information

BORROWER: Government of Morocco

EXECUTING AGENCY: Ministry of the Economy and Finance

Financing Plan

Source	Amount	Instrument
AfDB	EUR 199 million	Loan

Key Information on the Loan Terms and Conditions

Loan Currency	Euros (EUR)
Loan Type	Fully flexible loan
Tenor	20 years
Grace Period	5 years
Average weighted maturity	12.75, determined based on the amortisation profile, the maturity and grace period)
Repayments	Thirty (30) consecutive equal half-yearly payments after the end of the five- (5) year grace period
Interest rate	Base rate + financing cost margin + lending margin + maturity premium. This interest rate must be floored to zero.
Base rate	Floating six-month EURIBOR reset each 1 February and 1 August, with a free base rate fixing option
Financing cost margin	The Bank's financing cost margin reset each 1 January and 1 July and applied on each 1 February and 1 August with the base rate
Lending margin	80 basis points (0.8%)
Maturity premium	The maturity premium is 0% (average weighted maturity <= 12.75 years) - 0.10% where 12.75 < the average weighted maturity <= 15

	- 0.20% where the average weighted maturity >15 years
Front-end fee	0.25% of the loan amount
Commitment fee	0.25% per annum on the undisbursed amount, commencing 60 days following the date of signature of the loan agreement and payable on due dates
Base rate conversion option*	Besides the free base rate fixing option, the Borrower may revert to the floating rate or reset it for all or part of the disbursed loan amount (transaction fees apply).
Cap or collar rate option*	The Borrower may cap or collar the base rate for all or part of the disbursed loan amount (transaction fees apply).
Loan currency conversion option	Option to change all or part of the loan currency of the undisbursed and/or disbursed amount of the loan over its duration. The new loan currency shall apply for the remaining/entire maturity or a shorter period chosen by the Borrower following the approval of such a request by the Bank (transaction fees apply).
Conversion spread cost	The Borrower shall bear the cost incurred by the Bank following the early conversion adjustment or spread/cancellation.

* A calculator is available for Borrowers to simulate various amortisation profiles and determine the Average Loan Term. Please contact FIST2@afdb.org

** Conversion options and related transaction costs shall be governed by the Bank's Conversion Guidelines available on the Bank's website.

Programme Schedule – Key Milestones (expected)

Programme Approval	September 2022
Effectiveness	November 2022
Completion	December 2024

EXECUTIVE SUMMARY OF THE PROGRAMME

Management submits the following report and recommendation on a proposed loan of EUR 199 million to the Kingdom of Morocco to finance the Support Programme for Competitive and Resilient Development of Cereal Farming in the country.

It is a sector budget support programme prepared under the African Emergency Food Production Facility (AEFPF) and will be implemented over the 2022/2024 period. The programme design takes into account the good practice principles on conditionality and the Bank Group's non-concessional debt accumulation policy.

The combined effect of the exceptional drought during the 2021/2022 season, the increase in international food prices, and the consequences of the Ukraine-Russia conflict have negatively impacted international supply chains. In addition, the Ministry of Agriculture has indicated that the decline in national cereal production due to the drought will be 67% (to 34 million quintals) compared to last year, which corresponds to a loss of 1.6 million hectares out of 3.5 million hectares sown with cereals. Wheat imports amounted to MAD 25.2 billion (EUR 2.47 billion) as of end-July 2022, compared to only MAD 13.4 billion (EUR 1.3 billion) at the end of July 2021. This trend is due to the simultaneous increase in wheat prices on world markets (MAD 4,320/EUR 411 per tonne at the end of July 2022 compared to MAD 2,781/EUR 259 per tonne at the end of July 2021), as well as to the quantities imported, which have increased by more than 33% (41.2 million quintals at the end of July 2022 compared to 33,1 million quintals one year earlier).

The consequences of the Ukraine-Russia crisis coupled with those of the drought during the 2021-22 season required a dual response from the Moroccan Authorities: (i) *a response through emergency measures* to (a) maintain affordable access to imported staple foods; (b) assist farmers and other sector stakeholders concerning their debt to the Moroccan Agricultural Credit Bank ("Crédit Agricole Marocain"); (c) accelerate compensation to farmers through multi-risk climate insurance; (d) implement or continue with incentive measures to support farmers for the start of the next crop year to stop low food supply; and (ii) *a response through measures* to improve competitiveness, resilience, inclusion and good governance of the sector in the medium and long term. Regardless of the timeframe of the expected outcomes in the short, medium, or long term, it is necessary to implement and/or apply the measures.

The objective of the programme is to enhance food and nutrition security by improving the productivity and resilience of national cereal production to guarantee food security in the short term and reduce the country's dependence on cereal imports. The programme's expected outcomes are as follows: (i) improving the technical and economic performance of the sector; and (ii) building resilience by strengthening the governance of the sector, supporting the sector stakeholders, and adapting to climate change.

Consequently, the Bank's intervention through this budget support programme under the *African Emergency Food Production Facility* (AEFPF), particularly Pillar I, II and III, is appropriate as it supports the Government in its response to the crisis and its sector reforms.

According to the objectives set out in the programme contract (currently being finalised) between the Government and FIAC, the implementation of measures under this component is expected to result in: (i) a cereal production base of about 70 million quintals in an average year; (ii) a reduction in land area sown with cereals from 5.3 million ha to 4.2 million ha; (iii) a reduction in land area sown with wheat to 3.2 million ha; (iv) about 50% increase in productivity; (v) increase in turnover to almost MAD 20 billion by 2030; and (vi) about 15-20% reduction in imports. This budget support for the sector should also increase local production by nearly 3,200,000 quintals (2023/2024 season) of cereals and reduce imports by about 2,000,000 quintals (MAD 960 million – EUR 93 million over the two years of the support programme). Therefore, an additional income of EUR 182 million will be generated with the implementation of the measures recommended by the programme.

As with previous Bank support to Morocco in the agriculture sector, the programme's executing agency will be the Strategy and Statistics Department (DSS) of the Ministry of Agriculture. The agency will produce and submit half-yearly reports on the programme implementation to the Bank. MEF will be responsible for the strategic coordination of the programme through the Budget Department as regards inter-sector measures.

I. INTRODUCTION

1.1 **Management hereby submits a proposal for a EUR 199 million loan to the Kingdom of Morocco to finance the Support Programme for Competitive and Resilient Development of Cereal Farming (PADCRC).** It is a sector budget support programme under the African Emergency Food Production Facility (AEFPF) and will be implemented over the 2022/2024 period. The programme, which is in response to a government request dated 13 June 2022, was appraised in June 2022.

1.2 **The objective of the programme is to help improve productivity and build the resilience of the national cereal industry in efforts to guarantee food and nutrition security in the short term and reduce dependence on cereal imports in the medium and long term.** The expected outcomes are as follows: (i) improving the technical and economic performance of the sector; and (ii) building resilience by strengthening sector governance, supporting the sector's stakeholders, and adapting to climate change.

II. CONTEXT

2.1 *Economic, Agricultural and Social Context*

2.1.1 **In 2021, Morocco's economy bounced back strongly with annual GDP growth of 7.9%, following the deep recession in 2020 (-7.2%).** The recovery was due to a base effect, the good performance of exports (fresh and dried fruit, watermelon, and melon, refined and raw sugar, fish, etc.), and an increase in agricultural production in 2020-2021. The Central Bank of Morocco, *Bank al Maghrib*, expects a growth rate of 1% in 2022ⁱ, given the impact of the drought on the cereal harvest and the increase in the prices of raw materials. Non-agricultural activities should be consolidated with a growth rate of 3.8% and return to their trend rate in 2023 with an increase of 2.8%. Finally, early results for 2022 show positive developments in tourism (+215% of arrivals at the end of April 2022) and transportⁱⁱ. Consumption should continue to be robust with the recovery in 2021 and measures taken by the Authorities to mitigate the impact of the 2022 drought.

2.1.2 **After several years of fiscal consolidation, the budget deficit doubled in 2020 to 7.6% of GDP as a result of the Government's support measures to contain the effects of the COVID-19 pandemic.** In 2021, the fiscal policy continued to be accommodative, with the deficit narrowing slightly to 6.4% of GDP as the economy recovered. Public debt increased from 76.4% in 2020 to 76.9% of GDP in 2021, including public enterprise debt (equivalent to 13.8% of GDP in 2019). According to the Central Bank, the budget deficit is expected to stand at 6.3% in 2022 (compared to 5.9% of GDP initially forecast by the Treasury) given the 2022 drought and the impact of the Russia-Ukraine conflict on commodity prices. According to the Foreign Exchange Authority, the energy bill rose by MAD 13.1 billion (+87.3%), following an increase in the supply of gas and fuel oils (+86.7%) whose prices shot up by +77.4%. Following the increase in commodity prices, loans scheduled to support subsidised products (butane gas, soft wheat flour, etc.) is expected to rise from MAD 12.54 billion in 2021 to nearly MAD 32.02 billion in 2022. Nevertheless, in May 2022, tax revenue stood at MAD 104 billion, up by nearly 20.5% compared to the same period the previous year.

2.1.3 **From an economic and social point of view, agriculture accounts for 14 -20% of GDP (depending on rainfall) and involves 80% of the rural population, i.e. about 18 million people (49% of Morocco's population).** The sector has nearly 1.5 million farms (including 1.63 million ha irrigated by large, small, and medium water systems) and contributes to meeting the growing food needs of the population. The needs coverage rate by national production averages 100% for meat, fruit, and vegetables, 82% for milk, 62% for cereals, 47% for sugar, 31% for butter, and 21% for edible oils. The sector remains highly exposed to unpredictable climatic conditions because more than 80% of the farmland is in arid and semi-arid areas with rainfed farming.

2.1.4 **Agriculture has significant potential and requires the organisation of value chains, the upgrading of processed agricultural products, and the involvement of all rural stakeholders (smallholders, young people, and women).** The adoption of the PMV followed by the Green Generation Strategy (SGG) (supported by the Green Morocco Plan Support Programme (PAPMV-1 and 2 followed by PADIDFA and PADIDZAR) opened great prospects for the promotion of value chains in 21 agricultural sectors. The sector has also been granted a favourable tax status, with small farms exempted from taxes and companies operating in the agricultural sector taxed at reduced rates.

2.1.5 **The cereals sector occupies 55% of the utilised agricultural area (UAA), contributes 10-20% of the agricultural GDP, employs nearly 40% of the rural population, and accounts for 70% of agricultural imports.** Wheat is a strategic product in the Moroccan diet with an average consumption of 254 kg per year/inhabitant, compared to a world average of 147 kgⁱⁱⁱ. Wheat production experiences low yields because farmers do not sufficiently adopt appropriate techniques (improved seeds, rational

fertilisation, weed and disease control, etc.). The use of fertilizers by small and medium-sized farms is inadequate (48 fertilizer units/ha) with formulations that are often inappropriate. The same applies to certified seeds, which do not exceed 25% of the seeds used and of which only 30% are of national origin. In addition, most farms cover an area of less than 5 ha (70 to 75%) with fragmentation of plots, and harvest and storage losses are significant (estimated at 15% and 4% respectively). With an annual population growth of 1.2%, Morocco's cereal needs could rise to 100 million Qt by 2050. In efforts to increase production, the Authorities are promoting the adoption of good agricultural practices, as well as rational use of seeds and fertilizers. Morocco also relies on imports to fill the production gap. On average, about 54% of cereal needs are imported, with soft wheat accounting for up to 70%. The customs duty system is protectionist towards domestic cereal production (during the prime harvest periods), with incentives to import outside the harvest period and when stocks are depleted to meet strong domestic demand^{iv}. In efforts to reduce the sector's vulnerability to climate change, the Authorities have been supporting^v the widespread adoption of multi-risk climate insurance for several years. Therefore, the insured areas have increased from 200,000 hectares in 2011 to 1 million hectares today. The target is to reach 2.2 million hectares by 2030.

2.1.6 The combined effect of the exceptional drought during the 2021/2022 season, the increase in international food prices, and the consequences of the Ukraine-Russia conflict have negatively impacted food supply in the local market. In addition, the Ministry of Agriculture has indicated that the decline in national cereal production due to the drought will be 67% (to 34 million quintals) compared to the previous season, which corresponds to a loss of 1.6 million hectares out of 3.5 million hectares sown with cereals. Wheat imports amounted to MAD 25.2 billion (EUR 2.47 billion) at the end of July 2022, compared to only MAD 13.4 billion (EUR 1.3 billion) at the end of July 2021. This trend is due to the simultaneous increase in wheat prices on world markets (MAD 4,320/EUR 411 per tonne at the end of July 2022 compared to MAD 2,781/EUR 259 per tonne at the end of July 2021), as well as to the quantities imported, which increased by more than 33% (41.2 million quintals at the end of July 2022 compared to 31 million quintals one year earlier).

2.1.7 As regards sector governance, the Authorities have carried out institutional reform of the agricultural sector to make it a lever for economic and social development. The reform concerned all structures (central, decentralised, and public agricultural establishments and enterprises) and was based on the vision of focusing Government action on sovereign missions and further involving joint-trade organisations in operational functions and the private sector through PPPs. In this regard, an incentive framework was set up to encourage investments and involve private stakeholders (support for irrigation, mechanisation, direct sowing, agricultural insurance, collection and storage, soil analysis).

III. RATIONALE AND KEY DESIGN ELEMENTS

3.1 Rationale

3.1.1 The consequences of the Ukraine-Russia crisis, coupled with those of the drought during the 2021-22 season, required a dual response from the Moroccan Authorities: (i) *a response through emergency measures* to (a) maintain affordable access to imported staple foods; (b) assist farmers and other sector stakeholders (rescheduling of bank debts, acceleration of insurance compensation, etc.); (c) implement or continue with incentive measures to support farmers for the start of the next crop year to stop low food supply; and (ii) *a response through measures to improve competitiveness, resilience, inclusion and good governance of the sector in the medium and long term.*

3.1.2 Given the specificities of Morocco's agriculture and the crisis context, this operation is fully consistent with the three (3) pillars of the African Emergency Food Production Facility (AEFPF). Specifically under Pillar I, the programme supports the incentive measures taken by the Government to facilitate farmers' access to inputs (seeds and fertilizers) and advisory services, particularly for small-scale farmers, namely (i) granting of incentives for the use of selected cereal seeds and the seed storage premium; (ii) one-year postponement of farmers' debts to Morocco's Agricultural Credit Bank (CAM) and acceleration of repayment through multi-risk insurance to remedy their cash flow difficulties and meet the needs of the next crop season; (iii) extending good agricultural practices through the development of best practice guides and a technical/economic reference system on the cereal sector; (iv) promoting and disseminating the technique of direct seeding of cereals in efforts to adapt and build the resilience of Morocco's agriculture to any climatic hazards during the next season. In line with Pillar II and to promote access to fertilizers, the Authorities are currently focusing on the efficient use of fertilizers to maximise agricultural productivity (matching the nature of the soil with the type of crop and required amount of fertilizers) while preserving the environment. In this regard, the programme will, in particular: (i) support

Law No. 53-18 on fertilizers and farming methods; (ii) promote the soil fertility map by using the results of soil analyses in private laboratories and benefitting from FDA incentives; (iii) continue to incentives for the conduct of soil analyses; (iv) develop a digital targeting tool (the National Agricultural Register) for implementation and monitoring (assignment of unique identifiers to farms, statistical data, etc.), as well as assessment of support to the agricultural sector to optimise and ensure transparency in public interventions for farms; and (v) establish management information and monitoring systems for the distribution of livestock feed during drought. **In response to Pillar III**, the programme will support measures and reforms aimed at improving the operation and performance of the cereal value chain: (i) support for joint-trade organisations to improve farmer representation and their involvement in the operation of the sector, as well as formalise the programme contract between FIAC and the Government; (ii) increase in minimum income and social coverage in the agricultural sector; and (iii) adaptation to climate change by improving agricultural water use efficiency and climate-smart seeds, as well as by using farming methods that conserve water, soil and energy, such as direct seeding. Finally, to preserve food security in 2022, measures have been taken to guarantee the accessibility and quality of cereal products for consumers, namely (a) temporary suspension of import duties; (b) establishment of a restitution system for the import of soft wheat during the crisis; (c) introduction of quality standards; (d) incentives for private stock keepers (millers, private storage structures, etc.) to increase cereal grain reserves. In light of the foregoing, the Bank's intervention through this budget support under the *African Emergency Food Production Facility* (AEFPF) is appropriate for supporting the Government in its response to the crisis and its sector reforms. The budget support instrument will effectively channel resources for implementing the policies from 2022, drawing on the country system.

3.1.3 In the list of measures to be supported, those that target emergency situations have been included, as well as those that will address more systemic issues and whose outcomes will only be obtained in the medium and long term. These are the measures to improve the sector's competitiveness, resilience, and governance. Mindful of the importance of dealing with the fundamental challenges and issues in the cereal sector, the support has opted for a balance between the two types of measures. The predominance of measures targeting upstream the sector, particularly production, collection and storage, clearly reflects the importance of the challenges at that level which require transformative measures and interventions.

3.1.4 By helping to ensure availability at affordable prices to the entire population and promoting agricultural production and food security, PADCRC will directly contribute to the priorities of High 5s "Improve the quality of life for the people of Africa" and "Feed Africa". PADCRC activities will also complement Pillar II of SEGA (2021-2025) ("*Governance for Structural Transformation*") which seeks to support public institutions and improve sector governance in efforts to promote value-added activities in agriculture and other natural resources. Finally, the programme is aligned with Pillar II of the extension of Morocco's CSP 2017-2021 to 2023 ("*Improvement of living conditions through employment for young people and women in rural areas*") which focuses mainly on the development of agricultural value chains.

3.1.5 PADCRC is also aligned with the guidelines of the new agricultural strategy "GENERATION GREEN 2020-2030" (SGG) approved in February 2020. This strategy, which comes in the wake of the Green Morocco Plan (PMV), seeks to make the agricultural sector a major source of growth and job creation. It also aims to reduce poverty in rural areas and promote the emergence of an agricultural middle class. Finally, SGG lays particular emphasis on consolidating agricultural sectors, modernising distribution channels, and mainstreaming climate change requirements.

3.1.6 The preparation of PADCRC drew on many lessons learned from the Bank's previous interventions in Morocco, particularly those in the agriculture sector, as well as similar interventions by the Bank in other RMCs. The relevant recommendations include: (i) adopting the most inclusive and participatory approach possible, involving all stakeholders to ensure stronger ownership of outcomes; (ii) having a good knowledge of the sector's problems and challenges, based on quality analytical studies; (iii) being realistic in the choice of conditions precedent for budget support operations. Finally, the Bank possesses demonstrated comparative advantage and appropriate expertise in the agricultural sector in Morocco, given that it has so far financed 24 operations in the sector for a total amount of more than EUR 880 million, through which it has supported - particularly through sector budget support operations - a number of major policies and reforms, such as the Green Morocco Plan. These lessons are presented in more detail in Annex 6 of the Technical Annexes.

3.2 *Collaboration and Coordination with Other Donors*

3.2.1 **The programme is coordinated with the interventions of technical and financial partners.** The interventions are focused on medium-term issues such as ecological transition, resilience and adaptation to climate change, and rational management of natural resources, particularly water. Some interventions ongoing and/or planned by TFPs show convergence with AfDB support, such as (a) the “Revitalisation of Rural Morocco through Employment and Entrepreneurship in the Agricultural and Para-Agricultural Sector (TREEA)” jointly financed by AFD and the EU in three (3) regions, which also has a technical assistance component on the reform of agricultural insurance to cover climate risks; (b) World Bank technical assistance on conservation agriculture and direct seeding to support Generation Green and the interest shown in studying the cereal seed sector; and (c) the ongoing initiative by JICA to train agricultural advisors in collaboration with ONCA.

3.3 *Meeting the Eligibility Criteria*

3.3.1 **Morocco fulfils the conditions for using the budget support instrument.** The Government is committed to implementing structural reforms to sustain growth and reduce poverty. The country enjoys macroeconomic stability, and major reforms have been undertaken to consolidate public accounts, streamline compensation expenditure, and bring the public finance management framework up to international standards. Political stability was consolidated after the 2011 constitutional reform, which marked a significant turning point in the modernisation of Moroccan politics, particularly through the democratisation of institutions and the strengthening of parliamentary powers. It should also be noted that donor interventions in Morocco focus on a high degree of harmonisation driven by strong ownership of projects and programmes and strict vigilance by the Government to maximise complementarities and synergies (an analysis of the eligibility criteria is presented in the Technical Annexes).

3.4 *Application of Good Practice Principles on Conditionality*

3.4.1 **In designing the PADCRC, the good practice principles on conditionality as described in the *Bank Group's Policies for Programme-Based Operations (PBO)* were observed.** First, the Bank ensured that the Government and sector stakeholders had assumed ownership of the programme. It then designed the programme in a participatory manner, involving all the stakeholders (administration, private operators, particularly the cereal professional organisations, storage agencies, multi-risk financing and insurance institutions, etc.). The Bank supported Government's priorities and ensured that disbursement would be predictable. In addition, the conditions selected, which were reduced in number to take into account the urgency of the crisis, are realistic and were discussed and validated with the Government. Finally, the Bank coordinated with Morocco's development partners to promote synergies and ensure the complementarity of its support with their interventions.

IV.. THE PROPOSED PROGRAMME

4.1 *Programme Goal and Objective*

4.1.1 The programme's objective is to help reduce the immediate consequences of the double crisis (drought and Ukraine-Russia conflict) on the country's food security and stakeholders of the agricultural production chains (cereal farmers and consumers). The programme also seeks to assist the Government in implementing reforms that can improve technical and economic performance, as well as build the resilience of the cereal sector by undertaking transformative reforms to effectively increase cereal production and productivity, using minimum natural resources (water and soil).

4.2 *Programme Content*

4.2.1 The response to the dual crisis will comprise a series of government measures, which can be grouped under two components:

Component I: Support for emergency supply of cereals and support for actors in the sector

4.2.2 **Context and Challenges:** The 2021-22 cereal season was strongly impacted by the drought. Production stood at nearly 32 million Qt^{vi} compared to 103 million Qt the previous season, down nearly 67%. The Ukraine-Russia conflict has even worsened the situation because both countries are major players on the international cereal market. Wheat prices, which had already started to rise in July 2021, accelerated with the outbreak of the conflict in March 2022 to nearly EUR 400/tonne (June 2022). The situation has weakened all the sector actors in Morocco, both small farmers and industrial mills. Consequently, the Government has taken measures to make up for the production deficit, ensure market supply, and limit the impact of the increase on the population. In addition, Morocco has had to significantly increase its wheat imports (see §2.1.6).

4.2.3 **Recent measures adopted by the Government:** To limit the impact of the bad season, the Government has implemented an emergency plan, amounting to MAD 10 billion, to support farmers and stockbreeders. The resources have been allocated as follows: (i) MAD 3 billion for the distribution of 7 million Qx of barley to stockbreeders to mitigate the impact of the increase in livestock feed prices; (ii) MAD 1.1 billion to accelerate the implementation of the multi-risk cereal insurance for farmers impacted by the drought (nearly 45,000 farmers compensated – July 2022); and (iii) MAD 6 billion to support the emergency measures taken by the Government under the programme to control the effects of drought (reducing the financial costs borne by farmers, financing spring crops and animal feed, maintaining arboriculture, etc.); and (iv) accelerating reimbursement to affected farmers through the multi-risk climate insurance. Measures have also been taken to maintain affordable access to cereal products (suspension of import duties). It was also decided to increase, from 1 June 2022: (a) the reference purchase price of common wheat (from MAD 280/Ql to MAD 300/Ql); (b) the flat-rate subsidies to collectors (from MAD 5 to MAD 30/Ql); and (c) the storage premiums from MAD 2 to MAD 2.5/Ql/15 days in efforts to support the supply of locally produced cereals to the market. In addition, incentives have been granted to promote the use of selected cereal seeds. Measures have also been taken to support the population's purchasing power by increasing credit advanced by ONICL to stabilise the prices of cereal products. Measures have also been taken to strengthen the social protection of farmers by increasing the guaranteed minimum agricultural wage (SMAG) by 10% (from September 2022^{vii}), by launching the programme to extend social protection to farmers through a dedicated product ("*Tasbiq Addaman Al-Ijtimai*"), and by contributing to the Mandatory Health Insurance (AMO). Finally, to ensure the quality and safety of products, standards have been established for couscous and pasta production, packaging, distribution, and storage units.

4.2.4 **Activities supported and expected outcomes:** The programme will support: (i) measures taken to promote the collection and storage of locally produced cereals (Joint Decision No. 43-48/D/CAB/1172/CAB of the Ministry of Economy and Finance and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests dated 1 June 2022 on the fixed rate subsidy and storage premium granted for the marketing of the national production of local soft wheat/2022/2023 marketing season); (ii) the improvement of farmers' cash flow by extending CAM maturities and accelerating compensation through multi-risk climate insurance for 45,000 farmers affected by the drought – July 2022; (iii) the suspension of import duty applicable to durum and soft wheat (since November 2021) and the establishment (for the February – 15 May period and the November 2021 to December 2022 period) of a refund system to guarantee a port-exit price of imported soft wheat at MAD 270/Ql; (iv) the establishment of a reference framework to ensure the quality and safety of wheat-based products (Decree No. 2. 22.136); and (v) the promulgation of texts to increase the guaranteed minimum agricultural wage (SMAG) and the deployment by Circular No. 53.22.D of 20 June 2022 of the "*Tasbiq Addaman Al Ijtimai*" programme to facilitate farmers' subscription to social protection and compulsory health insurance.

4.2.5 These measures should ensure remunerative purchase prices for farmers and restore their cash flow and capacity to start the next season. They will also improve the protection and social conditions of farmers. Finally, they will improve the availability of cereal products to consumers and help stabilise their prices and guarantee food security.

Component II: Support to improve sector competitiveness, resilience, and governance

4.2.6 **Context and challenges:** In addition to the fact that cereal production is strongly impacted by low and quite variable rainfall, it is also experiencing technical and organisational constraints. Consequently, even though there is no climate crisis, cereal farming in Morocco continues to face challenges that hamper its competitiveness. Cereal farming comprises a large number of very fragmented small farms, with inadequate use of fertilizers and certified seeds and limited adoption of good farming methods. Hence, national production yields are low (about 16 Qx/ha, compared to a world average of 32 Qx/ha). Local production is also very irregular and does not always meet market needs in terms of quantity; not to mention that the high diversity of cultivated varieties does not meet the need for homogeneity in industrial milling. Thus, recourse to imports is structural (8% increase per year over the past decade). Therefore, cereal farming in Morocco faces three challenges: (i) building its resilience to market hazards and climate change; (ii) improving the yields and competitiveness of farms; and (iii) strengthening the sector organisation and its economic viability, as well as offering affordable products for consumers.

4.2.7 **Recent measures taken by the Government:** The Government has taken measures to improve the competitiveness of the cereal sector and optimise the public support it receives. The measures include: (i) rationalising the use of fertilizers by preparing soil analysis and fertility maps; (ii) providing incentives for the use of improved seeds and climate-smart agricultural practices^{viii}; and (iii) preparing best farming practice guides and a technical/economic reference on cereals for improved and sustainable productivity.

Measures have also been taken to encourage the use of modern production techniques and promote the mechanisation of farms (tractors, direct seeders, and harvesting equipment). As regards governance and organisation of the sector, the Government has taken steps to ensure FIAC compliance with the regulations governing agriculture joint-trade organisations^{ix}; this is a condition precedent to the signing of the programme contract for the cereal sector. In addition, INRA's missions have been revised to allow it to create subsidiary marketing companies and to market the results of its research (new varieties and other convincing technologies) more quickly. Finally, an important step has been taken by the Government to modernise the techniques for monitoring public action in the agricultural sector by establishing a *National Agricultural Register* (RNA), which will, through digitisation, help to identify farmers and farms at the national level, with their geographical location. This is an important step towards better targeting of public action in the sector in general, and incentives, in particular. The Register will also allow for better monitoring and evaluation of government interventions.

4.2.8 **Activities supported and expected outcomes:** The programme will support: (i) continuation of the incentive for soil analysis, as well as extension and improvement of the soil fertility map; (ii) promotion of the National Direct Seeding Programme roadmap for cereal crops; (iii) the subsidy defining the terms and conditions of government aid for irrigation schemes, which extends the incentives to supplementary irrigation; (iv) incentives for agricultural mechanisation and adoption of modern techniques (best practice guides and technical/economic reference for cereal farming, etc.); (v) expansion of INRA's missions through Law No. 81.21 which modifies its missions; (vi) implementation of the provisions of Law No. 80-21 of 16 June 2022 establishing the RNA; and (vii) diagnostic study of the cereal seed sector to reform it.

4.2.9 These reforms will help improve the sector's productivity and competitiveness, as well as build its resilience to climate change, using modern and innovative production techniques. They will also help the Government to better target public aid and incentives through deeper knowledge of the agricultural fabric, as well as improve the management of agricultural projects. Their implementation should, in the long term, result in (i) a cereal production base of about 70 million Qt in an average year; (ii) about 50% increase in productivity; and (iii) a 15-20% reduction in imports.

4.3 *Financing Needs*

4.3.1 **Morocco's financing needs should stand at MAD 74.1 billion in 2022.** These will be mainly covered by domestic sources of financing - essentially through the treasury bonds auction market - for about MAD 53.4 billion, as well as through external sources for nearly MAD 19 billion. This budget support programme will help fill the financing gap with EUR 199 million, or about MAD 2.107 billion (10.9% of external financing).

4.4 *Programme Beneficiaries*

4.4.1 PADCRC's direct beneficiary will be the Moroccan Government through the Ministry of Economy and Finance, insofar as the loan resources will be included in the State budget. This will increase the resources mobilised by the Government to contain the cereal import bill and the impact of rising international commodity prices. The actions supported are also likely to allow for better targeting and monitoring of public support for the establishment and operation of the National Agricultural Register, thereby helping to streamline and ensure better use of public funds.

4.4.2 About 980,000 cereal farmers, most of whom are smallholders (farms of less than 5 ha), will be the main direct beneficiaries of the measures supported. About 70,000 of the farmers will be women, who will witness an improvement in their income, food security and well-being, as well as those of their dependents, estimated at 12.6 million. Morocco's population, especially those with limited income, will also be direct beneficiaries of the support because it will help preserve their purchasing power (reduction or suspension of customs duties on cereal imports, etc.) and strengthen food and nutrition security.

4.4.3 Finally, private operators active in the cereal sector (storage agencies, millers, importers, transporters, etc.) will also be beneficiaries of the support, given that the supported measures come at various stages of the value chain (production, collection, storage, distribution, etc.), thereby strengthening its viability and attractiveness for private investors.

4.5 *Actions Precedent*

The table below presents the actions precedent of PADCRC. The actions have been discussed in dialogue with the Government. The monitoring measures are presented in the Reform Matrix (Annex 3). They will allow for continued dialogue on the reforms undertaken following the disbursement of the funds.

Table 2: Actions Precedent

Actions	Evidence of Implementation
Component 1: Support for emergency supply of cereals and sector actors	
<p>Measure precedent 1: Introduction of the lump-sum collection subsidy and the storage premium allocated to the marketing of the national soft wheat production (2022/2023 marketing season). <i>Implemented</i></p>	<p>Evidence 1: Joint Decision No. 4348/D/CAB and 1172/CAB of the Ministry of Economy and Finance and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests of 1 June 2022 on the lump-sum subsidy and storage premium allocated for marketing the production of the national soft-wheat production/2022/2023 marketing season.</p>
<p>Measure precedent 2: Introduction of a refund system to guarantee a stable port-exit price of MAD 270/QL for imported soft-wheat. <i>Implemented.</i></p>	<p>Evidence 2: Joint Decision No. 608D/CAB and 1/CAB of the Ministry of Economy, Finance and Administrative Reform and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests dated 29 January 2021, as modified by Amendment No. 2545/D/CAB/ and 383 dated 7 April 2021 establishing a lump-sum premium for bread wheat imported during the 1 February 2021 to 15 May 2021 period.</p> <p>Joint Decision No. 8234/D/CAB and 41/CAB of the Ministry of Economy and Finance and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests dated 3 November 2021, as modified and supplemented by Amendment No. 1, No. 2 and No. 3.</p>
Component 2: Support to improve competitiveness, resilience, and governance of the sector	
<p>Measure precedent 3: Establishment of a tool for targeting and monitoring public action in the agricultural sector. <i>Implemented.</i></p>	<p>Evidence 3: Law No. 80.21 establishing the National Agricultural Register</p>
<p>Measure precedent 4: Establishment of a governance mechanism for the distribution of livestock feed to safeguard the livestock population. <i>Implemented.</i></p>	<p>Evidence 4: Decision of the Head of Government concerning the programme to reduce the impact of rainfall shortage under the 2021/2022 farming season.</p> <p>Joint Circular of the Ministry of Interior and the Ministry of Agricultura, Maritime Fisheries, Rural Development, Water and Forests concerning the procedures for distributing subsidized animal feed under the herd protection operation.</p>
<p>Measure precedent 5: Promotion of the marketing of new seed varieties by INRA by creating (alone or in partnership) marketing subsidiaries. <i>Implemented.</i></p>	<p>Evidence 5: Law No. 81.21 amending and supplementing Law No. 40.80 establishing the National Institute for Agronomic Research (INRA).</p>

4.6 Policy Dialogue

4.6.1 **The measures in this programme form the basis for strategic dialogue between the Bank and the Government of Morocco on food security issues in general, and the development of the cereal sector, in particular.** The dialogue focused on measures to be taken to:

- (i) increase cereal production to ensure food security, limit dependence on imports, and reduce vulnerability to climatic hazards;
- (ii) adopt measures to build an economically, socially, and environmentally viable and competitive cereal sector; and
- (iii) promote dialogue and coordination among all stakeholders in the sector, based on analytical work.

4.6.2 In addition, dialogue with the sector actors and stakeholders (public and semi-public authorities, private operators, etc.) will be supported through analytical work, advisory and capacity-building activities, and coordination with donors. To that end, an analysis of the organisation and governance of the cereal sector was conducted in 2018 and updated in June 2022 to identify investments and

reforms for unlocking the agro-ecological potential, ensuring food security, and combating poverty. The results and conclusions of the analysis contributed to the design of this support programme.

4.7 Impact on Gender and Poor and Vulnerable Groups

4.7.1 This programme is classified in Category 3 per the Bank's Gender Marker System. Women are responsible for family food security since they take charge of most food production, processing, storage and preparation activities. Women are heavily involved in Morocco's agricultural sector and participate at various phases of cereal production and processing; 16.1% of women were recognized as farmers in 2019^x. However, they are seen more as domestic workers, with very little decision-making power because of their limited access to land and factors and means of production (inputs, equipment, and training and information on production, conservation, and sales techniques).

4.7.2 The programme will have an impact on gender, as the laws to be enacted will be gender-sensitive, to enable women and men to benefit from the measures supported by the programme in a fair and equal manner. Through improved production and productivity, the programme will help strengthen the economic balance of households and enhance family well-being and harmony, thereby avoiding marital and domestic violence in most cases. In addition, the programme will contribute to household food security. Concerning the measure to raise the guaranteed minimum agricultural wage (SMAG), it is worth remembering that the agricultural sector accounted for nearly 46.9%^{xiii} of women's employment in 2020. The detailed gender analysis and the gender action plan are presented in annex 4 of the technical annexes.

4.8 Impact on Other Areas (environment, climate change, etc.)

4.8.1 This support involves undertaking sector reforms with negligible environmental and social risks that do not directly or indirectly cause negative impacts on the natural environment and are unlikely to have adverse social impacts. In line with the Bank's guidelines, they are classified in Environmental and Social Category 3. Sub-projects and activities that present Category 1 and 2 E&S risks (according to the ISS) and activities contained in the Bank's exclusion list are not eligible for financing under the programme.

4.8.2 Thus by promoting an adequate legal, institutional, and organizational framework, the support will help to (i) strengthen the environmental dimension of the programme through the rational use of fertilizers; and (ii) develop climate change mitigation and adaptation measures by promoting direct seeding, the use of supplementary irrigation in certain agro-ecosystems, and the use of selected seeds and other national varieties adapted to the country's climate through the gene bank.

4.8.3 From a social point of view, the support will support reforms and entrepreneurship for job creation, reduce the impact of drought on farmers through targeted financial measures and distribution of livestock feed to small breeders. In addition, the measures supported by the programme will help improve the governance and organisation of the cereal sector. The support will optimise the public support received by the cereal sector and strengthen its economic viability. Finally, it will also guarantee consumer access to cereals and quality food products.

4.9 Climate Change and Green Growth

4.9.1 This support is a policy-based operation. As such, it will not be relevant to subject the programme to climate risk screening using the Climate Safeguard System (CSS). However, in line with the Bank's Climate Change and Green Growth Policy 2021, all projects/programmes must be assessed for climate risks. Judging by its components, PADCRC can be classified in Category 3, as it focuses primarily on improving adaptation and economic resilience to climate change and other impacts. The team is invited to include this categorisation in the PAR.

4.9.2. Morocco is very vulnerable to climate variability and changing rainfall patterns with high projections for increased frequency and intensity of extreme weather, particularly drought and heat waves. Rising temperatures will create additional risks for water resource availability, agricultural and livestock productivity, and increased water demand. The implications are particularly significant for the agricultural sector, affecting rural livelihoods, food insecurity, and the national economy, as well as leading to unsustainable agro-ecological systems.

4.9.3. Consequently, Morocco is working to improve its resilience to climate change and move towards a green economy. The key priority areas include water resources, agriculture and forestry, energy, and the health sector (NDC, 2021). Morocco's NDC

indicates that the country's vulnerability is further exacerbated by inadequate climate financing for adaptation policies and measures, and increased erosion of biodiversity and environmental services. This underscores the importance of the programme in addressing climate adaptation and resilience building in a key sector like agriculture, which is also a key priority for the country. These adaptation and resilience dimensions have already been identified in the various components of this programme.

4.10 *Vulnerability and Resilience*

4.10.1 **Morocco's Country Resilience and Fragility Analysis (CRFA) highlights the country's strong capacity to cope with pressures on the seven (7) dimensions.** Hence overall, the country is resilient to the sources of vulnerability. Morocco has a very high capacity in terms of natural resource management policies and mechanisms and a strong capacity to deal with environmental and humanitarian emergencies. Nevertheless, further analysis of certain sub-dimensions highlights the following dimensions of vulnerability: (i) poverty; (ii) vulnerability to natural disasters; and (iii) food security and nutrition. The 2022 drought, coupled with the increase in international food prices and the impact of the Russia-Ukraine conflict, have exposed people to volatile food prices despite the rapid measures undertaken by the Government to deal with the pressure. Consequently, the programme aims to improve climate and water management resilience, as well as the inclusion of various stakeholders in the agricultural sectors, particularly farmers, for a more sustainable impact on the most vulnerable people, including the youngest.

V. IMPLEMENTATION AND LEGAL DOCUMENTS

5.1 *Implementation, Monitoring, and Evaluation*

5.1.1 **As with previous Bank support to Morocco in the agriculture sector, the programme's executing agency will be the Department of Strategy and Statistics (DSS) of the Department of Agriculture.** The agency will produce and submit half-yearly reports on the programme implementation to the Bank. MEF will be responsible for the strategic coordination of the programme through the Budget Department as regards inter-sector measures. Given their experience with the Bank's programmes and projects^{xi}, these departments have the skills and qualifications required for effective monitoring of PADCRC. Several parties are concerned with the actions and reform measures supported under this programme: the central departments under the Ministry of Agriculture (DSS, DF, DDFP, DIAEA, DSI, DAAJ), public establishments (ONCA, ONSSA, INRA, ONICL) as well as other stakeholders such as the joint-trade organisation (FIAC) and organisations specialised in insurance (MAMDA) and agricultural financing (GCAM). At the local level, the regional (DRA) and provincial (DPA) directorates of agriculture will be involved, as well as ORMVAs and ONCA decentralised structures (Regional Agricultural Advisory Departments). These structures are all required to cooperate fully in the implementation of the measures under DSS coordination. The Results Framework and the Monitoring Plan are presented in the Annex.

5.1.2 **The Bank will monitor the programme implementation and assess its achievements, particularly during the half-yearly supervision missions.** The missions will review the programme's monitoring framework based on pre-established performance indicators and the matrix of measures. The Ministry of Agriculture, through DSS, will collect data and statistics and make them available to the Bank through MEF. In this regard, it will produce half-yearly reports on the programme's implementation progress. The Bank Office in Morocco will monitor the implementation of the planned actions.

5.1.4 **At the end of the programme, the Bank and the Government will prepare a joint completion report.** The report will review the programme implementation, assess the outcomes, evaluate the progress made towards achieving PADCRC objectives, and make recommendations for subsequent interventions in the same sector.

5.2 *Financial Management and Disbursement*

5.2.1 **Financial Management**

5.2.1.1 **Country Fiduciary Risk Assessment: The assessment of the public finance management system** drew on the results of Morocco's most recent fiduciary risk assessment using the 2016 PEFA methodology. From the assessment, it was established that **the financial management system in place is deemed acceptable for the implementation of programme-based operations in general, and this programme (Support Programme for Competitive and Resilient Development of Cereal Farming (PADCRC) in particular.** The components of Morocco's public expenditure chain (planning, budgeting, accounting, internal controls, flow of funds, financial reporting, and audit mechanisms) provide reasonable assurance of appropriate use of funds and preservation of assets, and are based on a sound public finance management framework. The weaknesses identified, as well as the

areas for improvement, are being addressed especially under the Organic Law on Finance, which introduces key measures to promote performance-based programme budgeting, and further limit budget “carry-overs”. The reforms are intended to strengthen transparency and accountability in the management of public resources.

5.2.1.2 **Financial management mechanisms:** The programme has been developed as a sector budget support (SBS) and as such, MEF will be responsible for managing the programme resources through the public expenditure chain of the public finance management system. This budget support programme will contribute to the external financing of the 2022 budget deficit. Accountability will be ensured through the Audited Finance Bill, which will be presented to Parliament by the end of the first quarter of FY2024, accompanied by the Court of Auditors’ report on the execution of the Finance Law and the statement of conformity.

5.2.1.3 **Audit:** The General Inspectorate of Finance (IGF) will be responsible for auditing the programme. In this regard, an audit report of financial flows and performance will be prepared per the Bank’s terms of reference. The report will be submitted within six months following the closure of the programme. Furthermore, it is worth noting that the Bank received and validated the audit reports of financial flows of all budget support operations, including the latest (COVID-19 Response Support Programme).

5.2.2 **Disbursement:** The loan will be disbursed in a single tranche. Disbursement will be subject to loan effectiveness. The amount to be disbursed is **EUR 199 million**. At the Borrower’s request, the Bank will disburse the funds into a special account opened with Bank Al Maghrib for transfer to the Treasury Current Account.

5.3 *Procurement*

5.3.1 Since the operation is a sector budget support, the resources made available by the Bank will be fungible with those of the Treasury and used for the country's current needs and procurements, in line with the National Procurement System (Decree No. 2-12-349 of 20 March 2013). The assessment of Morocco's national procurement system in November 2017 using the OECD/DAC methodology, validated with the participation of the major public procurement players and key technical and financial partners, as well as the Country Fiduciary Risk Assessment (CFRA) at the national level for the procurement component updated in 2021, concluded that the risk was "*moderate*".

5.3.2 The assessment of procurement practices in the agricultural sector and relevant sub-sectors based on information collected from a sample of key stakeholders and various audit reports, including the 2018 Court of Auditors report, showed that there were no significant procurement aspects that would justify differentiating the procurement component of the fiduciary risk assessment for the agricultural sector from the national situation. The sector's fiduciary risk level for the procurement component was deemed *moderate*. Consequently, the national procurement system will ensure efficient use of the programme’s resources with acceptable procurement procedures and an effective and reassuring control mechanism.

5.4 *Legal Documents and Conditions for Bank Intervention*

5.4.1 The legal instrument used for the programme is a Loan Agreement between the Kingdom of Morocco (the Borrower) and the AfDB (the Bank) for an amount of **EUR 199 million**.

5.4.2 **Conditions Precedent to Presentation of the Programme to the Board of Directors:** Presentation of the programme to the Board of Directors shall be subject to the Kingdom of Morocco fulfilling the conditions precedent presented in Table 2 of this report, to the Bank’s satisfaction.

5.4.3 **Conditions Precedent to Effectiveness of the Loan Agreement:** Effectiveness of the Loan Agreement shall be subject to fulfilment of the conditions set forth in Section 12.01 of the General Conditions Applicable to the Bank's Loan Agreements and Guarantee Agreements.

5.4.4 **Conditions Precedent to Disbursement:** In addition to effectiveness of the Loan Agreement per the provisions of Section 12.01 of the General Conditions, the disbursement of the single tranche of the loan shall be subject to the Borrower fulfilling, to the satisfaction of the Bank, of the following condition precedent: submit to the Bank the references of the account opened in the name of the programme with Bank Al-Maghrib to receive the loan resources.

5.5 *Compliance with Bank Group Policies*

The actions supported under PADCRC are consistent with the objectives and intervention areas of the *African Emergency Food Production Facility* (AEFPF). The programme is also aligned with: (i) the Bank's "High 5s", specifically "Feed Africa" and "Improve the quality of life for the people", as well as with the agriculture and food security component of the Bank's Ten-Year Strategy 2013-2022. No waivers to the Bank's guidelines are requested in this operation.

5.6 *Risk Management*

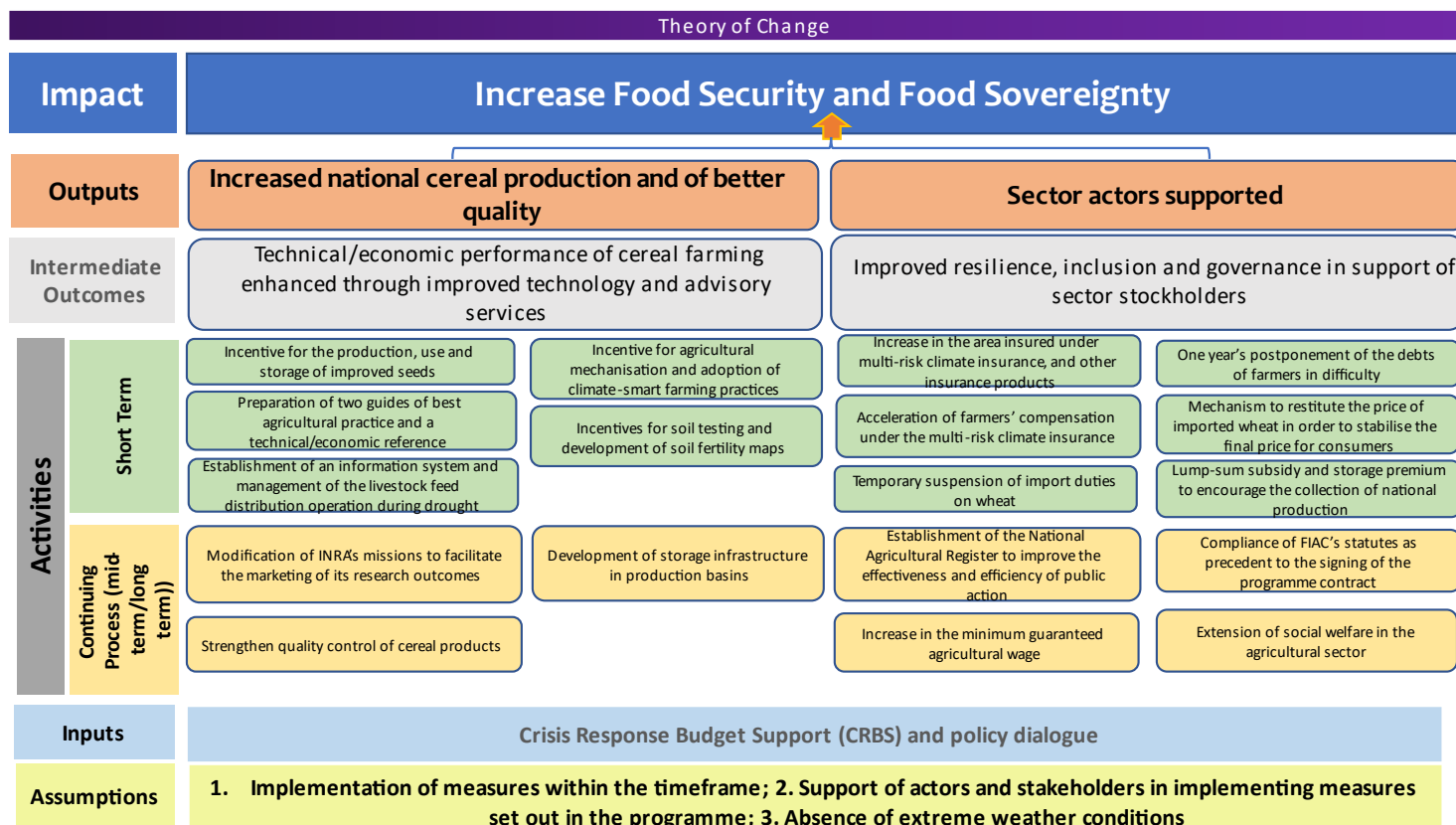
The risks likely to affect programme implementation and achievement of its objectives concern the macroeconomic situation in the current global context, climatic hazards, and sound institutional management of the programme. The related mitigation measures are presented in Annex 9.

VI. RECOMMENDATION

It is recommended that the Board of Directors approve an African Development Bank loan not exceeding **EUR 199 million** to the Kingdom of Morocco to finance the Support Programme for Competitive and Resilient Development of Cereal Farming (PADCRC) under the conditions set forth in this report.

Annex 1: Theory of Change

The conceptual framework of the support programme is a variation of the general framework of the African Emergency Food Production Facility (AEFPF) in line with the country context marked by severe rainfall shortage and measures taken by the Government in response to the double crisis caused by the Russia-Ukraine war on the agricultural sector in general, and cereal farming, in particular. The support programme and its proposed measures are guided by the need to improve response to the situation and assist the Government in its efforts to enhance the competitiveness and inclusive resilience of national cereal production.



Annex 2: Results Framework

RESULTS FRAMEWORK FOR THE SUPPORT PROGRAMME FOR COMPETITIVE AND RESILIENT DEVELOPMENT OF CEREAL FARMING

A PROJECT INFORMATION					
<p>■ PROJECT NAME AND SAP CODE: SUPPORT PROGRAMME FOR COMPETITIVE AND RESILIENT DEVELOPMENT OF CEREAL FARMING (PADCRC) (SAP No. P-MA-AA0-023)</p>					
<p>■ COUNTRY: KINGDOM OF MOROCCO</p>					
<p>■ PROJECT OBJECTIVE: Increase food security by strengthening the competitiveness and resilience of the grain sector</p>					
<p>■ PROJECT ALIGNMENT WITH THE COUNTRY, CRSB, and CMR</p>	(a) Ambition of the country: Increase the competitiveness and productivity of the cereal sector and reduce its vulnerability to climatic hazards				
	(b) Extension of CSP 2017-2021 to 2021-23 (Pillar II - Improvement of living conditions through employment for young people and women in rural areas)				
	(c) African Emergency Food Production Facility (AEFPF): Pillar III (Policy dialogue on sector reforms)				
	(d) Alignment indicators: national cereal production, cereal imports.				
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	UNIT	BASELINE	Target at Completion 2023/24	MEANS OF VERIFICATION/ENTITY RESPONSIBLE	REPORTING FREQUENCY
■ OUTCOME 1: Increased productivity					
Average yield per hectare in rainfed farming (cereals)	Quintals / ha	16 ¹ Qt/ha	17.6	MAPMDREF/DSS statistics	Annual
Turnover generated by cereal farms	MAD /ha	4000	5000	MAPMDREF/DSS statistics	Annual
Annual quantity of imported soft wheat	Million tonnes	3.0 ¹	2.8	MAPMDREF/DSS statistics	Annual
■ OUTCOME 2: Increase in cereal production					
Local cereal production	Million tonnes	6.5 ¹	7.0	MAPMDREF/DSS statistics	Annual
Area insured under the multi-risk climate insurance	Area (million ha)	1.0	1.2	DF/MAMDA statistics	Annual
Output 1: Support is provided for use of certified seeds and fertilizers					
Quantity of certified cereal seeds available	Million Qx	1.0	1.2	MAPMDREF/DDFP	Annual
A gene bank available	Equipped facility	No	Yes	Communiqué on the launching of the bank/INRA	Annual

Output 2: Farmers using good farming practices					
Area under direct seeding	Ha	53 000	180000	MAPMDREF/DDFP	Annual
Availability of two practical guides of best practice and one technical/economic reference for the cereal sector	Guide and reference	No	2 guides (1 for the farmer and 1 for the agricultural adviser)	Guides and technical/economic reference/ONCA	Annual
Output 3: Commitment to policy reform					
Set up a tool for targeting and monitoring public action in the agricultural sector	Publication	No	Yes	National Agricultural Register	-
Introduce the collection lump-sum subsidy and the storage premium allocated to the marketing of the national soft wheat production	Ministerial decision	No	Yes	MAPMDREF/MEF	-
Set up a refund system to guarantee a target port-exit price for imported soft wheat	Ministerial decision	No	Yes	MAPMDREF/MEF	-
Set up a governance mechanism for distributing livestock feed to protect the herd	Information system	No	Yes	MAPMDREF/DSI	-
Promote the marketing of INRA's new varieties through the possibility of establishing commercially driven sub-sectors	Publication	No	Yes	Official Gazette/INRA	-
Output 4: Budget allocations					
Public resources allocated to support drought-stricken farmers	MAD billion	0	10	MEF/MAPMDREF statistics	Annual

¹ Average of good, average, and bad years.

Annex 3: Letter of Development Policy



وزارة الفلاحة والصيد البحري والتنمية القروية والمياه والغابات
Ministère de l'Agriculture de la Pêche Maritime,
du Développement Rural et des Eaux et Forêts

Rabat, on

**THE MINISTER OF AGRICULTURE, MARITIME FISHERIES,
RURAL DEVELOPMENT AND FORESTRY**

Subject: Letter of agricultural sector development policy of Morocco

Agriculture is a key development pillar in Morocco. Its economic and social weight, its link with the rural world, as well as the multiplicity of its functions (food, economic, social, and environmental aspects) make it a real engine of development.

The importance of the agricultural sector is demonstrated by its significant contribution to the gross domestic product (12-15%), national employment (31-40%), and employment in rural areas (74-80%). It also contributes to food security, creating a balance in natural resource management in the country.

The food industry sector is also one of the pillars of the national economy, with a production value of nearly MAD 150 billion.

From Morocco Green Plan (PMV) to Green Generation Plan (PGG)

Following the Green Morocco Plan strategy which ended in 2020, a new strategy (Generation Green 2020 – 2030) was developed in accordance with the instructions of HM King Mohammed VI for the implementation of new generation sector strategic plans. This new strategic vision for the agricultural sector is in line with other transformative projects launched by the King, particularly the National Water Plan, the Enterprises Support and Financing Programme, and the Vocational Training Development Roadmap.

The "Generation Green 2020 - 2030" strategy defines the key guidelines and development areas of the agricultural sector for the next ten years, while consolidating the achievements of the Green Morocco Plan. It is based on two main priorities: prioritisation of the human element and continued development of the agricultural sector.

The "Generation Green 2020-2030" agricultural strategy of the Ministry of Agriculture has three (3) dimensions:

- **Regional dimension:** *Through the preparation of new generation regional agricultural plans (PARs) that consider the potential and specificities of each region, which will propose a sustainable regional offer in consultation with the relevant regional services and Chambers of Agriculture. Through its regional directorates, the Ministry of Agriculture has prepared new PARs for implementing the two basic priorities of the GG Strategy and its cross-cutting projects using a participatory and pragmatic approach;*
- **Sector dimension:** *Through the continuation of contractual programmes between the Government and Professionals and the adoption of new generation programme contracts in terms of approach, content, governance framework, and monitoring mechanisms. A series of workshops and consultation meetings have been organised with professionals from the main production sectors;*
- **Cross-cutting project dimension:** *which particularly focuses on the overhaul of the aid and incentives system, digital transformation, financing, etc.*

At the legal level, the Ministry of Agriculture intends to continue revising and modernising the legal, legislative, and structural system of the agricultural sector and its institutional environment.

Through its main priority area concerning the prioritisation of the human element, the Green Generation Strategy seeks to develop a new agricultural middle class of nearly 350,000 to 400,000 new households and stabilise nearly 690,000 households in this class, as well as develop a new generation of young farmers (180,000) by mobilising and developing one million hectares of collective land, as well as creating 170,000 jobs in agricultural services and processing.

Under this main priority area, the new strategy also aims to develop a new generation of agricultural organisations and a new generation of support mechanisms.

Under its second priority area concerning the sustainability of the agricultural sector, the green generation strategy aims to pursue agricultural development activities by:

- developing and consolidating agricultural sectors through more targeted agricultural interventions upstream and reallocation of efforts downstream;*
- structuring and modernising distribution chains to maximise the value captured by farmers and improve the quality of products sold to consumers;*
- promoting quality, innovation, and Green-Tech to adapt Morocco's agriculture to new agricultural and technological trends, as well as to new consumption patterns;*
- developing sustainable and climate change-resilient agriculture and doubling water efficiency, as well as pursuing irrigation water-saving programmes and the use of renewable energy and soil conservation techniques.*

Ultimately, "Generation Green" strategy should enable Morocco's agriculture to become much more efficient by doubling the agricultural GDP and the value of exports and creating more than 350,000 new jobs while improving the living conditions of farmers.

PGG: from strategy to implementation

To achieve the emergence of an agricultural middle class of some 350,000 to 400,000 new households and stabilise 690,000 households in this class, several measures have been taken in the first priority area, in particular:

- continuation of investment efforts, accompanied by a new incentive scheme to improve farmers' income;*
- extension of social security coverage for nearly 3 to 4 million farmers and agricultural workers or even its extension across the board:*
- the conclusion of a partnership agreement between the Government and professionals to extend the compulsory health insurance to farmers and establish the framework defining the commitments of each party;*
- approval by the Cabinet Meeting of Decree No. 2.21.2019 establishing the social protection scheme for farmers and Bill No. 80.21 establishing the agricultural social register.*

The medical coverage for farmers as provided by the regulations requires the identification of a liaison agency. In this regard, the Ministry of Agriculture assumes the role by establishing new dedicated structures at the central, regional and provincial levels.

The Ministry of Agriculture, as a liaison agency, will be responsible mainly for identifying and updating lists of beneficiary farmers, and transmitting such lists to CNSS for registration.

To carry out these missions, the Ministry of Agriculture will work in close collaboration with all partners to ensure the reliability of data and their update. To that end, the Ministry of Agriculture has signed partnership and cooperation agreements with its partners, in particular the National Social Security Fund (CNSS) and the Agricultural Credit Bank of Morocco.

The agreements also have other objectives relating to communication, sensitisation, and financial inclusion of farmers, beneficiaries of the AMO scheme with integration into the banking circuit (account opening, means of payment, savings, credits, etc.).

At the end of May 2022, the programme's progress report showed a satisfactory achievement rate in identifying nearly 1.3 million farmers (of which 200,000 are in the process of being made reliable) and registering nearly 840,000 farmers as beneficiaries of the AMO scheme with CNSS.

- improvement of the working conditions of agricultural employees and reduction of the gap between the minimum wage in the agricultural sector (SMAG) and that in other sectors (SMIG). To ensure better conditions for the successful implementation of this project, the Ministry of Agriculture has adopted a participatory approach by organising dialogue and meetings with the Ministries concerned, as well as professionals and trade unions of the sector.

In this regard, the social agreement signed in early May 2022 provides for a key measure concerning a 10% increase in the Minimum Wage for the Agricultural Sector (SMAG) from September 2022 to align it with the Guaranteed Minimum Joint-Trade Organisation Wage (SMIG) in the industry, trade and liberal professions sectors by 2028. The agreement shows the Ministry's willingness and commitment with its partners to help achieve the ambitious programme of the emergence of an agricultural middle class.

- extension of agricultural insurance cover to 2.5 million hectares of agricultural land by 2030. In this regard and to improve the living conditions of farmers and increase their incomes, PGG will continue its efforts to modernise the agricultural sector and promote investment, particularly through:

- the mobilisation of one million collective lands for the implementation of agricultural investment projects for investors, rightful claimants, and young people, as well as development by offering an integrated proposal that focuses on three areas, namely: financial support and incentives to promote the launching of new agricultural projects on collective lands, technical assistance to owners of agricultural projects, particularly young people, and support from bank loans guaranteed by the Government under the "Intelaka" programme, etc..

To activate this project, a series of administrative, financial, technical, legal and coordination measures are being put in place, jointly with the Ministries of Interior and Finance, namely:

- promotion of the emergence of a new generation of young farmers (180,000), mobilisation and development of one million hectares of collective land, and creation of 170,000 jobs in agricultural, para-agricultural and processing services, through the adoption of a series of incentives, support for the creation of businesses and service companies, and strengthening agricultural training.

In this regard, a roadmap has been developed for the training of 150,000 graduates including:

- 10,000 to be trained in higher education and 140 000 in vocational training.

Technical and higher agricultural training capacity will be reviewed to make it more diversified and attractive to cover all the production sectors with the adoption of a new innovative approach that will be based on digitalisation and the promotion of entrepreneurial initiative.

- the development of a new generation of agricultural organisations, continuation of the structuring, grouping and membership of farmers in these organisations to obtain a grouping rate of 25% of the farmers, and reinforcement of the autonomy of agriculture joint-trade organisations so that they can fully play their role in the development, support, and management of part of the budget allocated for the agricultural sector; and*
- the establishment of new support mechanisms by launching new generation solidarity farming projects on nearly 350,000 to 400,000 hectares in vulnerable areas (mountainous areas, oases and arid zones), strengthening of agricultural advisory services, introduction of new technologies, and digitisation of agricultural services for nearly 2 million farmers.*

To implement the second priority area of the GG strategy concerning sustainability of the agricultural sector to boost agricultural development, the Ministry has taken several measures, in particular:

- the development and consolidation of agricultural sectors through more targeted agricultural interventions upstream and reallocation of efforts downstream by adopting a new generation of programme contracts in consultation with the joint-trade organisations concerned. In this regard, 11 sector development programme contracts have been prepared between the Government and the professionals and are being approved by the Authorities concerned. A financial package of about MAD 5.547 billion has been programmed under the 2022 performance credits to develop agricultural production sectors.*

National regional mechanisms have also been established to monitor the progress of the farming season and annual distribution of agricultural products to ensure the financing of the national market.

The Government is working towards activating the King's guidelines for establishing an integrated national system linked to the strategic stock of commodities, as well as towards continuously updating national needs to strengthen the country's strategic security.

- The structuring and modernisation of distribution chains to maximize the value captured by farmers and improve the quality of products sold to consumers by modernising twelve (12) wholesale fruit and vegetable markets and slaughterhouses, rehabilitating souks, strengthening distribution channels and storage platforms, etc.

A national orientation and modernisation scheme has been established for 34 wholesale markets, in consultation with the Ministries of Interior and Industry, Trade and the Digital and Green Economy, and a new management model has been developed integrating local authorities and public and private operators. In addition to the marketing platform in Rabat, which is at an advanced stage of establishment, the Ministry of Agriculture has, with its partners, initiated the modernisation of four (4) wholesale markets in Souss Massa, Berkane, Marrakech and Fez Meknes.

The year 2022 has been earmarked for the conduct of technical and architectural studies for these facilities under the joint action plan with the Ministry of Interior and the Ministry of Trade and Industry, in addition to the Moroccan Agency for Development of Logistic Activities.

- The promotion of quality, innovation, and Green-Tech to adapt Moroccan agriculture to agricultural and technological trends as well as to new consumption patterns, by approving 120 modern slaughterhouses in accordance with the master plan for the rehabilitation of slaughterhouses, doubling sanitary control, digitising agriculture, and reinforcing research programmes.

In this regard, given the role of digital transformation in improving the attractiveness of the agricultural sector and its productivity, as well as creating jobs for young people, the Green Generation strategy aims to develop new technologies and digitalise agricultural services for nearly 2 million farmers through:

- o the establishment of an integrated digital services framework for farmers;
- o the development of digital service applications under public-private partnerships;
- o supporting agricultural digitalisation initiatives through communication and sensitisation;
- o the establishment of an adequate governance framework and mobilisation of resources required for managing and coordinating the digital transformation of the agricultural sector.

- The development of sustainable and climate change-resilient agriculture by doubling water efficiency, continuation of irrigation water saving programmes, as well as the use of renewable energies and soil conservation techniques.

Efforts are continuing under the Generation Green Strategy, as well as the National Programme for Supply of Drinking and Irrigation Water "2027-2020" to streamline and enhance the use of water resources, improve the water service, and ensure the sustainability of irrigation infrastructure by modernising and rehabilitating irrigation networks and supporting public and private partnership. The irrigation programmes will cover a total area of 510 000 hectares and benefit about 160 000 farmers.

Conditions and challenges for PGG implementation:

In 2021, Morocco's economy bounced back strongly with annual GDP growth of 7.2%, following the deep recession in 2020 (-6.3%), due to the COVID-19 pandemic. The recovery is mainly due to the good performance of exports (fresh and dried fruits, watermelon, and melon, refined and raw sugar, and fish) and to an increase in agricultural production in 2020-2021.

The recovery is hampered this year by exceptional drought, following an upsurge in energy and commodity prices, particularly basic foodstuffs, on a global scale because of the Russia-Ukraine conflict.

The combined effect of these factors had a negative impact on food supply on the local market, particularly for cereals, where Morocco recorded a decline in national cereal production estimated at 32 million quintals or less than 67% compared to last

year. Wheat imports amounted to MAD 2.6 billion (EUR 0.52 billion) in January 2022, compared to only MAD 901 million (EUR 87.4 million) in January 2021. This situation is due to the simultaneous increase in wheat prices on world markets (MAD 3,238 – EUR 314 per tonne at the end of January 2022 compared to MAD 2,669 – EUR 259 per tonne at the end of January 2021) and the quantities imported, which have more than doubled (805 million tonnes at the end of January 2022 compared to 338 million tonnes at the end of January 2021).

To address the situation, the Government of Morocco has adopted urgent measures to (i) maintain affordable access to imported staple foods; (ii) assist farmers and other industry stakeholders with their debt to the Morocco Agricultural Credit Bank; (iii) accelerate compensation to farmers through multi-risk climate insurance; (iv) grant or continue with incentives to support farmers for the start of the next season; (v) adopt measures to improve the competitiveness, resilience, exclusivity, and good governance of the sector in the medium and long term.

To that end and to overcome the various challenges mentioned, as well as to enhance food and nutrition security by improving the productivity and resilience of Morocco's agriculture, and in particular developing cereal farming to reduce the country's dependence on cereal imports in the short and medium term, the Ministry of Agriculture is working hard with all its technical and financial partners to provide resources required to achieve the objectives of the Green Generation Strategy, namely: (i) strengthening the technical and economic performance of production sectors; (ii) building resilience by improving the governance of the sector; (iii) supporting stakeholders in the sector; and (iv) adapting to climate change.

Given the scale of the Support Programme for Competitive and Resilient Cereal Farming (PADCRC), which is a continuation of efforts already undertaken, the Government of Morocco is counting on the support of your institution in the form of sector budget support.

While thanking you for the African Development Bank's interest in the development of the agricultural sector, please accept, Mr. President, the assurances of my highest consideration.

Annex 4: PADCRC / Reform Measures Matrix

Objectives	Measures	Supporting Structure	Legal and Regulatory Basis
COMPONENT I: SUPPORT FOR EMERGENCY SUPPLY OF CEREALS AND SECTOR ACTORS			
1.1 Promote access to improved seeds	1.1.1 Granting of incentives for use of selected cereal seeds and seed storage premium	DF	Joint Order of the Minister of Agriculture, Maritime Fisheries, Rural Development, Water and Forests and the Minister of Economy and Finance No. 3108.21 of 4 November 2021 granting a subsidy for the marketing of certified cereal seed and durum wheat seed, as well as the storage premium for the 2021-2022 crop year. Order signed pending publication in the Official Bulletin for 2022-2023. (Publication possible at the end of 2022, beginning of 2023).
	1.1.2 Conduct a diagnostic study of the cereal seed sector reform in 2024.	DSS	Authorisation from MEF/ National Commission
1.2 Provide financial support for farmers	1.2.1 Extension of credit due dates for one year for smallholders affected by the drought.	CAM	CAM decision to implement this initiative in response to the drought during the 2021-22 season.
	1.2.2 Acceleration of compensation to farmers affected by drought (2021/2022 farming season) under the multi-risk weather insurance (cereals, legumes, and oilseeds).	DF/MAMDA	Letter signed by the Minister of Agriculture, Maritime Fisheries, Rural Development, Water and Forests for Regional Directorates of Agriculture indicating measures taken to accelerate actions to assess the disaster and compensation.
1.3 Improve farmers' social situation	1.3.1 10% increase in the guaranteed minimum agricultural wage (SMAG) as from September 2022	COMADER	Social agreement concluded between the Government, the General Confederation of Moroccan Enterprises (CGEM), trade unions, and COMADER

Objectives	Measures	Supporting Structure	Legal and Regulatory Basis
	1.3.2 Launching of " <i>Tasbiq Addaman Al-Ijtimaii</i> " as part of social coverage for farmers	CAM	Circular No. 53.22.D of 20 June 2022 concerning the launching " <i>Tasbiq Addaman Al-Ijtimaii</i> " product by CAM. Implementation of the measure over 3 years with an innovative model for recovery of advances.
1.4 Support supply of cereal products to the national market	1.4.1 Suspension of import duty on soft wheat since November 2021	DSS	Decree No. 2-21-851 of 28 October 2021 suspending the collection of import duty on soft wheat (BO No. 7036 of 4 November 2021).
	1.4.2 Establishment (for the February/15 May 2021 period, and the November 2021/December 2022 period) of a refund system to guarantee a port-exit price for imported soft wheat at MAD 270/QL (Measure precedent)	DSS	Joint Decision of the Ministry of Economy, Finance and Administrative Reform, and the Ministry of Agriculture, Maritime Fisheries, Rural Development and Forestry No. 608D/CAB and 1 CAB dated 29 January 2021, as modified by Amendment No. 2545/D/CAB and 383 dated 7 April 2021 establishing a lump-sum prime for bread quality wheat imported over the February 2021 to 15 May 2021 period. Joint decision of the Ministry of Economy and Finance and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests No. 8234/D/CAB and 41/CAB dated 3 November 2021, as modified and supplemented by Amendment No. 1, No. 2 and No. 3.
	1.4.3 Establishment of an additional reserve of soft and durum wheat	DSS	Joint Decision of the Ministry of Economy, Finance and Administrative Reform, and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests No. 13/CAB concerning the granting of a storage premium for soft and durum wheat.
	1.4.4 Introduction of the collection lump-sum subsidy and the storage premium granted for the marketing of the national production of soft wheat (2022/2023 marketing season). (Measure precedent)	ONICL	Joint Decision of the Ministry of Economy and Finance, and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forest No. 4348/D/CAB and 1172/CAB of 1 June 2022 concerning the lump-sum subsidy and the storage premium granted for marketing the national production of local soft wheat/ 2022/2023 marketing season.

Objectives	Measures	Supporting Structure	Legal and Regulatory Basis
1.5 Guarantee cereals-based healthy and nutritious food	1.5.1 Establishment of a legislative framework governing the quality and safety of couscous and pasta marketed.	ONSSA	Decree No. 2-22-136 of 17 May 2022.
COMPONENT II: SUPPORT TO IMPROVE COMPETITIVENESS, RESILIENCE AND GOVERNANCE OF THE SECTOR			
2.1 Use of climate-smart farming practices	2.1.1 Promotion and dissemination of direct seeding of cereals on 1,000,000 ha by 2030 in efforts towards adaptation and resilience of Moroccan agriculture to climate change.	INRA / DDFP/ONCA	Roadmap of the National Direct Seeding Programme for cereal crops, led by INRA with the support of the DDFP/ONCA and DRAs
	2.1.2 Establishment of a gene bank to collect, conserve and develop vital genetic resources, protect agro-biodiversity (especially in arid and semi-arid areas), and preserve cereal genetic resources.	INRA	ICARDA communiqué on the official start of the gene bank in May 2022 (outcome of INRA/ICARDA collaboration)
2.2 Reasonable use of fertilizers	2.2.1 Establishment of a framework to regulate the marketing, testing, importation and distribution of fertilizing materials, their adjuvants, and farming methods.	ONSSA/INRA	Promulgation of Law No. 53-18 on fertilizing materials and farming methods Dahir No. 1-21-68 of 14 July 2021
	2.2.2 Improvement of the soil fertility map by using the results of soil analyses in private laboratories and benefitting from FDA incentives.	DF/INRA	Agreement to be signed between MAPMDREF and INRA on data transmission. DF will transfer data available to INRA to update the soil fertility map prepared in 2016.
	2.2.3 Continuation of incentives for soil testing.	DF	Joint Order of the Ministry of Agriculture and Agrarian Reform and the Ministry of Finance No. 1060-90 of 7 <i>Safar</i> 1411 (29 August 1990) establishing the rate and ceiling of subsidies for laboratory analysis in the agricultural field.

Objectives	Measures	Supporting Structure	Legal and Regulatory Basis
2.3 Support and modernisation of production capacities	2.3.1 Providing incentives for agricultural mechanisation (tractors, direct seeders, and harvesting equipment) to promote the modernisation of the sector and increase resilience to climate change.	DF	Joint order of the Minister of Agriculture, Maritime Fisheries, Rural Development, Water and Forests, the Minister of the Interior and the Minister of Economy and Finance No. 1051-18 of 2 October 2018 laying down the conditions for Government aid for the procurement of agricultural equipment.
	2.3.2 Preparation of guides of best practice and a technical/economic reference on the cereal sector	ONCA	- Reference documents - Guides on best practice
2.4 Efficient use of water resources	2.4.1. Incentives for targeted practice of supplementary irrigation of cereal crops to address climate change and water conservation	DF/ DIAEA/ INRA	Signing of the Order granting subsidies and defining the conditions of Government aid for irrigation areas of farms, which extends the incentives to supplementary irrigation.
2.5 Promote the marketing of national varieties	2.5.1 Promote the marketing of new seed varieties by INRA through the possibility of establishing (alone or in partnership) subsidiary marketing companies. (Measure precedent)	INRA	Law No. 81.21 amending and supplementing Law No. 40.80 establishing the National Institute for Agricultural Research (INRA) (Approved on 12 April 2022))
2.6 Enhancing the sector's representation and organisation	2.6.1 FIAC compliance with the regulatory texts of Law No. 03-12 on agriculture and fisheries joint-trade organisations promulgated by Dahir No. 1-12-14 of 17 July 2012, particularly provisions relating to the standard status and representation of the constituent professional associations as a condition precedent to FIAC recognition and signing of the programme contract.	DDFP	Holding of a general meeting to ensure compliance of the statutes of the FIAC joint-trade organisation (report of the general meeting) and presentation of documents for its recognition.

Objectives	Measures	Supporting Structure	Legal and Regulatory Basis
2.7 Development of an agricultural governance and decision support tool	2.7.1 Establishment of a tool for targeting and monitoring public action in the agricultural sector. (Measure precedent)	DSS	2.2.1 Law No. 80.21 establishing the National Agricultural Registry (RNA).
2.8 Improved monitoring of emergency public support for livestock feed	2.8.1 Establishment of a governance mechanism for the distribution of livestock feed to protect the livestock population.	DF/DDFP	Decision of the Head of Government concerning the programme to reduce the impact of the rainfall shortage for the 2021/2022 farming season. Joint Circular of the Ministry of Interior and the Ministry of Agriculture, Maritime Fisheries, Rural Development, Water and Forests concerning the procedures for distributing subsidized livestock feed under the herd protection operation.
	2.8.2 Establishment of information systems (IS) for managing and monitoring the distribution of livestock feed	DF/DSI	IS User Guide

Annex 5: PADCRC Monitoring Plan

A. Alignment Indicator						
Name of Indicator	Definition/ Description	Source		Baseline and Targets		
(1) National cereal production	Annual production of cereals (mainly soft and durum wheat) for human consumption.	MAPMDREF/DSS		6.5 million tonnes (good year) 7.0 million tonnes (2023-24)		
(2) Cereal imports	Annual quantity of soft wheat imported.	MAPMDREF/DSS		3 million tonnes (average year) 2.8 million tonnes (2023-24)		
B. Outcome and output indicators (performance indicators)						
Name of Indicator	Definition/ Description	Collection Method	Responsibility for Collection	Reporting Frequency	Results Planning (Cumulative)	
					2022-23	2023-24
I. Outcome Indicators						
Outcome 1.1 Average yield per hectare in rainfed farming (cereals)	Qx/Ha	Statistics and reports	MAPMDREF/DSS	Annual	16	17.6
Outcome 1.2 Turnover generated by cereal farms	MAD/Ha	Statistics and reports	MAPMDREF/DSS	Annual	4 000	5 000

Outcome 1.3 Annual quantity of imported soft wheat	Million tonnes	Statistics and reports	MAPMDREF/DSS	Annual	3	2.8
Outcome 2.1 National cereal production	Million ha	Statistics and reports	MAPMDREF/DSS	Annual	6.5	7
Output 2.2: Area insured under the multi-risk climate insurance	Million ha	Statistics and reports	DF/MAMDA	Annual	1	1.2
II. Output Indicators						
Output 1.1: Quantity of certified cereal seeds available	Million Qx	Statistics and reports	MAPMDREF/DDFP	Annual	1	1.2
Output 1.2: Establishment of a governance mechanism for distributing livestock feed to protect the herd	Information system	User Guide	DSI	Annual	No	Yes
Output 1.3: A gene bank is available	Equipped facility	Communiqué on launching of the bank	INRA	Annual	No	Yes
Output 2.1: Area under direct cultivation	Ha	Statistics and reports	MAPMDREF/DDFP	Annual	53 000	180 000
Output 2.2: Availability of two guides on farming best practice and a	Guides Reference	Guides and Reference	ONCA	NA	No	Yes

technical/economic reference for the cereal sector						
Output 3.1 Set up a tool for targeting and monitoring public action in the agriculture sector	National Agricultural Registry	Publication	MAPMDREF/DSS	NA	No	Yes
Output 3.2: Introduce the collection lump-sum subsidy and the storage premium granted for marketing the national soft wheat production	Legal document	Ministerial decision	MAPMDREF/MEF	NA	No	Yes (2022)
Output 3.3: Set up a refund system to guarantee a port-exit price for imported soft wheat	Official Gazette	Publication	INRA	NA		
Output 3.4: Promote the marketing of new INRA varieties through the possibility of establishing commercial subsidiaries	Official Gazette	Publication	INRA	NA	No	Yes
Output 4.1: Public resources allocated to support farmers affected by the drought	MAD billion	Statistics	MEF/MAPMDREF	Annual	0	10

Annex 6: Financing Needs and Sources (in million)*

		2021		PLF 2022	2022	
		MAD*	EUR	MAD	MAD	EUR
A	Total revenue and grants <i>Including grants (excluding budget support)</i>	255 746	24 818	262 906	278 270	27 108
B	Total expenditure and net capacities <i>Including compensation</i>	326 628	31 697	335 554	352 374	34 328
	<i>Including interest payments</i>	12 540	1217	17 020**	33 840**	3 284
	<i>Including capital expenditure</i>	27 116	2631	28 075	28 075	2724
		77 719	7542	77 993	77 993	7568
C	Overall balance (modified cash basis) (A - B)	-70 882	- 6 879	-72 648	-74 104	-7 220
D	Variation in pending transactions	-4 742	- 460		0	0
E	Overall balance (cash basis) (-C + D)	-75 625	- 7339	-72 648	-74 104	-7220
F	External financing (net - AfDB)	9 471	919	19 041	18 771	1 824
G	Domestic financing (net)	67 484	6549	51 976	53 432	5 206
H	Bank contribution (AfDB)	-1 330	- 129	1 631	1 961	190
	<i>AfDB drawdowns</i>	546	53	3 590	3 920	380
	<i>AfDB depreciation</i>	1 876	182	1 959	1 959	190
Je	Financing (F + G+H)	75 625	7 339	72 648	74 104	7220

* Preliminary figures (Source: DTFE)

**Overall compensation expenditure (including support measures)

Annex 7: Risks and Mitigation Measures

Risk	Description of Risk	Incidence	Mitigation Measure	Risk Manager
MACROECONOMIC	An unfavourable macroeconomic context , due to a succession of crises (COVID-19, agricultural drought, Ukraine-Russia geopolitical crisis) could have a negative impact on Morocco's balance of internal and external accounts, thereby hampering Government efforts to reform the cereal industry and provide it with the necessary public support.	Substantial	Despite successive crises over the past few years, the Authorities have always demonstrated strong responsiveness and have taken appropriate measures to continue implementing their development strategies without compromising the major macroeconomic balances.	Government/ AfDB
CLIMATIC	Climatic hazards , coupled with climate change trends, are among the risks to achieving the programme's objectives. Cereal production is still strongly influenced by rainfall variability and rainfall shortage.	Substantial	The Authorities are aware of this problem and support measures that build resilience to these hazards, particularly by developing insurance systems (multi-risk climate) and promoting semi-direct and supplementary irrigation to improve rainwater use efficiency and irrigation. The Authorities are also engaged with agricultural research institutions to develop technical options and institutional innovations to deal with the problem.	Government
SECTOR GOVERNANCE	The weak coordination and organisation capacity of the cereal sector , particularly with the farmers' college which is underrepresented and poorly organised.	Moderate	One of the programme's measures is to ensure FIAC compliance with Law 03-12 on agriculture and fisheries joint-trade organisations, particularly the provisions relating to the standard status and representation of the constituent professional associations. This step is essential for representative participation of farmers and will ensure adhesion of the farmers' college to FIAC and its activities.	Government/ FIAC

Annexe 8: Environmental and Social Compliance Note (ESCON)

A. Basic Information ¹	
Project Title: Program to Support the Competitive and Resilient Development of Cereal Farming	Project "SAP code": P-MA-DD0-008
Country: Morocco	Lending Instrument²: DI <input type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input checked="" type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>
Project Sector: Agriculture	Task Team Leader: Boulanouar Bouachaib
Appraisal date: 1/07/2022	Estimated Approval Date: 21/09/2022
Environmental Safeguards Officer: Mohamed Adnene BEZZAOUIA	
Social Safeguards Officer: XXXX	
Environmental and Social Category: 3	Date of categorization: 7/07/2022
Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Is this project processed under a waiver to the Integrated Safeguards System?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

B. Disclosure and Compliance Monitoring



B.1 Mandatory disclosure

Environmental Assessment/Audit/System/Others (specify: NA)	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
Resettlement Action Plan/Framework/Others (specify: NA)	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
Vulnerable Peoples Plan/Framework/Others	
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: NA.	

B.2. Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?
 Yes
 No

Prepared by:	Name	Signature	Date
Environmental Safeguards Officer:	Mohamed Adnene BEZZAOUIA		7/07/2022
Social Safeguards Officer:	XXXX		
Task Team Leader:	Boulanouar Bouchaib		7/07/2022
Submitted by:			
Sector Director:	Martin FREGENE		07/07/2022
Cleared by:			
Director SNSC:	Maman-Sani ISSA		07/07/2022

¹ Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

² DI=Direct Investment; FI=Financial Intermediary; CL=Corporate Loan; BS=Budget Support; GU=Guarantee; RPA=Risk Purchase Agreement; EF=Equity Financing; RBF=Results Based Financing.

ⁱ The African Development Bank and Morocco's Treasury forecast a growth rate of 1.8% given the encouraging performance of the livestock, olive oil, and market gardening sectors.

ⁱⁱ Travel revenue bounced back to + MAD 4.3 billion or +79.6% following the reopening of the Kingdom's air borders on 7 February.

ⁱⁱⁱ Morocco ranks first in the world, followed by Egypt with 252 kg, and Algeria with 215 kg.

^{iv} When world prices are low compared to the reference price, customs duties are applied (up to 135%) to provide tax revenue to the Government and stimulate the collection of national production. When world prices are high, customs duties on soft wheat are removed/reduced.

^v Depending on the level of coverage, geographical area, and type of crops, the Government uses these resources to cover 57-90% of the contribution to be paid by the farmers.

^{vi} 17.6 million Qx soft wheat, 7.5 million Qx durum wheat, and 6.9 million Qx barley.

^{vii} To align it with the Guaranteed Joint-Trade Organisation Minimum Wage (SMIG) in the industrial, commercial, and liberal profession sectors by 2028.

^{viii} Supplementary irrigation as a way of saving irrigation water, use of national and international genetic resources to produce adapted and productive varieties with a short production cycle that are resistant to drought, diseases, and pests, practice of conservation agriculture through direct seeding to conserve water and organic matter in the soil and save energy, etc.

^{ix} Particularly those relating to standard status and representation of the constituent professional associations.

^x National Employment Survey, HCP 2019

^{xi} The Moroccan Woman in Figures, HCP 2021.