### I. Project 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. 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.

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. It particularly needs to address inequality and vulnerability - the official unemployment rate stands at 9.1% but is three times higher for the 15-24
age group.

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. Although several high profile development programs (e.g. the 2nd phase of the National Human Development Initiative, the 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.

II. 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. 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). 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. Similarly, the INDH continues to provide large-scale support for income-generating activities.

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. For example, in a recent survey 80% of Moroccan youth considered access to finance as a key constraint, and over 70% found the financial risks to be a key barrier. Also, interest in entrepreneurship is often not matched by the appropriate skills, as it is often driven by the desire to escape the low pay and precarious work conditions in the informal sector, rather than an assessment of unmet market demand.

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.

III. Project Development Objectives

The Project Development Objective is to provide targeted disadvantaged young men and women between the ages of 15-29 years with access to business development services.

There will also be a strong focus on a) strengthening the institutional capacity of national and local stakeholders to provide assistance to youth in starting and growing their micro-enterprises; and b) supporting rigorous learning about the effectiveness of comprehensive self-employment support to disadvantaged youth in view of facilitating an informed scaling-up.

IV. Project Description
Component Name
Integrated micro-entrepreneurship support for disadvantaged youth
Institutional capacity building
Project Management & Monitoring

V. Financing (in USD Million)

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VI. Implementation

VII. Safeguard Policies (including public consultation)

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<td>Projects in Disputed Areas OP/BP 7.60</td>
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VIII. Contact point

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