

**AGRI-FOOD VALUE-CHAINS STRENGTHENING PROGRAM
PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.:PIDC0099699

Program Name	Agri-Food Value-Chains Strengthening Program
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Country	Kingdom of Morocco
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I. Introduction and Context

A. Country Context

1. **Over the past 15 years, Morocco has achieved relatively strong growth while preserving political stability, which has led to substantial progress in poverty reduction.** Morocco's real per capita income almost doubled since 2000 and the poverty rate dropped from 15.3 percent in 2000 to 4.2 percent in 2014. Growth averaged 3.5 percent while inflation remained low (less than 2 percent) in 2012-2015. While economic activity slowed down in 2016, due in particular to adverse agro-climatic conditions (drought) and a slowdown in tourism and traditional manufacturing industries, and despite good performance by non-traditional industries (automobile, aeronautics and electronics), growth is expected to rebound in 2017. Over the medium-term, economic growth is expected to increase steadily in a context of low inflation (IMF, July 2016). Net exports have been the main drivers of growth in 2008-2015 and exports have grown faster than imports, in part due to the recent decline in oil prices. This has strengthened the current account, supported by tourism and remittance inflows as well as steady FDI inflows. This performance has been mainly due to sound macroeconomic policies and structural reforms, including improvements in the business environment and ambitious sector-specific competitiveness programs.

2. **Over the medium-term, however, increasing shared prosperity and narrowing inequalities remain important challenges.** Close to 40 percent of the 34.4 million Moroccans live in rural areas.

Poverty remains largely a rural phenomenon with the gap between urban and rural living standards the highest in MENA. Rural residents account for two thirds of the total number of poor - nineteen percent of Morocco's 13.4 million rural residents live below the poverty line - and are largely employed in agriculture. Rural poverty is linked to difficult geographical conditions, particularly mountainous areas, as well as illiteracy and low educational skills, limited formal employment opportunities, poor access to basic services and deteriorating infrastructure. Spatial inequalities are likely to persist in the absence of targeted policies.

3. **Promoting stronger private-sector led growth and job creation, in particular for the estimated 250,000 young people entering the job market every year, will be essential for progress towards shared prosperity,** Unemployment increased to 10.1 percent at the end of the year 2015 and it is very high among the youth (21.4 percent), who constitute 44 percent of the working age population. The employment rate is low (47 percent) and the jobs created are generally irregular and informal. It is estimated that Morocco would need to reach annual growth rates of 5 to 7 percent to absorb new entrants into the labor market.

4. **To address those challenges and to foster the structural transformation of the economy, the Government of Morocco has launched a number of ambitious sectoral programs.** Those programs, which cover the main economic sectors including the agri-food sector through the Plan Maroc Vert (PMV), have started to generate results in terms of increased investments, growth and diversification within each sector. Considering the remaining challenges, however, and while pursuing its macroeconomic reform agenda, the Government of Morocco is now looking at ways to increase the impact of those sectoral programs on growth, income generation and employment creation.

B. Sectoral and Institutional Context of the Program

5. **The agriculture sector remains a pillar of the Moroccan economy.** Morocco's GDP growth is strongly correlated with that of agriculture GDP. While its share of GDP has declined, agriculture still plays a large role in the country's economy compared with other middle-income countries and represented 13 percent of GDP in 2014. Annual agriculture GDP growth has averaged a high 7.7 percent in the period 2008-2014, although this masks strong annual variations due to the sector's vulnerability to climate variability. Growth projections to 2020 indicate that the agriculture sector has the potential to continue to grow at high rates subject to the continuation of sound reforms and investments (IMF, 2015). Agricultural exports contribute 23 percent of total exports and they grew by 40 percent in value during the period 2008-2014. Morocco enjoys a comparative advantage in a number of products – including citrus, tomatoes, strawberries, grapes, melons and peppers – particularly for the export of fresh products to European and African markets. Finally, it is estimated that the agriculture sector generates 40 percent of jobs nationwide, employing 4 million people. Approximately 85 percent of the rural population is employed in agriculture.

6. **The agriculture sector is characterized by a dualistic structure.** Approximately one million small farms (70 percent of total landholdings) cover 74 percent of agricultural land and contribute 50 percent to agriculture GDP. While there is a large variety of small family farms, they are often characterized by low-productivity and producing low quality products with limited market integration. A large number is operated by aging household heads with a low education level - more than 45 percent are over 55 years old, and 81 percent are illiterate. Small farms generally use rainfed production systems and they are vulnerable to recurrent droughts. They make limited use of modern technologies and lack technical know-how. Smallholders also typically engage in the production of low-value agricultural commodities such as wheat and barley where incentives are provided by the Government in the form of subsidy schemes and market protection. Smallholder farmers co-exist with a small but efficient group of

commercial farmers producing high-value export crops¹. This subsector of mainly irrigated farms account for 7 percent of total GDP and 50 percent of agriculture GDP, and generates 75 percent of agricultural exports. It is also estimated that it provides employment for 50 percent of the rural labor force (World Bank, 2013). Women actively engage in agriculture, with 57 percent of the female population participating in agricultural work; however, their contributions often remains unpaid or underpaid, and they lack access to land, finance and technical advice.

7. **Morocco's agriculture sector is highly vulnerable to climate variability.** Morocco is susceptible to chronic drought², and climate change is likely to exacerbate water scarcity, reduce yields, and increase volatility of agricultural production, with substantial variation between regions.³ The 2010 World Development Report ranks Morocco amongst the countries for which climate change will have the greatest impact on agricultural yields. Improved land and water management, including water and soil moisture conservation, and the development of crop and livestock systems resilient to drought and extreme weather conditions are priorities, especially for the small farmers whose production systems are largely rainfed and who lack know-how and financial resources to adapt (World Bank, 2015). In irrigated areas, climate change is expected to reduce the availability of surface water and to increase overexploitation of groundwater.

8. **As the country's second-largest industrial subsector, agribusiness represents approximately 27 percent of industrial GDP and 5 percent of total GDP.** The sector's value added stands at around MAD30billion (US\$3billion). Made up of some 2,050 industrial units (comprised mainly of small and medium-sized companies), agribusiness employs up to 143,000 people. Agribusiness output is mostly destined for the domestic market, with exported goods accounting for 12 percent of total industrial exports. While agro-industrial exports have increased in value, volumes have remained more or less constant over the past decade. Agribusiness development is hampered by constraints such as lack of reliable access to quality raw material in key value chains to support value addition, lack of traceability, inefficient inspections and certification processes for food safety and export, lack of quality infrastructure including post-harvest facilities, a great deal of informal processing requiring upgrading for quality and market access, and limited access to finance for medium and long term investment. Agribusiness SMEs are constrained by a lack of access to business development services, skills and finance.

9. **In order to encourage the growth of the agri-food sector, the country launched in 2008 a transformative agricultural development strategy, the Plan Maroc Vert (PMV).** The PMV aims to double the value-added of the agriculture sector, create 1.5 million jobs and halve poverty in rural areas by 2020, thus transforming the sector into a stable source of growth and broad-based economic development. The PMV is complemented by the National Program for Saving Water in Irrigation (PNEEI) which promotes more productive water use by improving water service in public irrigation perimeters, introducing more efficient irrigation technologies (mainly drip irrigation) with a target of 555,000 ha by 2020, and promotes higher value crops in irrigated areas. Finally, the PMV is also expected to be complemented by an agribusiness development strategy, under preparation.

10. **Developments in the agricultural sector since the PMV was launched point to significant achievements.** From 2008 to 2014, agricultural GDP has increased by 7.7 percent per year compared to 4.4 percent for the rest of the economy, agricultural investments have been multiplied by 1.7 and agri-food exports have increased by 30 percent. State-owned lands have been awarded for rent at low prices, leading to the plantation of 13 million fruit trees. The use of certified seeds has increased by 120 percent.

¹ World Bank, 2016. Morocco Programmatic Agriculture Sector Dialogue

² For example, the 1994/95 drought caused agricultural GDP to fall by 45 percent and total GDP to fall by 8 percent.

³ World Bank - Morocco study on the impact of climate change on the agricultural sector 2009: René Gommès, FAO/NRC Tarik El Hairech, DMN Damien Rosillon, consultant Riad Balaghi, INRA Hideki Kanamaru, FAO/NRC

At the institutional level, the key outcomes of the PMV to date include the introduction of a new management model for wholesale markets, and the improvement of the institutional and regulatory framework for slaughterhouses; a legal framework for contract farming; the modernization of the agriculture innovation system (competitive research mechanism; opening of extension services to the private sector); the establishment of a more effective food safety control system (higher number of HACCP certifications achieved and lower share of export rejections from the EU); and improvement of the efficiency of farmers' water use, of the performance of irrigation services operators and of irrigation planning by Government.

11. **Notwithstanding those achievements, the Government acknowledges the need for some adjustments in the remaining PMV implementation period (2016-2020).** This agenda includes finalizing the implementation of reforms related to wholesales markets and slaughterhouses; improvements to the aggregation model based on lessons learned and international experience⁴; strengthening the country's agricultural innovation system; promoting better access to financial services; strengthening professional organizations (e.g. farmers' organizations); improving the efficiency and targeting of public policies ("smarter" subsidies); and continuing the transition towards a resilient, climate-smart agriculture sector. Furthermore, concerns have emerged with regards to market capacity to absorb the expected increase in production as a result of investments on farms (in particular for tree crops). Therefore, MAPM considers that greater emphasis needs to be placed on improving the performance of and coordination along key value-chains, if the sector is to achieve its goals in terms of inclusive and sustainable growth.

12. **The olive sub-sector has received substantial attention from Government, considering its contribution to rural incomes and growth potential.** Olive production is expected to continue to increase by an average 8 percent by year until 2020 considering new plantings and orchard rehabilitation. While domestic markets will absorb some of it, the development of export markets will be necessary to absorb increasing output. Existing studies⁵ confirm the competitiveness of Morocco vis-a-vis other exporters and opportunities to further improve the competitiveness of the sector. A major constraint for the development of the olive oil sub-sector is the mismatch between the quality of Moroccan olive oil (60 percent *lampante*) and growing market demand for higher quality oils (Vierge and Extra-Vierge) in particular for exports. The large majority of olive oil processing units are small, traditional units, which do not have incentives to implement food safety standards and obtain certification. For olives, the sector needs to develop a diversified and differentiated range of products to access new market opportunities. Reaching the sector's development objectives would require adapting the olive value chain to market demand for higher quality products, diversifying and adding value to the range of products, the modernization of processing (including traditional units), better organization of the domestic market – in particular more efficient distribution channels, the promotion of exports, and compliance with international production and food safety standards.

13. **Similarly, MAPM considers that the fruit and vegetable subsector, and in particular citrus, is a priority considering the expected increase in production.** Production of citrus is expected to double from 1.4 to 3.1 million tons from 2013 to 2020, production of other fruit trees from 2.2 to 3.3 million tons, and that of horticultural products from 8 to 11.2 million tons. Faced with this increase in production, the sector needs to develop its processing and storing/cooling capacity, to access new markets and to develop new products responding to growing market segments. With regards to citrus, there is a need to adjust varieties to market demand, to promote improved agricultural practices, to address the

⁴ There has been a limited uptake of the model and it has become apparent that it would need to be adjusted to (a) provide more flexibility for various business models and (b) take into consideration the specificities of different value-chains. International experience also indicates the need for more public support in the early stages of the development of such models.

⁵ Including FAO/EBRD 2015 and the ongoing World Bank programmatic sector work

mismatch between production and storage/cooling/processing facilities including at regional level and to promote compliance with international agricultural production and food safety standards.

14. **In addition to improving product quality, better food safety management will be critical to the development of the agri-food sector.** While the current legislation on food safety meets international requirements⁶, the level of enforcement varies and the inspection system remains burdensome for producers and processors. The following requirements are stipulated by Moroccan legislation: a) compulsory HACCP certification of Food Business Operators (FBOs); b) compulsory traceability for both primary producers and processors; c) compulsory authorization of all FBOs by ONSSA⁷, and d) safety requirements (such as hygiene and residues requirements) aligned with international standards. The food safety control system is based on risk analysis, traceability of food products from producer to consumer, self-control, sanitary licensing of establishments and responsibility of the private sector. However, there are indications that the number of inspections might be excessive and that the quality of risk analysis and the de-facto implementation of a risk-based approach could be improved. While large companies can comply with those requirements, smaller operators are poorly informed about them and not able to implement them.

15. With regards to exports, the current system is partially based on an older system of strict export control (technical approval after inspection) to verify product conformity with target markets' requirements and to protect the image of Moroccan products. EACCE, the authority in charge of controlling and coordinating exports of agri-food products, inspects every export shipment, with compulsory laboratory tests not usually required by importing countries. The additional compliance costs may hinder Moroccan producers' participation in global value chains. In addition, large exporters, in most cases, are not willing to source products from small farmers because of their inability to ensure sustainable quality and safety of products, i.e. compliance with proper pesticide use and hygiene standards. The adoption of agricultural production and food safety standards by small producers, as well as improved traceability, are therefore important prerequisites to increase their participation into global value chains.

16. **The Government of Morocco is advocating for and promoting greater investments in the agri-food sector's adaptation to climate change, nationally and regionally.** Morocco has launched a new initiative to foster adaptation investments in agriculture in the Africa region (Adaptation de l'Agriculture Africaine, AAA) in September 2016, ahead of COP22. MAPM is leading this initiative and intends to step up its efforts to increase the resilience of the Moroccan agriculture sector to climate variability, through the adoption of climate-smart practices along value-chains, a transition already initiated under the umbrella of the PMV. Improving the resilience of value-chains is considered a priority by agribusinesses, who consider that unpredictable volumes and quality of primary products due to climate variability affects the competitiveness and sustainability of the sector.

17. **The sector is supported by a broad network of public and private partners including several agencies created under the PMV.** MAPM is the Government's entity responsible for elaborating and implementing the Government's policy related to the broader agriculture sector (including agribusiness) and rural development. The ADA (*Agence de Développement Agricole*) contributes to the implementation of the national policy and is responsible for the management of the FDA. The deconcentrated offices of MAPM (*Directions Régionales de l'Agriculture* and *Directions Provinciales de l'Agriculture*) are in charge of the implementation of the Pillar I and II projects under the PMV. The ONSSA (*Office National*

⁶ The food safety legislation is based on two main laws: a) Law no. 25-08, which established a national food safety authority, the "Office National de Sécurité Sanitaire des Produits Alimentaires" (ONSSA), and (b) Law no. 28-07 related to food safety adopted in February 2010 with the objective of fulfilling the development goals of the PMV and of meeting EU market requirements.

⁷ This authorization is granted on the basis of HACCP and hygiene norms assessment

de Sécurité Sanitaire des produits Alimentaires) controls the applications of norms and regulations (phytosanitary products, varieties, pests and diseases, traceability) related to food safety and SPS. The EACCE (*Etablissement Autonome de Contrôle et de Coordination des Exportations*) controls the quality of exports, facilitates the application of trade agreements and promotes exports of commodities “Made in Morocco”. The *Crédit Agricole du Maroc* (CAM) provides financial services to producers through a broad range of financial products (commercial, intermediate and microfinance). The *Office National de Conseil Agricole* (ONCA), created under the PMV, is responsible for providing training and advisory services to producers and their organizations. The National Agriculture Research Institute (INRA) undertakes agricultural research in various areas (adaptation to climate change, irrigation, productivity, land management, soil conservation etc.) through 30 research centers covering all agro-ecological systems. Other research institutions include the *Institut Agronomique et Vétérinaire Hassan II* (IAV) and the *Ecole Nationale d’Agriculture de Meknès* (ENA). The Ministry of Interior through its Division of Rural Affairs (DAR) manages common lands. The ORMVAs (*Office Régional de Mise en Valeur Agricole*) is responsible for land management to improve agricultural productivity (irrigation, drainage, etc.).

18. **The sector is also supported by intra-sectoral professional associations (*Interprofessions*) which have been institutionalized by Law 03-12 (2012).** The PMV has established 18 subsector development programs governed through this regulatory framework. The law defines the minimum level of representation of the actors to establish an *interprofession*, which is mandated to implement a large set of actions (such as prospection of new markets; organization of domestic markets; the establishment of research programs and the development of new products; dissemination of rules and norms; promotion and development of labels of origin and quality, and promotion of good practices). To achieve their broad mandate, the *interprofessions* can in some cases rely on well-established business associations, but they still face challenges in federating players at different level of the value-chain and in ensuring good representation of small farmers. In general (and this is the case for example in the olive sector), they require significant capacity building and realistic business plans.

19. **Finally, there are several categories of producer organizations, including Agriculture Chambers (*Chambres d’Agriculture*), Federations, cooperatives and their union, associations and Economic Interest Groups (*Groupements d’Interet Economique, GIE*).** In general, producers’ organizations (with some exceptions) have limited financial and human resources to ensure efficient operation. They receive little training on the part of agricultural institutions despite the efforts of MAPM and ODECO (*Office du Developpement de la Cooperation*). The Agricultural Chambers have only a representative role and tend to be dominated by political considerations. As for associations and GIEs, the association law (*Dahir de 1958*) that governs them does not recognize the special nature of productive associations. A new Law 112/12, published on December 18, 2014, aims to provide cooperatives with a legal framework that will enable them to maximize profitability and to encourage them to turn into structured and competitive organizations. The new Law advocates a simplification of the process for the establishment of cooperatives and the removal of prior approval to operate, and it promotes good governance through the establishment of a national and provincial registers of cooperatives. As of June 2015, the number of cooperatives nationwide reached 14,859 (67 percent of which in agriculture), of which 2,140 are women’s cooperatives (14.4 percent).

C. Relationship to CAS/CPF and to Regional Strategy

20. **The proposed operation is aligned with the Country Partnership Strategy (CPS) 2014-2017** and in particular its first strategic result area (Promoting competitive and inclusive growth) and second strategic result area (Building a green and resilient future). Specifically, the proposed operation would support the achievement of Outcome 1.3 (Increase the productivity and value-added of the agri-food sector) and also support Outcome 2.1 (Strengthen management of soil, coastal and water resources).

Under Outcome 1.3 (Increase the productivity and value-added of the agri-food sector), the CPS foresees the continuous support of the World Bank to the PMV. Under Outcome 2.1, the CPS envisages that the World Bank would continue to promote enhanced and adapted soil and water management techniques in agriculture as well as continue to focus on better understanding climate change impacts.

21. The proposed operation would strengthen the capacity of the agri-food sector to retain its role as a growth driver for the Moroccan economy and to generate incomes and absorb future job-seekers, while strengthening the resilience of the sector. The proposed operation would contribute to achieving the immediate challenge of providing more and better quality jobs to small farmers, agribusiness entrepreneurs and to those working in the broader “ecosystem” serving the agriculture sector. Considering the importance of those strategic areas for Government and for achieving the Bank’s twin goals, it is expected that they would remain relevant under the next Country Partnership Framework.

22. **The proposed operation also supports the MENA Regional Strategy on Economic and Social Inclusion for Peace and Stability**, in particular its first pillar on Renewing the Social Contract with an emphasis on more inclusive economic growth. In Morocco, natural resources - upon which agricultural production depends - are also at the heart of the relation between the citizens and the State - as public goods to be preserved as part of the intergenerational social contract.

23. **Finally, the proposed operation is aligned with and supports the MENA Climate Change Business Plan.** The Plan envisages a shift towards a greater emphasis on investments in adaptation to climate change, and establishes a target of increasing adaptation financing by 50 percent by FY20 compared to the FY14-16 average. The Plan also proposes to increase by 30 percent all climate-related lending in MENA.

II. Program Development Objective(s)

A. Program Development Objective(s)

24. The Program Development Objective is to enable small farmers, SMEs and the broader agribusiness sector to access markets with high quality products of selected agri-food value-chains, while increasing their resilience to climate variability in the Program areas.

25. The proposed Program would thereby support the achievement of the Plan Maroc Vert’s higher level objective of transforming the agri-food sector into a stable and sustainable source of growth and inclusive economic development.

B. Key Program Results

26. At PDO-level, it is proposed that the following four indicators would be used to assess Program results:

- Sales of high quality products commercialized by small farmers’ organizations, increased;
- Sales of high quality products commercialized by agribusiness SMEs, increased;
- Volumes of high quality products commercialized on domestic and export markets for selected value-chains, increased;

- Number of agricultural and processing units adopting improved environmental practices⁸, increased.

27. To achieve its development objective, the Program would focus on three result areas: (a) Inclusion in value-chains and market access, (b) Improved quality and traceability, and (c) Sustainability and climate resilience (see Program Boundaries for detailed description).

III. Program Description

A. PforR Program Boundary

28. Morocco's agricultural development strategy, the PMV, encourages a transition from a highly protected agricultural sector to more open markets, while emphasizing value addition along agri-food chains to benefit both small and large producers. It consists in a series of public sector reforms and investments to achieve this goal. The PMV comprises, in addition to its transversal institutional and policy reforms, two Pillars: Pillar I targets commercial farmers and their integration into national and international markets through high-value agriculture, while Pillar II targets small farmers mainly in marginal areas. Under both pillars, financial and organizational support is provided to link farmers to market. Transversal measures include the improvement of irrigation management, the modernization of domestic markets, fiscal and incentive policies, the mobilization of agricultural land and the creation of intra-industry organizations ("Interprofessions"). Specific targets have been agreed upon between MAPM and representatives of the industry (Interprofessions) through contractual programs ("Contrats programme") covering the period until 2020. The PMV has been further translated into Regional Agricultural Plans (PARs) which identify priority value-chains on the basis of agro-ecological conditions and development potential. The Agricultural Development Fund (FDA), the GoM's principal agricultural subsidy instrument, has been reformed and its actions have been aligned with the strategic directions of the PMV. The PMV's total investments needs are estimated at US\$2.37 billion, during the period 2008-2020, of which 75 percent is to be funded by public institutions and the remaining by beneficiaries' contributions.

29. In addition, MAPM is preparing an agribusiness development strategy which aims at accelerating the growth of the agribusiness sector until 2020 and at increasing its capacity to add value, create jobs and contribute to exports. This strategy includes support for the development of both SMEs – which represent the majority of operators in the sector - and larger agribusinesses. Priority subsectors have been identified following an analysis of their growth potential as well as their contribution to employment creation and exports (namely the fruit and vegetable, meat, dairy, olive oil and biscuit and confectionery subsectors). The diagnostic carried out by MAPM indicates that the six subsectors prioritized under the strategy jointly contribute approximately 112,000 jobs (the largest share being the horticulture processing subsector, with 75,000 jobs); that they have each been growing at an average of 6 to 8 percent annually; and that they have the potential to continue to grow driven by market demand, both domestically and internationally.

30. For the purposes of this operation, the PMV, including the agribusiness strategy under preparation, constitutes the Government program. The proposed Program would build on the experience and lessons learned from the implementation of the PMV from 2008 to 2015. While contributing to specific investments under the two pillars of the PMV, the Program would aim at addressing some of the key institutional (and structural) issues which have constrained the outcomes of the first half of the PMV, such as: (a) better linkages between investments under each pillar, (b) stronger emphasis on institutional

⁸ Those practices would be further defined during preparation

strengthening, capacity building and intra-sectoral coordination, (c) a more systematic approach to addressing issues affecting the performance of selected value-chains (i.e. going beyond specific investments under pillars 1 and 2), including the improvement of quality and traceability; (d) promoting linkages across value-chains and improving the marketing of agri-food products, (e) better use of ICT for service delivery and market facilitation, (f) stepping up efforts to increase the resilience of the sector to climate variability (in line with GoM's African Agriculture Adaptation Initiative), and (g) improved information systems to support the implementation of the PMV and, more generally, policy development by MAPM.

31. **Result Areas.** To support the achievement of the PDO, the proposed Program would include three Result Areas. There are strong synergies between those result areas which are mutually supportive. Several activities under the Program would contribute to more than one result area.

32. Results Area 1: Inclusion in value-chains and market access. The Program would aim at improving coordination along selected value-chains (both horizontal and vertical coordination) with a specific focus on the inclusion of small farmers and SMEs in growing market segments, increasing the share of value-added for small farmers and SMEs, and facilitating access to new markets (domestically and internationally). The Program would achieve those results by: (a) strengthening producers' organizations and helping them in developing and implementing improved business plans; (b) providing support for SMEs through business development services (business incubation); (c) supporting the development of commercial partnerships between producers/SMEs and buyers; (d) capacity building of *interprofessions*; and (e) facilitating market access through the use of ICT-based data for market support decision making, promotion campaigns (e.g. for domestic consumers on the benefits of high quality products, and for exports on the perception and knowledge of Moroccan products), market research, institutional strengthening of EACCE, simplification of export processes, and a feasibility study for an export platform. Indicators used to monitor progress towards Program results could include the following:

- Number of entrepreneurs (including young entrepreneurs) trained and supported through business incubator;
- Number of producer organizations/SMEs increasing sales through commercial partnership with buyer;
- *Interprofessions* strengthened (measured by results achieved through their program of activities);
- Risk-based inspections adopted by EACCE;
- Number of trade procedures simplified/ automated;
- MAPM's information and M&E systems strengthened to support the achievement of the PMV's results.

33. Results Area 2: Improved Quality and Traceability. The Program would aim at improving quality and traceability along selected value-chains to enable penetration into growing, high value market segments for both domestic markets and exports. The Program would achieve those results by: (a) jointly increasing productivity and quality at production level through customized extension services, (b) technical and financial support for the adoption by producers and processors (including SMEs and traditional processing units) of standards and certification, (c) introducing new certification schemes for selected subsectors and supporting their adoption, and (d) strengthening ONSSA particularly with regards to risk-based inspections so as to simplify/reduce the number of inspections. Indicators used to monitor progress towards Program results could include the following:

- Number of small farmers/women with access to customized extension services;
- Number of small farmers/women satisfied with extension services received (percentage);

- Number of producers certified to GlobalGAP;
- Number of producers engaged in certification or quality promotion schemes (e.g. fair-trade or organic⁹ labels and certification, Protected Geographical Indication, etc.);
- Percentage of private operators satisfied with advisory services on standards and certification;
- Number of traditional processing units upgraded and adopting HACCP-based certification;
- Number of firms complying with selected food safety standards;
- Certification scheme introduced and promoted for selected subsectors (e.g. olive oil);
- Strengthened ONSSA (on risk-based inspections);
- Number of inspection procedures simplified/ reduced.

34. **Results area 3: Sustainability and Climate Resilience.** The Program would aim at supporting MAPM's efforts under the PMV (and the successor program after 2020) to accelerate the adoption of climate-smart and environmentally friendly practices in the agri-food sector. The Program would achieve those results by systematically ensuring that: (a) all activities and investments financed include climate-smart and good environmental management practices, (b) technical support and financial incentives provided by the Program facilitate the wide adoption of such practices, (c) the adoption of sustainability in selected value-chains contributes to new market access, and (d) MAPM's monitoring and evaluation systems are strengthened to actually measure the impact of such practices so as to inform future programs. Indicators used to monitor progress towards Program results could include the following:

- Number of producers' adopting climate-smart agricultural practices (e.g. drip irrigation, solar panels, improved varieties, cropping systems, etc.);
- Number of agricultural and processing units adopting improved environmental management practices (e.g. processing and treatment of effluents, etc.);
- At least one value-chain/segment pioneering the adoption of a "green" certification.

35. DLIs would be defined during preparation and Results would be disaggregated by gender (whenever relevant) and the Program would monitor its impact on job creation, particularly for the youth. Indicators disaggregated by gender/age would include, for example, those related to access to extension services and capacity building activities, participation in producers' organizations, employment opportunities related to Program activities, etc.

36. **Selection of value-chains.** Some activities under the Program are expected to provide transversal benefits across value-chains, such as: (a) extension programs (farming systems considered as a whole when providing farmers with advice), (b) cooperatives and other farmers' organizations upgrading their business models across the board, (c) quality promotion schemes benefitting more than one value-chain (e.g. *Produits du Terroir*, organics, etc.), (d) business development support for agribusiness SMEs, and (e) capacity building of sector agencies. With regards to specific value-chains to be considered under the Program, during the identification mission, MAPM has indicated a priority for value-chains within the olive and the citrus subsectors. The selection of value-chains and specific segments would be validated during preparation based on their growth potential and contribution to the objectives of the Program, as well as their relevance to address some of the systemic issues affecting the sector.

37. At the subsector and value-chain level, existing studies, which would be complemented during preparation, indicate that the menu of activities which could be included under the Program and monitored through Disbursement-Linked Indicators could include some of the following:

- (a) strengthening producers' organizations and SMEs (financial and management training, business

⁹ http://highatlasfoundation.org/?option=com_k2&view=itemlist

- plan development, facilitation of access to finance);
- (b) support for the implementation of commercial partnerships with buyers;
- (c) the development of certification of plantations (for tree crops) and traceability;
- (d) demand-driven, customized extension services with a focus on improved farming systems and orchard management practices to improve productivity, sustainability and quality at farm-level (e.g. water saving technologies, orchard management, better harvesting practices, improved varieties, sorting and grading, etc.);
- (e) promoting value-addition and improved quality along the value-chains (e.g. based on subsector needs, improving transportation conditions and reducing delays, the upgradation of processing units -including traditional ones¹⁰- and canning units and their certification following the adoption of quality and food safety standards, upgrading cooling and storing facilities, etc.);
- (f) improvements in the enabling environment (Strengthening of *interprofessions*; adjustments to the regulatory framework; the implementation of laws in relation to hygiene, production and processing);
- (g) better organization of the domestic markets;
- (h) new quality labels, marketing and promotion campaigns; and
- (i) the improvement of export regulations and logistics.

38. **Geographical coverage.** During preparation, further analysis would be carried out jointly with MAPM about the geographical focus of the Program. While a number of activities are expected to have a nationwide coverage (e.g. all transversal activities related to institutional strengthening), the specific coverage of investments related to selected value-chains would need to be agreed upon with MAPM. To reduce the complexity of the proposed Program and avoid dispersion of efforts considering the limited resources available, the design of the Program would consider possible regional targeting of specific investments (e.g. starting in a couple of regions), based on criteria such as: (a) complementarity with other investments programs (including Bank operations such as the two ongoing irrigation projects mentioned above and the Investing in Opportunities for Youth Project under preparation; and other donor-funded projects), and (b) regions where the selected value-chains have a strong economic role and potential, including in terms of small farmer integration with markets.

39. **Duration.** The proposed Program would run for four years from December 2017 to December 2021, coinciding initially with the last years of the implementation of the PMV. As such, it is expected that it would contribute to GoM's thinking about the successor plan to the PMV, and support its development as relevant.

IV. Initial Environmental and Social Screening

40. In terms of environmental and social risk management, the proposed Program is considered adequate for PforR financing. The concept stage examination of potentially critical aspects based on the PforR E&S tool for initial screening of types of risks shows that:

a) *Environmental and social risks:* Initial assessments show that social and environmental risks are expected to be moderate, and that E&S management capacities are likely to be adequate to manage risks related to the social and environmental context of the program. In accordance with OP 9.00 the Program would not finance activities expected to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. During the project preparation phase, more information on physical investments will be available and an appropriate screening mechanism for

¹⁰ For example, in the olive subsector, 96 percent of Moroccan processing mills are traditional mills, only 2 percent of mills are modern processing facilities (GDS, 2016)

physical investments will be designed as part of the Environmental and Social Systems Assessment (ESSA). Program operation proposals will be screened during program preparation and implementation for such adverse impacts. If such activities are likely to occur within the program, they should be excluded from PforR support. An ESSA will be conducted during program preparation to ensure E&S risk management capacities are adequate, that screening capacities are adequate, and that eventual gaps are mitigated during program implementation. The risks assessment and the assessment of mitigation systems will depend on the physical investment and business activities supported under the Program. The risks to be assessed will include social and environmental risks that not only stem from physical activities, but also non-structural activities such as for example the impact of customized extension services, or improved support to commercial activities that could trigger social and/or environmental risks. The risk assessment will also review both the overall decision-making processes and allocation of resources to strengthen social inclusiveness (e.g., ensuring that women, youth, and vulnerable groups at least have a fair opportunity to benefit from the Program). The ESSA will assess those risks based on which activities the program will support, assess the systems and regulations currently in place to manage the risks. The ESSA will provide an action plan and input to the Program Action Plan to ensure the risk management systems for the program risks are adapted and properly in place and functioning.

In fact, the Program is likely to yield important benefits for producers and processors in selected sub-sectors, both through its institutional strengthening activities and the specific investments to be financed. Physical investments are expected to have no negative social impacts in terms of resettlement and land acquisition, while they may yield environmental benefits, particularly by developing climate-smart value-chains and improved environmental management practices. Once the physical investments are further defined during program preparation, further clarification will be provided on how sub-projects that could trigger involuntary land acquisition are screened out and avoided. Overall Program impacts are expected to be positive, through improved environmental management practices along value-chains, and increased capacity and economic returns for beneficiaries.

b) *Capacity of National Systems:* Morocco has a legal framework in place for environmental and social management and impact assessments, and reliable country systems to manage the risks associated with Program activities. The key legislative text is Law no. 12-03 of May 12, 2003, aimed at minimizing the negative impact of projects and improving ecological sustainability. Regarding land tenure, for the protection of property ensured by Article 35 of the new Constitution of 2011 and implemented through numerous laws. The Constitution also establishes equality, inclusiveness, participation (art 136, 139), including disclosure and consultation processes, the right of petition, grievance redress mechanisms as well as citizen engagement (art 19, 136, 139, 156). Moreover, Morocco has adopted in March 2014 a National Charter of the Environment and Sustainable Development. As the main beneficiaries of the Program include farmers, SMEs and agribusinesses, it will be important for Program design to identify cultural, social, economic, geographical and political constraints to equitable access to Program benefits, giving special attention to the needs and concerns of women, youth and the most vulnerable groups. Some specific weaknesses still do exist and will have to be managed through the ESSA and Program Action Plans; for instance, timely compensation in cases of land acquisition. The need for coordination of safeguards standards and procedures across a number of agencies executing program activities deserves particular attention. Any specific weaknesses pertaining to the execution of the program's activities will be the subject of corrective actions recommended in the Program Action Plan.

c) *Reputational and political risk:* The PMV is not seen to be a controversial program and has been widely supported by beneficiaries. The primary reputational risk to the Bank is that the Program may not deliver the scope and scale of benefits envisioned, or that the explicitly environmental and social aspects of the program development objective cause the program to somehow become associated with broader social or political protest causes.

d) *Stakeholders and consultations:* The ESSA will be prepared by the World Bank in cooperation with stakeholders. Once drafted, it will be disclosed publicly, and public consultations will be held with stakeholders prior to the program appraisal and program negotiations. During program preparation, initial stakeholders are the involved line ministry (Ministry of Agriculture and Fisheries), the World Bank, and the agencies implementing the PMV. Further stakeholders to be identified are the organizations of potentially participating agricultural enterprises, small-holder framers, and other civil society players. Those stakeholders will be invited to the public consultations on the ESSA and its action plan.

V. Tentative financing
{Same as in AUS}

Source:

Borrower/Recipient	TBD
IBRD	US\$200M
IDA	
Others (specify)	
	Total: TBD

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