**I. Introduction and Context**

**Country Context**

Despite Morocco’s strong economic performance over the past 10 years, young people have been disproportionately affected by economic exclusion, with 51% of all 15-29 year olds being out of school and out of work (World Bank 2012a). This lack of economic opportunities also has serious social implications, as the inability to gain financial autonomy also affects young people’s dignity and ability to start a family. While unemployment rates are higher among the more educated youth, the very vast majority of young people suffering from a lack of economic opportunities are the low-skilled (69% of all youth have less than a middle-school degree, and 20% are illiterate). In fact, low-skilled youth represent 63% of all unemployed youth, 78% of the discouraged, and 92% of the youth in domestic activities. Girls are particularly vulnerable, with a staggering 82% of those not in school being out of the labor force either for family reasons (63%) or discouragement (19%). Moreover, even among those young people who are in employment, over 80% work in the informal sector, often under precarious conditions. Despite this scenario, most policy interventions in Morocco have to date focused on a minority of high-skilled unemployed youth, for example through the programs of the National Employment Agency ANAPEC, while ill serving the less educated.
The wave of civic protests that has swept the MENA region since the start of the Arab Spring has enveloped Morocco. The Arab Spring has shown the powerful consequences of exclusion and high levels of youth unemployment in the MENA region and in Morocco. Jobs are at the forefront of attention and youth unemployment is the main social, political and economic issue. Despite a relatively favorable socio-political situation compared to some other MENA countries, Morocco still has a lot to do to improve its social indicators which remain relatively low compared to the MENA average and it particularly needs to make major progress to address inequality and vulnerability. The official unemployment rate stands at 9.1% but is three times higher for the 15-24 age group. These conditions, combined with the push for greater voice and dignity as part of the Arab Spring, provided fertile ground for frustration among the population.

Against the background of a new Constitution (2011) and a new government that took office in early 2012, Morocco has engaged in a dynamic process towards strengthening economic opportunities and social inclusion. However, while several high profile development programs (e.g. the 2nd phase of the National Human Development Initiative, INDH) and new sectoral strategies in the areas of education, employment, and youth have been initiated, additional efforts are needed to support the country-led reforms. Thus, the Government of Morocco seeks assistance in developing a support system for youth self-employment on the local level that can meet today’s pressing needs while also building the institutional architecture and capacity to provide more and better job opportunities to young people over the long-term.

**Sectoral and Institutional Context**

In order to enhance economic opportunities and inclusion, there is an increasing interest among the government, civil society, and development partners to promote self-employment, including among youth. The government has recognized the strategic importance of very small enterprises, and is currently in the process of finalizing a National Strategy for Very Small Enterprises, which puts high value on formalizing informal enterprises and strengthening the availability of non-financial support services to small businesses at the local level. Indeed, micro- and very small enterprises with less than 9 people represent approximately 97% of businesses in Morocco, out of which over 60%, or 1.7 million entities (2010) are in the informal sector (GoM 2011).

While Morocco has maintained the highest rates of micro-credit in the MENA region, starting and expanding a small business remains a serious challenge for Moroccans, especially for disadvantaged youth. Obstacles include the lack of access to information, skills, finance, land and property rights, pre-/post-start up orientation and business development support as well as administrative hurdles. In fact, even where public and NGO support services for self-employment exist, they are usually targeted to urban youth with a minimum of completed middle-school (e.g. OFPPT, MEDA) or even university level education (e.g. Moukawalati, Fondation Banque Populaire pour la Création d’Entreprise). School drop-outs and youth working the informal sector therefore currently have almost no opportunities to increase their productivity and formalize their existing income generating activities.

Therefore, enhancing the productivity of young informal workers through training and skills upgrading has emerged as a key priority to foster employment and inclusion (see for example World Bank 2011. Striving for Better Jobs: The Challenge of Informality in the Middle East and North Africa Region). This will require re-orienting and tailoring the design and delivery of training and
enterprise support towards the particular needs of young informal workers, offering practical, community-based interventions that allow combining learning with earning and that provide assistance beyond the set-up stage of youth-led micro-enterprises.

**Relationship to CAS**

The current World Bank Country Partnership Strategy (FY10-13) defines increasing access to basic services, social programs, and economic opportunity for poor and vulnerable populations, and particularly women and youth, as a key objective. The project directly contributes to this objective and is also fully aligned with the 2012 CPS Progress Report emphasizing the need for stepped up WB engagement in addressing cross-sectoral issues, particularly strengthening inclusion of youth and women (under Pillar 2 “Service Delivery to Citizens”).

In particular, the proposed project follows an official request by the Government of Morocco for Technical Assistance from the World Bank (letter received on November 5, 2012) to support the implementation of a new self-employment project targeted at disadvantaged youth through community-based services. A core priority for the Ministry of Youth and Sports (MYS), the proposed project is a key component under the new Integrated National Youth Strategy (also supported by the World Bank) that is currently under development and aims directly at supporting the Strategy’s implementation. In fact, the National Strategy identifies youth with lower levels of education (secondary or less) as a priority target group, and strengthening youth economic opportunities a strategic axis of intervention. Hence, the proposed project addresses the urgent need to provide job opportunities for disadvantaged youth while also informing future reforms of publicly provided community-based services (e.g. Ministry of Youth, Entraide Nationale, INDH) to improve economic opportunities through self-employment.

**II. Proposed Development Objective(s)**

**Proposed Development Objective(s) (From PCN)**

The Project Development Objective is to provide targeted disadvantaged youth between the ages of 15-29 years with access to quality business development services. The project will achieve the PDO through a focus on: a) strengthening the institutional capacity of national and local stakeholders to provide quality assistance to youth in starting and growing their micro-enterprises; and b) rigorous learning about the effectiveness of comprehensive self-employment support to disadvantaged youth in view of expanding access.

**Key Results (From PCN)**

Progress towards achieving the project’s development objective will be measured by a series of quantitative and qualitative indicators at the PDO level and at the component level.

At the PDO level:
- Direct project beneficiaries (number), of which female(%), who receive skills training
- Direct project beneficiaries (number), of which female (%), who receive certification upon completion of the business development training
- Percentage of youth micro-entrepreneurs supported by the project who receive post-creation follow-up support for at least 12 month
- Percentage of income-generating activities which are viable 12/24 months after having benefited from support through the project

At the component level:
• Direct project beneficiaries (number) of which female (%) who are pre-identified
• Number of TORs developed for performance based contracts with NGOs and private providers
• Number of contracts signed with NGOs and private providers
• Direct project beneficiaries (number), of which female (%), who complete a business plan
• Evidence of user feedback influencing program delivery
• Number of public officials at the central level trained by the program
• Number of public officials at the provincial level trained by the program
• Timely submission of annual progress and audit reports

As part of the monitoring system, there will be also be an effort to monitoring the success and viability of business activities supported by the project, as well as tracking income changes of young beneficiaries and their access to finance as a result of the project.

III. Preliminary Description
Concept Description
To achieve its objectives, the proposed project will adopt a locally-based approach to provide non-financial support services to young informal sector workers and other disadvantaged youth along the life-cycle of a micro-enterprise, thereby enhancing their ability to access existing financial services and increase the viability of their income-generating activities. Specifically, the project will identify key local markets and existing trades with high potential for upgrading and value chain integration, and provide a) Entrepreneurship training (life skills, business skills, and link to financial services), b) Post-creation business development support (e.g. mentoring, physical location, distribution). In doing so, the project will bring together local civil society champions, private sector players and local governments with the relevant public sector institutions that have a strong local presence, such as the Ministry of Youth and Sports (through its “Maisons de Jeunes” and “Foyers Féminins”), and Entraide Nationale (through its “Centres d’Éducation et Formation” and “Centres de Formation par Apprentissage”).

While supporting self-employment in Morocco and other countries has often focused on more educated unemployed youth cohorts, it is increasingly recognized that focusing on youth in the informal sector may be a more promising approach as they tend to be more inclined to start a small business (i.e. not waiting for salaried jobs) and often have already acquired some work experience (e.g. in the family business, agriculture, small-scale services, etc.) that is important to starting and growing a small business.

The project’s geographic scope would include four target regions of Morocco following the government’s demand for cross-country coverage, i.e. Marrakesh (South), Oujda (East), Tangier (North), and Fes (Center). Within those regions, specific outreach will be conducted in: a) a subset of communes and neighborhoods targeted by the INDH on the basis of poverty and youth exclusion, b) locations with market potential, based for example on priority sectors defined by the Regional Investment Centers (CRI) and Regional Artisan Plans (PRDA), and c) locations with a conducive enabling environment, i.e. the presence and capacity of local civil society, private sector, and relevant public institutions (Ministry of Youth and Sports, Entraide Nationale, provincial governments, etc.).

The proposed project is informed by rigorous evidence stemming from entrepreneurship
interventions across the world. While the evidence across youth entrepreneurship programs is very heterogeneous, a few common lessons emerge. Overall, "comprehensive" programs, usually containing a package of training, financing, and ongoing coaching/mentoring, perform better, since they address the multiple barriers youth are facing in starting or expanding a business. For existing business owners, receiving business training appears to be more important than gaining access to finance in expanding their activities. There is also evidence that approaches targeting women specifically may yield better results than generalized programs that also try to include women, which could be particularly relevant where gender specific barriers such as cultural norms are widespread. Finally, specific evidence from Morocco’s National Human Development Initiative confirms that successfully supporting income-generating activities requires in-depth local market analysis, strong emphasis on marketing and project profitability, good linkages to micro-finance institutions, the need for technical assistance beyond the initial set-up stage.

Component 1: Integrated micro-entrepreneurship support for disadvantaged youth. This component provides a menu of non-financial support services to at least 3300 disadvantaged youth designed to facilitate the start-up and expansion of local youth-led micro-entrepreneurship. Aspiring and existing youth entrepreneurs can enroll in the program based on defined eligibility-criteria, i.e. having secondary education or less, being out-side the labor market or active in the informal sector, and having basic know-how in a specific activity or trade. Specific delivery arrangements will be made to ensure the participation of young girls (e.g. through female only groups). Specifically, under this component the project will carry out:

a) Market assessments: Private sector providers will carry out local market assessments to identify the key sectors offering promising livelihood opportunities, the constraints of existing businesses and trades, and possibilities for creating new and upgrading existing micro-enterprises — for example by fostering value chain integration or exploring stronger distribution channels.

b) Entrepreneurship training: Local implementing organizations (e.g. CBOs, NGOs, private sector) will provide a combination of skills needed to start and grow a business, including financial literacy (how to manage money and the use of financial services, such as savings and credit), behavioral and life skills (communication, goal setting and achievement, decision making, etc.), and business skills (market research, budgeting, etc.). As part of the training, the project will also orient beneficiaries in the start-up/expansion process, in particular by preparing them to apply to local microfinance institutions (for individual or group-based micro-credit needs up to $5000) and existing grant mechanisms such as INDH (for income-generating activities with complementary financing needs beyond microfinance).

c) Post-creation business development support: A sub-set of participants will be eligible for ongoing business development services from local implementing organizations to help them sustain and grow their business. This will include mentoring, access to physical space that can be used by for production and/or distribution, and assistance with expanding distribution networks, making new contacts, and accessing regional markets, e-commerce, or other distribution channels.

Beneficiary selection will be based on a 2-stage process. Aspiring and existing entrepreneurs can enroll in the skills training program based on general eligibility-criteria, i.e. having secondary education or less, being out-side the labor market or active in the informal sector, and having basic know-how in a specific activity or trade through technical training and/or demonstrated work experience. By targeting disadvantaged youth, the project will allow for broad access to the services offered. If interest in the program exceeds delivery capacities, a random selection will be applied to determine who will receive services immediately and who will be waitlisted for future rounds.
Among the beneficiaries who complete the initial training, a subset of youth will be selected to receive post-creation support based on the potential viability of their new or existing self-employment project. The selection will be based on the project/business plans developed as part of the training which will be assessed by program staff and members of the local private sector, including MFIs. Beneficiaries of the post-creation support will primarily include those who successfully access micro-credits or grants to start and expand their income-generating activities, but may also include other quality projects where access to finance may not be a key constraint (primarily among those who already have existing activities).

Component 2: Institutional capacity building. This component provides all the auxiliary support services necessary to successfully implement Component 1, including product and curricula development, strengthening institutional capacity for service delivery, and capacity building to recipient agencies and local entities. The institutional capacity building will be provided through competitively selected local and international service providers (NGO and/or private sector) under the coordination of the recipient agency and the project management unit.

a) Product/curricula development: Based on national and international training curricula and other micro-enterprise support tools, minimum standards for the delivery of the services offered under component 1 will be established and existing materials adapted to make them suitable for the project.

b) Institutional capacity building for service delivery: Under this component the project will also provide technical assistance and strategic advice to NGOs and youth-friendly services on the local level so that they can deliver the integrated services efficiently and effectively. This includes capacity building on the content, curricula, and methods of the training and post-creation support provided, strengthening organizational functions of local organizations (Budgeting, Reporting, Financing, etc.), enhancing the capacity of civil servants in Youth and Women Centers managed by the Ministry of Youth and Sports on outreach and programming, and organizing thematic workshops and knowledge sharing events in order to increase synergies and knowledge sharing among local implementing organizations.

c) Capacity building to recipient agency and local governments: Targeting public officials at central and provincial levels (especially civil servants of the Ministry of Youth and Sports, Entraide Nationale, and provincial governments or policemen, as needed) the project will provide training on territorial planning and outreach of youth-focused programs, support the participation in specialized trainings and workshops on youth employment and entrepreneurship, and support the integration of lessons for future scaling up.

Component 3: Project Management & Monitoring. A Project Management Unit (PMU) will be responsible for overall coordination and implementation of the project. Key responsibilities will include national and regional coordination, procurement, financial management, monitoring, communication and knowledge management, formalizing partnerships, as well as the selection and oversight of local implementing organizations and service providers. The project will draw on several complementary monitoring tools in order to a) support project management, b) ensure accountability, and c) foster knowledge generation. The project will include a robust monitoring system which will provide real time information sharing and learning to all implementation teams and partners involved, in addition to measure results directly related to project activities. The monitoring system will include a comprehensive set of process, output and outcome indicators and a continuous process of data collection and entry so as to assess the quality and effective delivery of the services offered.
IV. Safeguard Policies that might apply

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V. Tentative financing

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VI. Contact point

**World Bank**
- Contact: Gloria La Cava
- Title: Sr Social Scientist
- Tel: 458-7646
- Email: glacava@worldbank.org

**Borrower/Client/Recipient**
- Name: Ministry of Economy and Finance
- Contact: Malika Dhif
- Title: Head of Division Financing and Multilateral Relations
- Tel: 212537677377
- Email: m.dhif@tresor.finances.gov.ma

**Implementing Agencies**
- Name: Ministry of Youth and Sports
- Contact: Younes El Jaouhari
- Title: Director of Youth, Children and Feminine Affairs
- Tel: 212537680481
- Email: yeljaouhari2@gmail.com
VII. For more information contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop