



The World Bank

Blue Economy Program for Results (P172926)

Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 29-Mar-2022 | Report No: PIDA250242

**BASIC INFORMATION****A. Basic Program Data**

Country Morocco	Project ID P172926	Program Name Blue Economy Program for Results	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 28-Mar-2022	Estimated Board Date 24-May-2022	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Program-for-Results Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Energy, Mines and the Environment, Department of Maritime Fisheries, Moroccan Society of Touristic Engineering, National Agency for the Development of the Aquaculture, Direction of Ports and Public Maritime Domain, Department of Water and Forests, Moroccan National Tourist Office (ONMT), National Institute for Fisheries Research (INRH)	

Proposed Program Development Objective(s)

Develop institutional frameworks, improve integrated management of natural resources, and strengthen selected sectors for a climate-resilient Blue Economy in targeted areas

COST & FINANCING**SUMMARY (USD Millions)**

Government program Cost	2,000.00
Total Operation Cost	438.90
Total Program Cost	438.90
Total Financing	438.90
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	350.00
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World Bank Lending	350.00
Total Government Contribution	88.90

Decision

The review did authorize the team to appraise and negotiate



B. Introduction and Context

Country Context

- **The COVID-19 pandemic, together with a decline in agricultural production, pushed the Moroccan Economy into a recession in 2020 and led to an increase in poverty.** Real Gross Domestic Product (GDP) contracted by 6.3 percent in 2020, and after several years in decline, the poverty rate (US\$3.2 PPP per day) is estimated to have increased from 5.4 percent in 2019 to 6.6 percent in 2020 despite successful health and social programs. According to the High Commission of Planning (HCP), during the national lockdown, 74 percent of workers in the bottom quintile experienced a reduction in income, compared with 44 percent of workers in the top quintile. The loss in monthly income was also more pronounced in the bottom quintile: 66 versus 32 percent, respectively. Those most affected were working in the urban, informal sector with precarious jobs in services and crafts sectors¹.
- **The Government of Morocco (GoM) responded swiftly and implemented ambitious reforms aiming to support recovery.** The government was able to run a very successful COVID-19 vaccination campaign. In 2021, GDP growth accelerated to an estimated 6.3 percent and poverty is expected to have declined, though not to pre-crisis levels. The percentage of “vulnerable” population (US\$5.5 PPP per day) is estimated to have slowly decreased in 2021 to about 26.7 percent of the population from 28.2 percent in 2020. This decline is likely to continue, but poverty indicators are not expected to return to pre-Covid-19 levels until 2023.
- **The GoM considers the “Blue Economy” (BE) as a tool to boost job creation and economic growth to recover from the COVID-19 pandemic.** In 2019, King Mohammed VI called for a New Development Model (NDM) to close the country’s development gaps. A Special Commission appointed by the King published the NDM in May 2021, which includes a recommendation for the country to harness the full potential of its BE and develop existing and emerging blue sectors such as aquaculture, seaweed farming, and marine renewable energy. As a mechanism to boost the BE, the NDM calls for the development of "coastal clusters" which attract investments, wealth, and jobs, while ensuring sustainability.
- **Morocco needs to urgently address the growing impacts of climate change to develop an inclusive and resilient BE.** Climate change could jeopardize Morocco’s economy as 81 percent of industries are concentrated in coastal areas and may be susceptible to sea level rise and storm damage. Coastal erosion threatens more than half of Morocco’s shoreline, which can cause economic loss through damage to coastal communities and lost tourism revenues². Poor households are known to suffer the greatest economic losses from extreme weather events. Low-income, marginalized populations, and especially women, youth, rural populations, and small enterprises along the coast,³ are vulnerable as they often lack resources to adapt to intensifying weather events⁴ such as floods, landslides, droughts, and heat waves. Increased poverty due to the COVID-19 pandemic has further limited the capacities of residents to cope with these challenges⁵.
- **Against this backdrop, the GoM is creating a national BE program to build a more inclusive and resilient economy.** The government program aims to improve (i) economic growth and job creation, (ii) food security, and (iii) sustainability and resilience of natural resources. The program is underpinned by the legal framework for integrated coastal zones management⁶ and is fully aligned with the country’s updated National Determined Contribution (NDC)⁷ under the United Nations Framework Convention on Climate Change (UNFCCC). Given the wealth of marine and coastal assets of the country, Moroccan coasts offer significant opportunities for job creation, equitable recovery from the pandemic, and increased resilience in the face of climate change.

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

² Heger, Martin Philipp; Vashold, Lukas; Palacios, Anabella; Alahmadi, Mala; Bromhead, Marjory-Anne; Acerbi, Marcelo. 2022. Blue Skies, Blue Seas: Air Pollution, Marine Plastics, and Coastal Erosion in the Middle East and North Africa. MENA development Report; Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/36912> License: CC BY 3.0 IGO.



³ World Bank (2018) *Morocco Country Profile*; Think Hazard! (a natural disaster risk screening tool); World Bank. 2016. *Morocco Climate Adaptation Briefing*.

⁴ Wooden, et al. (2014) Impact of Weather Shocks on MENA Households. World Bank Group.

⁵ Climate Risk Profile: Morocco (2021). The World Bank Group.

⁶ Law 81-12

⁷ CDN Maroc (2021) Contribution Déterminée au Niveau National – Actualisée.

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Morocco%20First/Moroccan%20updated%20NDC%202021%20_Fr.pdf



Sectoral and Institutional Context

- With its rich blue assets in the Mediterranean Sea and the Atlantic Ocean, Morocco has high potential for developing its BE. The country has a wealth of marine resources underpinned by high biodiversity with 600 identified fish species. In total, Morocco's coastal areas contribute 59 percent of GDP and provide 52 percent of jobs in the country. The fisheries sector alone contributes 1.5 percent of GDP, provides 700,000 direct and indirect jobs, accounts for 15 percent of total exports. In 2021, the GoM set a target to create 450,000 jobs in maritime fishery and the agri-food industry within five years, as part of the overall efforts to create new jobs and to help the national economy recover from the pandemic. The government's 2020 Halieutis Strategy identified aquaculture as a subsector with high growth potential as international and domestic demand for seafood is steadily growing. With additional investments and capacity development, the sub-sector could play a key role in both solving concerns for overfishing and contributing to food security.
- Coastal tourism is another key sector for Morocco's BE. In 2019 it provided 50,000 direct jobs and more than 2.5 million indirect jobs, representing 7 percent of national GDP and 29 percent of service exports⁸. The GoM has set the Morocco Tourism Vision 2020 to further develop sectoral competitiveness and is preparing a new sector development strategy in the wake of the COVID-19 pandemic, focused on creating investment opportunities and jobs through (i) developing new tourism development zones and (ii) providing technical and financial support for micro, small and medium-size enterprises (MSMEs). Based on the strategy, the government has prioritized the development of Aghroud in Souss-Massa region to attract private investments. This project is of particular importance to restore the sector, which was severely affected by the pandemic. Morocco has seen 71% reduction of tourist arrivals as compared to 2019 and the loss of revenue between 2020 and 2021 amounts to around US\$ 9.54 billion⁹.
- Other activities and blue sectors also have the potential for future growth. These include the energy sector, with offshore wind energy, and the water sector with desalination. Emerging marine activities such as marine biotechnology could further help grow Morocco's BE. To strengthen economies around ports, the government has launched the National Port Strategy for 2030 and set six port hubs¹⁰.
- Morocco's coastal ecosystems are vulnerable to climate change impacts^{11,12}. Approximately 54 percent¹³ of the coastline is subject to coastal erosion. The average sandy beach shoreline is retreating 12 cm per year on the Atlantic coast, and 14 cm on the Mediterranean coast¹⁴. Sea-level rise may submerge half of the beach areas by 2050 and 72 percent by 2100, potentially affecting 187,400 people by flooding. Over-extraction of water in coastal regions is causing saltwater intrusion in aquifers, and salinization of agricultural land in these regions. Rising demand for fresh water further intensifies pressure on aquifers and creates challenges for economic activities that rely on this supply.
- The resilience of BE sectors must be strengthened to adapt to climate change. Morocco has made significant progress in climate change mitigation and adaptation measures to "make its territory and civilization more resilient to climate change while ensuring a rapid transition to a low-carbon economy"¹⁵. However, BE sectors require additional financial and technical investments to develop capacity, pilot innovative climate-smart technologies, and establish new climate-resilient models. For example, fisheries are vulnerable to meteorological and oceanographic shifts, which could affect the distribution, abundance, migration, and reproductive patterns of important commercial fish species¹⁶. Tourism is also vulnerable to climate change impacts as rainfall and temperature influence visits and extreme weather events affect tourism infrastructure and associated public services, such as water and electricity supply.
- The GoM has identified that fragmented policies and budget planning, and limited intersectoral cooperation across blue sectors are undermining the potential of the BE. Recognizing this challenge, the government



initiated integrated planning through the adoption of its Coastal Law in 2015, national and regional coastal plans, and the National Sustainable Development Strategy. However, the blue sectors share no coordinated strategy. Consequently, siloed sector-based approaches have led to inefficient resource use and, in some cases, caused user conflicts over space and resources. The lack of coordination also reduces investment opportunities, undermining the potential for job creation. In addition, the interests of most vulnerable parties, such as artisanal fishers, are often marginalized.

- **The development of the BE needs to take pace through close coordination between national and regional governments.** Thus, the NDM calls for innovative projects and the mobilization of the private sector to develop the comparative advantages of each region. For this to happen, regional councils need to adopt the BE concept and move towards an integrated management of coastal and marine resources. The government has recently launched a decentralization process that requires the establishment of public policy coordination procedures at the regional level. The decentralization process also involves reforms of Regional Investment Centers that are responsible for supporting and facilitating private investment. These ongoing regionalization processes provide opportunities to develop the BE in coastal regions.
- **These contexts, and the aspirations of the NDM, call for developing Morocco's institutional framework and strengthening blue sectors for a climate-resilient BE.** For this to happen, the government program is being structured to respond to two main areas affecting the development of the BE. First, the limitations of the existing horizontal and vertical coordination mechanisms and the lack of integrated information systems to support an integrated framework for the BE. Second, the more urgent sectoral development issues where systemic improvements need to be supported by developing a resilient BE through coastal protection and by investing in key sectors to drive economy growth and recovery from the COVID-19 pandemic.

⁸ World Bank (2021) Technical Note: Building Forward Blue in Morocco

⁹ Bladi.net (2022) Tourisme : le Maroc a perdu 90 milliards de dirhams en 2 ans. Available at: <https://www.bladi.net/tourisme-maroc-pertes,90262.html>

¹⁰ The six port hubs are: (i) Oriental, (ii) North-West, (iii) Kenitra-Casablanca, (iv) Abda-Doukkala, (v) Souss-Tensift cluste and (vi) Southern Ports.

¹¹ World Bank (2021) Morocco Climate Risk Profile

¹² Government of Morocco (2021) Nationally Determined Contributions. Available at: https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Morocco%20First/Moroccan%20updated%20NDC%202021%20_Fr.pdf

¹³ Luijendijk, A., Hagenaars, G., Ranasinghe, R. et al. (2018) The State of the World's Beaches. Sci Rep 8, 6641

¹⁴ Snoussi, Maria, Otmane Khalfaoui, Latifa Flayou, Siham Kasmi, and Otmane Raji. 2017. Can ICZM Help the Resilience of Disappearing Beaches in the Face of Climate Change? In: Euro-Mediterranean Conference for Environmental Integration. pp. 29-30. Springer, Cham.

¹⁵ Government of Morocco (2021) Nationally Determined Contributions. Available at:

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Morocco%20First/Moroccan%20updated%20NDC%202021%20_Fr.pdf

¹⁶ FAO (2018) Impacts of climate change on fisheries and aquaculture. Available at: <https://www.fao.org/fi/static-media/MeetingDocuments/CECAF/CECAF-SSC8/Inf.5e.pdf>



PforR Program Scope

- **The PforR's scope and boundaries are defined on the following considerations:** (i) the Program aims to establish the foundation of the government program by developing institutional frameworks; (ii) the Program interventions focus on building blocks of the government program to catalyze transformational changes and to strengthen key blue sectors for the recovery of the economy from the COVID-19 pandemic; (iii) the Program activities are registered in the Finance Law 2022 and duly budgeted as part of the government budget; (iv) the Program exclude activities which are highly complex and have a large social and environmental foot print; (v) the Program period is 2022-2026; and (vi) the Program focuses on selected coastal regions: Oriental, Tangier-Tetouan-Al Hoceima, Rabat-Sale-Kenitra, Marrakesh-Safi, and Souss-Massa, and the coastal provinces of Guelmim, Sidi Ifni, and Tan-Tan.
- **The PforR builds on the long-term partnership between GoM and the WB on coastal development.** The *Inclusive Green Growth DPL (P127956)* set the basis for the approval of the Coastal law and the preparation of the National Coastal Plan, while the *Integrated Coastal Zone Management Project (P121271)* was essential to pilot integrated management. The analytical and technical support provided by the *North Africa BE and Coastal Management Programmatic Advisory Services and Analytics (ASA) (P170596)* helped the GoM recognize the BE as an approach to build back better from the COVID-19 crisis.
- **The PforR is structured around inter-linked two results areas (RAs) that contribute to the government program.** RA 1 (*Strengthen integrated framework for BE development*) supports the development of institutional and financial frameworks to strengthen vertical and horizontal coordination. RA 2 (*Improve integrated management of natural resources and strengthen selected sectors*) is operational and focuses on key blue sector activities to foster a climate-resilient BE in recovering from the COVID-19 pandemic. Strategic planning and coordination established under RA 1 are expected to enhance the outcomes of RA 2 by supporting synergies and cooperation across sectors. These activities are selected based on their alignment with the objectives of the government program, their impact on regional development, their potential contribution for clustering and coordination, and their moderate to low E&S risks. The selection of the Program areas of support has been strategically made to (i) establish policy and provide an institutional and scientific foundation for the BE; (ii) support the development of key BE sectors, namely fisheries and coastal tourism, (iii) stimulate the participation of women and youth in BE sectors, and (vi) conserve and restore coastal areas to ensure the sustainability and climate-resilience of the BE. The activities will be scaled to integrate more partners as part of the government program, outside the boundaries of this PforR.

C. Proposed Program Development Objective(s)

Program Development Objective(s)

Develop institutional frameworks, improve integrated management of natural resources, and strengthen selected sectors for a climate-resilient Blue Economy in targeted areas.

The PDO indicators are the following:

- Indicator 1: The BE strategy is implemented in alignment with NDC in targeted areas (Text)
- Indicator 2: Tourism SMEs that commercialized new sustainable tourism products in targeted areas in line with NDC pathway for development (disaggregated: owned by women and youth) (Number)
- Indicator 3: Aquaculture farms established and operational in targeted areas (Number)
- Indicator 4: Marine and coastal areas under climate-resilient and sustainable integrated management in targeted areas (Hectares)



The PDO level indicators were selected to measure the key achievements that the PforR should reach within 5 years of its implementation to ensure institutionalization and the sustainability of the government program.



D. Environmental and Social Effects

- **Environmental and social risks:** Potential negative effects of the proposed Program activities are low or moderate. Activities with the potential to generate moderate environmental risks mainly relate to the construction phase of structural activities. For structural activities with moderate environmental and/or social effects, mitigation measures have been defined to complement the existing systems. Program activities were assessed for E&S risks based on the PforR eligibility criteria which excludes high risks interventions. Each implementing agency will conduct a screening to confirm risk levels, prepare management instruments, identify adequate social and environmental mitigation measures, and prepare corresponding action plans.
- **Environmental risks.** Forty-eight activities proposed for Program funding were reviewed with respect to E&S risks in accordance with the Bank's PforR policy approved by the Board of Directors (paragraph 10). Twenty-three activities were assessed as high risk due to potentially significant negative E&S impacts, despite potential mitigation measures. These investments were therefore excluded from the Program. For the remaining 25 activities, potential negative impacts were estimated to be not significant, low-scale, and geographically limited. Mitigation measures for these activities are known (e.g., those generally adopted to manage construction sites) and their implementation is feasible.
- **Social risks are assessed as low to moderate and the measures for their mitigation are part of the Program Action Plan.** Social risks likely to result from the Program during the preparatory phase are linked to potential shortcomings in the assessment of social impacts and planning of their management, and to restrictions on access to land or marine natural resources (protected forests and fishing areas). During the construction phase, social risks are related to the health and safety of workers and communities, and to child labor. During the operation phase, social risks are related to the potential exclusion or limitation of local populations and potential beneficiary populations from the benefits of the Program. During the three project phases, information/consultation activities could be limited in scope, not covering their entire life cycle, and could not sufficiently include vulnerable populations, in particular illiterate people, women, and people with disabilities that limit their access to certain communication channels (e.g., visually impaired and hearing impaired).
- **ESSA Action Plan:** Although the E&S risks of the activities under the Program are classified as low to moderate, the Program offers an opportunity to address the shortcomings and to strengthen the overall E&SMS in the sectors involved with the program. The Program will support specific measures aimed at strengthening the quality and performance of the E&SMS, in two areas of intervention: (i) actions aimed at strengthening the E&SMS, and (ii) actions aimed at building the capacities of actors in E&S management. Thus, two main recommendations emerge from the ESSA:
 - Strengthen the E&SMS
 - Build capacity in E&S management and monitoring, through training sessions on E&S management tools, M&E, and risk mitigation, which will be included in the annual capacity building plan for the institutions involved



E. Financing

- The total Program financing over five years (2022- 2026) amounts to US\$ 438.90 million, of which US\$ 350 million (79.74 percent) will be financed by an IBRD loan. Of the total US\$ 438.90 million, US\$ 45.55 million will finance the activities under RA 1 and US\$ 393.35 million will finance RA 2. This is part of the government strategy to start financing the program with the aggregation of sectoral budgets presented in the 2022 Performance Projects and projected (with an amount of US\$ 2 billion) for the next five years.

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