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Report No: PAD3394

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN

IN THE AMOUNT OF EUR 236.7 MILLION
(US$ 250 MILLION EQUIVALENT)

TO THE

KINGDOM OF MOROCCO

FOR A

MA NORTH-EAST ECONOMIC DEVELOPMENT PROJECT

MAY 26, 2022

Transport Global Practice
Finance, Competitiveness and Innovation Global Practice
Middle East And North Africa Region

CURRENCY EQUIVALENTS

Exchange Rate Effective as of April 30, 2022

Currency Unit =	Moroccan Dirham (MAD)
1 US$ =	0.97 EUR
1 US$ =	9.98 MAD

FISCAL YEAR
January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immunodeficiency Syndrome
ANAPEC	Agence Nationale de Promotion de l’Emploi et des Compétences (National Agency for the Promotion of Employment and Skills)
AWPB	Annual Work Plan and Budget
CERC	Contingent Emergency Response Component
C-ESMP	Contractor’s ESMP
CMC	Cité des Métiers et des Compétences
Covid-19	Coronavirus disease 2019
CPF	Country Partnership Framework
CREA	Centre Régional de l’Environnement des Affaires (Regional Center of Business Environment)
CRI	Centre Régional d’Investissement (Regional Investment Centers)
CRI-O	Centre Régional d’Investissement de l’Oriental (Regional Investment Center of Oriental)
CRO	Regional Council of Oriental
CY	Calendar Year
DA	Designated Account
DB	Direction du Budget (Directorate of Budget)
DFIL	Disbursement and Financial Information Letter
DGR	Direction Générale des Routes (General Directorate of Roads)
DRT	Directorate of Road Transportation
DSPCT	Directorate of Strategy, Programs and Coordination of Transports
E&S	Environmental and Social
EEP	Eligible Expenditures Programs
EHS	Environmental, Health and Safety
EIRR	Economic Internal Rate of Return
ERP	Enterprise Resource Planning
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environment and Social Management Plan
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social Standards
ESSA	Environmental and Social Systems Assessment
FDI	Foreign Direct Investment
FM	Financial Management
FMA	FM Assessment
GBV	Gender Based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GID	Gestion Intégrée de la Dépense (Integrated Expenditure Management System)

GoM	Government of Morocco
GRID	Green, Resilient, and Inclusive Development
GRM	Grievance Redress Mechanism
HCP	Haut-Commissariat au Plan (National Statistical Agency)
HDM-4	Highway Development and Management Model
HIV	Human Immunodeficiency Viruses
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEC	Information, Education and Communication
IFI	International Financing Institutions
IFR	Interim Financial Report
IGAT	Inspection Générale de l'Administration Territoriale (General Inspection of Local Governments)
IGF	Inspection Générale des Finances (General Inspection of the Finance)
ILO	International Labor organization
IMF	International Monetary Fund
IPF	Investment Project Finance
IVA	Independent Verification Agency
LMP	Labor Management Plan
MA	Morocco
MAD	Moroccan Dirham
MEE	Ministry of Equipment and Water
MEF	Ministry of Economy and Finance
MENA	Middle East and North Africa
METLW	Ministry of Equipment, Transport, Logistics and Water
MI	Ministry of Interior
MIEPEEC	Ministry of Economic Inclusion, Small enterprise, Employment and Competencies
MPP	Municipal Performance Program (P168147)
MTL	Ministry of Transport and Logistics
NCPP	National Commission for Public Procurement
NGO	Non-Governmental Organization
NMD	Nouveau modèle de développement (New Development Model)
NPSC	National Project Steering Committee
NPV	Net Present Value
NWM	Nador West Med
OFPPT	Office de la Formation Professionnelle et de la Promotion du Travail (Office of Professional Training and Work Promotion)
OHS	Occupational Health and Safety
OMPIC	National Agency for Industrial and Commercial Property
OPBRC	Output- and Performance-Based Road Contract
PBC	Performance Based Contract
PBCs	Performance-Based Conditions
PCM	Private Capital Mobilization
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management

PMU	Project Management Unit
PNRR I	MA-Rural Roads (P082754)
PNRR II	Morocco - Second Rural Roads Project (P094007)
POM	Program Operational Manual
PPP	Public-Private Partnership
PPD	Public-Private Dialogue
PPSD	Project Procurement Strategy for Development
PSI	Project Safety Impact
QIP	Quality Improvement Packages
RAP	Resettlement Action Plan
RN	Route Nationale (National Road)
ROW	Right of Way
RPF	Resettlement Policy Framework
RSSAT	Road Safety Screening and Appraisal Tool
SEP	Stakeholder Engagement Plan
STEP	Systematic tracking of Exchanges in Procurement
TA	Technical Assistance
TAF	Total Available Funds
TGR	Trésorerie Générale du Royaume (General Treasury of the Kingdom)
TORs	Terms of Reference
TTH	Tangier-Tetouan-Al Hoceima
TVET	Technical and Vocational Education and Training
US$	United States dollar
WA	Withdrawal Application
WBG	World Bank Group

TABLE OF CONTENTS

DATASHEET 1
I. STRATEGIC CONTEXT 7
A. Country Context 7
B. Sectoral and Institutional Context 9
C. Relevance to Higher Level Objectives 15
II. PROJECT DESCRIPTION 18
A. Project Development Objective 18
B. Project Components 18
C. Project Cost and Financing 26
D. Project Beneficiaries 26
E. Results Chain 28
F. Rationale for Bank Involvement and Role of Partners 30
G. Lessons Learned and Reflected in the Project Design 30
III. IMPLEMENTATION ARRANGEMENTS 31
A. Institutional and Implementation Arrangements 31
B. Sustainability 33
IV. PROJECT APPRAISAL SUMMARY 34
A. Technical and Economic Analysis 34
B. Fiduciary 37
C. Legal Operational Policies 40
D. Environmental and Social 40
V. GRIEVANCE REDRESS SERVICES 44
VI. KEY RISKS 44
VII. RESULTS FRAMEWORK AND MONITORING 47
ANNEX 1: Implementation Arrangements and Support Plan 57
ANNEX 2: Performance-Based Conditions 70
ANNEX 3: Economic Analysis Assumptions 72
ANNEX 4: The case of Tanger Med 74
ANNEX 5: Overview and Analysis of the Relevance of the ESS Standards 76

DATASHEET

BASIC INFORMATION

Country(ies)	Project Name
Morocco	MA North-East Economic Development Project

Project ID	Financing Instrument	Environmental and Social Risk Classification
P167894	Investment Project Financing	Substantial

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[✓] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[✓] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	[ ] Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
23-Jun-2022	31-Dec-2029

Bank/IFC Collaboration
No

Proposed Development Objective(s)

To improve connectivity and enable private sector growth in the project area.

Components

Component Name	Cost (US$, millions)

Strengthening of the integrated territorial development approach	10.00
Support to the private sector development readiness and competitiveness in the North-East region	60.00
Improvement of road infrastructure	211.00
Project implementation support	2.00
Contingent Emergency Response Component	0.00

Organizations

Borrower:	Kingdom of Morocco
Implementing Agency:	Ministry of Equipment and Water

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	283.00
Total Financing	283.00
of which IBRD/IDA	250.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	250.00

Non-World Bank Group Financing

Commercial Financing	33.00
Unguaranteed Commercial Financing	33.00

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual	0.00	10.00	35.00	80.00	60.00	53.00	7.00	5.00	0.00

Cumulative	0.00	10.00	45.00	125.00	185.00	238.00	245.00	250.00	250.00

INSTITUTIONAL DATA

Practice Area (Lead)

Transport

Contributing Practice Areas

Finance, Competitiveness and Innovation, Urban, Resilience and Land

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate
9. Other	Moderate
10. Overall	Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Schedule 2, Section I.A.1 (a): The Borrower shall, through the MEE no later than thirty (30) days after the effective Date, or such later date as agreed with the Bank, establish, and thereafter maintain, throughout Project implementation, a Project Management Unit with composition, functions and responsibilities acceptable to the Bank and set forth in the Project Operational Manual, responsible for, inter alia: (i) the day-to day implementation of activities under Components 1.3, 3 and 4 of the Project; (ii) the overall coordination, monitoring, evaluation and reporting of the Project, including consolidation of all Project information (including on fiduciary, environmental, social and technical aspects) and the preparation of Project Reports to be submitted to the Bank; and (iii) serving as the secretariat of the National Project Steering Committee.

Sections and Description
Schedule 2, Section I.A.1 (b): The Borrower shall, through the MEE no later than ninety (90) days after the Effective Date, or any later date as agreed by the Bank, prepare a manual acceptable to the Bank ("Project Operational Manual" or "POM"), and immediately thereafter, ensure that the Project is implemented in accordance with the POM.

Sections and Description
Schedule 2, Section I.A.2: The Borrower shall, no later than thirty (30) days after the effective Date, or such later date as agreed with the Bank, establish and thereafter maintain, throughout Project implementation, a National Project Steering Committee with composition and terms of reference acceptable to the Bank and further described in the Project Operational Manual, to oversee Project's implementation and, in particular, ensure consistency of Project activities with Borrower's sectoral policies, review and validate technical, institutional, and regulatory proposals for the implementation of the Project, validate annual programs of Project activities, and monitor their progress and timely implementation, and oversee the Project's institutional communication.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	The ESIAs for RN2, RN16A and RN16B and corresponding RAP for RN16A have been prepared, consulted, approved, and disclosed in form and substance acceptable to the Bank.
Type Disbursement	Financing source IBRD/IDA	Description Schedule 2, Section III.B.1.b: no withdrawal shall be made for payments under Category (2) with respect to each PBC unless the Borrower has submitted: (i) Evidence, in form and substance satisfactory to the Bank, of the Eligible PBC Expenditures incurred and paid, as reported in accordance with the terms of the IFRs; and (ii) supporting documentation confirming the Borrower's achievement of the respective PBC or PBCs in form and substance satisfactory to the Bank as reported in accordance with the terms of the Verification Protocol.
Type Disbursement	Financing source IBRD/IDA	Description Schedule 2, Section III.B.1.c: no withdrawal shall be made (c) for payments under Category (3), until and unless the Bank is satisfied that all the following conditions have been met in respect of said activities: (i) (A) the Borrower has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to

		withdraw Loan amounts under Category (5); and (B) the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and (ii) the Borrower has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.

I. STRATEGIC CONTEXT

A. Country Context

1. **The combination of the COVID-19 pandemic and a climate-related agricultural shock pushed the Moroccan economy into a deep recession in 2020 and led to an increase in poverty**. During the second quarter of 2020 (broadly coinciding with the lockdown), real Gross Domestic Product (GDP) contracted by an unprecedented 14.2 percent year-on-year. Although activity began to pick up in the third quarter, real GDP contracted by 6.3 percent in 2020. After several years of declines, the poverty rate (US$3.2 purchasing power parity line) is estimated to have increased from 5.4 percent in 2019 to 6.6 percent in 2020, an increase that could have been larger, if not for the government's cash transfer programs. According to the High Commission of Planning (Haut-Commissariat au Plan, HCP), during confinement, 74 percent of workers belonging to the bottom quintile experienced a reduction in income against 44 percent in the top quintile. Also, the loss in monthly income was more pronounced in the bottom rather than top quintile: 66 against 32 percent, respectively. The most affected households operate in the urban, informal sector and are engaged in precarious jobs in services and art crafts sectors.[1]

2. **The government's response to the crisis has been swift and the ambitious reforms being implemented could set the stage for a stronger and more equitable growth path.** The COVID-19 response included a very successful vaccination campaign as well as the roll-out of the TADAMON emergency cash transfer program which demonstrated the government capacity to identify and reach about two-thirds of households while respecting physical distancing measures and providing support in a presence-less manner. GDP growth accelerated to 7.4 percent in 2021 and poverty is expected to have declined but not to have returned to the 2019 level. The poverty rate (US$3.2 purchasing power parity line line) is expected to have fallen below the 6 percent threshold; a level achieved in 2017. The percentage of "vulnerable" population (US$5.5 purchasing power parity line line) is estimated to have decreased in 2021 to about 25.8 percent from 29.0 in 2020. This decline is likely to continue, but poverty indicators are not expected to return to pre-COVID-19 levels until 2023. The successful implementation of the envisaged health and social protection (SP)reform or an increase in net job creation, particularly among the excluded population (women and youth), could accelerate this process.

3. **Before the dual crisis of 2020, Morocco had achieved substantial economic and development gains in the past two decades.** The Kingdom has made significant social and economic progress since 2000, thanks to political stability, large public investments as well as institutional and sector reforms. Accelerated economic growth led to a sharp decline in the national poverty rate (extreme poverty was close to eradicated in 2019, with a national poverty rate of 1.7 percent[2]), increased life expectancy, greater access to basic public services, and significant public infrastructure development. The 2011 Constitution provided further reform impetus, including measures to make public spending more equal and expand protection of citizens against several risks. Most oil subsidies were phased out between 2012 and 2015, one of the most successful reforms in the Middle East and North Africa (MENA) region that rid the country from a subsidy

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[1] World Bank. Morocco Macro and Poverty Outlook, April 2021.

[2] Official rate from HCP, based Enquête Nationale sur les Sources de Revenu (ENSR) 2019. World Bank calculations based on data from the Household Consumption and Expenditures Survey 2013/14, HCP and updated using quintile growth from ENSR 2019 indicates a rate of 3%.

that benefited the rich more than the poor, saving the government a cost equivalent to 4.5 percent of GDP.[3] The fiscal space created by the subsidy reform facilitated the introduction of a health assistance scheme as well as human capital development programs to support the poor and vulnerable.

4. **Significant spatial inequalities remain among and within regions in terms of connectivity, access to basic services as well as economic opportunities**. Morocco's growth dynamic did not fully ensure a spatially inclusive and sustainable diffusion of socio-economic benefits. The available data at the subnational level shows that three regions (mostly located along the Atlantic coast), which account for 44 percent of the population, contribute nearly 60 percent of the national GDP[4] and 66 percent of the formal enterprises registered in Morocco.[5] Similar disparities are observed for employment, poverty, and access to social services. Morocco's economic activity has also largely developed around urban agglomerations such as Casablanca, Rabat, and more recently Tangiers. Economic activity is concentrated in major cities as spatial and economic densities enable agglomeration effects.[6] A rapidly increasing urbanization along the Atlantic coast may lead to increased spatial and economic disparities. With the ongoing regionalization process, Morocco is putting regional development at the heart of its growth model, as reflected in the country's development strategy, the New Development Model (NMD) adopted in April 2021. The latter sets resilient, inclusive, and sustainable territorial development as one of the strategic pathways to achieve the overall growth ambition formulated.

5. **Women in Morocco, much like the youth, face greater challenges in accessing economic opportunities and many remained inactive or unemployed, particularly in rural areas**. With less than one quarter of working age women active in the labor market in 2020,[7] Morocco is among the world's lowest 20 percent of countries in terms of female labor force participation.[8] While women are actively engaged in agriculture, with 57 percent of the female population participating in agricultural work, their contributions often remain unpaid or underpaid, and they lack access to land, finance, and technical advice. Overall, women earn between 30[9] and 50 percent less than men depending on the sector. While women are actively engaged in agriculture, they represent around one out of four workers in the industrial sector and are still under-represented in jobs in the service sector.[10] Women in the tourism workforce tend to be in the lowest paid jobs and often perform a large amount of unpaid work in family tourism businesses. In addition, young rural women in Morocco have limited access to technical and entrepreneurial information and support services, limited understanding of, and access to, financial services. According to the Morocco Systematic Country Diagnostic (SCD) – access to financing is a constraint for business development, especially for small

[3] (Bousselmane, 2017).
[4] HCP, 2016.
[5] OMPIC, 2018.
[6] Spatial development has not been spatially uniform in most countries. For example, metropolitan areas in Spain account for 48 percent of national GDP and 46 percent of employment. Between 2000 and 2016, they generated 52 percent of national GDP growth, half of which was generated in Madrid (OECD). In Croatia, 80 percent of the economic activity is concentrated in the city of Zagreb.
[7] HCP, High Commission for Planning, Morocco (2020), http://genre.hcp.ma/domaines_thematiques/emploi/
[8] World Bank statistical data (2021), https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS
[9] HCP 2022, genre.hcp.ma
[10] ILO, *Morocco- Young women's employment and empowerment in the rural economy,* March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_622767.pdf

and medium enterprises (SMEs) owned by youth and women.[11][12] Furthermore, access to sources of funding limit the progress of most small enterprises in Morocco, and this has been especially worrisome for women because they face significant access to credit. Owing to these constraints, many women-led enterprises are forced to resort to informal sources of finance including seed capital from relatives.[13]

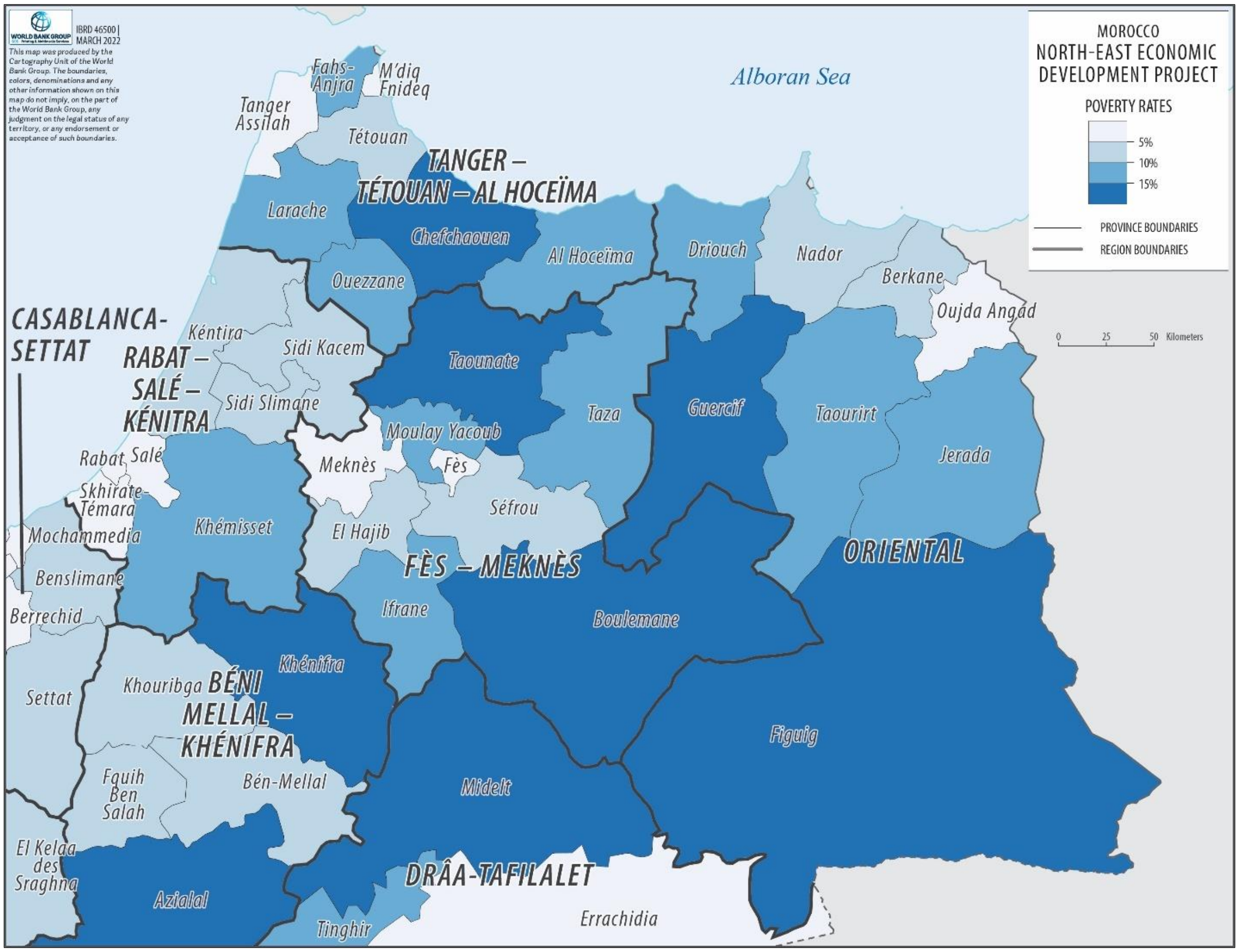
6. **Morocco is particularly exposed to geological and climate-related hazards in the MENA region.** Between 2000 and 2021, the country experienced 18 major flood events, the latest taking place in the Tangier Province in February 2021 had casualties. According to the probabilistic evaluation of disaster risks in Morocco led by the World Bank, the country has annual average losses from natural catastrophes of over US$ 800 million. Owing to its geographical position, high rainfall variability, and topography, Morocco is regularly prone to flooding with losses estimated at over US$ 450 million each year. Urbanization exacerbates flood risk, especially in coastal areas, which concentrate more than 60 percent of the population and over 90 percent of industry. Droughts affect the agricultural sector, with an impact on cereal production estimated to cost the economy of Morocco approximately US$ 290 million per year. Earthquakes affect two specific areas of the country, particularly near the Rif and Anti-Atlas Mountains. Therefore, their geographical positions in areas of important seismic activity and dense tectonic lineaments, and their natural predisposition to soil movements, exacerbate the geotechnical hazards on road transport infrastructure. In particular, the Rif is mostly affected by soil instabilities with regular landslides, block falls, collapses and crumbling usually triggered after a seismic episode. Earthquakes have an annual average loss of over US$ 90 million per year.

B. Sectoral and Institutional Context

7. **The North-East of Morocco is a lagging region, with substantial development challenges and regional disparities.** This area encompasses eleven provinces[14] spreading over predominantly the Oriental administrative region with the addition of the provinces of Al Hoceima, Taza and Taounate. It hosts a population of about 3.5 million inhabitants[15] (around 10 percent of Morocco's total population). The Oriental administrative region ranks in fifth position in the national poverty rankings with a relative poverty rate of around 18 percent (25 percent in rural areas and 14 percent in urban areas) compared with the national rate of around 14 percent.[16] According to the latest regional data available,[17] the unemployment rate of the Oriental administrative region stands at around 20.7 percent compared to 11.9 percent nationwide. This stems from the region having suffered from long-standing socio-economic difficulties brought about by drought and other climate-linked and natural disaster events, low agglomeration effects due to low population density (except for a few areas), the depletion of its mineral resources, its underdeveloped industrial base, a large informal sector, and geopolitical factors. For the vulnerable and the poor, the consequences linked to spatial disparities in the North-East region are manifold, resulting in migration of poor from rural to urban areas, to the rest of the country, and abroad, particularly Europe.

[11] ILO Country Brief 2018
[12] According to Enterprise Surveys for Morocco (2019), firms with female participation in ownership is reported at 16 percent, however those with the majority of female ownership is at 2.6 percent.
[13] AFI Study 2021
[14] Including Oujda-Angad, Nador, Berkane, Driouch, Taourirt, Figuig, Jerada, Guercif, Al Hoceima, Taza, and Taounate.
[15] HCP, latest national population census (2014).
[16] HCP.
[17] HCP (2020).

Figure 1: Regional multidimensional poverty rates (World Bank based on latest available HCP data)



Source: World Bank

8. **The North-East region only contributes to an estimated 8 percent to the national GDP, with the provinces of Nador, Oujda-Angad, and Berkane concentrating more than 60 percent of the regional GDP.**[18] This results in a regional GDP per capita of only US$ 2,050 (with important local disparities), which is equivalent to two-thirds of the GDP per capita, despite a higher urbanization rate than the rest of the country. Economic activity is dominated by commerce and construction (with a share of 50 to 60 percent for the Oriental administrative region)[19], mostly driven by activities based on local resources and tailored to the local market. The existing private sector is of limited size with a small number of formal businesses (about 20,000 private firms in the administrative region of Oriental (with two-thirds of these firms located in the provinces of Oujda and Nador), corresponding to 4 percent of business creation in Morocco in 2020[20]. Small and micro enterprises (with less than a US$ 0.3 million of annual revenues) are predominant in the

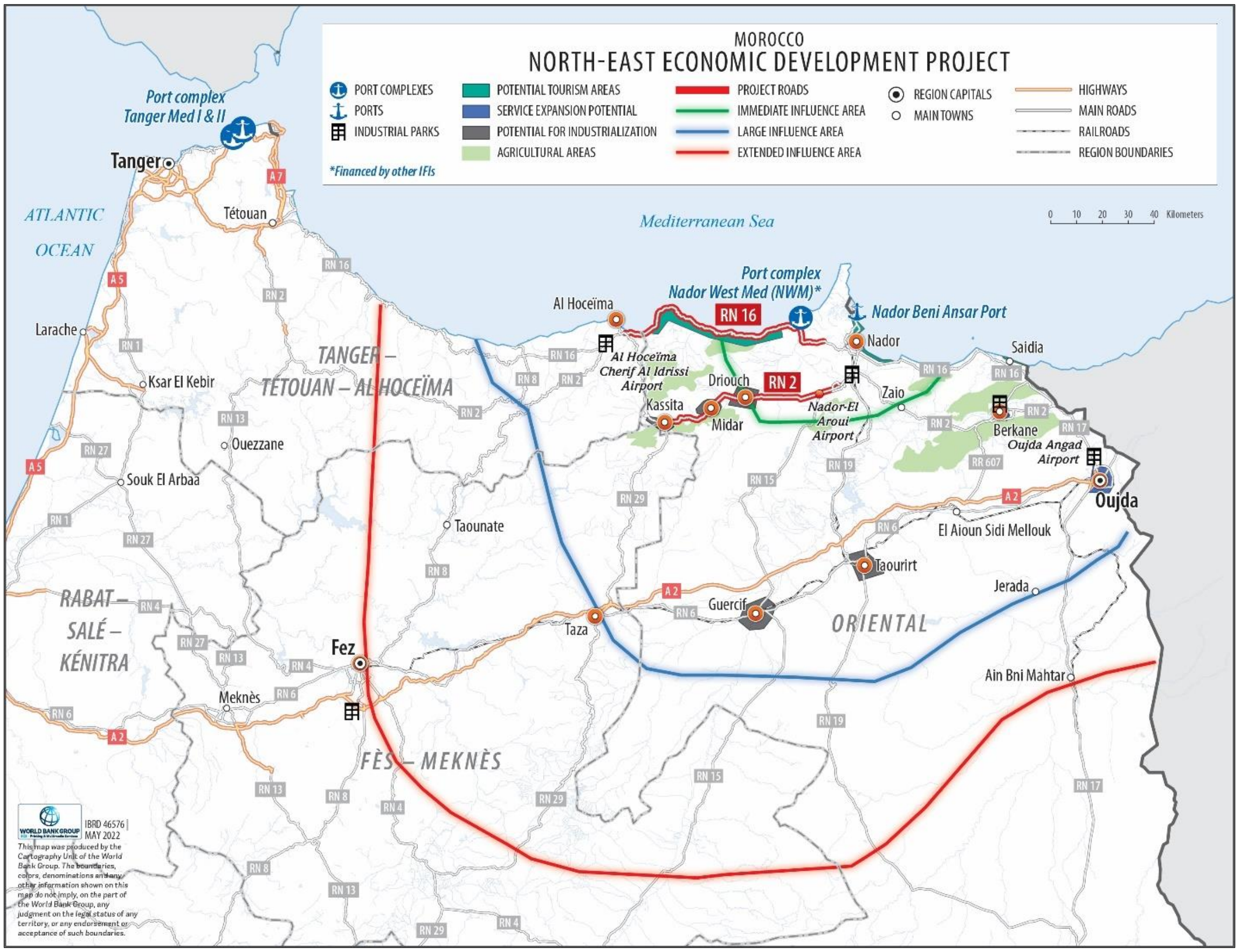
[18] World Bank calculations, based on an approximation of the GDP per capita in the provinces of Morocco in 2013, associated to the respective population per province.
[19] HCP (Monographie de la région de l'Oriental)
[20] Source: www.ompic.ma

region, representing around more than 80 percent of the total number of firms.[21] Large corporations are rare, with enterprises with more than US$ 8 million of revenue (most of which is generated outside of the region) representing only around 0.2 percent of the total number of firms. The industrial sector in the region remains underdeveloped (with a total of 2,400 firms) and mostly linked to the transformation of natural resources (agriculture, mining, etc.), representing around 9 percent of the total economic activity, generated mostly in the Nador area (with Oujda and Berkane's share growing in recent years). Overall, the level of informality in the region is one of the largest nationwide with an informal share of economic added value estimated at 18 percent for the Oriental administrative region compared to 8, 12 and 13 percent in the most economically developed administrative regions (Casablanca-Settat, Rabat-Sale-Kenitra, and Tanger-Tetouan-Al Hoceima respectively).

9. **The development of the Nador West Med (NWM) maritime complex could unlock the economic potential of North-East of Morocco**. Expected to be operational in 2024, NWM will enable better access to international and regional markets (strengthening socio-economic high-potential ties and linkages between Europe and Morocco in particular), enhancing the North-East region's attractiveness for investors and the competitiveness of its local enterprises, and supporting the development of industrial ecosystems in the port's hinterland, leveraging existing activities in the region (such as textile industries) as well as the national experience in sectors such as the automotive industry. The NWM complex will create 35,000 direct jobs and at least a similar number of indirect and induced jobs by 2035. The NWM complex would have an impact equivalent in value to 3 percent of the national GDP, based on 2018 World Bank estimates[22]. NWM is a structural investment for the region that calls for coordinated actions to ensure that the region anticipates and reaps its benefits, in a more equitable and inclusive manner. If properly implemented and complemented with the necessary investments and policy measures, the port-zone complex could generate potential growth and socio-economic spillovers, accelerate local economic growth, and contribute to decreasing spatial disparities. These positive impacts will ramp up while the complex develops progressively with likely need for support by development partners and the World Bank Group for the realization of the zone. A preliminary diagnosis of the regional economy identified a set of value chains and services that build on local comparative advantages, particularly if connectivity and private sector competitiveness constraints are lifted. Overall, the North-East shows a development potential in industry (particularly textiles, automotive manufacturing, and electrical manufacturing[23]), handicraft, agriculture (including citrus, dates, herbal products, etc.), agribusiness (including meat processing)[24], mining, energy, tourism[25], and logistics.

[21] Source: CRI's website, orientalinvest.ma (valid for the rest of the data in the paragraph)
[22] Improving Connectivity in the Maghreb TA - P153678
[23] Which currently remain limited in the North-East but is growing including in Nador, Guercif, and Jerada.
[24] Agribusiness is currently mostly strong in the Berkane province with exports of clementine and other fruits through the current port in Nador.
[25] Tourism activities are slowly emerging in provinces such as Al Hoceima, Berkane and Nador, leveraging the existing local heritage and natural landscapes.

Figure 2: Existing and potential economic activities in NWM hinterland



Source: World Bank

Box 1. NWM maritime complex

The first phase of the NWM maritime and industrial complex encompasses a deep-water port under construction on the western Mediterranean Sea, comprising oil and bulk transshipment facilities, a 3 million TEU container terminal mainly for transshipment and an initial 630-hectare special economic zones.[26] NWM offers several competitive advantages, including (i) the strategic location of the complex,[27] within overnight delivery distance from the existing industrial poles in Morocco (including Casablanca and Tangier) and with a competitive maritime transit[28] time to Southern Europe, as the NWM complex will be within a 4-hour ferry shipping time from Spain (Almeria and Motril), and (ii) access to a cost competitive workforce and greater availability of labor and land than in existing industrial poles in Morocco.

NWM has been conceived on the model of Tangier Med. The latter is considered an example of a major connectivity investment, which triggered sizeable economic benefits to its immediate hinterland. The contribution of the administrative region of Tangier-Tetouan-Al Hoceima (TTH) to the national GDP went up from 8.3 to 10.1 percent between 2007 (when Tangier Med started operating) and 2016. Significant spatial disparities remain within the administrative region of TTH. While the TTH region ranks third in Morocco in terms of enterprises registered, 78 percent of these enterprises are in the province of Tangier itself (see Annex 4).

10. **The limited size of the existing private sector and of the emerging industrial sector may undermine a rapid organic development dynamic in the North-East region.** This limited private sector development is explained by several factors, including the poor connectivity until recently to main domestic and foreign markets that has translated into lack of demand, lack of skills, an investment climate affected by lack of transparency and streamlined processes, high payment delays from public entities, undermining the financial health of firms, and limited and expensive access to serviced land. To maximize the private sector response to the place-based interventions, efforts to improve the regional investment climate, to improve skills, and to enhance access to land are needed to attract private investment. These efforts are led by the Regional Council of Oriental (CRO) and the Regional Investment Center of Oriental (CRI-O), including through a dedicated regional fund.

11. **Furthermore, the inadequacy of qualified and skilled human resources at the local level is hindering the North-East region's economic development and may translate into fewer opportunities for the regional labor market if not addressed.** An adequately trained workforce is arguably one of the most critical factors for a region's development[29]. This may especially be the case in a region like Oriental where 53 percent of the population is under the age of 30. 70 percent of students in Morocco enroll in upper-secondary education indicating that roughly a third of the young population only completes lower-secondary education. Educational attainment is overall lower in the Oriental region compared to other regions in Morocco. Enrollment in Technical and Vocational Education and Training (TVET) has significantly increased in Morocco in general and the region since 2000. Women account for 38.5 percent of those enrolled in TVET in 2017/2018, and especially girls and rural youth have limited access to TVET. Further, the efficiency and quality of TVET remains a challenge. Discussions with the private sector highlight the need to

[26] With a net area of 400 hectares to be commercialized, with the capacity to be extended to 1,500 hectares based on future demand.
[27] Nador is currently 4 hours away from Fez, 4 hours and half from Meknes, and less than 6 hours from Kenitra.
[28] Using roll-on/roll-off (ro-ro) ships which are vessels designed to carry wheeled cargo, such as cars, trucks, semi-trailer trucks, trailers, and railroad car.
[29] Gennaioli, La Porta, Lopez-de-Silanes, and Shleifer, 2013. Human Capital and Regional Development. The Quarterly Journal of Economics.

further develop the soft skills of the (unemployed) youth. These skills, such as leadership, teamwork, communication, and problem solving, which are currently not emphasized as much as needed in training, are highly valued in the professional context.

12. **Finally, to promote economic development of the North-East, the important constraint of lacking adequate connectivity infrastructure needs to be addressed, particularly in Nador's expanded hinterland.** While the current road capacity is well spatially distributed and adapted to the existing road traffic, it is anticipated that the volume and nature of traffic generated by the region's development will rapidly increase with the NWM complex. Therefore, public road investments in the region are critical. This has been confirmed by the above-mentioned World Bank study (Improving Connectivity in the Maghreb TA - P153678), based on the socio-economic analysis of the local context and firm-level surveys among 600 enterprises in and outside the region. In this study, 88 percent of enterprises surveyed, in the North-East region, rated shorter transport time to/from the Nador West Med under construction as an important or critical parameter for the regional economic attractiveness. In the absence of specific road investments and consequent proper maintenance, the expected traffic of heavy vehicles would result in substantial negative impacts on congestion, road safety, and pollution due to their operating modes and conditions. If not addressed, this would negatively impact economic activity with national and international markets and limit the potential integration into national and global value chains. Several investments have been or are being carried out for this purpose, including to improve the road links between Nador and Guercif, Berkane, and Oujda.

13. **Overall, a coordinated and integrated territorial development approach, tackling identified challenges in the North-East, is still to be strengthened.** Regional development is at the heart of Morocco's development model with local governments playing a critical role. The ongoing decentralization process confirms the extended economic and social mandate transferred to local authorities, namely at the regional and the municipal level[30]. This has been further emphasized under the NMD (2022-2035), the country's strategic vision for the future, that sets regional development as one of the strategic orientations to achieve the ambitious goal of doubling gross national income by 2035. Subnational level authorities (namely regional and municipal elected bodies) are currently in the process of preparing multi-year investment plans to accelerate the region's development. As highlighted above, a large set of development inefficiencies hindering the North-East development have been identified, with a diverse set of related investments and soft measures (in a phased manner) especially in the greater Nador area to reap the benefits of large infrastructures such as NWM. Yet, a holistic vision based on the various planning instruments to prioritize investment maximizing impacts of inclusive territorial development is needed. *Strengthening this coordinated planning capacity at the local level is key to achieving the expected development objective while considering the fiscally constrained context. Furthermore, strengthening institutional capacity at the local level is also paramount to support an efficient implementation of investments intended.* Ongoing World Bank engagement is already supporting such capacity building at the local level.

14. **Addressing the above factors of inefficiencies in territorial planning, skills, local private sector development and transport infrastructure would allow NWM and other complementary public and private investments to fulfil their role in unlocking the full economic potential of the region as an overall**

[30] As enacted through the regions and municipal organic laws in 2015, local governments are key players in terms of economic development and investment promotion, skills development, territorial and urban development as well as local service delivery.

development game-changer for its hinterland, and a catalyst to strengthen economic linkages with Europe.

C. Relevance to Higher Level Objectives

Relationship to Country Partnership Framework (CPF)

15. **The proposed project is in line with the Kingdom of Morocco Country Partnership Framework (CPF) with the World Bank Group for FY2019-2024, discussed by the Board of the Executive Directors on February 19, 2019.**[31] The project's objectives are aligned with the CPF objective to contribute to social cohesion through building the conditions for job creation and reducing social and territorial disparities. The project activities will support the Government's decentralization strategy under implementation, by helping develop and strengthen local capacity as well as territorial and social cohesion. More specifically, the Project will contribute to Pillar 1 of the CPF "Consolidating the environment for job creation by the private sector" and to Pillar 3 "Promoting inclusive and resilient territorial development" and their respective objectives of: (i) "Increasing opportunities for private sector growth" and (ii) "Improving performance of key infrastructure delivery services." By supporting job creation and reduction of spatial disparities, including through connectivity improvement, the project will enable economic growth, thus contributing to the goals of reducing extreme poverty, and promoting shared prosperity and sustainable development.

16. **The project also supports the Kingdom of Morocco's national development strategy for the 2035 horizon, entitled the New Development Model: the Morocco of tomorrow**[32]**.** The plan seeks to operationalize the country's overarching medium long-term vision by establishing a comprehensive state of the art of the development situation and tracing a new transformation plan across its multiple dimensions (institutional, economic, social, territorial, and environmental). The model is based on four strategic pillars: (i) a productive and diversified economy that generates a solid added value and quality jobs, (ii) a reinforced human capital better equipped for the future, (iii) inclusion opportunities for all citizens and a consolidated social bond, (iv) resilient and dynamic territories where development is anchored. The project aligns with the strategic objective of unlocking territorial development and the national ambition to promote competitiveness by structuring the transport and logistics sector to improve performance and reduce costs. It deepens the country's engagement to create integrated national corridors originating from Morocco's main international gateways and supplying the production and consumption territorial centers via multimodal hubs. These efforts are further in accordance with the objective of reinforcing mobility and reducing spatial disparities to ensure a sustainable and resilient territorial development. The New Development Plan seeks to promote bold, entrepreneurial, and more responsible private sector participation and in parallel continues to work on the development and strengthening of public institutional capacities. This strategic approach is supported by Component 1 and Component 2 of the project.

Relationship to Regional strategies

[31] Report No. 131039-MA.

[32] The New Development Model, Kingdom of Morocco, April 2021, general report and thematic notes.*https://www.csmd.ma/documents/Notes_thematiques_projets_et_paris.pdf*, *https://www.csmd.ma/documents/Rapport_General.pdf*

17. **The project is aligned with the MENA regional strategy and more specifically with the MENA strategy for green, inclusive, and sustainable infrastructure.** The project would particularly support the Renewing the Social Contract Pillar through integrated planning and development of infrastructure and activities that would ultimately result, through increased connectivity and competitiveness in the North-East region, in an eased access to economic opportunities and social services to citizens (mostly the most vulnerable ones), which is also in line with the World Bank Twin Goals in terms of ending extreme poverty and promoting shared prosperity by fostering the income growth of the bottom 40 percent. Moreover, based on three guiding principles (Smart and Green, Inclusive and Sustainable) of the MENA Infrastructure Strategy of 2021, the project will support the following three pillars: (i) enhance national and regional connectivity to integrate regional and global supply chains, (ii) accelerate inclusive transition towards Low Carbon Economy and Digital Economy and (iii) strengthen enabling environment and mobilize private sector resources to maximize development impacts. The project will support the first and third pillars.

18. **The project is also aligned with the WBG Gender Strategy that emphasizes four objectives: (i) improving human endowments; (ii) more and better jobs; (iii) remove barriers to women's ownership and control of assets; (iv) enhance women's voice and agency and engage men and boys.** The MENA Gender Strategy builds on these objectives and aims to (i) renew the social contract by tackling constraints to women's economic opportunities; (ii) address gender specific vulnerabilities and create opportunities for economic inclusion; and (iii) identify and address specific needs of women and men during recovery and reconstruction phases[33]. The project will support the first and second pillars.

19. **The project is aligned with the WBG's Climate Change Action Plan 2021-2025[34] and with the World Bank's Next Generation Africa Climate Business Plan[35] that highlights the importance and urgency of countries to ramp up climate-smart development that addresses climate impacts and manages climate risks.** The project aims to enhance the climate resilience of road infrastructure in critical sections of the road corridor. Through investments in climate resilient infrastructure, appropriate maintenance of assets and investment in institutional and human resources development to ensure sustainability of benefits, the project improves access to goods and services to communities.

20. **Ensuring safe, sustainable, and resilient transport, safeguarding food and goods supply, and creating jobs are part of Pillar III of the WBG Covid-19 response and the Post-Covid Green, Resilient and Inclusive Development (GRID) recovery.** The GRID approach pursues the twin goals with a long-term sustainability lens. It requires urgent investments in human, physical, natural, and social capital to address structural weaknesses and promote growth. Transformational actions are needed in several "keystone" sectors — including transport systems. In line with the WBG Regional Integration Program adjustments made in response to Covid-19, the project will contribute to building back better a resilient transport system, while also mitigating Covid-19 impacts by creating short- and longer-term employment opportunities, including labor-intensive infrastructure construction work.

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[33] Middle East and North Africa Regional Gender Action Plan FY18-23. World Bank Group. 2017.

[34] World Bank Group. 2021. World Bank Group Climate Change Action Plan 2021–2025: Supporting Green, Resilient, and Inclusive Development. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/35799 License: CC BY 3.0 IGO

[35] World Bank. 2020. The Next Generation Africa Climate Business Plan: Ramping Up Development-Centered Climate Action. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/34098 License: CC BY 3.0 IGO.

21. **Private Capital Mobilization (PCM).** The Project is expected to result in PCM:

- On component 2.2, the proposed Performance-Based Conditions (PBCs) are expected to mobilize US$ 30 million of private sector investment from the project supported firms (captured in the PDO level indicator); and
- On Component 3.1, the introduction of Output- and Performance-Based Road Contracts (OPBRC) contracts to be financed by the project as a pilot in Morocco, are expected to generate an estimated US$ 3 million of PCM. This investment will be required from the private sector and is likely to be mobilized in the form of commercial financing by the selected contractor (including for tangible investment to be carried out for the purchase and/or leasing of equipment to be used for maintenance). This amount will be recouped by the construction firm from availability payments (likely as shadow tolls) from the GoM. In terms of intangible MFD benefits, the project, as an innovative pilot for roads in Morocco, aims to develop lessons learned and expertise which could be replicable and scalable in a more sustainable manner to other road corridor projects in the country, including by testing non-conventional contracting modalities, i.e., OPBRC, and assessing the benefits of the proposed approach compared to the conventional methods of road construction and maintenance in the Moroccan context.

Relationship to other WBG projects and engagements

22. **The project promotes a territorial development approach, with priority investments that could leverage current Bank engagements in several sectors**. Synergies can be identified with several operations that are currently under implementation in Morocco. The integrated territorial development approach, that would leverage on strengthened local capacity is also supported under the Municipal Performance Program – MPP (P168147) of the Moroccan Government. The PforR supports municipalities institutional and financial strengthening in the hundred largest municipalities of the country to enhance local service delivery quality and to improve urban livability and attractiveness. Several urban municipalities within the North-East of Morocco are targeted under the MPP, including Nador, Al Hoceima, Berkane, and Oujda. Anticipated municipal investment in those areas can be supported through the MPP.

23. **In addition, as part of the World Bank's ongoing climate change engagement and industrial decarbonization efforts, a recently launched Technical Assistance (TA) with the Ministry of Industry is underway to support Morocco decarbonize its industries (P178099).** It aims to identify policies, technologies, and infrastructure investments that foster the decarbonization of industries in selected industrial parks in Morocco, including in the North-East region. The planned NWM zone is proposed as one of five zones to be covered by this TA, which will help identify investments that need to be implemented to ensure the zone is eco-friendly and resilient to climate change. Through project activities, the TA as well as dialogue with all stakeholders, the Bank will stay consistently engaged in the realization of the zone which will be necessary for the positive social and economic territorial impacts to materialize.

24. **The project complements other reforms that have already been implemented by the government to improve the regional business environment.** The regional authorities, through the CRI-O, have already implemented, among others: (i) the digitalization of investment and administrative procedures (CRI-Invest platform) that aim to improve the attractiveness of the Region to investors and entrepreneurs; (ii) the

creation of a digital regional observatory[36] that has been launched in 2020 to provide open access to regional investment data (market opportunities, human resources, expertise, etc.) and promote the region among potential investors; and (iii) the development[37] of a dedicated platform to provide access to information about land availability in industrial zones (with the Ministry of Interior in the process of developing a nationwide dynamic platform on access to land for investors). Key regional initiatives have also started to support skill upgrade and include (i) the improvement of vocational training programs by the Office of Professional Training and Work Promotion (OFPPT[38]) and (ii) the development of large regional vocational training campus in Nador[39] in partnership with the private sector.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

25. **The Project Development Objective** is to improve connectivity and enable private sector growth in the Project Area.[40]

PDO Level Indicators

26. The following indicators will be measured to indicate the achievement of the PDO:

- Reduction in travel time along the rehabilitated corridors
- Increase in private investment (of firms supported by the project)

B. Project Components

Component 1 – Strengthening of the integrated territorial development approach (US$ 10 million IBRD)

27. *Sub-component 1.1 – Development and monitoring of the implementation of a priority investment roadmap enabling a territorial development approach, focusing on the greater Nador area.* This sub-component will finance consulting services for the preparation of a priority investments roadmap to enhance the region's attractiveness for investors and its implementation mechanisms. The roadmap will consolidate priority interventions in the coming 5 to 10 years in several areas (urban development, business environment, skills development, etc.) to alleviate the identified constraints, ensuring a better livability and attractiveness in the project area. The TA would focus on the greater Nador area given the extensive investments planned in the medium term to support the operationalization of NWM and maximize its expected benefits on its immediate hinterland. Identified investments could then be included in ongoing and future World Bank engagements. The preparation of the roadmap would leverage on the sectoral and

[36] https://orientalinvest.ma/observatoire/
[37] https://orientalinvest.ma/map/
[38] Office de la Formation Professionnelle et de la Promotion du Travail.
[39] Announced in April 2019, the Cité des Métiers et des Compétences (CMC) of Nador has been built on 12 hectares and is planning to train around 3,000 beneficiaries per year.
40 The project area covers the Oriental administrative region and the provinces of Al Hoceima, Taza, and Taounate.

local development plans under preparation (with the financing of the GoM or the relevant territorial entities), namely the Urban Development Masterplan (SDAU) of Greater Nador, the Regional Development Plan (PDR) for Oriental, the Municipal Development Plan (PAC) of Nador as well as the Integrated Provincial Development Plan (PDI) for the Nador[41] province and the territorial monitoring tools that are being strengthened with the assistance of the World Bank. Focus group discussions will be held as part of this activity to ensure that communities and residents in the greater Nador area (including vulnerable groups) can provide their inputs directly into the priority investment roadmap. It would thus help bridge the identified coordination gaps and pave the way for an integrated development of the greater Nador area in preparation of the operationalization of the NWM. Additionally, the preparation of the roadmap would help explore private capital mobilization opportunities to implement the identified investments. Finally, it is expected that dedicated monitoring and evaluation tools to closely follow up on this roadmap implementation will be developed, thus contributing to alleviate the local capacity deficit identified. This technical assistance will be implemented by the CRI-O as the economic development coordination agent at the regional level.

28. *Sub-component 1.2 – Development of the Nador-NWM transport corridor strategy.* This sub-component will finance consulting services for the preparation of a multi-modal (road and railways) transport strategy for the Nador-NWM corridor, focusing on promoting modal shift from cars and trucks to low carbon transport modes providing safe, efficient, and green movement of people and goods in an integrated manner and closely linked to territorial development. This sub-component will coordinate with ongoing complementary exercises such as the preparation of urban mobility masterplan (PDU) of greater Nador (under finalization) that is focused on public urban transport and is supported by the Bank-financed Urban Transport Program-for-Results (P173048). This sub-component will be implemented by the Ministry of Transport and Logistics (MTL), in coordination with various actors involved in territorial planning including the Ministry of Equipment and Water (MEE), the MI, and the Ministry of Territorial and Urban Planning and Housing (MATNUHPV).

29. *Sub-component 1.3 - Improvement of lifeline roads in the North-East region.* This sub-component will finance for a total estimated cost of US$ 7 million the labor-intensive maintenance in a safe and climate-resilient manner of around 500 kilometers of existing lifeline roads in the project area, including associated technical assistance and consulting services for the supervision of civil works. The targeted roads will include regional and provincial roads that will strengthen the connectivity between the rural areas and key urban centers. The roads will be identified and prioritized during the first year of implementation, on the basis of readiness to implement the works and adequate justification of the benefits that the community will derive from the maintained road access, to ensure access to markets and critical services such as health centers and schools. In accordance with climate resilience standards, existing drainage systems will be maintained to enhance resilience to flooding. This sub-component will be implemented by the relevant provincial directorates of the MEE, under the coordination of the General Directorate of Roads (DGR).

Component 2 - Support to the private sector development readiness and competitiveness in the North-East region (US$ 30 million IBRD and US$ 30 million PCM)

[41] Additional analytical work may be needed and will be identified based on the data available in preliminary phased of the preparation of the roadmap.

30. *Sub-component 2.1 - Boosting skills of the young labor force*. This sub-component will support the upgrade of skills of the young workforce in the Oriental region through increased access to market relevant skills development training and entrepreneurship opportunities. The emphasis will be put on girls and women, and individuals from vulnerable and rural households, and will coordinate with ongoing and planned government initiatives in this area. Special attention will be given to identifying geographical areas within the region with high density of potential beneficiaries based on available administrative data.[42] The project will provide support to women in terms of developing business plans and business registration to assist them in starting and developing their own businesses. Furthermore, given the target populations envisaged in the Project, targeted communication campaigns will be organized to mobilize and recruit for increased women participation.

31. Priority will be given to the future demand for skills arising from logistics, port and NWM (e.g., development and/or scale up of training programs for the much in demand heavy machinery operators). While the target is the Oriental region for both the demand and supply of skills, the project will be pragmatic and recognize that the future demand for skills might also need to be sourced more generally from across Morocco. The program will emphasize green investment wherever possible, focusing on energy efficiency such as energy/resource use efficiency and retrofitting existing buildings to climate events (e.g., storms and floods). Foundational classes on the country's vulnerability to climate change will also be incorporated as a core course in skills development programs among others to promote skills development for green jobs. The implementing agency for this subcomponent will be the OFPPT in partnership with other public and private actors.[43] Boosting skills of the young and female labor force will be done through three main activities:

- Development of alternative pathways or bridging programs to support entry to formal TVET programs for youth who have dropped out of school or have been in the workforce after dropping out early, with an emphasis on women and rural youth. While the Morocco's National Qualifications Framework recognizes various pathways to access formal TVET, implementation remains a challenge, technical assistance will ensure that the training landscape becomes more flexible and encouraging for all to learn. OFPPT needs support to operationalize alternative pathways and second chance opportunities for a range of workers. OFPPT will be financed to update and expand existing programs by: (i) implementing programs adapted to the heterogenous profiles of young people to enhance their chances of success and integration into the labor market; (ii) producing teaching and learning materials including assessment packages and training for teachers; and (iii) strengthening outreach and curriculum systems to improve quality of second chance education.
- Quality Improvement Packages: This subcomponent will finance the implementation of Quality Improvement Packages (QIPs) to be transacted in specific training institutions in the Oriental region based on skills standards and competencies developed by the CMC. These holistic QIPs will be rolled out through consulting services (technical assistance and capacity building), civil works (minor rehabilitation and upgrading), and goods (technical equipment) to strengthen the quality and relevance of TVET Programs. An efficient monitoring and evaluation (M&E) system for this purpose will be developed with the support of the World Bank.

[42] The targeting criteria will include: (I) share of population aged between 18 and 34; (ii) dropout rates at primary and low secondary levels; (iii) young women employed in the informal sector and/or unpaid work; young, inactive women; unskilled unemployed youth; unemployed skilled youth. The targeting criteria will be further detailed in the POM.

[43] Including the Initiative Nationale pour le Développement Humain (INDH), Agence Nationale de Promotion de l'Emploi et des Competences (ANAPEC), the private sector, and NGOs.

- Support of mechanisms for job-search and job-matching to facilitate labor market access for youth in the region through technical assistance and training.[44]

32. *Sub-component 2.2 - Support to the attractiveness of the region to the private sector and the identification of export-oriented value chains.* This sub-component, through consulting services, provision of goods, and PBCs (see table below), aims to support the improvement of the investment climate in the Region, with a greater involvement of the private sector and key regional stakeholders, to ensure that the private sector can seize opportunities related to the positive connectivity shock that will translate in better access to key international markets such as the European Union, and also spillovers to materialize from the investments in NWM, anticipating the emergence and expansion of export-oriented value chains once NWM becomes operational. . This sub-component will also be based on the territorial monitoring tools being strengthened with the assistance of the World Bank.

- This sub-component will finance consulting services, capacity building, and provision of goods and services to the CRI-O to support the identification and promotion of export-oriented value chains in the North-East, with the potential to grow in connection with the investments that will take place in the NWM Zone (for a total of US$ 1 million). More specifically, the component will finance (i) the implementation of Competitive Reinforcement Initiatives[45]. This activity will also help address coordination failures and strengthen the contribution of the private sector in designing the reforms at the regional level for specific export-oriented value chains; CRI-O and other local stakeholders, including from the private sector associations, engaged in the above value chains and cluster diagnostics; and (ii) the development of an information system under the CRI, which will provide up-to-date data on the Region territorial investment opportunities, information on firms operating in export-oriented value chains, etc.
- This sub-component also aims, through PBCs, to incite the effective implementation of reforms at the regional level to enhance the investor's perception and experience of investing in the Region. The reforms include: (i) the identification of investment climate reforms by the public-private Regional Committee for Improvement of the Business Environment (Comité Régional de l'Environnement des Affaires, CREA); (ii) streamlined investment procedures; and (iii) the development of a roadmap to improve the payment delays of territorial collectivities to private firms. The use of PBCs is justified by the new mandate of the CRI-O associated expenditures for this sub-component will be funds disbursed by the CRI-O to support firms (for a total of US$ 9 million) investing and creating jobs in the Region, including in export-oriented, renewable energy, and innovative projects46. The CRI-O will communicate with women-led businesses to make sure they are aware of this Fund and can apply to it.[47] The above technical assistance (TA) on the identification of value chains, through public-private

[44] This sub-component will support OFPPT to update and expand existing platforms by supporting technical assistance for: (i) capacity building of staff to improve data collection and analysis; (ii) strengthening systems to improve quality of intermediation services; (iii) building employer capacities to upload labor needs (including the anticipation of future labor needs) and employment opportunities and to facilitate matching; and (iv) developing a platform for online counselling, career guidance, and mentoring; and (v) developing a targeted communications campaign to cover jobseekers, training providers, and employers.

45 The action plans developed by these CRIs will focus on recommendations on policy/procedural reforms, cluster-based infrastructure needed, and territorial marketing activities for the region.

[46] Under their new mandate, the Regional Investment Centers (CRI) have been given the mandate to improving the regional business environment and enhancing the region's private sector attractiveness. The World Bank intervention will contribute to accelerating reforms that are advocated by the CRI of Oriental, which have been ongoing for many years but have faced resistance from some public actors and implementation delays.

[47] For example, Association des femmes Cheffes d'entreprises du Maroc (AFEM).

dialogue, will strengthen and prioritize the selection of firms and activities that will benefit from the regional Fund, especially for the first movers. Similarly, CRI-O TA under component 1 will also help identify private sector firms and investments that need to be supported to enhance the attractivity of the Oriental region and the emergence of clusters.

Box 2. The CRI-O Fund

The creation of the CRI fund was largely triggered by the social and economic context of the Oriental region characterized by the highest unemployment rate in the country (20.7 percent in 2020)[48] and a current remote geographical location less attractive and posing many challenges for potential investors. In this regard, the regional fund is the result of a common regional willingness to attract investors and create more jobs in the through targeted incentives and technical support. The governance of the Fund is inclusive, including both elected institutions and representatives of the state at the regional level. The Regional Council provides funding, and the CRI-O is responsible for the technical and financial management of the fund, while other territorial and administrative actors are involved in different levels of steering. The Fund targets a wide range of enterprises ranging from small businesses to large companies. It requires a minimum investment of MAD 1 million and 20 jobs.[49] The only sectors explicitly excluded from the funding are transportation, real estate, agriculture, training and polluting sectors. The Fund has supported 88 firms across two main sectors, agribusiness and industry, and in six cities: Nador (34), Oujda (24), Taourit (13), Jerada (8), Guercif (5), and Berkane (4). Moving forward, the Fund targets to support at least 200 new firms over the 2022-2025 period.

Table 1: Summary of the Performance-Based Conditions (PBCs) of Component 2.2

PBCs	**PBC#1a.** The CRI of Oriental (CRI-O) has reduced the dispute settlement period between investors and government agencies from an average of 22 days to 15 days (or less) in a given year (US$1million) **PBC#1b.** The CRI of Oriental (CRI-O) has reduced the dispute settlement period between investors and government agencies from an average of 15 days to 10 days (or less) in a subsequent year (US$1million)	**PBC#2.** The White Paper identifying priority investment climate reforms issued by the regional public-private Committee for Improvement of the Business Environment (CREA) has been approved by the Borrower's relevant authority (US$2million)	**PBC#3.** The CRI of Oriental (CRI-O) has developed and made publicly available a performance indicator on the response time to private sector investment requests (US$2million)	**PBC#4.** The CRI Oriental has developed a roadmap to improve the payment delays of territorial collectivities to private firms and submitted it to the MI after validation by the Wali of the Oriental region (US$3million)

[48] HCP (Le Maroc en chiffres 2021).
[49] Example of firms supported include the newly international wiring company APTIV that launched the construction of its new plant in Oujda Technopole in January 2022. The total investment is estimated at MAD 394 million and the CRO contributed MAD 33 million according to a convention between APTIV and the regional authorities (Wilaya, CRO, CRI and the development company of technopole MEdZ). The project is expected to create 3500 direct jobs and between 600 and 700 indirectly. APTIV project is considered as a locomotive for future investors in the automotive and aeronautical value chains especially with the logistical opportunities that will be provided by the NWM port.

33. The activities will result in the mobilization of US$30 million of private sector investment in the Oriental region through the CRI regional Fund expected to support 100 firms investing a minimum amount of MAD 3 million by 2025. The fund provides financial support to firms, including first movers and expansion of performing existing firms, in the form of technical assistance, land acquisition, construction, equipment as well as employment incentives. In the context of this project, the positive list of eligible expenditures will be defined in the Manual of Procedures and will exclude the acquisition of land and construction.

34. The activities described above will be complemented with other actions undertaken by the government at the central and regional levels. The newly established Ministry of Investment is tasked with the development of regional territorial development branding to attract and mobilize private capital, domestic and foreign, in close collaboration with the main regional stakeholders, including NWM and the CRI-O. Moreover, an ongoing World Bank technical assistance with the Ministry of Industry will help identifying policy reforms and investments required to make industrial zones in Morocco eco-friendly and more resilient to climate change. Two zones from the Region are considered in the pilot: NWM and the Technopole in Oujda, which has a green vocation.

Component 3 - Improvement of road infrastructure (US$ 208 million IBRD and US$ 3 million PCM)

35. This component will improve 170 kilometers of road infrastructure in a safe and climate-resilient manner along targeted corridors in the North-East region with climate resilient standards. The Project will build on the outcomes of the TA financed through the Quality Infrastructure Investment (QII) Trust Fund "Enhancing Quality of Road Investments in the North-East of Morocco TA"[50] to promote safety, resilience, and quality during road construction and road operation, including minimizing landslides or slope failures and falling blocks or rocks that can present a hazard to vehicles and population, especially during the rainy season. This also includes support of improved implementation techniques, construction standards and quality infrastructure solutions that consider the challenging geotechnical nature of the area and the development of climate and natural disaster vulnerability assessment. Works will include drainage facilities and walking infrastructure and crosswalks in urban/settlement areas along the rehabilitated sections. The expanded road capacity and enhanced infrastructure quality resulting from the improvement works would enable the prioritization of low carbon public urban and inter-urban transport. The anticipated high urbanization potential of National Road RN16-A in particular could benefit from this enhanced capacity which lays the foundation for a strengthened multimodal shift, with the potential future implementation of bus lanes in the mid-term. Satisfaction surveys will be administered to road users as part of the project to measure satisfaction with the level of service of the project road sections. The findings of these surveys will be used to generate periodic time and results-bound action plans to address the feedback compiled through these surveys.

36. The component will also finance road safety audits and road safety screening and appraisal tools (RSSAT) including the treatment of identified road safety "black spots". The road safety activities will be based on the "safe system approach" comprising of safe road infrastructure along the rehabilitated sections, improvement of post-crash response to save lives and awareness raising measures. The road design will

[50] Closed in March 2022

embed safety features meant to keep the Project Safety Impact (PSI) along the sections below.[51] Consultant services will be financed for technical design, supervision of the rehabilitation works, and implementation of the Environmental and Social Framework (ESF) instruments including the relevant Covid-19 health protocols. In complement to project activities, road safety training (including targeted to truck drivers) and awareness raising campaigns will be carried out in the North-East region, with the cooperation of specialized Non-Governmental Organizations (NGOs) when available. This component will lead to a reduction of CO_2 emissions due to the decrease in fuel consumption due to improvements in transport efficiency.

37. This component will be implemented by the relevant provincial directorates (Nador and Driouch) of the MEE, under the coordination of the DGR.

38. *Sub-component 3.1 - Improvement of the Nador-Driouch road section.* This sub-component will finance the widening and upgrading of around 70 kilometers of existing two-lane road (RN2) between El Aroui (province of Nador) and Kassita (province of Driouch) and road-related infrastructure and equipment, including associated consulting services for the supervision and inspection of works. As a complement to the project, parallel works on the existing fiber optics network will be carried out (following the Dig Once approach) and financed by the private sector.
Output-and Performance-Based Road Contracts (OPBRC) are proposed for this sub-component. The sub-component will also finance an OPBRC for the maintenance of an adjacent road section to be determined in the first year of implementation based on readiness to implement the works and adequate justification of the socio-economic benefits of the maintained road's level of service.

39. *Sub-component 3.2 - Improvement of the NWM-Nador road section.* This sub-component will finance the widening and upgrading of around 13 kilometers of existing two-lane road (RN16) between Oued Kert (province of Nador) and Tanoute Erroumane (province of Nador) and road-related infrastructure and equipment, including associated consulting services for the supervision and inspection of works.

40. *Sub-component 3.3 - Improvement of the NWM-Al Hoceima road section .* This sub-component will finance the rehabilitation and upgrading of around 85 kilometers of existing two-lane road (RN16) between Oued Kert (province of Nador) and Ajdir (province of Al Hoceïma) and road-related infrastructure and equipment, including associated consulting services for the supervision and inspection of works.

[51] PSI has been calculated using the RSSAT model Version June 22, 2020.
(*https://worldbankgroup.sharepoint.com/sites/gsg/RoadSafety/Pages/RSSAT.aspx*)

Figure 3: Sections of roads to be rehabilitated by the project

Source: World Bank

Component 4 - Project implementation support (US$ 2 million IBRD)

41. This component will finance implementation support for all components including (i) overall project management, monitoring and evaluation; (ii) financial management and procurement; (iii) environmental and social management; (iv) project communication and outreach (including in terms of gender). This component will be implemented by the MEE in collaboration with the Ministry of Economy and Finance (MEF) and the other implementing agencies.

Component 5 - Contingency Emergency Response (US$ 0.0 million).

42. In recognition of Morocco's current vulnerability to shocks, a Contingent Emergency Response Component (CERC) with zero funds allocated is included in accordance with the World Bank Policy on Investment Project Financing for the inclusion of a contingent emergency response component to an eligible crisis or emergency, as needed. This component will allow the Government of Morocco (GoM) to request the World Bank for a rapid allocation of the project funds to the CERC to respond promptly and effectively to an eligible emergency or crisis. If the requirements for activation are met, the World Bank will reallocate resources from the disbursement categories of the project to the CERC category to finance the emergency response eligible expenditures. Expenditures will be evaluated and reviewed to determine if they are

acceptable to the World Bank prior to disbursement.

C. Project Cost and Financing

43. The total project cost is US$ 283 million, with financing from US$250 million from IBRD and US$ 33 million mobilized from the private sector. The project costs are summarized in the cost tab below.

Table 2: Indicative costs and financing (US$ million)

Project components	IBRD	PCM
Component 1: Strengthening of the integrated territorial development approach	**10**	
1.1 - Development of a priority investment roadmap enabling a territorial development approach, focusing on the greater Nador area	1.5	
1.2 - Technical assistance for the development of the Nador-NWM transport corridor strategy	1.5	
1.3 - Improvement of lifeline roads in the North-East region	7	
Component 2: Support to the private sector development readiness and competitiveness in the North-East region	**30**	**30**
2.1 - Boosting skills of the young labor force	20	
2.2 - Support the attractiveness of the region to the private sector and mobilize investment in export-oriented value chains	10	30
Component 3: Improvement of road infrastructure	**208**	**3**
3.1 - Improvement of the Nador-Driouch road transport corridor in a safe and climate-resilient manner	148	3
3.2 - Improvement of the NWM-Nador road transport corridor in a safe and climate-resilient manner	15	
3.3 - Improvement of the NWM-Al Hoceima road transport corridor in a safe and climate-resilient manner	45	
Component 4: Project management and monitoring	**2**	
Component 5: CERC	**0**	
TOTAL	**250**	**33**

D. Project Beneficiaries

44. **The project's primary beneficiaries will be the local road users, consumers, traders, producers, communities, and populations living in the area, and governmental institutions.** Project beneficiaries will include the poor and vulnerable, including women and the youth. Outreach activities will be held to reach out to these groups to ensure their targeting by the project activities.

- *Road users* will benefit through the provision of improved level of service (with reduced travel time and cost) and safety resulting in improved access to critical services, jobs, and economic opportunities.
- *Consumers* will benefit from improved transport and trade efficiency for increased access and a lower price for tradable goods and services.
- *Traders and producers*, including SMEs, will benefit from more efficient transportation, logistics infrastructure and services to be provided at a more competitive cost, an increased level of skills of their workforce for improved productivity, and targeted value chains support with a direct or indirect link to the NWM complex's activity (export and industrial development).

- *Communities* residing nearby will also benefit from road safety interventions aiming to reduce the loss of lives and injuries due to road crashes. Given the current trends in road traffic deaths and injuries, such measures are expected to significantly benefit the vulnerable road users, i.e., comprising pedestrians, cyclists, and motorcyclists, who account for a significant portion of all road fatality victims.
- *Local population*, mainly relatively low-skilled and/or unemployed (or underemployed) manual laborers as the most vulnerable segments of the population, is expected to benefit during the construction phase from direct employment on site, indirect employment generated by industries that supply materials and equipment for the initial investment. This would provide these vulnerable groups with much needed livelihood support as immediate relief for the economic hardships posed by Covid-19.
- *The populations of the North-East region will benefit from improved economic inclusion, improved competitiveness, and expanded access to global markets, once the NWM maritime complex is operational*. Finally, governmental institutions will also benefit from the project. The implementing agencies will gain additional experience in working cooperatively with the World Bank on integrated territorial development projects. The project preparation and supervision will also strengthen the capacity of implementing agencies.

45. **The project will finance activities specifically designed to benefit women and will seek to reduce some of the gender gaps identified in the country.** Under Component 2, while the sectors to be supported will be identified during the first year of project implementation based on the region development plan and lessons learned from the construction of the Tanger Med port, the project will explore the provision of a range of incentives for women and other vulnerable groups to attend trainings, such as subsidies, entrepreneurial start-up kits[52] and transportation allowances, among others. The cost-sharing program will consider the current income of the trainees, the direct costs associated with enrollment (transportation, course enrollment, materials, etc.), and the opportunity cost for attending the programs. Building on the MENA Gender Strategy pillars, this project will support concrete actions enabling an economic empowerment for women by addressing knowledge gaps to give women the tools to enter the labor force or small business ownership. This project will (i) provide equitable access for women to road construction jobs; (ii) develop TVET with private sector to benefit youth employment and (iii) promote women-owned SMEs. The actions proposed within the project could provide both short- but also long-term socio-economic benefits for women and their households.[53] To monitor project's contribution in addressing identified gaps in relation to access economic opportunities for women and access to financial and support services for women-owned firms, the Results Framework will report on: (i) youth enrolled in training programs implementing the full quality improvement package, of which women (target of 2,500 out of 5,000); (ii) number of women placed in formal jobs 12 months after TVET/training completion (target of 625); (iii) share of women-owned firms supported by the project, with direct support from the Regional Fund in terms of financial and support services (target 15 percent).

46. **The project contributes to climate mitigation and enhances the climate resilience of the transport network and communities by investing in rehabilitation of roads to meet climate resilience standards.** In

[52] Start-up kits will be designed to supplement the training by providing recipients with the basic materials necessary to create their own income based on their training. For the start-up kits to be effective, more research will need to be done to decide on the start-up kit type, design, content, and relevance to the reality of the areas where they will be distributed.

[53] While it is difficult to measure the impact of employment beyond the project life cycle, it is anticipated that the experience and skills developed will contribute to future opportunities.

accordance with climate resilience standards, the project will rehabilitate sections of the strategic road corridor and supplementary infrastructure will be deployed to enhance resilience to flooding, such as bridges and drainage systems observing climate resiliency standards. Fences and other stabilization techniques will be deployed to reduce dune encroachment on road infrastructure (Component 1).

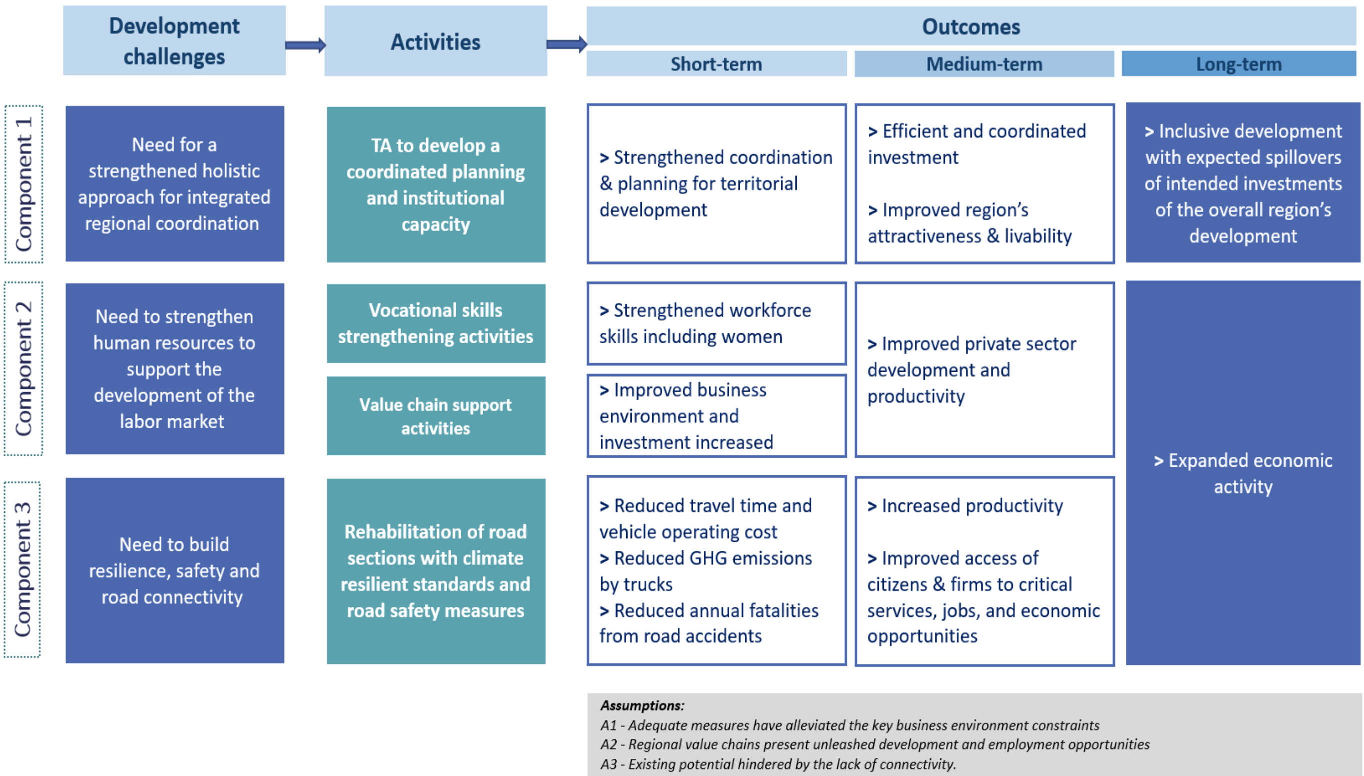
47. **The project addresses the GRID approach responding to the twin crises of the Covid-19 pandemic and climate change in the context of ongoing challenges of poverty and inequality**. The project contributes to the recovery path of Morocco maintaining a line of sight to long-term development goals, recognizing the interconnections between people, the planet, and the economy, and tackling risks in an integrated way.

E. Results Chain

48. **The project aims to alleviate two major constraints to the economic development of the North-East:** (i) constrained business environment including because of lack of skills, remoteness, and lack of demand for scalable investment; and (ii) insufficient, non-resilient and unsafe road connectivity resulting in high transport and logistical costs. Improving transport connectivity in Nador hinterland is expected to spur economic growth and reshape the economic geography of region. The achievement of the expected outputs from the project will contribute to longer-term development outcomes for the country. The desired project impacts on development outcomes are on economic welfare (e.g., income, wages, and consumption, land value appreciation), social inclusion (jobs, underserved communities, gender), equity (poverty and inequality), environmental quality (pollution, preservation of flora and fauna), and economic resilience and resilience to the damaging effects of climate change. A strong emphasis is put on gender aspects, especially ensuring women access to economic opportunities (jobs).

49. **The project will achieve these long-term development outcomes by taking a holistic approach to territorial planning for integrated and inclusive regional development.** The first assumption underlying the project's theory of change is that improving connectivity in Nador's expanded hinterland will help stimulate the region's economy as well as the local economy by helping to generate Wider Economic Benefits—such as growth of income and consumption, poverty reduction, and creation of new jobs and economic opportunities, especially for women. The second assumption is that regional value chains present unleashed development and employment opportunities. The combination of components reflects the integrated approach which is likely to yield large gains to the economy.

Figure 4: Theory of Change



F. Rationale for Bank Involvement and Role of Partners

50. **The proposed project will allow NWM, a key priority supported by GoM, to fulfil its role in unlocking the full economic potential of the region.** The World Bank remains uniquely positioned to support the GoM in addressing the economic development challenges in the North-East region given its in-depth knowledge, of the constraints affecting the project area, leveraged by the Bank global experience in integrated territorial development combining investments in transport connectivity and private sector development in several developing countries (particularly in Africa, Latin America, and South Asia). The World Bank is therefore in a strong position to support the GoM in developing and implementing such an approach, including in terms of coordination of the various stakeholders at different government levels as well as civil society and private sector. The World Bank's involvement in the sector can also (i) ensure the use of technical expertise for policy analyses and project formulation; (ii) contribute to maximize International Financing Institutions (IFI) and private sector financing for development to the extent possible; and (iii) raise awareness of the need to go beyond investments in infrastructure to address economic issues in the broader context of development, urbanization, poverty reduction, and climate change.

Role of Development Partners

51. **The project will finance activities that are complementary to those of several development partners.** Under the Government of Morocco's strategic vision, several partners are contributing to the financing of the key infrastructure and skills development to foster economic and territorial development, particularly in the North-East region. Most notably, NWM is benefiting from financing from the European Bank for Reconstruction and Development (EBRD), the African Development Bank (AfDB), and the Arab Fund for Economic and Social Development (AFESD) for a total of around US$ 500 million. There is a wide consensus among donors and development partners on the importance to provide strong support to the economic and territorial development of regions such as the North-East that still suffer from spatial disparities, including through investments in transport connectivity and private sector development. This project is prepared in consultation with donors and IFIs active in Morocco to ensure coordination with ongoing and planned initiatives. Most donors consulted intend to remain strongly active in such investments. During implementation, the World Bank will continue coordination with development partners.

G. Lessons Learned and Reflected in the Project Design

52. The proposed project draws lessons from similar projects implemented worldwide in recent years, including:

- *Economic corridors approach.* To ensure the project achieves its full potential, project design draws from the holistic economic corridor approach[54] by combining road transport investments as a backbone of regional transport connectivity with complementary interventions in private sector development, and territorial development.
- *Multisectoral cooperation.* This multi-sectoral project will require close coordination between implementing agencies to ensure adequate sequencing in the activities to maximize the project expected benefits. Based on lessons learned from development projects in Morocco, including ones

[54] As highlighted in the report "WEB of Transport Corridors in South Asia", prepared jointly by the World Bank, the Asian Development Bank (ADB), the UK Department for International Development (DfID), and the Japan International Cooperation Agency (JICA).

financed by the World Bank financing, a limited number of implementing entities are proposed, leveraging the relative strengths of each one, including their experience in project implementation and their experience with IFI policies.

- *Climate resilience.* Climate resilient mitigation measures are embedded in the design of project activities, in particular the road connectivity improvements. This will help ensure safe, sustainable and resilient transport, contributing to GRID recovery.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

53. **To ensure inclusive coordination, oversight, and accountability at the national level, given the project's multisectoral nature, a National Project Steering Committee (NPSC) will be established no later than 30 days after project effectiveness.** The NPSC will be accountable for the overall achievement of the activities and will ensure robust and effective coordination among the different stakeholders involved and project alignment with the country's national strategies. The NPSC will also provide high level support to project activities, including through the review and validation of the project's annual work plans and budget and ensure inclusion of project activities in the national budget. The NPSC, which will meet at least twice a year, will be chaired by the MEF and will comprise central-level representatives of the project implementing agencies and stakeholders, including the Ministry of Interior (MI)[55], the Ministry of Equipment and Water (MEE)[56], the MTL[57], the Ministry of Industry and Commerce (MIC), the Ministry of Investment and Convergence and Evaluation of Public Policies (MICEPP), and the Ministry of Economic Inclusion, Small Enterprises, Labor, and Skills (MIEPEEC) as well as their relevant agencies and SOEs (particularly OFPPT, CRI Oriental, and NWM SA[58]). The MEE (including through a Project Management Unit – PMU – to be formalized prior no later than 30 days after project effectiveness) will act as the technical secretariat of the NSPC and will prepare, based on the input of the project implementing agencies, the Project's annual progress reports and financial statements and carry out a project mid-term review. The GoM, through the MEE, will establish a partnership agreement with the MI (on behalf of the CRI-O) and the MIEPEEC (on behalf of the OFPPT), to formalize the aspects related to the implementation of the project activities.

54. **At the regional level, project coordination, oversight, and accountability will be ensured using the existing country mechanisms**. These mechanisms, in terms of organizational and operational processes and procedures, will be further detailed in the Program Operational Manual (POM). The Wali of the Oriental region as the regional representative of the central government in that territory will chair steering meetings on the project at least twice a year for this purpose. The Regional Direction of the MEE of the Wilaya of Oriental under the leadership of the Wali will act as technical secretariat of these meetings, which will include regional representatives of the project implementing agencies and main stakeholders (particularly of the MI). The involvement of the regional elected officials in a participatory manner, particularly given the expanded roles of regions and decentralization, will be ensured by the participation of representatives of local governments (including the Regional Council of the Oriental) and other stakeholders (including the private sector, civil society,

[55] Including the Wilaya of Oriental and the CRI of Oriental.
[56] Including NWM SA.
[57] Including Agence nationale de la sécurité routière (National Agency of Road Safety).
58 Société anonyme

and/or academics) in this process to ensure that their perspectives are considered on an iterative basis during planning and implementation. The Wali and the other actors mentioned will liaise with the NSPC and promote coordination of activities at the regional level, ensure the strategic coherence and alignment of project activities with regional development priorities, sectoral interventions and activities supported by national programs and taking place in the Oriental region. These actors will also advise on the project's annual priorities and results as per annual work plans and budget and reports.

55. **The MEE, MTL, MI (CRI Oriental), and MIEPEEC (OFPPT), including through their relevant directorates, agencies and SOEs, will oversee the implementation of the activities under their jurisdiction.** These implementing agencies will be responsible for the activities highlighted in the table below for (i) ensuring their execution (including in terms of procurement and contract administration and management) and monitoring, (ii) preparing and supporting the approval process of their annual work programs and budgets, (iii) elaborating their progress reports, (iv) coordinating with other ministries and agencies involved in their execution, and (v) providing the NPSC with all relevant and necessary information to ensure their oversight of the project. Detailed operational guidelines will be included in the POM to be adopted by the GoM within 90 days of project effectiveness.

Table 3. Project Implementing Agencies

Component	Sub-component	Implementing Agency
1	1.1	CRI Oriental
	1.2	MTL
	1.3	MEE
2	2.1	OFPPT
	2.2	CRI Oriental
3	3.1	MEE
	3.2	MEE
	3.3	MEE
4	4	MEE
5	5	MEE

Flow of funds

56. The project will apply flow of funds procedures used for the execution of the General State Budget (BGE) to ensure the proper allocation of funds to the entities responsible for project implementation. The loan funds will be transferred to a treasury account at the Central Bank (Bank Al Maghrib) which is managed by the General Treasury of the Kingdom (TGR) through a project designated account.

B. Results Monitoring and Evaluation Arrangements

57. **Project results monitoring and evaluation will be carried out by the DGR (MEE) with the support of the Wilaya of Oriental and inputs from the project implementing agencies.** Most of the monitoring data will be based on project management reports and supervision consultants contracted by implementing agencies. The GoM is expected to prepare semestrial and annual implementation progress reports, including progress on indicators, issues related to implementation of activities, procurement, financial management, and social and environmental risk and impact management. The focus of the semestrial reports is to enable communication that supports problem identification and resolution. The GoM will prepare an annual implementation progress

review report: (i) outlining yearly project implementation progress; (ii) identifying risks, lessons, and changes to improve implementation; (iii) summarizing progress toward achievement of the Results Framework and PDOs; (iv) outlining a prospective view of the likelihood of achieving the outcomes and PDOs by project closing; and (v) outlining steps to improve the project's impact and sustainability. A joint mid-term review will be conducted.

58. **A rigorous impact evaluation of the project once completed would be worthwhile given its anticipated significant effects.** It will enable evidence-based assessment of investment choices. The World Bank will support the development of the design of this impact evaluation while the implementation agencies will be responsible for data collection and analysis. Funds will be sought, via trust fund application, during project implementation by the World Bank team to finance this study, with baselines to be collected before civil works are initiated, and follow-up surveys undertaken after the project is completed. The impact evaluation will identify any bottlenecks that need to be removed to enhance these benefits.

B. Sustainability

59. **The project's sustainability is strengthened by its institutional and operational anchoring at the regional level, under the coordination of the Wali and with participation of all local relevant public and private stakeholders, in line with the decentralization process in progress in Morocco.** The project's private sector competitiveness and development activities respond to top priorities of the Government and are fully aligned with the recently adopted National Employment Strategy (2018) enhancing the prospect of the likely sustainability of the approaches supported under the activities. The project design which builds on the mandates of the implementing agencies is likely to contribute to its sustainability. The use of PBCs for these specific activities further contributes to the sustainability of the approach. While the financing of eligible expenditures will set up the services, systems, approaches, and processes, the PBCs will support institutions to deliver some of the project's intended results.

60. **The sustainability of the project's road improvement activities depends on the availability of funds to maintain the improved road assets.** Morocco has a functional road maintenance mechanism with road funds and annual programming and maintenance activities. The targeted corridors are part of the core network of the country. Their maintenance is under the responsibility of the GoM (MEE and DGR more specifically) as per its mandates. Regarding lifeline roads, given their current classification as regional and provincial roads, it is the joint responsibility of the GoM and the relevant regional councils as elected regional governments. These entities, including the latter, have been assessed to have enough budgetary means to co-finance this mission, including as based on the relatively recent State-regions financial transfers framework brought by the advanced regionalization in Morocco. The targeted roads are therefore expected to be maintained and be kept in satisfactory condition, ensuring their longevity. Climate resilient mitigation measures will be embedded in the design of these activities. Appropriate flood control measures will be used for high-risk road segments. These measures include but are not limited to raising the grade of the road profile to avoid flooding, additional drainage structures along the road section, replacing existing drainage structures with more adequate hydraulic opening structures and roadside ditches. Innovative and best practice solutions to ensure that geotechnical challenges (including steep slopes and high embankments in specific sections) are correctly considered in road investments will be used. Such measures can include reinforcement measures, protection measures, geometric modification, surface erosion control, and draining techniques.

IV. PROJECT APPRAISAL SUMMARY

A. Technical and Economic Analysis

61. **The technical analysis of the road sections to be improved by the project is undertaken by the relevant directorates of the MEE** under the coordination of the DGR, mostly through the mobilization of consulting firms. The definition of the civil works and the preliminary designs for the different road sections targeted by the project builds on the geotechnical nature of the area as well as the current road characteristics including the traffic distribution and volumes, detailed below.

Table 4: Basic Road Characteristics

Road No	Road Name	Length (km)	No Lanes	Width (m)	Terrain Type	Surface Class	Roughness (IRI)	2022 Traffic (AADT)
1	Nador-Driouch corridor (RN2)	70	2	11	Hilly	Asphalt Concrete	1.5	9,801
2	NWM-Nador corridor (RN16)	13	2	11	Flat	Asphalt Concrete	1.3	6,251
3	NWM-Al Hoceima corridor (RN16)	84	2	11	Mountainous	Asphalt Concrete	1.5	3,512
Total		167						6,348

62. Rehabilitation works on the four sections targeted by the project consist of:
- Section 1 – RN2 from El Aroui and Kassita (70km): widening and upgrading of the existing two-lane road including earthworks, foundation and base courses, longitudinal ditches, prolongation of existing culverts or demolition/reconstruction of culverts, road marking and signaling and accessories. The preliminary design studies are ongoing.
- Section 2 - RN16 from Oued Kert to Tanoute Erroumane (13km): widening and upgrading of the existing two-lane road including earthworks, foundation and base courses, longitudinal ditches, prolongation of existing culverts or demolition/reconstruction of culverts, road marking and signaling and accessories. Preliminary design studies for this section have been finalized.
- Section 3 – RN16 from Oued Kert to Ajdir (85km): rehabilitation works and upgrading of the existing two-lane road as well as road-related infrastructure and equipment including road marking and signaling. The preliminary design studies for this section are ongoing.
- In all sections, works will include drainage facilities and walking infrastructure and crosswalks in urban/settlement areas along the corridor.

63. **The RSSAT was applied to assess the road safety impact of the proposed rehabilitation of the four sections targeted by the project, detailed above.** Given the lack of relevant granular data, efforts focused on collecting, verifying, processing, and coding data from various sources and based on good practices. Up-to-date data provided by the Ministry of Equipment, Transport, Logistics and Water on road traffic injuries, Global Road Safety Facility (GRSF) Morocco country profile, as well as speed and traffic data from HDM-4 were used. For each section of the corridor, the estimated PSI score was calculated. The average estimated PSI of the project is 0.81. The PSI score for the section 2is 0.59. Sections 1 (Nador-Driouch corridor) and 2 (NWM-Nador corridor) yield higher PSI scores, 0.99 and 0.98 respectively. This can be justified by the nature of improvement works to be conducted on these sections. While section 3 will be upgraded and rehabilitated, works on sections 1 and 2

will also include widening resulting in a higher generated traffic. These results are reference PSIs for the base preliminary designs that were provided at early stages of project preparation and include additional safety design features such as central hatching and segregated pedestrian walking along facilities suggested to meet the Road Safety Impact requirements. Road safety design features in populated areas to ensure safe speed for vulnerable road users will involve installing of traffic calming devices, protected pedestrian crossings and adequate warning signs with fluorescent yellow material in all populated locations. For each section of the corridor, the road safety cost was calculated as well. The total Road Safety benefits estimated by RSSAT are MAD 546 million and account for 10 percent of the project benefits.

64. **To ensure that the Project generates sufficient economic benefits that justify the investments, a Cost Benefit Analysis was conducted for the project roads using HDM-4** that computes annual road agency and users' costs for each project alternative over the evaluation period, comparing the proposed project investments with the conditions without such investments. The quantities of resources consumed, and vehicle speeds are calculated first and then multiplied by unit costs to obtain total vehicle operating costs, travel time costs and CO_2 emissions. The resources consumed, and vehicle speeds are related to traffic volume and composition, and road surface type, geometric characteristics, and roughness. Normal traffic benefits consider a normal traffic growth and generated traffic benefits use half the associated vehicle operating and travel time cost savings, as is standard practice. Road safety benefits were also included on the economic evaluation. The economic assumptions as well as vehicle fleet characteristics and road works costs are further detailed in Annex 3.

65. **The overall EIRR of the project is 23.3 percent and the Net Present Value (NPV) is MAD 4,175 million, at 6 percent discount rate, corresponding to an NPV/Investment Cost ratio of 2.5.** The table below presents the resulting economic indicators.

Table 5: Economic Evaluation Results

Road No	EIRR (%)	NPV (M MAD)	NPV/Investment Ratio
1	25.2%	2,989	3.0
2	15.0%	367	1.0
3	26.4%	819	2.7
Total	23.3%	4,175	2.5

66. **Normal traffic benefits account for around 87 percent of the project benefits, generated traffic benefits for 3 percent, and road safety benefits for 10 percent.** The table below presents the distribution of the project net benefits.

Table 6: Distribution of Net Benefits

Road No	Road Agency (M MAD)	Normal Traffic (M MAD)	Generated Traffic (M MAD)	Road Accidents (M MAD)	CO2 Emissions (M MAD)	Total (M MAD)
1	-544	3,475	69	11	-23	2,989
2	-177	558	59	18	-90	367
3	-86	477	10	450	-33	819
Total	-807	4,510	138	479	-146	4,175

67. **Sensitivity analysis shows that the project is economically justified even if construction cost is 20 percent higher or if the project benefits are 20 percent lower or both.**

Table 7: Sensitivity Analysis Results

Road No	Economic Internal Rate of Return (%) Base	A: Costs+20%	B: Traffic Gowth-20%	C: A & B
1	25.2%	22.6%	22.7%	20.3%
2	15.0%	12.9%	13.0%	11.0%
3	26.4%	23.4%	23.5%	20.8%
Total	23.3%	20.8%	20.9%	18.5%
Road No	Net Present Value (M MAD) Base	A: Costs+20%	B: Traffic Gowth-20%	C: A & B
1	2,989	2,837	2,391	2,239
2	367	314	266	212
3	819	778	655	614
Total	4,175	3,929	3,312	3,065

Greenhouse Gases (GHG) Accounting

68. **The total gross Carbon Dioxide (CO2) emissions over the 20-year evaluation period under the without-project scenario are estimated at 4,346,503 tons and under the with-project scenario at 4,609,264tons resulting in a net increase of CO2 emissions of about 262,760tons, or 13,138tons per year.** The increase in CO2 emissions is attributed to the increase in travel speeds and the generated traffic with the project.

Table 8: CO2 Emissions Over Evaluation Period

Road No	Without Project (tons)	With Project (tons)	Net (tons)
1	2,608,988	2,646,440	37,452
1	691,811	856,975	165,163
2	1,045,704	1,105,849	60,145
3	2,608,988	2,646,440	37,452
Total	4,346,503	4,609,264	262,760

Public Sector Financing and World Bank Value Added

69. **Private sector financing is not available to undertake roads project of this nature in Morocco.** Public sector financing is the appropriate vehicle for financing the proposed road works because the civil works costs cannot be recovered through tariffs due to the relatively low traffic of the project roads.

70. **The World Bank's role is justified because of the project's economic and social benefits.** The World Bank's engagement in Morocco's road sector adds value in several manners, including: (i) bringing global experience on roads investments planning; (ii) providing best practices in climate resilient transport and sustainable

maintenance solutions; and (iii) helping address environmental and social safeguard.

B. Fiduciary

(i) Financial Management

71. The FM Assessment (FMA) has determined that the financial management (FM) arrangement in place in the Implementing entities satisfies the Bank's minimum requirements under Bank Policy and Directive for IPF. The arrangement is therefore adequate to provide, with reasonable assurance, accurate and timely financial management information on the status of the project required by the Bank. The FMA covered the Directorate of Road Transportation (DRT) and the Directorate of Strategy, Programs and Coordination of Transports (DSPCT), at the MTL, the DGR, at the MEE, where the Project Management Unit (PMU) will be housed; (ii) provincial directorates of the MEE in Nador and Driouch; (iii) the OFPPT, and (iv) the CRI-O. The assessment revealed that the Implementing Entities (IE) have acceptable FM systems (governance bodies, internal audit units, external auditing, and so forth), effective FM tools (such as an accounting software) and adequate staffing arrangements in place to manage the project funds in an economic, efficient and transparent way. The proposed FM mechanisms for the Project rely on the country's public financial management (PFM), which is deemed acceptable to the Bank and currently used in all Bank-funded operations in Morocco. The use of the country PFM in Bank-financed operations requires that all financial transactions including commitments and payments made by the Implementing entities of the Project will be subject to prior reviews and approvals by the "*Contrôleur d'Etat*" and the "*Trésorier Payeur*" assigned to each entity.

72. Aside from the provincial directorates of Nador and Driouch, additional provincial directorates of MEE are expected to directly implement minor civil works as part of subcomponent 1.3. These Provincial Directorates will be determined during the first year of implementation of the Program. All provincial directorates have similar functioning in financial management systems, which were assessed through Nador and Driouch. New provincial directorates will undergo, as a criteria for participation in the sub-component, a fiduciary (financial management and procurement) assessment, as necessary, during implementation. A simplified fiduciary questionnaire used for the provincial directorates of Nador and Driouch will be jointly prepared with the PMU and annexed to the POM to assess the new entities.

73. The DGR is familiar with World Bank FM procedures and requirements and will be the Bank FM focal point: The DGR will have the overall fiduciary responsibility of the project in terms of financial reporting and external audit. The project will be required to prepare and submit a consolidated annual work plan and budget (AWPB) not later than November 30 of the year preceding the year the AWPB should be implemented, and consolidated unaudited interim financial reports (IFRs) every six months to be submitted to the Bank 45 days after the end of each semester. Furthermore, the audit reports, prepared by the IGF, of the consolidated annual financial statements of the project will be submitted to the Bank by the DGR within nine months following the end of each calendar year. The CRI-O, MTL, and OFPPT, will have to prepare and submit to the DGR —for consolidation—individual IFR and annual financial statements. The CRI-O and OFPPT will submit to the DGR—for forwarding to the Bank—the reports of their annual financial statements audited by private auditing firms in line with the country PFM applicable to these entities.

74. Upon project effectiveness, both disbursement against the achievement of Indicators (PBC) and IFR-based disbursements would be used as follows: (i) A segregated Designated Account A (DA-A) at the Central Bank

would be opened for Components 1, 2.1, 3 and 4. The ceiling of the DA-A would be stated in the Disbursement and Financial Information Letter (DFIL) and replenishment will be report-based (IFR). (ii) A second segregated Designated Account (DA-B) would be opened for PBCs under Component 2.2. Funds would flow from the IBRD into the DA-B account opened at the Central Bank (Bank Al-Maghrib) or at the General Treasury of the Kingdom (*Trésorerie Générale du Royaume*)—to be confirmed. Request for advances of amounts of the financing allocated to certain PBCs that have not yet been achieved are permitted.

75. The World Bank's principal concerns are to ensure that project funds are used economically and efficiently for the intended purpose. Assessment of the risks that the project funds will not be so used is an important part of the FM assessment work. The risk features are determined over two elements: (a) the risks associated with the project (inherent risks) and (b) the risks linked to a weak control environment of the project implementation (control risks). The content of these risks is described below.

76. **The overall residual FM risk for the project is rated Substantial**. The following risk factors were identified: (a) the FM team of CRI-O and OFPPT is not familiar with Bank FM procedures and may face some capacity challenges in complying with the Bank requirements; (b) the multiplicity of actors geographically dispersed in the region[59] and the use of a computer–based spreadsheet and data extracted from the national budget execution software may lead to some challenges in terms of quality and timeliness in the preparation of consolidated IFR and project annual financial statements; (c) budget allocations over the project implementation periods primarily due to the difficulty in adapting budgeting timelines for activities related to private sector promotion (Component-2), to support the activities related to the PBCs may not be sufficient; hence the indicators may not be achieved on time; (d) lack of operationalized internal audit units at the CRI-O and MEE/MTL may prevent the management of the PMU being advised promptly of any weaknesses that warrant corrective measures to improve project performance; and (e) the shortcoming of coordination, already observed in other projects with similar arrangements[60], between the central and regional levels, mainly in terms of consolidating financial information and ensuring its reliability.

77. **The following key mitigation measures will be incorporated into the design of the project FM arrangements**: (i) assign to the PMU or recruit under ToR acceptable to the Bank of, one experienced FM officer familiar with Bank FM procedures and requirements. This action will be combined with capacity strengthening activities to be carried out by Bank FM Team ; (ii) make effective the use of the software developed by the Directorate of Roads and to be installed in each provincial directorate to facilitate the preparation of consolidated IFR and annual financial statements; (iii) configurate the spreadsheet to allow the preparation of the project consolidated IFR and annual financial statements for financial reporting purposes; (iv) identify or create all budget codes within the budget of the CRI-O that can support the implementation of activities related to the PBCs, (v) include in the POM a detailed coordination mechanism, of budgetary and financial reporting, between all entities involved in the project, and (vi) mitigate the lack of operationalized internal audit units at the PMU/DGR, MTL and CRI-O by means of reinforcing these units with sufficient and adequate staffing with an annual workplan, as well as increased project oversight by the NPSC and the audit committees of CRI-O and OFPPT.

(ii) Procurement

78. **Procurement under the project will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers (*Regulations*) dated November 2020 and other provisions stipulated in the Financing Agreement.** "The Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed

by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 and as of July 1, 2016, shall apply to the project. The World Bank's Standard Procurement Documents shall be used for all procurements to be carried out following open international procurement procedures. Further, the Moroccan Public Procurement Decree (PPD) No. 2-12-349 of 20 March 2013 with additional provisions specified in Section V of the Bank's Procurement Regulations will apply as appropriate.

79. **Project's procurement will be carried out by** the CRI-O; the Ministry of Equipment and Water (MEE) under the coordination of the DGR; the MTL; and the OFPPT. Detailed procurement processing procedures, with clear responsibilities and business standards for various steps, will be outlined in the POM. A procurement risk and capacity assessment of the different implementing agencies was carried out to identify risks and mitigation measures (See Annex 1). The residual procurement risk with the mitigation measures is rated ***Substantial***.

80. With support from the Bank, a Project Procurement Strategy for Development (PPSD) has been prepared to determine the most appropriate procurement arrangements for the project. Based on previous experiences and the market analysis carried out in the PPSD, the local market in Morocco, mainly for works, goods and consulting services, is stable and attractive and ensures sufficient competition. The market has also enough qualified and experienced bidders. However, the large and more complex works and TA packages envisaged under the project will be procured following open international competitive procurement procedures using the World Bank's Standard Procurement Documents in order to ensure a wide competition amongst and attract potential national and foreign right bidders.

81. **The major procurement activities under the project will include:**

i. the procurement of large **works** contracts for the improvement of road infrastructure (potentially 5 to 7 large contracts ranging from $10 to $65 million for road construction, rehabilitation, and maintenance works) for a total amount of US$200 million; as well as about 14 labor-intensive works contracts for road maintenance for a total amount of US$7 million. Out of the above-mentioned US$200 million budget for works contracts, US$134.5 million are for the Improvement of the Nador-Driouch road transport corridor in a safe and climate-resilient manner and using performance-based contracts for some of the selected road sections construction and maintenance.

ii. the selection of **consulting firms** for an estimated total amount of $14million to provide technical assistance to the project for: (a) the strengthening of territorial development approach; (b) the improvement of road asset management through strengthened axle load control ; (c) the supervision of large and complex works contracts; (d) the implementation, monitoring and evaluation of the project; (e) the strengthening of the quality and relevance of TVET Programs through support to the implementation of Quality Improvement Packages (QIPs) by OFPPT; and (f) supporting CRI-O in implementing the PBC sub-component

iii. the procurement of **goods, works and non-consulting services** as identified under the eligible expenditures of the PBCs related activities under sub-component 2.2 (US$9 million of small grants disbursed by the CRI-O to support firms to create jobs in the region). The positive list of eligible expenditures will be defined in the POM and will exclude acquisition of land and construction. Procurement of these items shall be carried out in accordance with commercial practices deemed acceptable to the Bank as set forth in the Bank's Procurement Regulations and detailed in the POM.

iv. The remaining procurement activities will include some small to medium packages of **goods, small works, consulting, and non-consulting services** to support the project management and OFPPT programs.

82. **A project's Procurement Plan has been prepared based on the analysis in the PPSD**. The initial Procurement Plan covers the first eighteen (18) months of the project implementation. The Procurement Plan will be updated in agreement with the World Bank team annually or as required to reflect the annual program implementation needs.

83. Detailed procurement arrangements are described in Annex 1.

C. Legal Operational Policies

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

D. Environmental and Social

84. The revised Environmental and Social Risk category is Substantial. At Concept, considering the initial project scope stage, the E & S risk classification was envisaged to be high. However, at Appraisal the risk is re-categorized to be Substantial. This is because of the exclusion of the Port of Nador and the Industrial Zone from the project. Accordingly, both the Nador port and the industrial zone are not part of the project neither are they considered to be associated facilities as these facilities or activities will not be funded as part of the project. To wit, for facilities or activities to be Associated Facilities, they must meet all three criteria as set forth in the ESF: First, these facilities are not being carried out, or planned to be carried out, contemporaneously with the project. Second, the port and the industrial zone in our judgment are not directly and significantly related to the project. Third, these two facilities are not necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist. The Nador Port and the Industrial Zone do not meet any of these criteria and hence are not considered as Associated Facilities under the project.

85. That said, the envisaged environmental risks and impacts are typical for road construction (Component 3), mainly consisting on rehabilitation and widening and there are no adverse impacts that are unprecedented and irreversible on sensitive receptors. The risks and impacts identified in the ESMF and draft preliminary ESIA's of road sector confirmed absence of sensitive sites such as National Parks, Wildlife Sanctuary, reserve forest, critical habitat, wetlands, rives nor RAMSAR sites etc. The potential impacts and risks are mainly due to construction activities like water and soil pollution from wastewater, municipal solid wastes; spillage; disruption to drainage pattern due to drying of springs and clogging of streams during construction; erosion due to excavation and disposal of spoils from hill side cutting; cutting of trees (15000); land degradation due to extraction/quarrying), and project induced development; change in aesthetic of landscape;, construction related traffic, accident, and occupational health & safety issues; distress of public/community due disruption of utility services. The construction and rehabilitation works can pose risks to workers in terms of pollution and accidents. The project will not support any activities causing any irreversible impact on Wildlife protection, critical habitat or sensitive areas. The envisaged

environmental impacts and risks of components 1 and 2 include work safety, waste management from renovation of existing buildings and are site specific, predictable, and also amenable to routine safety precautions are expected to be sufficient to manage these impacts. The project's detailed and comprehensive E&S management instruments, coupled with client's binding commitment to further enhance its institutional capacity for E&S management, will allow effective mitigation of the identified E&S risks. So far the implementing agencies are not familiar with ESF requirements. The relevant ESS include: ESS1, ESS2, ESS3, ESS4, ESS5, ESS6, ESS8 and ESS10. See Annex 5 for Overview of the relevance of these Standards for the Project.

Social Risk Rating

86. The social risk is rated as Substantial. The rating is mainly due to the client's low capacity to manage social risks, as well as the strategic planning, training and private sector development technical assistance activities in Components 1 and 2. The main social risks and impacts involved in Component 1 are focused on the potential lack of meaningful consultation and related risk of social exclusion of stakeholders in (i) the development of a priority investment roadmap enabling a territorial development approach, focusing on the greater Nador area, that will consolidate priority interventions in the coming 5-10 years (Comp. 1.1); and (ii) TA for the development of the Nador-NWM transport corridor strategy (Comp. 1.2.). The main social risks of Component 2 are the potential SEA/SH risks related to the skills development component focused on young women (Comp. 2.1.) and potential exclusion from benefits from the TVET (Comp. 2.2), such as people with disability, and barriers to entry (if equal opportunities to private companies cannot be provided). The project-level SEP will apply to guide the needed consultations. Furthermore, eligible expenditures under Component 2.2. will exclude any activities that involve construction, resettlement and/or land acquisition as part of a negative list. A strategic social and environmental assessment will be conducted during implementation, prior to the preparation of the investment roadmap (1.1.) and transport corridor strategy (1.2.) to inform the TA process with reference to the preparation of the private sector investment roadmap and to identify E&S criteria for the selection of investments.

87. Component 3's social risks, associated to the improvement of the road infrastructure, include moderate loss of land, physical relocation and/or economic and livelihoods impacts on households that will be affected by land acquisition in the road segments that require road widening. Most impacts will occur in the road reserve (right-of-way) and affect assets belonging to informal settlers/workers. Mitigation measures are covered in the project's Resettlement Framework (RF) for all components, as well as in specific Resettlement Plans for each relevant road segment. Additionally, the project also has moderate risks related to labor influx, given that the project will partially tap into the local labor market during the construction phase. There is also a moderate risk of child labor. Measures to manage labor influx and the risk of child labor have been included in the ESMF and Labor Management Plan (LMP). Measures to address the risk of child and forced labor, including enforcing minimum age for employment, policies, and monitoring of supply chains with respect to child and forced labor and worker safety issues are included in the ESMF and LMP. Other related risks include sexual exploitation and abuse of community members by project workers and sexual harassment (SEA/SH) amongst project workers in the workplace. Relevant mitigation measures are included in the SEA/SH Plan.

Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) Risk Rating

88. The risk is considered Moderate given the nature of the activities, notably under Component 3, improvement

of road structure, and Component 2.2. related to youth employment activities. A SEA/SH Action Plan was developed, cleared, and disclosed on May 18, 2022. The Sexual Exploitation and Abuse/Sexual Harassment plan (SEA/SH Plan) for the overall project, comprises: i) a Code of Conduct focused on SEA/SH prevention to be developed and shared with the contractors to be signed by all laborers; ii) mapping of Service Providers for SEA/SH prevention and response for all the sub-project roads and, institutional linkages with these service providers should be strengthened for GBV risk mitigation and response; iii) integrating SEA/SH into existing IEC strategy/materials, GM, safety talks, tool box meeting and regular trainings including orientation and sensitization training need to be provided for all project staff and contractors, in particular, safety supervisors and engineers; iv) providing strategies for increasing community consultation and identification of SEA/SH focal points within the community; and v) monitoring and reporting of these actions with a special focus on identified hot spots.

Environmental and Social Instruments

89. To mitigate the envisaged impacts and risks resulting from the project, the borrower will prepared as enunciated in the ESCP and phased as follows: **A. Prior to completion of Appraisal:** The borrower has prepared: (i) an Environmental and Social Commitment Plan (ESCP) setting out material measures and actions, any specific documents or plans, as well as the timing for each of these; (ii) An Environmental and Social Management Framework (ESMF) for the entire project that sets out the principles, rules, guidance and procedures to assess the environmental and social risks and impacts of the activities that the scope and locations were unknown during the project preparation. The borrower will ensure that the project will fully comply with the WBG Environmental, Health, and Safety (EHS) guidelines as required; (iii) A Stakeholder Engagement Plan (SEP) including measures to, inter alia, provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation; (iv) A Resettlement Policy Framework (RPF) covering the resettlement and livelihood impacts related to the activities covered by Component 3 as well as any minor works in Components 1 and 2 ; (v) LMP covering project workers for all components and including provisions on working conditions, management of workers relationships, occupational health and safety (including personal protective equipment, and emergency preparedness and response), workers accommodation specifications in case of a basecamp, code of conduct (including relating to SEA and SH), forced labor, child labor, grievance arrangements for Project workers, and applicable requirements for contractors, subcontractors, and supervising firms; (vi) SEA/SH Prevention and Response Action Plan covering the entire project, including namely Component. 2 on skill development focused on young women and construction works covered in Component. 3. The Plan sets out measures and actions to assess and manage the risks relating to sexual exploitation and abuse as well as sexual harassment, such as requiring all skills training program's educators and administrators as well as contractors to adopt and implement measures against sexual harassment and sexual exploitation and abuse including the application of a Code of Conduct for all project workers; and (vii) Road Safety Management Plans (RSMP) have been prepared prior to the completion of appraisal. The borrower will implement the RSMP in a manner that is consistent with ESS4. In addition, the Contractor ESMP will include Traffic and Detour Management and Road Safety Plan. The RSMP will be implemented and monitored throughout the implementation. These aforementioned Instruments were prepared, consulted upon, and disclosed on May 17, 2022. **B. Prior to Project Effectiveness:** This includes site specific instruments such as ESIAs for RN16A, RN16B, and RN2 and corresponding RAP for RN16A will be prepared consulted upon and disclosed prior to project effectiveness. **C. Other ESF Instruments during implementation:** Under components 1 and 2 as well as TA, the borrower will conduct strategic environmental and social assessment that will inform the preparation of Private Sector Investment Roadmap. In addition, no financial intermediaries are involved in the project at present. Under the PBCs financed activities, no new entity will be created for the purposes of fund

dissemination by the project. Rather it would take the form of a budget line to an existent government entity (CRI of Oriental). To manage the potential impacts and risks, a negative and positive list has been prepared that will be used in the selection of SMEs and the activities that will be eligible for financing and will be embedded in the ESMF. This list is also included in the Project Operational Manual at a later stage. The list may be reviewed by the World Bank, together with the ESMS subsequently developed when SMEs and their related activities under the PBCs are known in sufficient detail during implementation.

Institutional Arrangement, Staffing and Capacity Building

90. An Inter-ministerial Project Steering Committee (IPSC) is proposed due to the integrated nature of the project which requires coordination between the different stakeholders. At regional level, a Regional Project Steering Committee (RPSC) is also proposed to liaise with the IPSC and coordinate activities at territorial level. Project management units should be established, and key personnel mobilized prior to project implementation. The Project Management Unit (PMU) at the MEE's DGR and other implementing entities for components 1, 2 such as the OFPPT, Centre Régional d'Investissement (Regional Investment Centers or CRI) of Oriental and the MTL, through their relevant directorates, will ensure the implementation of activities within their competence.

91. The PMU and the other implementing entities, including focal points will be staffed by Environmental and Social Specialists in a manner acceptable to the Bank. The institutional capacity of MEE/DGR and other implementing entities shall be addressed by having a PMU supported by: i) Full-time Environmental Specialist and a Social Specialist in the PIU; (ii) Environmental Specialist and a Social Specialist will be embedded as part of the focal point of the other implementing entities; iii) PM Consulting (PMC) Firm with Environmental, bioengineering and Social team members and iii) Contractor with an Environmental and Health & Safety Manager/Officer. Trainings would be organized as part of the project implementation and budget will be reflected in the corridor specific ESIAs that are being prepared for the project. Terms of References for all ESHS positions in the project will be shared with the Bank for review and no-objection. MEE/DGRE will ensure that each of the relevant project entities such as CRI Oriental MTL, OFPPT and partners has ESHS focal points to supervise and ensure implementation of E&S requirements. The PMU will support the project implementing entities and partners in preparing specific scope of work necessary for the EHS specialist(s)/consultant(s) to perform the required duties.

Responsibility of the Borrower

92. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards (ESSs) as set forth in the Environmental and Social Commitment Plan (ESCP). However, if 60 days prior to the Closing Date, if the Bank determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Borrower shall: (a) not later than 30 days before the Closing Date, prepare and present to the Bank, an action plan satisfactory to the Bank on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Bank.

Citizen engagement

93. Citizen engagement activities and features will be incorporated in project implementation to help to enhance the project's results. In terms of communication, as a complement to project activities, road safety trainings (including to truck drivers) and awareness raising campaigns will be carried out in the North-East region, with the

cooperation of specialized NGOs when available. In terms of participatory approach, focus group discussions will be held as part of this activity to ensure that communities and residents in the greater Nador area (including vulnerable groups) have the opportunity to provide their inputs directly into the priority investment roadmap. Satisfaction surveys will be administered to road users as part of the project to measure satisfaction with the level of service of the targeted road sections. The findings of the surveys will be used to generate periodic time and results-bound action plans to address the feedback compiled through these surveys. In terms of implementing arrangements, representatives of local governments (including the Regional Council of the Oriental) and other stakeholders (including the private sector, and civil society, and/or academics) would be included to ensure that their perspectives are taken into account on an iterative basis during planning and implementation.

V. GRIEVANCE REDRESS SERVICES

94. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

95. **The overall unmitigated risk of achieving the project development objectives is rated *substantial***.

Table 9: Risk Rating

Risk Categories	**Residual Risk Rating**
1. Political and governance	Moderate
2. Macroeconomic	Moderate
3. Sector strategies and policies	Moderate
4. Technical design of project	Moderate
5. Institutional capacity for implementation and sustainability	**Substantial**
6. Fiduciary	**Substantial**
7. Environment and social	**Substantial**
8. Stakeholders	Moderate
Overall	**Substantial**

96. **Risks pertaining to institutional capacity for implementation and sustainability are assessed as substantial**. The main risks in this area lie in the relatively complex design of the project (which has been simplified to the extent possible) given the project's integrated nature. Risks will be mitigated by the implementation support (including technical assistance and capacity building) as part of Component 4, the creation of specific coordination

arrangements and mechanisms as well as the convening power of the MEF, a ministry that has established a track record of implementing multi-sectoral operations and is perceived as a trusted partner by government stakeholders and development partners (including the World Bank).

97. **Risks pertaining to fiduciary aspects are assessed as substantial.** The main risk in this area lies in the relative lack of experience of specific implementing agencies in the procedures of the World Bank and the need for additional adequate human resources. This risk will be mitigated by the implementation support included as part of the project (Component 4), the mobilization of additional fiduciary staff for project activities, and guidance and capacity building from the World Bank as needed before and during project execution in fiduciary aspects.

98. **The Environmental and Social Risk category is Substantial.** At Concept stage the E & S risk classification was envisaged to be high. However, at Appraisal stage, the risk has been downgraded to Substantial, given the exclusion of the port of NWM and the industrial zone from the design of the project.

99. That said, the envisaged environmental risks and impacts are typical for road construction and there are no adverse impacts that are unprecedented and irreversible on sensitive receptors. The main environmental risks include vegetation clearing, earth works producing large volumes of excess material, generation of other construction waste, river crossings, dust and noise, vibration, extraction of natural construction materials, and operation of work camps. There are no adverse impacts and risks as well on critical and natural habitats and on protected areas, wildlife corridor and other high value biodiversity enclaves. On this basis, the project is not expected to cause unprecedented and irreversible negative environmental or social impacts. There are no adverse impacts and risks as well on critical and natural habitats and on protected areas, wildlife corridor and other high value biodiversity enclaves. The widening of the road formation to improve safety and increase capacity of the roads may involve acquisition of farmland and properties.

100. Social risks include the loss of land, physical relocation and/or livelihoods impacts on households that will be affected by land acquisition in the segments that require road widening. Additionally, the project also has moderate risks related to labor influx, given that the project will partially tap into the local labor market during the construction phase. There is also a moderate risk of child labor.

101. To mitigate these risks to acceptable levels, the Ministry of Equipment and Water has developed and will implement all relevant ESF instruments, including the ESCP, ESMF, Resettlement Policy Framework (RPF); RAP, ESIAs, Stakeholder Engagement Plan (SEP) including the project’s Grievance Redress Mechanism (GRM); and a LMP. The project’s detailed and comprehensive E&S management instruments, coupled with client’s binding commitment to further enhance its institutional capacity for E&S management, will allow mitigation of the identified E&S risks. In other words, the PMU will strengthen their team with qualified specialists working on the implementation of the environmental and social sustainability instruments.

102. Furthermore, according to the ESF’s practice of adaptive management, the risk rating will be revisited considering the combined impacts of the geo-hazards risk and Borrower’s current capacity/systems to address them, during implementation. As nature of upgradation and maintenance works shall be similar in other corridors, though not yet fully known, the environmental and social risks and impacts are anticipated to be similar in nature and magnitude as well, with minor variations, if any, depending on the available right of way (ROW) and the final design. In light of these factors, the project risk categorization will be revisited and revised upon conducting of final

ESIAs for these corridors. Bank team will review the risk levels for both these roads and may adjust the risk categorization to be consistent with the ESS.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Morocco
MA North-East Economic Development Project

Project Development Objectives(s)

To improve connectivity and enable private sector growth in the project area.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Improve connectivity in the North-East region				
Reduction in travel time along the rehabilitated corridors (Percentage)		0.00	5.00	10.00
Enable private sector growth in the North-East region				
Increase in private investment (Amount(USD))		0.00	15,000,000.00	30,000,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Strengthening of the integrated territorial development approach				

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Priority investment roadmap (Yes/No)		No	Yes	Yes
Feeder roads maintained with climate resilient standards (Kilometers)		0.00	300.00	500.00
Support to the private sector development readiness and competitiveness				
Youth enrolled in training programs implementing the full quality improvement package (Number)		0.00	3,000.00	5,000.00
of which women (Number)		0.00	1,500.00	2,500.00
Number of women placed in formal jobs 12 months after TVET/training completion (Number)		0.00	250.00	625.00
TVET partnership agreements developed and signed with the private sector, including a broader partnership framework (Number)		0.00	5.00	12.00
The Regional Committee for Improved Business Climate has published a White Paper with priority investment climate reforms for the Region of the Oriental (Number)	PBC 2	0.00	1.00	1.00
Share of women-owned firms supported by the project (Percentage)		0.00	10.00	15.00
Reduction in time to process investment authorizations (Days)		22.00	15.00	10.00
Maximum payments delay from territorial collectivities to private sector firms (Days)		120.00	60.00	45.00
The CRI of Oriental has developed and published a performance indicator on the response time private sector investment requests (Number)		0.00	1.00	1.00
Number of value chains for which an action plan has been developed and approved (Number)		0.00	1.00	2.00
Improvement of road infrastructure				

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Roads rehabilitated with climate resilient standards (Kilometers)		0.00	100.00	170.00
Decrease in annual fatalities from road accidents on the rehabilitated roads (Percentage)		0.00	10.00	20.00
Performance-based contract for operation and maintenance of rehabilitated sections signed (Number)		0.00	1.00	1.00
GBV protocol designed and in use (Yes/No)		No	Yes	Yes
Percentage of survey participants who express satisfaction with the level of service of the targeted road sections (Percentage)		0.00	50.00	90.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Reduction in travel time along the rehabilitated corridors	Average vehicle fleet travel time reduction along the rehabilitated sections	Annual	Surveys	Recording of average speed per vehicle type on sections of RN16/RN2 targeted by the project	DGR
Increase in private investment	Private sector investment by supported firms in the Region of Oriental. The	Annual	Beneficiary firms	Data collected from the beneficiary firms approved for funding	CRI-O

	regional Fund has the objective to support 200 firms investing a minimum amount of MAD 1 million by 2025.				

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Priority investment roadmap	Investment road map has been prepared	Annual	CRI-O	Project monitoring	CRI-O
Feeder roads maintained with climate resilient standards	Number of kilometres of feeder roads maintained with climate-resilient standards	Annual	DGR	Supervision	DGR
Youth enrolled in training programs implementing the full quality improvement package	The indicator measures the full implementation of the QIP in selected centres (QIPs include technical, socio-emotional, and job search skills, language, Entrepreneurship	Annual	Reports from participating TVET institutions	Project monitoring	OFTTP
of which women					
Number of women placed in formal jobs 12 months after TVET/training completion	Number of women recruited in formal jobs 12 months after TVET/training completion.	Annual	OFPPT	Survey	OFPPT

TVET partnership agreements developed and signed with the private sector, including a broader partnership framework	An institution may sign one or more partnership contracts.	Annual	Reports from participating TVET institutions, ANAPEC and Chamber of commerce	Project monitoring	OFTTP
The Regional Committee for Improved Business Climate has published a White Paper with priority investment climate reforms for the Region of the Oriental	A White Paper is publicly available and published on the CRI-O website, and submitted to the Interministerial Committee in charge of CRI reforms	Annual	CRI-O	Project monitoring	CRI-O
Share of women-owned firms supported by the project	Percentage of firms owned by women and supported by the Regional Fund	Annual	CRI-O		CRI-O
Reduction in time to process investment authorizations	The average number of days	Annual	CRI-O	Project monitoring	CRI-O
Maximum payments delay from territorial collectivities to private sector firms		Annual			
The CRI of Oriental has developed and published a performance indicator on the response time private sector investment requests					
Number of value chains for which an action plan has been developed and approved	Number of sector specific value chain that have been prepared in the context of the Competitive Reinforcement Initiative				

Roads rehabilitated with climate resilient standards	Number of kilometres of roads rehabilitated with climate-resilient standards	Annual	Supervision consultant	Project monitoring	DGR
Decrease in annual fatalities from road accidents on the rehabilitated roads	Uses WHO definition of "road accident fatalities" as all fatalities within 30 days of the accident.	Annual	DGR	Project monitoring	DGR
Performance-based contract for operation and maintenance of rehabilitated sections signed	Procurement and signature of a performance-based contract for operation and maintenance of the project road sections	Annual	DGR	Project monitoring	DGR
GBV protocol designed and in use	GBV protocol in contracts and code of conducts	Annual	Supervision consultants	Project monitoring	DGR
Percentage of survey participants who express satisfaction with the level of service of the targeted road sections	Satisfaction surveys to road users and communities	Annual	DGR	Surveys	DGR

Performance-Based Conditions Matrix

PBC 1	The CRI Oriental has reduced the dispute settlement period between investors and government agencies in a given year.			
Type of PBC	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Days	2,000,000.00	0.71
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	22.00			

CY 2023 PBC1	15.00	1,000,000.00	50%
CY 2024 PBC 1; PBC2	10.00	1,000,000.00	50%
CY 2025 PBC3	10.00	0.00	0.00
CY 2026 PBC4	10.00	0.00	0.00

PBC 2	The white paper identifying priority investment climate reforms issued by the CREA has been approved by the Borrower's relevant authority.			
Type of PBC	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Number	2,000,000.00	0.71
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
CY 2023 PBC1	1.00		2,000,000.00	100%
CY 2024 PBC 1; PBC2	1.00		0.00	0.00
CY 2025 PBC3	1.00		0.00	0.00
CY 2026 PBC4	1.00		0.00	0.00

PBC 3	The CRI Oriental has developed and made publicly available a performance indicator on the response time to private sector investment requests.			
Type of PBC	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	No	Number	2,000,000.00	0.71
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
CY 2023 PBC1	1.00		2,000,000.00	100%
CY 2024 PBC 1; PBC2	1.00		0.00	0.00
CY 2025 PBC3	1.00		0.00	0.00
CY 2026 PBC4	1.00		0.00	0.00

PBC 4	The CRI Oriental has developed a roadmap to improve the payment delays of territorial collectivities to private firms and submitted it to the MI after validation by the Wali of the Oriental region.			
Type of PBC	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Number	3,000,000.00	1.06
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
CY 2023 PBC1	1.00		3,000,000.00	100%
CY 2024 PBC 1; PBC2	1.00		0.00	0.00

CY 2025 PBC3	1.00	0.00	0.00
CY 2026 PBC4	1.00	0.00	0.00

Verification Protocol Table: Performance-Based Conditions

PBC 1	The CRI Oriental has reduced the dispute settlement period between investors and government agencies in a given year.
Description	average time it takes the CRI-O to solve dispute settlement in a given year
Data source/ Agency	CRI-O
Verification Entity	Independent Verification Agency
Procedure	calculate the average based on the time logged to solve dispute settlements between CRI-O and the private sector

PBC 2	The white paper identifying priority investment climate reforms issued by the CREA has been approved by the Borrower’s relevant authority.
Description	the CRI-O is leading the development of a White Paper/action plan that prioritizes the investment climate in the region, as a result of consultations with the private sector and local stakeholders. The White paper needs to be submitted and validated by the Wali of the Oriental who chairs the Oriental Region Committee for Improved Business Climate
Data source/ Agency	CRI-O
Verification Entity	Independent Verification Agency - IGAT or private sector firm
Procedure	Confirm the White Paper has been submitted and validated by the Wali of the Oriental Region

PBC 3	The CRI Oriental has developed and made publicly available a performance indicator on the response time to private sector investment requests.
Description	Investment requests require different steps under different stakeholders. The CRI-O will public a performance indicator that shows the different steps and delays for each step to improve transparency, accountability and reforms to improve delays
Data source/ Agency	CRI-O
Verification Entity	Independent Verification Agency
Procedure	Check that the new indicator is available on the CRI-O website will all the steps and responsible agencies

PBC 4	The CRI Oriental has developed a roadmap to improve the payment delays of territorial collectivities to private firms and submitted it to the MI after validation by the Wali of the Oriental region.
Description	The CRI-O will develop an Action Plan that clearly identifies concrete steps that need to be taken by different stakeholders/responsible agencies to improve payment delays from regional/local collectivities to the private sector.
Data source/ Agency	CRI-O
Verification Entity	Independent Verification Agency
Procedure	Check the Action Plan has been submitted to the Regional Wali for validation and then to the Ministry of Interior

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Morocco
MA North-East Economic Development Project

Financial Systems Assessment

1. The assessment complied with the Financial Management Manual for World Bank investment projects financing (IPF) operations, issued on February 10, 2017. The Financial Management Assessment (FMA) has been carried out in accordance with the World Bank Policy and Directive on World Bank Procedures for the Preparation of Investment Project Financing No. OPS5.03-PROC.171 dated May 2018 and in accordance with the World Bank Guidance "Investment Project Financing with Performance-based Conditions" issued in January 2020.

2. **The objective of the assessment** was to determine whether the project has acceptable FM arrangements in place to ensure that the project funds will be used only for intended purposes, with due attention to considerations of economy and efficiency. FM Arrangements are acceptable if they allow for accurate complete recording of all transactions and balances related to the project, supporting the preparation of regular, timely and reliable financial statements, safeguarding the project's assets, and are subject to auditing arrangements acceptable to the World Bank. These arrangements aim to facilitate disbursements and to ensure effective use of project resources. Finally, these arrangements should be in place when the program implementation starts and be maintained as such during project implementation.

3. The FMA covered Implementing Entities out of which, two (MTL and MEE) have already participated in the implementation of World Bank-funded operations including the Rural Roads Projects - PNRR I (P082754) and PNRR II (P094007) and the Community-Based Rural Roads Maintenance Project (P165411). The FMA covered the DRT/DSPCT (MTL), DGR (MEE) and its two provincial directorates of Nador and Driouch (Components 1, 3 and 4); OFPPT, and the CRI-O (components 1 and 2). The overall FM arrangements for the program will be based on the country PFM systems which provides the assurance that the Bank funds will be used for the intended purposes: The 2016 Public Expenditure and Financial Accountability Assessment (PEFA) and other fiduciary assessments concluded broadly that the legal and regulatory framework and institutional arrangements for public financial management are in line with international standards. Morocco's compliance with rules and regulations and existing accountability arrangements provides an adequate framework for the use of public funds, and PFM is considered broadly transparent. The shortcomings identified during the PEFA and other fiduciary assessments have been or are being addressed by the Government with support from the Bank and other Development partners. The program like the ongoing Bank-financed operations in the country, will make use of the Moroccan public financial management (PFM) systems such as the procedures for planning, budget preparation and execution including internal control, flows of funds (Treasury single account), financial reporting relying on the national integrated expenditures system; and audits performed by the public institutions of controls.

Risk Assessment and Mitigation

4. The World Bank's principal concerns are to ensure that project funds are used economically and efficiently for the intended purpose. Assessment of the risks that the project funds will not be so used is an important part of the FM assessment work. The risk features are determined over two elements: (a) the risks associated with the project (inherent risks) and (b) the risks linked to a weak control environment of the project implementation (control risks). The content of these risks is described below.

5. **The overall residual FM risk for the project is rated Substantial**. The following risk factors were identified: (a) the FM team of CRI-O and OFPPT, is not familiar with World Bank FM procedures and may face some capacity challenges in complying with the World Bank requirements; (b) the multiplicity of actors geographically dispersed in the region[59] and the use of a spreadsheet and data extracted from the national budget execution software may lead to some challenges in terms of quality and timeliness in the preparation of consolidated IFR and project annual financial statements; (c) budget allocations over the project implementation periods primarily due to the difficulty in adapting budgeting timelines for activities related to private sector promotion (Component 2), to support the activities related to the PBCs may not be sufficient; hence the indicators may not be achieved on time; (d) lack of operationalized internal audit units at the CRI-O and MEE/MTL may prevent the management of the PMU being advised promptly of any weaknesses that warrant corrective measures to improve project performance; and (e) the shortcoming of coordination, already observed in other projects with similar arrangements[60], between the central and regional levels, mainly in terms of consolidating financial information and ensuring its reliability.

6. **The following key mitigation measures as detailed in the core financial management section of the PAD and the table below will be incorporated into the design of the project FM arrangements.**

Table 1.1: Risk Assessment and Mitigation Measures

Risk	Risk Mitigating Measures Incorporated into project Design
Inherent risk	
Country level The PEFA undertaken in 2016 has highlighted several areas of strengths in PFM. However, there is a need to work on the weaknesses identified in reports.	Beyond the control of the project, the government is committed with the support from the World Bank and other donors to a reform program that includes the PIM and budget reform (e.g., program budgeting, etc.).
Entity level The MTL formed six months ago with the MEE, the Ministry of Equipment, Transport, Logistics, and Water (METLW). This latter was evaluated as satisfactory by the World Bank in previous and recently approved operations. The MEE and MTL are familiar with World Bank-financed FM procedures and requirements in terms of budgeting, financial reporting, auditing, and disbursement. However, tools available for Bank-financed operations required some improvements. The CRI-O and OFPPT have no previous experience of World Bank-funded operations.	FM section in the POM will be developed to include specific sections on the procedures to collect and prepare consolidated IFR and annual financial statements, and a spreadsheet will be used as an alternative arrangement option. The World Bank team will assist the FM team of CRI-O and OFPPT, as well as all entities involved in the program to build capacity in this area such as financial controls and financial reporting, internal and external audit.
Project level Lack of previous experience of CRI-O and OFPPT on the World Bank FM procedures may lead to some challenges in complying with the World Bank FM requirements. Multiplicity of implementing entities located around the region with capacity variances may lead to some delays in the preparation and submission of the IFR and audit reports. The resources of the program may not be used for the intended purpose in an efficient and timely manner.	Appointment of an FM officer familiar with World Bank FM procedures and requirements. Capacity building activities will be conducted by the World Bank FM Team before launch of the project's activities and during implementation. Specific sections will be developed in the POM to guide the procedures to collect and prepare consolidated IFR and annual financial statements.
Control Risk	
Budgeting: (i) delays budgetary execution and control, (ii) cost	Annual work plan (AWP) and budget required each year and

[59] The Region of Oriental is the second biggest region of the Kingdom of Morocco, knowing intra-region disparities.

[60] supporting the economic inclusion of youth project (P151169).

Risk	Risk Mitigating Measures Incorporated into project Design
overrun or under run and reasons not detected in a timely manner, (iii) insufficient funds allocated to the budget line supporting the implementation of activities related to the PBCs.	proclaimed. AWP reviewed and approved by the Bank to ensure appropriate allocation of funds. The FM section in the POM will define the arrangements for budgeting, budgetary control and the requirements for budgeting revisions. IFR will provide information on budgetary execution and analysis of variances between actual and budget.
Accounting: Lack of familiarity with World Bank FM procedures and requirement system and Bank FM requirements by the FM team of CRI-O and OFPPT	(i) The project will adopt the prevailing accounting system at the government PFM system. Accounting procedures will be documented in the procedures manual (ii) assignment to the project of dedicated staff and (iii) capacity building on World Bank FM procedures of the staff as needed.
Internal Control: The internal control system of implementing entities is sound but may not be supported by sufficient and adequate staff, mainly CRI-O; lack of familiarity with World Bank FM procedures by CRI-O and OFPPT. The MEE and MTL have sound internal control systems as assessed in the most recent bank-financed operation in the sector (P165411). The OFPPT has robust internal control and audit systems. Its internal control system is annually evaluated by its Central and regional internal Audit units, which recommendations are monitored through an action plan. The CRI-O has a manual of internal control procedures clear segregatedd duties, and sound risk mapping. However, there is only one staff in charge and may not be sufficient to regularly review all processes related to improve internal control systems of the entity and its performance. Overall, the lack of sufficient and adequate staff, besides lack of periodic evaluation of internal control systems may lead to inappropriate use of the funds and delays in financial reports. Unavailability of human resources or financial constraints may limit the effectiveness of internal control.	(i) Prepare or update the FM procedures section as part of the POM and training on the use of the manual. (ii) Update the FM section of the existing manual of procedures of each IE to reflect the World Bank FM procedures and requirements. (iii) the Project’s external auditor (IGF) will annually perform review of internal control systems of implementing entities besides to audits of Project’s financial statements. The auditor's recommendations will be monitored through an action plan.
Funds Flow: Risk of misused or inappropriate use of the project funds. Delays in payments of invoices by the IE due to the inefficiency in prior control and approval mechanisms. Insufficient or inappropriate ceiling of bank accounts. Verification and payment of PBCs may not be made according to the agreed protocol of verification.	(i) Payment requests will be paid as per the FM manual applicable to the operation including prior approval of commitments and payment request by the controller and Tresorier payeur; (ii) the (ToRs) of the external auditors will include physical field visits (controls of works, goods and services acquired) and compliance with eligibility criteria; (iii) Submission and approval of the Independent Verification Agency (IVA) report before payment of PBC; (iv) FM staff capacity will be strengthened prior and during project implementation period.
Financial Reporting Inaccurate and delay in submission of IFR and annual financial statement due to lack of coordination between all implementing entities involved in the project and to appropriate accounting software capabilities to produce IFR acceptable to the Bank as well as lack of familiarity with Bank FM procedures and requirements. Lack of experience of the PMU to consolidate financial statements and IFRs acceptable to the Bank.	(i) Design the content and format of the IFR and use a spreadsheet to prepare the IFR (ii) Build capacity of the Teams in financial reporting applicable to the World Bank FM procedures (iii) POM will include sections on the collection of information and data to prepare consolidated IFR and Audit of the Financial Statements (AFS).

Risk	Risk Mitigating Measures Incorporated into project Design
Auditing: Delays in submission of audit report. The scope of the audit mission may not cover expenditures incurred by all the entities where the project activities are implemented, or audit findings/ recommendations may not be implemented in a timely manner or effectively.	The project's institutional arrangements allow for the appointment of the IGF who has relevant experience in Bank-financed audits and the ToRs (to be reviewed by the World Bank) will include field visits and specific report on findings of physical controls of goods, services and works acquired. ToR of the audit will include special provision that will show the use of the World Bank funds and the opinion expressed by the auditors.
Fraud and Corruption The possibility of circumventing the internal control system with colluding practices such as bribes, abuse of administrative positions, mis-procurement, etc., is a critical issue.	(i) The TOR of the external auditor will comprise a specific chapter on corruption auditing; (ii) bi-annual IFR will include budget execution and monitoring and physical progress; (iii) measures to improve transparency such as providing information on the project status to the public; (vi) reliance on the National Authority for Probity, Prevention and Fight against Corruption.
Overall FM risk rating	

Note: S = Substantial; M = Moderate; H = High. ToR = terms of reference.

FM Action Plan

7. The FM Action Plan described below has been developed to mitigate the overall FM risks.

Table 1.2: Financial Management Action Plan

Action	Responsible Party	Deadline
1. Appoint one FM officer familiar with the Bank FM procedures with a ToR acceptable to the Bank	PMU	3 months following project effectiveness
2. Create line items or identify budget line in the budget/program of CRI-O to facilitate the monitoring of Eligible Expenditures Programs (EEP) incurred and to comparison with amount of PBC reimbursed by the Bank	CRI-O (MI) & MEF (DB)	Before payment of PBCs achieved
3. Acquire, install, and configure the spreadsheet software to prepare the project IFRs and annual financial statements	PMU	3 months after effectiveness
4. Continue the improvement of the software developed by the DGR and Provincial directorates to monitor financial and physical progress of activities	PMU/Provincial Directorates	Over the project life
5. Include in the scope of mission of the Internal audit of all implementing entities, the review of the project activities and share annual reports	PMU/ implementing entities	4 months following the end of the first-year project effectiveness
6. Include in the TORs of the IVA in charge of the verification of PBC: (i) requirements to mention the amount of EEP incurred to achieve the PBCs achieved and (ii) conduct of internal audit missions of the components implemented by implementing entities (reviews of transactions /internal controls and systems).	PMU/ implementing entities	Before the first verification mission and payment of PBCs achieved.
7. Agree with IGF on the ToRs of the financial audit of the project annual accounts	IGF/PMU	6 months after effectiveness
8. Capacity development of FM staff of all Implementing entities	PMU/Bank	Over the project life

Action	Responsible Party	Deadline
9. Strengthen operationalization of internal audit function within CRI-O and MEE	MEE/CRI-O/Bank	Over the project life

8. **Internal control system**. The country institutional framework for control is adequate at the central government level as revealed the 2016 PEFA report for Indicator PI-25. The project will make use of the existing internal controls system at the DGR and its provincial directorates of MEE, as well as those at the MTL, CRI-O, and OFPPT. According to the finance law applicable in the country, those entities are subject to the financial control of the State. The DRT/DSPCT and DGR and involved provincial directorates of MEE have an adequate internal control platform including a Manual of Procedures, information management system and strict segregation of duties between the budget holder and the accountant. The OFPPT and CRI-O have a manual of accounting and financial procedures, risk mapping and systems for managing financial and accounting information. Overall, implementing entities have their internal control system based on a strict separation of functions between the budget holder and the accountant and on ex ante and ex post control of commitments and payments. The World Bank team's assessment of the effectiveness of current practices did not reveal any significant problems.

9. **Planning and budgeting**. For investment components of the project, each implementing entity will prepare a detailed AWPB. The AWPB will be submitted to the Bank for 'no objection' not later than November 1st of the year preceding the calendar year during which the work plan is to be implemented. The AWPB process will be based on the administrative, financial, and accounting procedures of each participating entity and the POM approved by the project governance. At the level of the DRT/DSPCT/DGR and involved provincial directorates of MEE, the budgeting processes currently adopted are documented and follow a well-established approval cycle. The budget planning cycle begins each year after the issuance of the Head of Government's circular on the preparation of three-year budget proposals. The budget proposals are assigned measurable objectives through performance indicators (Organic Law on Finance 130-13). DGR and provincial directorates and DRT/DSPCT establish a Three-Year Budget based on the funds needed for already committed contracts and the new operations, constituting a Three-Year Action Plan (TAP). At the level of the OFPPT and CRI-O, like all public entities, the budgeting processes are documented and follow a well-established approval cycle as well. The budget planning cycle is subject to various levels of approval, from the expression of needs to approval by the Board of Directors and approval by the Ministry of Finance. The budgeting process is based on the annual action plan approved by the Board of Directors in October. Draft budgets are then discussed with the Ministry of Finance's budget department. The finalized draft budget is submitted to MEF for approval in December/January.

10. **Budget execution**. At the level of implementing entities involved in components 1, 3 and 4, the assessment revealed that overall capital budget execution rated (commitments) were deemed satisfactory over the last 5 years. All involved MEE/MTL[61] entities in the project have an average rate commitment up to 90 percent, between 2017 and 2021. The payment rate indicators are less significant, certainly due to the long lead times for road construction and maintenance projects. The average is between 52 percent and 11 percent. However, what is remarkable is the downward trend in capital expenditures allocated to the Regional Directorate of Oriental, which went from US$ 19.3 million to US$ 7.9 million, between 2017 and 2021. The same trend is observed at the level of the Provincial Directorate of Nador, where the total capital expenditures fell from US$ 86.4 million to US$30.5 million US$, over the same period. At the level of the Provincial Directorate of Driouch, the trend is the opposite. The total capital expenditure allocated has increased from US$ 2.2 million to US$ 13.7 million between 2017 and 2021.

[61] The MEE/MTL used to be forming one single ministry (METLW) until October 2021.

Table 1.3: Commitment and payment rates (*Investment Budget of MEE entities involved in the project*) (US$ million)

	2017			2018			2019			2020			2021		
	TAF	C	P	TAF	C	P	TAF	C	P	TAF	C	P	TAF	C	P
DGR	19.3	79%	34%	17.6	98%	43%	11.8	91%	56%	6.3	95%	23%	7.9	98%	11%
Regional Directorate of oriental	17.9	96%	38%	11.1	96%	11%	89	97%	7%	6.8	86%	7%	6.3	89%	11%
Provincial Directorate of Nador	86.4	94%	29%	30.2	100%	39%	37.8	92%	28%	23.2	99%	19%	30.5	87%	38%
Provincial Directorate of Driouch	2.2	95%	23%	8.8	97%	55%	14.8	100%	53%	11.7	100%	73%	13.7	100%	52%

TAF: Total available funds, C: Commitment, P: Payment

11. At the level of CRI-O, the assessment revealed that overall capital budget execution rated (commitments) were deemed satisfactory over the last 2 years[62] (80 percent in 2020 and 78 percent in 2021). The payment rate indicators are significant, around 86 percent in 2021. The same positive trend is experienced by the OFPPT in capital budget execution which reached over the last 2 years, 84.12 percent in 2019 and 88.6percent in 2020. The payment rate indicators are around 64.2 percent in 2020 showing a slight decrease due to the Covid-19 pandemic crisis in comparison to 2018 where the rate was 72.6 percent.

12. **Accounting policies and recording of transactions**. Like the government financial and accounting transactions, the project operations will be accounted for based on the procedures and legal framework applicable to the public sector described in the public accounting decree no 330-66 of 21/04/1967 (decree on public accounting) which is cash basis. Specifically, the CRI-O and OFPPT will use the accounting principle applicable to government institutions and public agencies while the PMU/DGR of MEE and MTL will follow the central government public-sector accounting standards. The review of external audit reports of the MEE entities as well as the outcomes of the supervision missions of the Bank-financed operation PNRR1 and PNRR2 did not reveal any significant weaknesses or non-compliance with these accounting principles. MTL and MEE entities, as all ministries, will account for the project transaction using dedicated accounting software developed in-house the accounting records are based on the Integrated Expenditure Management System (*Gestion Intégrée de la Dépense - GID*), which ensures a high degree of reliability and traceability of accounting records and operations. At the level of CRI-O, an ERP is used to its full potential in the finance area because it allows to gather all the data in a single database. OFPPT uses an ERP for financial and accounting purposes. Recruitment of additional accounting staff to OFPPT could enable its full deployment in 2021.

13. **Interim financial reporting**. The FM arrangements of the project require to prepare consolidated unaudited interim financial reports (IFRs) every six months and submitted to the World Bank no later than 45 days after the end of each civil semester. These IFRs will be submitted to the PMU, by the regional entities involved in the project for review and preparation of consolidated IFRs. Specifically, like most of the World Bank-financed operations in Morocco, a spreadsheet and data extracted from the national budget execution software GID combined with individual IFR of MTL, CRI-O and OFPPT, will be used to prepare project's periodic consolidated financial reports (IFRs) and consolidated annual financial statements. The consolidated IFR and annual financial statement for the project which will be described in the POM should include the following financial statements: (i) reports on the sources and uses of funds (by component, cumulative [project -to-date; year-to-date]) and for the period, showing budgeted amounts versus actual expenditures, including a variance analysis, by project component; (i) forecast of

[62] The CRI-O was restructured in 2019, in accordance with the Law n°47-18, reforming the Regional Investment Centers and creating the Unified Regional Investment Commissions. (B.O. No. 6754 of February 21, 2019).

sources and uses of funds (by component), by project component, and schedule of PBCs; and (iii) reconciliation of advances to the DA; (iv) explanatory notes; and (v) Designated Account (DA) activity statements (if advance is an eligible disbursement method).

14. **Internal audit.** For Components 1, 3 and 4, the MEE/MTL used to have one IG reporting to the ex-Ministry of METLW. The two new ministries have now to fully operationalize two separate Inspectorate generals (IGs) as the internal auditors. The IGs will be mandated to ensure the internal audit function for all directorates of the MEE/MTL at central and regional levels. The IG of ex- METLW conducted until very recently missions and developed tools including (i) manual of audit, and (ii) internal audit Charter. For Components 1 and 2, the CRI-O has an internal audit unit composed of only one professional staff, which could lead six missions during the last two years. Most risks identified relate to lack of compliance with national procurement procedures. The CRI-O is properly monitoring an action plan to follow-up on recommendations. The OFPPT has a robust internal control and audit systems. Its central and regional internal Audit units perform regular audit and inspection missions, which recommendations are monitored through an action plan. Overall, the assessment revealed the need to strengthen the operationalization of the internal audit function through additional staffing with adequate experience and capacity building to the benefit of the CRI-O, and the MEE/MTL as per their new separate organograms.

15. **Annual financial reporting**. In compliance with Public Sector Accounting Standards and Bank requirements, the DGR of the MEE will have the responsibility to produce consolidated annual financial statements reflecting the transactions managed by the project following the same arrangements described above for the preparation of IFR. The annual financial statements include: (i) a statement of sources and uses of funds showing all the sources of project funds and expenditures analyzed by project component and/or category; (ii) DAs activity statements; (iii) a summary of withdrawals using statement of expenditures (SoEs) or IFR, listing individual withdrawal applications (WAs) by reference number, date, and amount; and (iv) notes related to significant accounting policies and accounting standards adopted by management and underlying the preparation of financial statements.

16. **External auditing.** The DGR will submit the audited project consolidated financial statements satisfactory to the Bank every year within nine months of closure of the country fiscal year. The audit will be conducted by the IGF. The latter is the assigned entity in charge of auditing the GoM programs in line with the country's financial audit arrangements. The World Bank financial management team carried out a comprehensive assessment of the IGF in 2016, complemented by the 2016 PEFA and annual review[63] of the performance of this entity. The objectives of audits performed by the IGF on active Bank-financed projects are described in respective terms of reference and provide an opinion on the use of the funds. Key issues underscored in the reports relate to (a) ineligible expenditures, (b) absence of risk mapping, and (c) delay in the elaboration of the financial reports. Implementations of the recommendations associated with these issues are ongoing and are being monitored as part of the World Bank implementation support missions.

17. The annual audit will confirm that the EEPs paid by the Bank are less than or equal to the government's total actual expenditure against each EEP line item. For the project, the list of EEPs will be detailed once fully received from CRI-O and OFPPT in the annex section. A single opinion on the audited project financial statements in compliance with the International Standards on Auditing issued by the International Federation of Accountants as well as a Management Letter will be required.

[63] Carried out on March 2017 and February 2018.

Table 1.4: Due Dates of the Audit Report

Audit Report	Due Date	Responsible Party
Audited financial statements including audit report and Management Letter	(a) Not later than June 30 (2022 + N) if effectiveness has occurred before June 30 (2022 + N−1). (b) Not later than June 30 (2022 + N+1) if effectiveness has occurred after June 30, (2022 + N−1)	DGR

Funds Flow and Disbursement Arrangements.

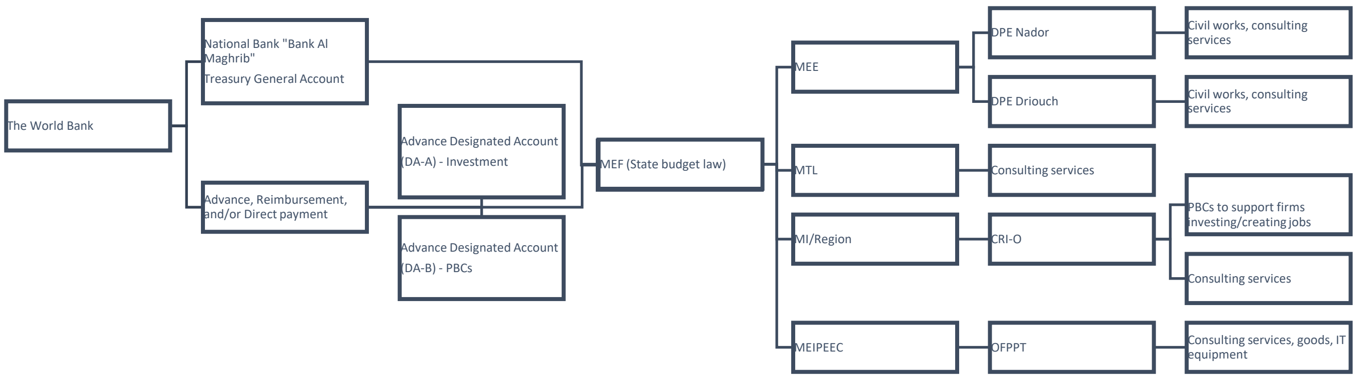
18. **The project expenditures are embedded in the budget and expenditure management processes of the country system.** The Morocco public financial management system is based on the principle of the separation between those who order payments (*ordonnateur*) and those who make and record the payments in the accounting system (*comptables publics*). The project funds will be reflected in the central government budget. All payments of the project expenditure will be made through the centralized Treasury system of bank accounts held by the Central Bank.

19. **The project has different disbursement arrangements for each component.** Both disbursement against the achievement of Indicators (PBC) and IFR-based disbursements would be used as follows: (i) a segregated Designated Account A (DA-A) at the Central Bank would be opened for Components 1, 2.1, 3 and 4. The ceiling of the DA-A would be stated in the Disbursement and Financial Information Letter (DFIL) and replenishment will be report-based (IFR); (ii) a second segregated Designated Account (DA-B) would be opened for PBC under Component 2.2. Funds would flow from the IBRD into the DA-B account opened at the Central Bank (Bank Al-Maghrib) or at the General Treasury of the Kingdom (*Trésorerie Générale du Royaume*). Request for advances of amounts of the financing allocated to certain PBCs that have not yet been achieved are permitted.

Disbursement Arrangements under IFR-Based (report-based disbursement method)

20. **Flow of funds and bank account arrangements**. The project will finance 100 percent of eligible expenditures inclusive of taxes. **Two segregated DAs (DA-A and DA-B)** will be opened under terms and conditions acceptable to the Bank. The DA-A and DA-B disbursement method will be stated in the Disbursement and Financial Information Letter (DFIL). The DFIL will define the threshold for direct payment, which will be the preferred method for all payments exceeding that threshold. Disbursement from the Bank to DA-A and DA-B is simplified to ensure timely availability of funds to implement the proposed project and will be made based on the IFRs. Requests for disbursement will cover the projected expenditures and activities for six months, considering any balance in the DA-A and DA-B. WAs will be submitted to the Bank every three months to document funds disbursed and to request a new advance to cover an amount representing the project's good faith projection of the expenditures for the following six months, up to the project's closing date. WAs will reconcile against previously withdrawn amounts.

Table 1.5: Flow of funds



Detailed Disbursement Arrangements under PBCs

21. **Disbursement from the Bank to the DA-B:** A segregated DA-B will be opened to receive the amount of the Bank advances and of the corresponding PBCs achieved. These funds will then be transferred to the general Treasury account. The government will claim disbursements from the Bank as the PBCs are achieved. All PBCs will be verified by an Independent Verification Agency (IVA) that will need to be satisfactory to the Bank, either an independent private firm or the Territorial General Inspectorate of the MI (IGAT). The IVA will prepare the Results Verification Report, which will be shared with the Ministry of Finance and later with the World Bank. A key use of the Results Verification Report will be to confirm and certify the technical achievement of the PBCs as well as the amount of EEP incurred to achieve the PBC.

22. If the World Bank finds that the disbursement request meets the terms of the Financing Agreement, the World Bank will invite the government to claim reimbursement. Upon confirmation of the achievement of PBC-related results, a WA will be submitted to the World Bank, using the World Bank's standard disbursement forms through the e-disbursement functionality in the World Bank's Client Connection system. The WA will be accompanied by certified and cleared evidence from the Task Team Leader (TTL) that the results were achieved and by the EEP statements. The DA-B will be managed by the Central Bank (Ministry of Finance). Disbursement will be report-based against the PBCs. Replenishment through reimbursement will apply to the project. The external audit reports will confirm the total expenditures incurred to achieve the PBCs.

23. **Replenishment of bank account and payment of invoices by the DGR and other implementing entities.** Replenishments and payments of expenditures will be made using the national public expenditure chain/process applicable to the entities with the intervention of a public accountant "Tresorier Payeur" and an expenditure controller "Controleur d'Etat and Controleur Ministeriel". To avoid delays, the FM officers at the DGR will monitor and follow up on all invoices and requests for payment pertaining to the project. The process will follow the standard public expenditure chain that requires the intervention of the financial controller, public accountant, budget manager.

24. **Performance-based conditions (PBCs) and related reporting requirements.** Decisions over compliance and disbursement against indicators will be made based on reports prepared by the OFPPT and CRI-O and presented to the World Bank with necessary documentation verifying that they have been satisfied. With respect to Component 2, the total amount up to US$9 million of the project will be dedicated for Performance-Based Conditions (PBC).

25. **Eligible expenditure programs (EEP) execution and disbursement reporting requirements.** The EEPs in Component 2.2 fall under CRI-O and the list provided will be annexed to the MOP. The line item in the budget will specify the project/program title, and the funds will be earmarked/ring-fenced for the project. The procedures for preparation of IFR to support WAs and submission of information to the IVA regarding the achievement of the results (PBC) will be detailed in the POM. The IVA will confirm the technical achievement of the indicators/PBCs and the amount of the corresponding EEP incurred.

26. **Carry forward of amounts not disbursed.** If the Bank receives only partial evidence of compliance under the PBCs and/or MEE has not presented sufficient eligible expenditures under the EEPs to disburse the planned disbursement amounts, only part of the planned amount will be disbursed. The Bank may, at its option, authorize that the unwithdrawn portion of the financing resulting from the lack of evidence be carried forward to the subsequent withdrawals.

27. **Distribution of carried forward disbursements.** The amounts carried forward for subsequent withdrawals will be disbursed as follows: (i) the amounts carried forward due to the nonachievement of PBCs may be disbursed, only if at the time of the subsequent withdrawal (a) the applicable PBCs have subsequently been achieved and (b) the recipient has submitted documentation of EEP Statements) in the amount at least equal to the withdrawal amount requested; and (ii) the amounts carried forward due to lack of documentation of eligible expenditures in the amount at least equal to the amount requested for withdrawal may be disbursed at the time of the subsequent withdrawal only if such amount of eligible expenditures is then submitted.

28. **Local taxes.** Funds will be disbursed in accordance with project categories of expenditure and components, as shown in the Financing Agreement. Financing of each category of expenditure/component will be authorized as indicated in the Financing Agreement and will be inclusive of taxes according to the current country financing parameters approved for Morocco.

Procurement

29. **Applicable procurement regulations.** The procurement under the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers, dated November 2020. "The Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 and as of July 1, 2016, shall apply to the Project. The World Bank's Standard Procurement Documents shall be used for all procurements to be carried out following open international procurement procedures. The World Bank's Standard Procurement Documents shall be used for all procurements to be carried out following open international procurement procedures. Further, the Public Procurement Decree (PPD) No. 2-12-349 of 20 March 2013 with additional provisions specified in Section V of the World Bank's Procurement Regulations will apply as appropriate.

30. **Procurement oversight and audits.** Procurement oversight and audits are carried out during implementation by the TGR for MEE and MTL and its two Provincial Directorates and by the Department of Public Enterprises and Privatization (DEPP) for CRI-O and OFPPT (as public agencies). In addition, the Court of Accounts (CoA) can carry out oversight in the form of audits.

31. **Complaints.** All complaints shall be recorded by the Borrower in STEP. Complaints arising in connection with contracts for which the World Bank's Standard Procurement Documents (SPDs) are required to be used, shall be administered, and handled in accordance with the Bank's Procurement Regulations. Complaints in connection with National Competitive Bidding process and national procedures are to be handled by the Borrower in accordance

with the applicable complaint review rules and procedures that are acceptable to the Bank. A Complaint that includes allegations of Fraud or Corruption may require special treatment. The Borrower and the Bank shall consult to determine any additional actions that may be necessary. In Morocco, management of complaints in procurement using national procedures is performed by the National Commission for Public Procurement (NCPP) through a separate competition subcommittee that is comprised of 14 representatives from across the government who provide advice on pending procurements and work to address competition and complaints issues. The NCPP reviews complaints and provides an opinion to the ministries. These opinions are non-binding and can be overruled by the ministry. The reviews are all published on the Government General Secretariat (SGG)'s website.

32. **Procurement arrangements.** Project's procurement will be carried out by the following implementing agencies: (i) the CRI-O for Sub-component 1.1 and 2.2; (ii) the OFPPT for Sub-component 2.1; (iii) the Ministry of Equipment and Water (MEE) under the coordination of the DGR for Sub-components 1.3 and 3 and; (iii) the MTL for Sub-Components 1.2 and the Ministry of Equipment and Water (MEE) for Component 4. Given that the project will be implemented by different Implementing Agencies (IAs) at the central and regional level, the overall project oversight will be the responsibility of a NPSC to be formed. NPSC will be chaired by the MEF and composed of central-level representatives of the project implementing agencies, including the Ministry of Interior (MI), the MEE, the MTL, and the MIEPEEC as well as their relevant agencies and State-Owned Enterprises (SOEs) (CRI-O and OFPPT). While the Steering Committee will not be involved in the project's procurement implementation, it would play an important role in following-up with the different implementing agencies on the implementation of the Project's consolidated procurement plan to ensure more coordination between IAs and avoid delays in project's implementation. Detailed procurement processing procedures, with clear responsibilities and business standards for various steps, will be outlined in the Program Operational Manual (POM).

33. **Procurement Capacity and Risk Assessment.** A procurement risk and capacity assessment of the different IAs was completed by the World Bank, with the purpose of identifying the specific risks and appropriate mitigation measures. This assessment covered the MTL[64], the MEE and its two Provincial Directorates (with a focus on Nador and Driouch); OFPPT and CRI-O and was based on: (a) the Bank team's knowledge of IAs' experience in managing previous and ongoing Bank-financed investment projects [e.g. the Second Rural Roads Project (P094007) and Morocco - Community-Based Rural Roads Maintenance (P165411) for METLW; and Youth Economic Inclusion Project (P151169) for CRI-Marrakech]; and (b) the data collected during virtual meetings that the team held with Provincial Directorates of Driouch and Nador, OFPPPT, and CRI-O. The main objective of this capacity assessment is to determine whether the IAs have the capacity to adequately carry out the procurement function of the Project. This evaluation considered the entire contracting process, which encompasses: (i) planning; (ii) preparing procurement documents; (iii) receiving and evaluating bids or proposals; (iv) finalizing, signing and managing contracts; (v) monitoring projects' implementation; and (vi) filing and archiving documents for audit and post review. Overall, MEE and its two Provincial Directorates have staff with good experience in procurement management under multilateral and bilateral projects-including projects funded by the Bank. This staff is responsible for all the procurement processing from the preparation of the procurement documents stage up to the notification of the consultant/supplier/contractor and for record keeping. As to CRI-O and OFPPT, they have their own procurement regulations which are based on general principles that are fundamentally aligned with those set forth

[64] MTL/MEE: Before being separated into two independent ministries in October 2021 as part of the New Government in Morocco, the "Transport and Logistics-TL" and "Equipment and Water-EE" used to be part of the same Ministry-Ministry of Equipment, Transport, Logistics and Water-METLW. Therefore, the assessment of both ministries is based on the World Bank's team knowledge of METLW previous experience in managing previous and ongoing World Bank-financed investment projects

in the Moroccan PPD[65]. Also, CRI and OFPPT have procurement divisions that are in charge of carrying out procurement processes. In terms of experience with Bank-funded projects, while OFPPT does not have experience with Bank procurement regulations, the CRI Marrakech has recently experienced major issues, such as lack of capacity in handling complaints and in identifying and dealing with conflict-of-interest issues in the evaluation of bids, in carrying out some of the procurement activities under the sub-mentioned Youth Economic Inclusion Project (P151169).

34. The key procurement risks are identified, and they include:

- The review of a sample of contracts has shown important delays in awarding infrastructure contracts. This might slow down the implementation of activities under component 3.
- An Output-and Performance-Based Road Contracts (OPBRC) is proposed for Sub-component 3.1 - Improvement of the Nador-Driouch road section which will finance the widening and upgrading of around 70 kilometers of existing two-lane road (RN2) and road-related infrastructure and equipment. This envisaged procurement activity might be complex for MEE and would require specialized skills, especially those involving performance-based procurement[66].
- Delays in procurement of the activities of Component 2 due to OFPPT and CRI-O's lack of previous exposure to Bank-financed investment projects.
- Lack of capacity in handling complaints and in identifying conflict-of-interest situations in bids evaluation.
- Implementation by CRI-O of the PBC procurable activities under subcomponent 2.2 might be challenging and deviate from the World Bank's Procurement Regulations.

35. The following key measures to mitigate procurement risks will be included in the project design:

- Detailed procurement processing procedures, with clear responsibilities and business standards for various steps, will be outlined in the POM. Moreover, the NPSC should play an active role in the monitoring and evaluation of the project's consolidated procurement plan as part of a monitoring and evaluation protocol to be agreed upon with the different implementing agencies to make sure that each of these agencies' procurement plan is periodically updated and to avoid delays in project's implementation.
- For the performance-based contracts, additional technical support by specialized experts will be made available to the MEE as part of the project for the definition of the requirements, preparation of bidding documents, evaluation, and supervision of contract execution. Moreover, the Bank's technical experts will provide necessary support and capacity-building activities on regular basis.
- All implementing agencies will be trained on the World Bank's procurement regulations and the Bank's Procurement Experts will provide necessary support and capacity-building activities as needed.
- For the PBC subcomponent of the project (Sub-component 2.2) the procurement processes for all the procurable items identified under the eligible expenditures of the PBCs will be clearly defined in the POM.

[65] As per article#1 of the Public Procurement Decree (PPD) No. 2-12-349 of 20 March 2013 (PPD), public procurement is based on the principles of fair, transparent and nondiscriminatory competition. The PPD allows also for sustainable procurement.

[66] Performance-based contracts are contractual relationships in which payments are made for measured outputs (performance targets), instead of inputs. The outputs aim at satisfying functional needs in terms of quality, quantity, and reliability. Payment is made in accordance with the quantity of outputs delivered, subject to their delivery at the level of quality required. Reductions from payments, or retentions, may be made for lower-quality level of outputs and, in certain cases, premiums may be paid for higher quality level of outputs. The Contractor is free to propose the most appropriate solution, based on mature and well-proven experience, and shall demonstrate that the level of quality specified in the request for bids/request for proposals documents will be achieved.

36. The overall residual procurement risk for the project is considered ***Substantial***. The World Bank's Prior Review thresholds for Substantial risk rated projects as set forth in the World Bank Procedure on Procurement in IPF and other Operational Procurement Matters shall apply.

37. **Project Procurement Strategy for Development (PPSD).** The project will finance works, goods, consulting and non-consulting services. The main procurement packages include the procurement of large road construction and maintenance contracts including labor-intense works and performance-based contracts, Consulting firms required to provide technical Assistance to the different implementing agencies and some small to medium-size goods and non-consulting contracts. The Borrower, with support from the World Bank, prepared a Project Procurement Strategy for Development (PPSD) to determine the most appropriate procurement arrangements for the project. Based on previous experiences and the market analysis carried out in the PPSD, the local market in Morocco, mainly for works, goods and consulting services, ensures sufficient competition and has enough qualified and experienced bidders. However, the large and more complex works and TA packages envisaged under the project will be procured following open international competitive procurement procedures using the World Bank's Standard Procurement Documents in order to ensure a wide competition amongst potential national and foreign bidders.

38. As to skills development, OFPPT may need to contract national key Services Providers (NGOs, academia, consulting firms, etc.) using a competitive selection process.

39. For sub-component 2.2, the procurement processes for all the procurable items identified under the eligible expenditures of the PBCs related activities shall be carried out in accordance with the World Bank's Procurement Regulations.

40. **Procurement Plan.** With World Bank's support, a Draft Procurement Plan for the first 18 months of the Project has been prepared as part of the PPSD. The Procurement Plan was finalized by the borrower and approved by the World Bank by negotiations. The Procurement Plan will be updated in agreement with the World Bank team annually or as required to reflect the annual project implementation needs. The different implementation agencies will use the World Bank's Systematic Tracking of Exchanges in Procurement (STEP) system, to prepare, clear, and update the Procurement Plans and to document procurement transactions. In addition to implementation agencies, the NPSC will be given access to STEP so that it can perform its monitoring and evaluation role and coordinate with IAs the project implementation progress.

ANNEX 2: Performance-Based Conditions

41. The verification protocol process for the project for the sub-component with PBCs will be carried out by an Independent Verification Agency (IVA). It is envisaged that the General Territorial Inspectorate (IGAT) will play this role for Sub-component 2.2. Alternatively, the implementing agency, the CRI-O, will mobilize, through competitive bidding, an independent private firm that will also assess the CRI-O performance on an annual basis (as planned by Law 47-18). The IGAT has built capacity as IVA in most ongoing PforRs and IFP-PBCs (P168147, P144539, P149653, P173073, P168147, P172809, and P149995, P155198). The IGAT has developed a solid reputation as a reliable verification agent and their involvement in the proposed operation would constitute a strong plus for monitoring the Program results. Their performance is satisfactory. The IGAT is an entity working directly under the Minister of Interior. The current staffing of IGAT is composed of 120 professional and experienced staff. The IGAT has a clear inspection role, and its missions cover both financial and management inspections as well as technical audits, including the verification of information on the field. The PMU will be responsible for collecting all the data and documentation necessary for monitoring, verification and evaluation required by the Program.

42. Expenditures related to the PBCs will come from the regional investment promotion fund managed by the CRI-O. This fund is the result of a common regional willingness to attract investors and create more jobs in the through targeted incentives and technical support. Budget allocation to this fund is overall US$ 12 million, with a first allocation of US$ 5 million renewable as per the agreement between the regional council and the CRI-O. A replenishment of this fund is expected during the project implementation period to respond to private sector demand and allow PBCs' execution.

43. The safeguard social and environmental bank teams have screened all categories of expenditures expected by the regional fund. A positive list of eligible expenditures will be defined in the POM and will exclude acquisition of land and construction. In addition, eligible expenditures from the regional fund would be subject to standard World Bank supervision and fiduciary requirements during the project's implementation. Supporting documentation for disbursements would include the bi-annual Unaudited Financial Report of the project, including budgetary execution reports on eligible expenditures supporting PBCs, as per an agreed reporting format to be annexed to the POM. All disbursements will be made available upon verification of PBCs, and submission of eligible expenses associated. The list of eligible expenditures will be detailed in the POM and are described in the table below:

Table 2.1: PBCs and eligible expenditures

Component 2.2 - Performance-Based Conditions	Eligible expenditures
Support to firms and Improved subnational business environment	
PBC 1a: The CRI Oriental has reduced the dispute settlement period between investors and government agencies from an average of 22 days to 15 days (or less) in a given year. (US$ 1 million) PBC 1b: The CRI Oriental has reduced the dispute settlement period between investors and government agencies from an average of 15 days to 10 days (or less) in a subsequent year. (US$ 1 million)	US$ 9 million upon verification of PBCs and submission of eligible expenditures: Transfers/subsidies to firms.
PBC 2: The white paper identifying priority investment climate reforms issued by the CREA has been approved by the Borrower's relevant authority. (US$ 2 million)	

Component 2.2 - Performance-Based Conditions	Eligible expenditures
PBC 3: _The CRI Oriental has developed and made publicly available a performance indicator on the response time to private sector investment requests. ($US 2 million)	
PBC 4: The CRI Oriental has developed a roadmap to improve the payment delays of territorial collectivities to private firms and submitted it to the MI after validation by the *Wali* of the Oriental region. (US$ 3 million)	

ANNEX 3: Economic Analysis Assumptions

1. ***The quantified benefits computed by HDM-4 comprise vehicle operating costs, travel time costs, road maintenance costs due to the road improvements, road safety costs and CO_2 emissions costs.*** For the HDM-4 calculations, the following assumptions were applied:

- A discount rate of 6 percent and an evaluation period of 20 years. All costs are stated in constant 2022 Moroccan dirham (MAD).
    - The average daily traffic annual increase rate is 6.0 percent per year for all vehicles over the evaluation period, based on estimated GDP growth projections[67] and an assumed elasticity of 1.4. Generated traffic ranges from 4 to 21 percent of the normal traffic.
    - Social cost of carbon of US$84 per ton equivalent in 2022 increasing to US$128 per ton equivalent in 2041, based on the high scenario for the social cost of carbon derived from the 2017 World Bankguidance note on shadow price of carbon in economic analysis.[68]
    - Road safety benefits were estimated using the RSSAT, which estimates a 19 percent reduction in fatalities per year with the project. The economic cost of a fatality is US$ 210,230 based on a 2022 GDP per capita of Morocco of US$ 3,009 per capita.

2. ***The table below presents the vehicle fleet economic unit, basic characteristics, and the average traffic composition on the project roads.*** The economic costs reflect the costs net of duties and tax.

Table 3.1: Vehicle Fleet Economic Unit Costs, and Characteristics

	Car	Pickup	Truck Light	Truck Medium	Truck Heavy	Truck Art.	Bus Small	Bus Heavy
New Vehicle Cost (MAD)	102,000	110,415	188,700	342,873	459,000	816,000	142,800	204,000
New Tire Cost (MAD)	306	408	1836	3162	3162	4692	816	1224
Fuel Cost (MAD/liter)	9.18	9.18	9.18	9.18	9.18	9.18	9.18	9.18
Lubricant Cost (MAD/liter)	23.12	23.12	23.12	23.12	23.12	23.12	23.12	23.12
Maintenance Cost (MAD/hour)	51.00	64.26	71.40	71.40	71.40	85.68	64.26	64.26
Crew Cost (MAD/hour)	0.00	13.26	25.50	25.50	25.50	37.74	13.26	13.26
Overhead Cost (MAD/year)	0.00	5304.00	11056.80	25520.40	32640.00	68054.40	9180.00	12240.00
Interest Rate (%)	6.0	6.0	6.0	66.0	6.0	6.0	6.0	6.0
Passenger Time (MAD/hour)	16.0	16.0	11.0	11.0	11.0	11.0	16.0	16.0
Cargo Time (MAD/hour)		1.02	1.02	1.02	1.02	1.02	1.02	1.02
Annual Utilization (km)	30,000	30,000	51,000	55,000	60,000	80,000	40,000	40,000
Annual Utilization (hours)	750	750	1700	1850	2000	2700	750	750
Service Life (years)	15	10	12	12	12	12	12	12
Number Passengers (#)	3	1	1	1	1	1	10	20
Operating Weight (tons)	1.50	3.00	4.10	11.50	14.50	27.20	2.50	3.00
Traffic Composition (%)	76%	11%	8%	1%	1%	1%	1%	1%

[67] The GDP has grown on average at 3.9 percent per year from 2005 to 2020 in constant prices. The IMF predicts that the GDP will increase on average by 4.3 percent per year from 2021 to 2024.
[68] The guidance note presents low and high scenarios of the social cost of carbon over time, from which the high scenario was used due to positive net CO2 emission of the project.

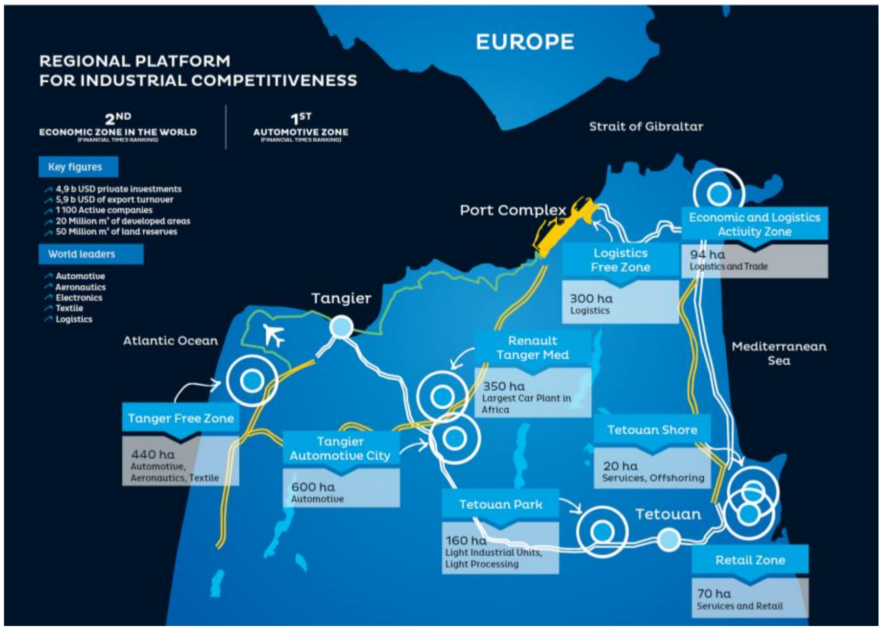
3. ***The total financial capital cost for the road works were estimated for each project road***. The table below presents the road works evaluated per project road and the corresponding estimated financial costs. Economic costs, net of taxes, were estimated to be 80 percent of the financial costs.

Table 3.2: Road Works Costs

Road No	Road Work Description	New No of Lanes	New Width (m)	Total Cost (MAD million)	Total Cost per Km (MAD/km)
1	Widening and upgrading	4	24	350	10.0
2	Rehabilitation	2	11	300	3.6
3	Widening and upgrading	4	30	1,000	14.3
Total				1,650	7.5

ANNEX 4: The case of Tanger Med

1.Since 2003, under the royal initiative, the Tangier region has benefited from massive investments with considerable repercussions in terms of industrial development and foreign investment. The catalyst of this dynamic is the Port of Tanger Med which is becoming the largest port of maritime transport of Africa. Tanger Med is a connectivity node on the main route of world trade. It is connected to Asia, Europe and North America. Tanger Med is also a major link between Africa and Europe, a link that plays a key role in integrating Morocco into European value chains, and potentially beyond.



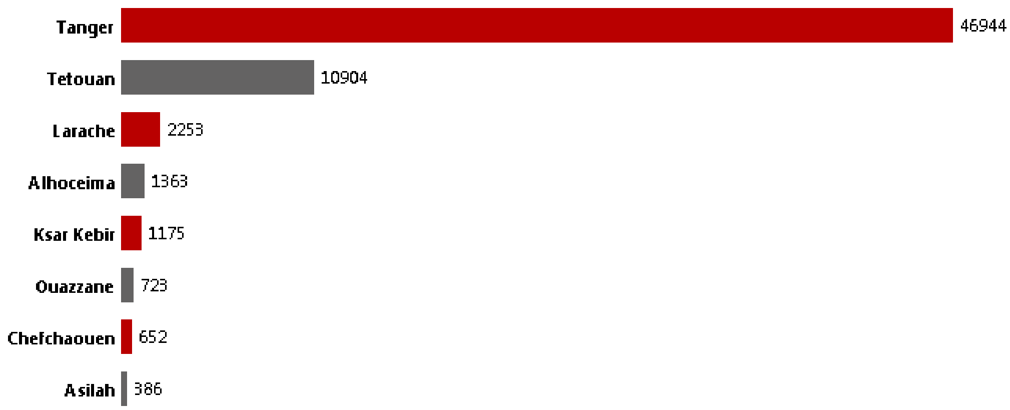
Source: Tanger med website

2.Development initiatives have also focused on the immediate hinterland of Tanger Med with a network of free zones, logistics zones and industrial zones (which are under the same governance as the port), and connectivity infrastructure. The dynamic has resulted in groundbreaking foreign direct investments (Renault for example), with significant spill-over effects (e.g. automotive ecosystem) in the region and beyond. About 65,000 jobs have been directly created, in the TMSA cluster, resulting probably in 3 times more indirect employment mostly concentrated in the wider Tangiers area. Indeed, the city and the province experience one of the fastest population growths in the country (+30 percent over ten years), largely through domestic migrations. The administrative region of TTH contribution to the national GDP went from 8.3 to 10.1 between 2007 (when Tanger Med started operating) and 2016. The region accounts also for 20 percent of exports and 30 percent of FDI, illustrating the dynamics of growth.

3.The Tanger Med port is considered as an example of a major connectivity investment, which did trigger sizeable economic benefits to its hinterland. Several factors may explain why Tangiers has done better as a catalyst of private investment than similar hubs. The connectivity investments happened at a rather unique location, and at a time when European manufacturers have been looking for stable, low labor costs and well-located opportunity to complement their Eastern European plants. Complementary interventions and investments beyond the port itself were also critical. The choice of governance and the mandate of Tanger Med Zones (TMZ) in industrial development brought clarity and simplification of processes to the investors and comforted the credibility of Tangier as an FDI destination.

4. However, this cluster of activity located within 80 km from the port, has not had significant spillovers on the wider hinterland. Significant spatial disparities remain within the administrative region of TTH. While TTH is the third region of Morocco in terms on enterprises registered, 78 percent of the enterprises registered in the region are located in the province of Tangier.

Businesses registered in TTH (based on data from National Agency for Industrial and Commercial Property - OMPIC)



ANNEX 5: Overview and Analysis of the Relevance of the ESS Standards

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

1.The proposed project improvements are expected to bring positive environmental and social impacts by improving the connectivity and reducing road crash accidents and thus reducing potential human losses. The potential environmental impacts are mostly due to large scale construction works of the project roads, and rehabilitation of drainage facilities and other infrastructure in urban/settlement areas (namely Components 1.3 and 3) which include: water and soil contamination from waste water generated from potential construction/workers camps and municipal solid waste; spillage and handling of chemical and hazardous materials; damage to vegetation; Occupational Health and Safety (OHS), clogging of waterways; potential inducement of landslides, landslips, erosion from cut surfaces of hill slopes; disposal of spoils from hill side cutting; air pollution due to fugitive dust from earthwork and emission from the vehicle operation, equipment and plants; cutting of trees for widening of roads; reduction of natural resources base and land degradation due to extraction/quarrying; land degradation from project induced development; change in aesthetic of landscape; impacts on culturally and socially important common properties.

2.The Ministry of Equipment and Water (MEE), under the coordination of the DGR, has had several experiences in implementing World Bank projects and satisfactory adherence to environmental and social risks management. Furthermore, the nature and scale of civil works and expected risks and impacts from maintenance works are consistent with “Substantial” risk categorization (do not commensurate to high-risk activities). Noise measurements have been carried out in the Nador area and have shown values below the acceptable threshold. The sensitive receptors of the road component are mainly the built-up areas, schools, health centers and public services. The noise level varies from one area to another. It was not considered useful to model it at the level of the framework due to the size of the project intervention area.

3.As detailed above, the social risks and impacts include physical impacts such as partial and total impacts on private structures, namely informal residential and/or commercial structures on the road reserve (right-of-way) and partial impacts on common property assets (e.g. boundary walls). There are also a few vulnerable families who will be impacted by the project. As the proposed upgrading and maintenance works in the remaining corridors will be of a similar nature, the nature and extent of impacts too are likely to be similar. These impacts will be addressed effectively through commensurate measures and entitlements established by the project-level Resettlement Framework (RF). The project will also produce RAPs. Other potential social impacts of the road works (Sub/components 1.3. and 3) are related to labor influx, which is estimated to be low, due to a prioritization of local labor. Furthermore, child labor risk in large-scale infrastructure in Morocco is specifically low, within a general trend of decreasing numbers of child laborer more generally in both agriculture/rural and urban areas, according to the Haut Commissariat au Plan (HCP, the Moroccan government’s statistics institution) and due to regulations applied to formal construction companies. To mitigate any low-moderate risks, despite the likelihood being low, the project-level LMP emphasizes the prohibition of child labor, including among suppliers and subcontractors.

4.Technical assistance activities under subcomponent 1.1. and 1.2. support the development of future plans or strategies (referred to as Type 2 TA). In terms of environmental and social risks, Subcomponent 1.1.’s development and implementation of a priority investment roadmap and Subcomponent 1.2.’s development of a transport corridor strategy could have direct or indirect environmental and social impacts through future investments, affecting land, livelihoods and/or biodiversity. Furthermore, given the implementing agencies' limited capacity on social and environmental risk management, there is also a substantial risk of exclusion of vulnerable groups from this important exercise. Therefore, to mitigate this risk, during implementation, a regional Nador strategic environmental and social assessment will be conducted to inform the consultation process and ensure that the advice provided through the TA is consistent with the ESF. The project-level SEP sets out specific plans to ensure that the stakeholder engagement carried out in both subcomponents is in accordance with ESS 10.

5. Moreover, Subcomponent 2.1. (Type 3 TA) focuses on capacity building, through the implementation of a skills training program designed to contribute to increasing female labor force participation in the region. However, if left unmitigated, it could also exacerbate an existing risk of sexual exploitation and abuse perpetrated by project workers (namely, trainers). The risk is aggravated by the program's selection criteria targeting disadvantaged young women (ages 18-34, targeting those who have dropped out of primary/secondary and/or work in the informal sector; unskilled and unemployed). Likewise, Subcomponent 2.2.'s support to small and medium enterprises also has a risk of sexual harassment in the workplace. These risks will be mitigated through the project-wide SEA/SH Prevention and Response Action Plan. Furthermore, Subcomponent 2.2. also has other potential environmental and social risks. To manage the potential impacts and risks, a negative and positive list have been prepared that will be used in the selection of SMEs and the activities that will be eligible for financing. This negative and positive checklist will be embedded in the ESMF and POM.

6. Other risks include the possibility of inadequate coordination between concerned agencies on land acquisition and resettlement and lack of dedicated personnel dealing with social aspects within MEE and implementing agencies. To mitigate risks related to low capacity for social sustainability, the project will ensure through its ESCP, that qualified expertise is secured for the duration of the project, in the form of staffing in the implementing agency, hiring of technical assistance and training.

7. Furthermore, there are no associated facilities in the project. The Nador port and the industrial zone are not part of the project neither are they considered not to be associated facilities as these facilities are not being carried out, or planned to be carried out, contemporaneously with the project; the port and the industrial zone in our judgment are not directly and significantly related to the project and these two facilities are not necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist. The NWM port and the industrial zone do not meet any of these criteria and hence are not considered as Associated Facilities in this instance.

8. To ensure the mitigation of the project's adverse risks and impacts and ensure meaningful participation and prevention of adverse impacts on disadvantaged or vulnerable individuals or groups, the government has prepared the following E&S instruments and disclosed them as following:

(I) ***Environmental and Social Commitment Plan (ESCP)*** - disclosed on May 20, 2022- setting out material measures and actions, any specific documents or plans, as well as the timing for each of these.

(II) ***Environmental and Social Management Framework (ESMF)*** - disclosed on May 17, 2022- for the entire project that sets out the principles, rules, guidance and procedures to assess the environmental and social risks and impacts of the activities that the scope and locations were unknown during the project preparation. The borrower will ensure that the project will fully comply with the WBG EHS guidelines as required-.

(III) ***Stakeholder Engagement Plan (SEP)*** -disclosed on May 17, 2022- including measures to, inter alia, provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

(IV) ***Resettlement Policy Framework (RPF)*** - disclosed on May 17, 2022- covering the resettlement and livelihood impacts related to the activities covered by Component 3 as well as any minor works in Components 1 and 2.

(V) ***Labor Management Procedures (LMP)*** - disclosed on May 17, 2022- covering project workers for all components and including provisions on working conditions, management of workers relationships, occupational health and safety (including personal protective equipment, and emergency preparedness and response), workers accommodation specifications in case of a basecamp, code of conduct (including relating to SEA and SH), forced labor, child labor, grievance arrangements for Project workers, and applicable requirements for contractors, subcontractors, and supervising firms.

(VI) ***SEA/SH Prevention and Response Action Plan*** – disclosed on May 18, 2022- covering the entire project, including namely Comp. 2 on skill development focused on young women and construction works covered in Comp. 3. The Plan sets out measures and actions to assess and manage the risks relating to sexual exploitation and abuse as well as sexual harassment, such as requiring skills trainers and contractors to adopt and implement measures against sexual harassment and sexual exploitation and abuse including the application of a Code of Conduct for all project workers.

(VII) **Road Safety Management Plan (RSMP)** -disclosed May 19, 2022- The Borrower will implement the RSMP, in a manner that is consistent with ESS4. In addition, the Contractor ESMP will include Traffic and Detour Management and Road Safety Plan. The RSMP will be implemented and monitored throughout the implementation.

9. The borrower has shown considerable goodwill and commitment to the preparation and implementation of ESF instruments. In particular, the borrower has prepared, consulted upon and disclosed the following instruments: SEP, ESMF, RPF, RTSMP, LMP, SEA/SH. Subproject level site specific instruments (ESIAs and RAPs for RN2, RN16-A, RN16-B and RAP for RN16-A) will be prepared, cleared and disclosed prior to project effectiveness. However, the delivery of these site specific ESIAs and RAPs were delayed due to changes in the technical and engineering designs of the corresponding roads. The World Bank has already reviewed and provided comments on the preliminary drafts of the ESIAs. The preparation and implementation of specific ESF instruments and actions are clearly enunciated in the ESCP agreed upon with the borrower. Moreover, bidding documents will be reviewed by the E&S team before the World Bank's no-objection is issued. If difficult to relaunch the process, the World Bank's position was that existing contracts would need to be amended to incorporate clauses pertaining to E&S (and other aspects). The environmental and social assessments will take into account Good International Industry Practice (GIIP), including the issues relevant to the project of the WBG General EHS Guidelines and WBG EHS Guidelines for toll roads.

ESS 10 Stakeholder Engagement and Information Disclosure

10. As part of project preparation, consultations were held with affected parties, other interested parties including disadvantaged and vulnerable groups as well as institutional stakeholders. Outcomes of public consultations, organized in Nador and Driouch on April 20th and 21st, 2022 by the MI, the MEE, and the other implementing agencies, as part of the activities proposed in the Stakeholder Engagement Plan (SEP) were

helpful in: (i) providing key inputs on adoption of the mitigation hierarchy and provide inputs for approach to management of E&S issues arising in the project road which resulted in reduced impacts on private assets and avoided displacement of families and common property resources such as schools and no impacts on Rural Housing Service structures; and (ii) helping inform the communities of the project and also helping to identify modes of consultations that would be most effective for continued engagement with the communities. A SEP has been prepared that provides for continued engagement of all relevant stakeholders of the project, namely:

Affected people:

- Road infrastructure beneficiaries
- Private sector development beneficiaries
- Institutions and individuals benefiting from the skills training activities
- Persons affected by road works impacts, such as loss of land and/or livelihoods
- Persons affected by other project impacts such as noise and/or pollution

Interested parties:

- Interested state services related to technical services, coordination, environmental and/or land acquisition
- Civil society (including environmental and human rights organizations), community-based organizations, professional associations
- Businesses

Vulnerable groups including, inter alia:

- Households in which the head or a member has a significant physical or mental disability
- People who are ill, especially those with serious or incurable diseases such as HIV/AIDS, tuberculosis, cancer, etc.
- Poor female-headed households
- Households headed by extreme poor
- Children who are orphans or living alone
- Female heads of household
- Illiterate persons
- Migrant workers
- Unemployed persons, whether untrained or unemployed young graduates
- People without financial and social support, including the elderly and people with chronic diseases
- People with disabilities and reduced mobility
- Any other person who will be considered as vulnerable by the project.

11. The SEP details the nature, modes and frequency of engagement with these stakeholders commensurate to the interests and relevance in the project activities, besides specifying the monitoring and reporting requirements on SEP implementation. It shall guide MEE’s engagement with all stakeholders in the project. The SEP also details the GM including principles, processes and timelines that shall be followed in receiving and redressing grievances. The Stakeholder Engagement Plan was disclosed by the MEE on its website on May 17, 2022. Specifically, on the GRM, the SEP states that it will cover every component and phase of the project, i.e., the current design and preparation phase, the construction phase, and the operation phase. All grievances

will be eligible for consideration, regardless of their nature, origin, and the mechanism by which they are communicated to the Project. If the Project sees multiple complaints that relate to the same misunderstanding or issue, a specific consultation will take place. The mechanism includes a three-step process for the reception (through diverse entry points such as the national platform www.chikaya.ma, phone, letter, in-person, etc.), categorization and treatment of grievances which aims to resolve the grievance within a 30-day period.

ESS2 Labor and Working Conditions

12. MEE will contract agencies to undertake civil works, agencies/firms to support core-functions; primary suppliers of material/equipment and other implementation support partners. All categories of project workers: Direct workers, Contracted workers including migrant labor, primary supply workers (quarry owners, primary supply workers) contractor/subcontractor, and possibly community workers will be involved.
13. Potential labor risks include non-payment of wages by Employer; non-payment of benefits (compensation, bonus, maternity benefits etc.) by Employer; discrimination in Employment (e.g. abrupt termination of the employment, working conditions, wages or benefits etc.); risk of SEA/SH arising from influx of migrant workers as well as health risks of labor relating to HIV/AIDS and other sexually transmitted diseases, and OHS. Based on the ongoing ESIAs, it is anticipated that the construction activities will involve about 176 direct workers (from DGR staff and executing agencies) and about 1800 contractual workers (including engineering companies, consultancy firms, civil works etc.). However, it is difficult to estimate the number of primary supply workers and community workers.
14. A LMP has been developed providing the requirements relating to provision of terms and conditions of employment; child labor promoting of non-discrimination and equal opportunity; worker's organization etc. A GRM for all project workers is also available. In order to address labor influx, the contractors as part of the C-ESMPs, will include a labor management provisions in their ESMP that will comprise provisions for sourcing all unskilled labor from within the project area and its vicinity to minimize labor influx into the project area. Skilled labor, if unavailable locally, would be brought in from outside the project area either from within or outside the state. Provisions for the management of the potential worker camps, if needed, will be included in the C-ESMP, addressing specific aspects of the potential (still unconfirmed) establishment and operation of workers' camps e.g. cordoning of separate areas for labor camps and material storage; conduct training programs on HIV/AIDS and other communicable diseases; and develop a complaint handling mechanism at the project level. Bidding documents for construction have a list of the requirements of applicable national/state labor laws and provisions and the metrics for periodic reporting by contractors. The ESIA shall outline the various measures that need to be considered to prepare the contractor's OHS plan which will be part of Contractor's ESMP (C-ESMP). In addition, the contractor's obligations to manage these adverse impacts will be clearly reflected in the contractual obligations of the civil works contractor with appropriate mechanisms for addressing non-compliance.

ESS3 Resource Efficiency and Pollution Prevention and Management

15. The assessment of impacts and risks due to road constructions will consider sensitive receptor such as settlement, drainage pattern of the area, water bodies, springs/streams/river crossing, forest, protected areas, animal crossing within and outside protected area, roadside trees/plantation, erosion prone locations, receptors vulnerable to air, water, noise and soil quality etc. In addition, natural calamity like landslide, earthquake and flooding will also be considered during assessment due to location of road in such sensitive topography. The potential project impacts on sensitive environmental receptors is anticipated to be

substantial due to the direct impacts of construction activities and associated facilities that include deteriorating air quality due to emission from vehicles, plants, machinery and fugitive dust during hill side cutting, excavation earthwork; contamination of water and soil from waste water municipal solid wastes that will be generated during construction period; spillage and handling of chemical and hazardous waste materials; disruption to drainage pattern due to drying of springs and clogging of streams, (landslips and erosion due to disturbing of already stable slope during excavation and disposal of spoils from hill side cutting; cutting of trees and diversion of forest land for widening of road; reduction of natural resources base and degradation due to extraction/quarrying; land degradation from project induced development; change in aesthetic of landscape; distress of public/community due disruption of utility services water supply line, and electric and telephone poles in built-up areas; risks associated with construction materials storage and indiscriminate disposal of construction waste impacts on sensitive locations and receptors.

16. The project's impacts and risk would be of significance on sensitive receptors, which can be addressed through management and mitigation measures in the ESIA. The site specific ESIA includes plans for hazardous and non-hazardous wastes management, traffic and road safety management, muck disposal management and restoration, borrow area management and restoration etc. In addition, avoidance and minimization of impacts has also considered design interventions analysis, including widening on valley side to optimize use of muck and rock from excavation/hill side cutting; widening schemes (concentric or eccentric); road configurations to minimize hill side cutting; mitigation measures like nature-based engineering to prevent soil erosion, slope stability; and treatment of upstream of seasonal streams by providing check dams. The GHG emission will be projected by International Vehicle Emission (IVE) and Road Emissions Optimization (ROADEO) with estimated reduction equivalent during the life cycle of road.
17. The site specific ESMPs will be part of contract and environmental mitigation cost budgeted in scope of contractor by including ESMP items in the Bill of Quantity (BoQ). The implementation of mitigation measures shall be monitored as per the environmental monitoring plan in the ESMP. In addition, the contractors will prepare and submit the C-ESMP to MEE for acceptance after review of the Owner Engineer which will include the detailed implementation plan and approach of mitigation measures. Periodic training will be provided to staff of both contractors and PMU. The integration of ESMP in civil work bidding document is one of MEE's commitments in the Environmental and Social Commitment Plan.

ESS4 Community Health and Safety

18. Overall, the project expects to have a positive impact on the community during the operation phase by increasing accessibility and road safety. ESIAs will identify environmental and social risks and impacts on sensitive receptors identified under ESS4, including vulnerability to risk due to natural calamities (like earth movements, flooding, landslides and even possibly landslides, triggered due to road construction work and sensitive topography) as well as risks of construction in urban areas, including restriction of access of communities; disruption of services (power, water supply) during construction works; health and safety of pedestrians in addition to traffic and road safety as well as noise pollution. The construction activities related impacts such as fugitive dust from earthworks, hill side cutting; proneness to landslide/slides due to disturbing already stable hill slope during excavation and disposal of excavated material; exposure of settlements (along road to construction and operation stage related traffic, accident. Most of these impacts are location specific that could be addressed through management and mitigation measures in the Environmental and Social Management Plan (ESMP). The ESMP outlines contractor responsibilities during project planning, implementation and monitoring and evaluation of plans (for muck disposal, wastes management plan, traffic management plan, OHS, emergency response etc.) for which contractor is mandated to prepare a Contractor

Environmental Management Plan. The integration of ESMP in the civil work bidding document shall be one of MEE's commitments in the ESCP.

19. To address the key traffic and road safety risks to workers, affected communities and roads users, the Borrower has prepared Traffic and Road Safety framework that provides principles, rules, guidance and procedures to address traffic and road safety risks. MEE has prepared a Sexual Exploitation and Abuse /Sexual Harassment risk mitigation plan to address the potential risks of sexual exploitation of local women and girls by project workers (of any category) and of sexual harassment in the workplace amongst project workers. The contractor as part of C-ESMP shall also include labor influx management measures and provide necessary sensitization and awareness training on HIV/AIDS and other sexually transmitted diseases to construction workers and community besides ensuring availability of necessary Sexually transmitted diseases (STD) preventive materials.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

20. Projects impacts will include loss of land, physical relocation and/or livelihoods impacts on households that will be affected by small-scale land acquisition in the segments that require road widening. Most impacts will occur in the road reserve (right-of-way) and therefore impacts assets belonging to informal settlers/workers. No acquisition of private land is envisioned. Related risks include inadequate coordination between concerned agencies on land acquisition and resettlement, lack of dedicated personnel dealing with social aspects within MEE and implementing agencies; unanticipated changes of alignments within state-owned land, delays in negotiations for direct purchase and disbursements. In accordance with the ESS requirements, an RPF has been prepared with provisions for compensation for impacts on titleholders and non-title holders' families for their losses of land, and structures. It also provides the process to be followed for taking of land on private negotiations basis and by using the extant laws in Morocco in case land taking is required. The RPF shall also guide subsequent RAP preparation for the other upgradation corridors as well as for preparation of RAP, as necessary, for the maintenance corridors. Based on the RPF, RAPs will be prepared, cleared and disclosed prior to start of any activities which involve any land acquisition, restrictions on land use and involuntary resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

21. Most of the civil works will be implemented in the modified habitats where human activities have substantially modified the primary ecological functions and species composition. The project will promote the restoration of the landscape by compensatory afforestation and trees planting. The project activities will be developed in a coastal zone for the free zone and in the hinterland for the activities of development of the road network and urban infrastructures. The region hosts 2 areas of biological and ecological interest (Cap des trois fourches and Jbel Gourougou). The Environmental and Social Impact Assessment (ESIA) provides, according to the requirements of this ESS, guidance on screening and mitigation measures including afforestation management plan~~.~~ The due diligence mission conducted on the roads have indicated that none of the sub-projects are neither located or traversing into legally protected areas such as National Parks, Wildlife Sanctuary, and conservation reserves, wetland etc. Specifically, trees in the project area are mostly anthropogenically derived forest trees, olive trees, almond trees, kharub trees, fig trees, etc. Based on a google earth visualization of the area, the number of trees potentially affected by the Project is estimated to be around 14,200 trees of all types that are likely to be impacted (including dust and ground vibrations) within existing ROW of the two priority roads. The extent of trees that would be cleared will be determined after verification of land

ownership of road stretches through forest. Further, no rare, endangered and threatened flora species exist along the road. The understanding is that these are trees (anthropogenic/planted trees) along the ROW and not from designated/gazetted forests. The project is not expected to impact any designated forests. The majority of species identified are local species with good distribution along the road. The project is not expected to significantly affect forest habitats and ecosystems during construction and O&M since the road is already existing and any improvement works will be carried out within the existing ROW, which has already largely been acquired for and owned by the project. During construction, workers will be prohibited from hunting, using and collecting forest products and resources, which will be specified in the workers code of conduct. During operation of the improved roads, direct and indirect impacts to forest habitats and ecosystems are not expected as the volume of traffic is not expected to significantly increase. In addition, the project zone of influence does not intersect with sensitive habitats such as Ecological and Biological Interest Sites (SIBEs), Wetlands and RAMSAR sites. Furthermore, the proposed road routes are not known nor expected to intersect with the bird flyways and the road rehabilitation works are not expected pose significant impacts and risks to bird habitats. The improved roads will facilitate the existing connections by introducing better safety measures, proper signage of habitat movement etc. Besides the surrounding forests along the road corridor are already fragmented and disturbed. Based on Forest Department's determined 'Net Present Value' for diverted forestland and trees cut due to the project, and to meet requirements, the project will support compensatory afforestation and compensatory tree plantation and to meet with national requirements. Specifically, the biodiversity management plan will include the afforestation plan, procedures to prevent hunting will be prepared, adopted and disclosed prior to effectiveness as indicated in the ESCP.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

22. This standard is not relevant to the project.

ESS8 Cultural Heritage

23. No cultural heritage site has been identified at this point of time of preparation of the project, nor intangible cultural heritage. The alignment of the project road does not have any ancient monuments and/or archaeological site(s). Thus, no impacts are foreseen on ancient monuments and archaeological sites due to the construction of road project. Since the project will entail excavation, it is therefore, not inconceivable that cultural antiquities might be impacted. In order to mitigate this, actions were proposed in the ESMF and also a "chance find" procedure that will be included into bidding documents and contracts to help identify and address any such issues during construction stage as part of ESIAs.

ESS9 Financial Intermediaries

24. No financial intermediaries are involved in the project at present. Under the PBCs financed activities, no new entity will be created for the purposes of fund dissemination by the project. Rather it would take the form of a budget line to an existent government entity (CRI of Oriental). To manage the potential impacts and risks, a negative and positive list have been prepared that will be used in the selection of SMEs and the activities that will be eligible for financing and will be embedded in the ESMF and POM. This may be reviewed by the Bank, and an ESMS subsequently developed when SMEs and their related activities under the PBCs are known in sufficient detail during implementation.