

# AFRICAN DEVELOPMENT BANK



## NADOR WEST MED PORT COMPLEX CONSTRUCTION PROJECT – SUPPLEMENTARY FINANCING

**COUNTRY: MOROCCO**

### PROJECT APPRAISAL REPORT

*Date: January 2022*

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**COUNTRY: MOROCCO**

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**RDGN/COMA/PICU**

**May 2022**

*Translated Document*

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## **Currency Equivalents**

*January 2022*

UA 1	MAD	12.9172
UA 1	EUR	1.20087
EUR 1	MAD	10.4975

## **Fiscal Year**

1 January - 31 December

## **Weights and Measures**

1 metric tonne	2,204 pounds
1 metric tonne	2,200 pounds
1 metre (m)	3.28 feet
1 millimetre (mm)	0.03937 inch
1 kilometre (Km)	0.62 mile
1 hectare (ha)	2.471 acres

## **Acronyms and Abbreviations**

<b>AfCFTA</b>	African Continental Free Trade Area
<b>AFD</b>	French Development Agency
<b>AfDB</b>	African Development Bank
<b>AFESD</b>	Arab Fund for Economic and Social Development
<b>ANP</b>	National Ports Authority
<b>APA</b>	advance procurement action
<b>CRP</b>	Compensation and Resettlement Plan
<b>CSP</b>	Country Strategy Paper
<b>DAF</b>	Administrative and Financial Directorate
<b>DEPP</b>	Directorate of Public Enterprises and Privatisation
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EEP</b>	Public Establishments and Enterprises
<b>EIB</b>	European Investment Bank
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>ESMP:</b>	Environmental and Social Management Plan
<b>EU</b>	European Union
<b>FDS</b>	final design study
<b>HHTD</b>	net of taxes and customs duties
<b>IRR</b>	internal rate of return
<b>JICA</b>	Japanese International Cooperation Agency
<b>KWD</b>	Kuwaiti Dina
<b>LPI</b>	Logistics Performance Index
<b>LTS</b>	Bank's Long-Term Strategy
<b>M</b>	Million
<b>MAD</b>	Moroccan Dirham
<b>MDGs</b>	Millennium Development Goals
<b>MEF</b>	Ministry of the Economy and Finance
<b>METL</b>	Ministry of Equipment, Transport and Logistics
<b>MICIEN</b>	Ministry of Industry, Trade, Investment and the Digital Economy
<b>NPV</b>	net present value
<b>NWM</b>	Nador West Med Port
<b>ONEE</b>	National Electricity and Drinking Water Authority
<b>PAP</b>	project-affected person
<b>PCR</b>	Project Completion Report
<b>PIA</b>	project impact area
<b>PNRRII</b>	National Rural Roads Programme II
<b>SNWM</b>	Nador West Med Company
<b>TEU</b>	twenty foot equivalent unit
<b>TMSA</b>	Tangiers Med Special Agency
<b>UA</b>	Unit of Account
<b>USD</b>	United States Dollar
<b>WB</b>	World Bank

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## 1. Client Information Sheet

COUNTRY : Morocco

PROJECT NAME : Nador West Med Port Complex Construction Project  
(Supplementary Financing)

LOCATION : Oriental Region

BORROWER : Nador West Med Company (SNWM)

GUARANTOR : Kingdom of Morocco

EXECUTING AGENCY : Nador West Med Company (SNWM)

## 2. Financing Plan

Source	Amount (in UA)	Amount (in EUR)	Instrument
AfDB LOAN	47.47 million	57 million	AfDB Loan
TOTAL	47.47 million	57 million	

## 3. Key AfDB Loan Financial Information

<b>Loan Currency</b>	Euros (EUR)
<b>Loan Type</b>	Fully Flexible Loan
<b>Tenor</b>	25 years inclusive of Grace Period
<b>Grace period</b>	8 years
<b>Average Loan Maturity **</b>	16.75 years
<b>Repayments</b>	Equal and consecutive semi-annual payments after the Grace Period or profile adapted to the Borrower's needs
<b>Interest Rate</b>	Base Rate + Funding Cost Margin + Lending Margin + Maturity Premium. (This interest rate must be higher than or equal to zero)
<b>Base Rate</b>	Floating Base Rate (6-month LIBOR reset each 1 <sup>st</sup> February and 1 <sup>st</sup> August); A free option to fix the Base Rate is available
<b>Funding Cost Margin</b>	The Bank funding cost margin as determined each 1 <sup>st</sup> January and 1 <sup>st</sup> July and applied to the Base Rate each 1 <sup>st</sup> February and 1 <sup>st</sup> August
<b>Lending Margin</b>	80 basis points (0.8%)
<b>Maturity Premium</b>	0.25%
<b>Front-end fees</b>	0.25% of the loan amount
<b>Commitment fees</b>	0.25% per annum of the undisbursed amount. Commitment fees start accruing 60 days after signature of the loan agreement and are payable on the payment dates
<b>Option to convert the Base Rate</b>	In addition to the free option to fix the floating Base Rate, the Borrower may reconvert the fixed rate to floating or refix it on part or full disbursed amount. Transaction fees are payable.
<b>Option to cap or collar the Base Rate</b>	The Borrower may cap or set both cap and floor on the Base Rate to be applied on part or full disbursed amount. Transaction fees are payable
<b>Option to convert loan currency</b>	The Borrower may convert the loan currency for both undisbursed and/or disbursed amounts in full or part to another approved lending currency of the Bank. Transaction fees are payable

#### 4. Timeframe - Milestones (expected)

Activities	(Month, Year)
Concept Note Approval	December 2021
Project Approval	May 2022
Signing of the Agreement (at the latest)	May 2022
Project Completion	December 2023
Closing Date	December 2024

\* Conversion options and related transaction fees are governed by the Bank's Conversion Guidelines available at: <https://www.afdb.org/fr/documents/document/guidelines-for-conversion-of-loan-terms-july-2014-87643/>



### Project Overview

1. The supplementary financing for the Nador West Med (NWM) Port Complex Construction Project, which is currently underway, is intended to complement the original Bank-financed project approved in 2015. This operation is part of the drive to develop the transport and logistics sector in Morocco, which, in the maritime and port sector, involves the construction and operation of an industrial port platform in Nador within the framework of the Oriental Region development programme.
2. Apart from the benefits that will accrue from the development of maritime trade in the Oriental Region, the project will boost the logistical competitiveness of the entire national economy. Its direct beneficiaries will be the users of maritime transport services, as well as the project area population. Its expected outcomes are: (i) increased port capacity; (ii) improved operational efficiency of the port in Oriental Region; and (iii) improved living standards and socioeconomic conditions in the project area.
3. The updated total project cost is MAD 9.4 billion or EUR 893.33 million. During project implementation, geotechnical and geological contingencies generated additional costs. These additional works were covered in Addendum No. 1, which should be financed by SNWM. However, due to the impact of the COVID-19 health crisis, the Société Nador West Med (SNWM), like most public companies, is experiencing cash flow difficulties.
4. On 24 September 2021, the Ministry of the Economy and Finance (MEF) submitted to the Bank a request for supplementary financing amounting to MAD 600 million, or EUR 57 million, for the Nador West Med Port Complex Construction Project. This supplementary financing was requested to finance the additional works covered by Addendum No. 1, costing MAD 500 million, and part of the optional tranche of the original contract for the construction of a bulk-cargo berth, estimated at MAD 221 million.

### Needs Assessment

5. The absence of a major port facility in the North-East of the Kingdom of Morocco is a serious constraint on the effective realization of the Moroccan Government's vision of establishing an economic hub in this region which, today, has some of the lowest socio-economic development indicators in the country. In fact, the location of this area at the crossroads of major container and oil shipping routes, as well as the port facilities that will be constructed, should help to: (i) develop several industrial sub-sectors; (ii) attract part of the demand for port services, particularly for container and petroleum transshipment, in the Western Mediterranean as from 2021; and (iii) meet the demand for increased port capacity which is driven by national energy consumption needs, particularly the supply to electric power plants under the development programme of the National Electricity and Drinking Water Authority (ONEE). The Nador City Port, located some 30 km from the NWM site, cannot keep pace with the envisaged demand trends. Indeed, its urban location and facilities greatly limit the possibility of expanding its capacity.

### Bank Value-Added

6. The Bank has financed many operations in all sectors in Morocco, particularly in several transport sub-sectors (air, rail, road and highway). The relevant operational experience and technical expertise acquired during their implementation have been reflected in the design of this project. Furthermore, the proposed operation offers an opportunity for the Bank to strengthen its cooperation with other stakeholders, particularly the European Bank for Reconstruction and Development (EBRD) and the Arab Fund for Economic and Social Development (AFESD).

## **Knowledge-Building**

7. The main lessons to be learned from this project will stem from the monitoring and evaluation system that will be established to: (i) monitor the implementation of various activities by the Société Nador West Med (SNWM); and (ii) analyse the level of achievement of development objectives by the NWM Foundation. The reports to be prepared by these two entities will be widely disseminated among the various project stakeholders.

RESULTS - Based FRAMEWORK (Supplementary Financing)						
A	PROJECT INFORMATION					
	I PROJECT NAME AND SAP CODE: Nador West Med Port Complex Construction Project (PNWM) – SUPPLEMENTARY FINANCING (P-MA-DD0-008).				COUNTRY/REGION: MOROCCO/ NORTH AFRICA REGIONAL OFFICE	
	I PROJECT DEVELOPMENT GOAL: CONTRIBUTE TO IMPROVING MARITIME TRADE					
	Alignment indicator: (i) COST OF BORDER TRADE					
B	RESULTS MATRIX					
RESULTS CHAIN		CMR INDICATOR	MEASUREME NT UNIT	BASELINE (2014)	TARGET AT COMPLETION (2024)	MEANS OF VERIFICATION
OUTCOME 1: Increased ports capacity in the Oriental Region						
INDICATOR 1.1: Volume of container traffic handled in the Oriental Region		<input type="checkbox"/>	TEU	0.007 M	0.720 M in 2024	SNWM Annual Report
INDICATOR 1.2: Volume of various goods handled in the Oriental Region		<input type="checkbox"/>	Tonne	2.702 M	3.5 M in 2024	
INDICATOR 1.3: Volume of energy products handled in the Oriental Region		<input type="checkbox"/>	Tonne	0.380 M	7.4 M in 2024	
INDICATOR 1.4: Jobs created		<input type="checkbox"/>	Number	0	10000 in 2024 and 90000 in 2035 of whom 40% are women	
OUTCOME 2: Improved port operational efficiency in the Oriental Region						
INDICATOR 2.1: Average ship anchor waiting time (anchorage) in the Oriental Region		<input type="checkbox"/>	Hours	12	4	SNWM Annual Report
INDICATOR 2.2: Container handling speed in the Oriental Region		<input type="checkbox"/>	Mvts/hr	10	35	
OUTPUT 1: Construction of port infrastructure						
INDICATOR 1.1: Total length of the breakwater		<input type="checkbox"/>	Metres	0	5,400	Project monitoring report
INDICATOR 1.2: Total length of quay		<input type="checkbox"/>	Metres	0	4354	
INDICATOR 1.3: Back-up space		<input type="checkbox"/>	Hectares	0	152	
OUTPUT 2: Project Management and Coordination						
INDICATOR 2.1: Quarterly progress reports		<input type="checkbox"/>	Number	0	20	Project completion report
INDICATOR 2.2: Annual project accounts audit reports		<input type="checkbox"/>	Number	0	7	Project monitoring report
OUTPUT 3: Social impact in the Oriental Region		<input type="checkbox"/>	Number			
INDICATOR 3.1: Training of women in fishery trades		<input type="checkbox"/>	Number	0	24	
INDICATOR 3.2: Primary schools rehabilitated		<input type="checkbox"/>	Number	0	4	

## Implementation Schedule for Nador West Med Port Complex Construction Project

[illegible]

# **REPORT AND RECOMMENDATION OF BANK GROUP MANAGEMENT TO THE BOARD OF DIRECTORS ON THE AWARD OF AN AfDB LOAN TO NADOR WEST MED COMPANY (SNWM) (MOROCCO) FOR THE SUPPLEMENTARY FINANCING OF THE NADOR WEST MED PORT COMPLEX CONSTRUCTION PROJECT**

Management submits this report and recommendation on a proposal to award a loan of EUR 57 million to Nador West Med Company (SNWM), guaranteed by the Kingdom of Morocco, for the supplementary financing of the Nador West Med Port Complex Construction Project (PNWM) in Morocco.

## **I. STRATEGIC THRUST AND RATIONALE**

### **1.1 Context**

1.1.1. The transport sector is one of the key drivers of the Kingdom's economic growth and development and is consequently one of the main priorities of the Moroccan Government. All modes combined, it accounts for: (i) 15% of State revenue; (ii) 5% of jobs for the labour force; and (iii) 5% of national GDP. Of the various modes of transport, maritime transport plays a special role in supporting the development of tourism and industry.

1.1.2. The supplementary financing is backed by the original Nador West Med Port Complex Construction Project, designed in line with Morocco's economic and social development programme, which aims to address the competitiveness challenge and preserve the country's macroeconomic viability, in order to generate long-term and inclusive growth that can sustainably improve the people's living conditions. Accordingly, the Government's action focuses on: (i) boosting the competitiveness of the economy; (ii) developing the private sector; (iii) diversifying economic growth sources; and (iv) improving the State's social support system and reducing regional disparities.

1.1.3. The COVID-19 pandemic led to an increase in the prices of all raw materials, as well as additional costs due to logistical problems and labour productivity losses. Moreover, the pandemic caused a two-year extension of the project's lead time.

1.1.4. During the original project's implementation, Addendum No. 1 was introduced to cover the increase in volume of works caused by geotechnical and geological contingencies. This addendum, amounting to MAD 500 million, was to be financed by SNWM. However, on account of the COVID-19 pandemic, SNWM is experiencing cash flow difficulties and is requesting the Bank to finance Addendum No. 1 and part of the optional tranche of the bulk-cargo berth with the framework of the requested supplementary financing requested.

### **1.2 Project Linkages with Country Strategy and Objectives**

1.2.1. The supplementary financing maintains the same goals as the original project which is aligned with the objectives of the New National Port Strategy 2030 which aims to: (i) optimise the competitiveness of the logistics chain; (ii) optimise resource use; (iii) ensure the security of strategic supplies; (iv) support economic changes; (v) provide the port system with the capacity to adapt to regional and international trends; (vi) enable the port system to capitalize on any emerging geostrategic opportunities.

### **1.3 Rationale for Bank Intervention**

1.3.1. The rationale for the Bank's intervention in the implementation of this project is the fact that the project is consistent with the Bank's intention to support the Kingdom of Morocco in the effective transformation of its economic model. This involves promoting value chains, especially export value chains, improving the business climate, linking businesses to markets through export zones, and developing the hinterland to enhance the competitiveness of the economy and open up access to the regions. In addition, the project is in line with the Bank's Ten-Year Strategy for the 2013-2022 period which prioritizes infrastructure and private sector development. Also, this project is consistent with the

Bank's new guidelines on intervention in the transport infrastructure sector, which recommend further diversification of its portfolio, including greater involvement in the port sub-sector.

1.3.2. The project is consistent with Pillar 2 ("Support for green infrastructure development") of the Bank's 2017-2021 Country Strategy Paper (CSP) for Morocco, extended to 2023, and structured around two pillars, namely: (i) Pillar 1 - Green industrialization through SMEs and the export sector; and (ii) Pillar 2 - Improving the quality of life through jobs for youth, women and in rural areas. Also, it is line with two of the Bank's High 5s: "Industrialise Africa" and "Improve quality of life for the people of Africa" and the positive impacts of the implementation of the African Continental Free Trade Area (AfCFTA) on the demand for maritime freight.

1.3.3. The supplementary financing meets all the eligibility criteria of the Bank's New Policy on Supplementary Project Financing, approved in June 2021.

## II. ORIGINAL PROJECT DESCRIPTION

### 2.1. Project Objectives

The objectives of the original project remain unchanged, namely:

2.1.1. At the sector level, the project aims to improve logistical competitiveness, port capacity and living conditions in the project impact area.

2.1.2. The project's specific objectives are to (i) help eliminate regional disparities, particularly by accelerating and strengthening the economic and social development of the Oriental Region through enhancement of its attractiveness and creation of wealth and jobs; (ii) strengthen Morocco's port services in the Western Mediterranean region and take advantage of its geostrategic position on the Strait of Gibraltar to attract a share of the global shipping business; and (iii) secure the supply of energy products to Morocco by establishing a second hub, particularly by expanding the intake and storage capacity in the project area.

### 2.2 Project Components

2.2.1 This project consists of three components: (i) construction of port infrastructure; (ii) attendant social and support measures for women and young people; and (iii) project management.

*Table 2.1: Summary of Project Components*

No.	Component	Detailed Description of Sub-Components
A	<b>CONSTRUCTION OF PORT INFRASTRUCTURE</b>	A.1 <b>Civil engineering works</b> for the construction of: (i) a 4,200-metre main breakwater; (ii) a 1,200-metre secondary breakwater; (iii) a hydrocarbon products terminal with three oil-tanker berths, each 110-metre long; (iv) two container terminals with a 1,520-metre-long quay, and an option for an additional 1,440-metre-long quay; (v) a specialised bulk cargo berth for vessels with a 360-metre-long quay; (vi) a <i>general cargo</i> terminal with a 320-metre-long quay; (vii) a berth for roll-on/roll-off ships; (viii) a 384-metre-long service quay; and (ix) 152 hectares of back-up space. A.2. <b>Works control and supervision</b>
B	<b>ATTENDANT SUPPORT AND SOCIAL MEASURES FOR WOMEN AND YOUNG PEOPLE</b>	B1: Assistance for the reintegration of project-affected persons; B2: Training work sites for young people; B3: Rehabilitation of social infrastructure.
C	<b>PROJECT MANAGEMENT</b>	C.1 Project monitoring and coordination; C.2 Project accounts audit.

## 2.3 Change Theory

2.3.1. The implementation of the above-mentioned project components will achieve the following expected outcomes: (i) increasing the port capacity available in the Oriental region; (ii) improving the operational efficiency of the port; (iii) improving the transport and logistical conditions of container traffic in the Mediterranean; and (iv) creating new jobs in the Oriental region.

## 2.4 Project Type, Cost and Financing Arrangements

2.4.1 This project is an investment operation and the most suitable financing instrument for the Bank's intervention in its implementation is an AfDB loan.

2.4.2 The original cost of the project is MAD 9,633 billion or EUR 914 million.

*Table: 2.2: Summary of Original Project Cost Estimates by Component*

Component	Amount (EUR M)	NWM contribution (EUR M)	EBRD (EUR M)	AFESD (EUR M)	AfDB (EUR M)
Construction of port facilities	810.37	369.01	180.03	159.73	101.60
Attendant social and support measures for women and young people	0.77	0.77	0	0	0
Project management and monitoring	11.86	11.86	0	0	0
<b>Total Base Costs</b>	<b>823.00</b>	<b>381.64</b>	<b>180.03</b>	<b>159.73</b>	<b>101.60</b>
Physical contingencies	57.61	26.71	12.60	11.18	7.11
Financial contingencies	33.68	15.62	7.37	6.54	4.16
<b>Total project</b>	<b>914.29</b>	<b>423.97</b>	<b>200.00</b>	<b>177.45</b>	<b>112.86</b>

2.4.3 The original project is jointly financed in accordance with the above provisional plan by SNWM from its own resources amounting to EUR 423.97 million, or 46.37% of the total project cost exclusive of taxes and duties. EBRD's contribution stands at EUR 200 million or 21.88%; AFESD, KWD 60 million or 19.41%; the Bank, through the ADB window loan, will contribute an overall amount equivalent to EUR 112.86 million, or 12.34% of the total project cost.

## 2.5 Project Implementation Status

### Fulfilment of Loan Conditions:

2.5.1. Conditions precedent to first disbursement: The conditions precedent to first disbursement for the project were met on 1 June 2016.

### Procurement of Goods, Works and Services:

2.5.2. Advance procurement action (APA): On 9 October 2014, the Bank gave its no-objection following an APA request submitted by SNWM for the construction works of the Nador West Med port complex infrastructure.

2.5.3. Committed contract: To date, only one contract financed by the AfDB loan has been committed. This is the contract for the construction of the Nador West Med port complex infrastructure.

### Physical and Financial Implementation Progress:

2.5.4. As at October 2021, the physical implementation rate of the project is estimated at 61% and the disbursement rate at 55.8%. In addition, the pandemic has delayed project implementation and, at the request of SNWM, the Bank has agreed to a two-year deferment of the last disbursement of the loan.



### III. ASSESSMENT OF THE SUPPLEMENTARY FINANCING

#### 3.1 Cost and Supplementary Financing Arrangements

3.1.1. The updated project cost stands at EUR 897.33 million, with the financing broken down by contributor as shown in Table 3.1 below.

3.1.2. On 24 September 2021, the Ministry of the Economy and Finance (MEF) submitted to the Bank a request for supplementary financing amounting to MAD 600 million, or EUR 57 million, for the Nador West Med Port Complex Construction Project. This supplementary financing was requested to finance the additional works due to geotechnical and geological contingences which is the subject of Addendum No. 1 for an amount of MAD 500 million as well as part of the optional tranche of the original contract, relating to the construction of a bulk-cargo berth, for an estimated cost of MAD 221 million. These amounts should have been financed with SNWM resources, but due to the impact of the COVID-19 health crisis, the company is experiencing cash flow difficulties.

3.1.3. With supplementary financing of EUR 57 million (6% of the updated project cost), the Bank's overall financing increases to EUR 169.86 million (18.7% of the project cost) and SNWM is contributing EUR 350 million, while the contribution of other donors remains unchanged.

3.1.4. The amount of supplementary financing requested is less than 20% of the total amount of the original project cost, as required by the new policy governing the award of supplementary financing.

*Table: 3.1: Summary of Updated Project Costs by Type of Component and Source of Financing*

Component	Amount (MAD M)	Amount (EUR M)	NWM (EUR M)	EBRD (EUR M)	AFESD (EUR M)	AfDB (EUR M)
<b>Construction of port infrastructure</b>						
Firm tranche	7659.17	729.62	288.26	180.03	159.73	101.60
Increase in the firm tranche	500.00	47.63	0.00			47.63
Optional tranche (construction of the specialised bulk cargo berth)	220.56	21.01	12.59	-	-	8.43
<b>Social measures to support women and young people</b>	8.41	0.80	0.80	0	0	0
<b>Project management and monitoring</b>	140.93	13.43	13.43	0	0	0
<b>Total base costs</b>	<b>8529.07</b>	<b>812.49</b>	<b>315.07</b>	<b>180.03</b>	<b>159.73</b>	<b>157.66</b>
Physical Contingences	562.03	53.54	22.06	12.60	11.18	7.70
Financial Contingences	328.61	31.30	12.90	7.37	6.54	4.50
<b>Updated Project Total</b>	<b>9419.72</b>	<b>897.33</b>	<b>350.02</b>	<b>200.00</b>	<b>177.45</b>	<b>169.86</b>

#### 3.2 Implementation Arrangements

##### *Executing Agency*

3.2.1 The implementation provisions of the original project also apply to the supplementary financing. It should be noted that project management is supported by a team of experts who reinforce the monitoring of works.

3.2.2 For environmental and social management, NWM has set up an E&S team made up of two E&S experts; one Health, Safety and Environment (HSE) officer; two officers in charge of expropriation and social issues; and two HSE technicians. This team operates under the supervision of the Directorate. The consortium of companies has an environmental and social staff consisting of an E&S officer, an HSE officer and HSE technicians.



## ***Procurement Arrangements***

3.2.3 *Applicable procurement policy and framework:* All goods, works and consultancy services financed with Bank resources under this supplementary financing of the Nador West Med Port Complex Construction Project shall be procured in accordance with the Procurement Policy for Bank Group-Funded Operations (“AfDB Policy”), October 2015 edition, and in accordance with the provisions of the financing agreement. Pursuant to the AfDB policy, all procurement will be carried out in accordance with the Bank's procurement methods and procedures (PMPs), using the relevant standard competitive bidding documents (SCBDs).

3.2.4 *Procurement risk and capacity assessment (PRCA):* Risk assessment concerning the country, sector/market study and project, as well as the procurement capacity of the Executing Agency (EA), was carried out<sup>1</sup> for the project during the preparation of the Nador West Med Port Complex Construction Project approved in 2015. This risk assessment was confirmed for this supplementary financing in 2021, and the results helped to guide the decision to use the Bank's procurement system for all project activities. Appropriate risk mitigation measures have been included in the PRCA action plan indicated in para. B4.9 of Technical Annex B4. It should be recalled that only the contract for the construction works of the Nador West Med port complex has already been committed and its procurement mode was determined during the original project appraisal in 2015.

## ***Disbursement Arrangements***

3.2.5 The supplementary financing is backed by the Nador port complex construction project financed by an AfDB loan of EUR 112,860,000. As at October 2021, cumulative disbursements on the single works contract amounted to EUR 63,078,042.84, representing a disbursement rate of 55.89%.

3.2.6 Disbursement from the supplementary financing will be made in accordance with the Bank's disbursement rules and procedures stipulated in the Disbursement Manual (2020 version). The direct payment method will be used for disbursements to cover expenditure eligible for Bank financing.

## ***Financial Management and Audit***

3.2.7 The financial management of the Nador West Med Port Complex Construction Project (PNWM) is deemed satisfactory. The financial statement audit report for fiscal 2020 was deemed acceptable by the Bank. Given that there have been no regulatory developments affecting the original arrangements, the supplementary financing will adhere to the original project financial management arrangements set out in the original appraisal report, for all components of the NWM financial management system, including budget management, accounting, internal control, cash flow management, and external audit.

## ***Harmonisation with Donors***

3.2.8 As with the original project, the financial management system used by SNWM incorporates harmonised complementary features and will be used to manage the Bank's resources, including supplementary resources, from the EBRD and AFESD, which will share the same financial reporting and auditing products.

## **3.3 Economic and Financial Performance**

### ***Economic Analysis***

3.3.1 The project's economic evaluation is based on analysis of the cost-benefit differential between the “with project” and the “without project” scenarios. The economic life of the project has been determined to be 50 years, considering that it is a port facility comprising structures with a technical life of more than 100 years (breakwaters, channels, basins, etc.). The discount rate adopted is 5%, in accordance with the recommendations of the Moroccan High Commission for Planning relating to basic infrastructure.

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<sup>1</sup> For more details see Annex B5

3.3.2 The overall economic investment costs factored into the analysis include direct investment costs (port investments in the baseline situation, investments for the conversion of Nador City to the “with project” scenario, NWM infrastructure investments, private investments in superstructures used to operate the NWM port terminal, public investments to open up NWM land access, private investments in the construction of industrial and logistics sites), as well as infrastructure maintenance and upkeep costs.

3.3.3 The economic benefits expected by the community can be broken down into added value linked to the jobs generated by the activities of Nador City (in the baseline situation) and NWM (construction phase and operation phase), benefits linked to the reduction of maritime and land transport and logistics costs, as well as the residual value of the infrastructure at the end of the study period.

3.3.4 The economic benefits of the project over the analysis period (2019-2069) yield an economic internal rate of return (EIRR) of 14% and a net present value (NPV) of MAD 134.75 billion, with a discount rate of 5%. A sensitivity test (10% increase in project cost and 10% reduction in benefits) puts the project's final ERR at 12%. The project is therefore economically profitable for the community and the investment is justified. The table below provides a summary of the economic analysis, the details of which are presented in Technical Annex B5.

**Table 3.2: Economic Analysis Results**

<b><i>Economic internal rate of return (EIRR) of the project (%).</i></b>	<b>14%</b>
<b><i>Net present value (NPV) in MAD billion</i></b>	<b>134.75</b>
<b><i>Discount rate</i></b>	<b>5%</b>

#### ***Analysis of the Financial Performance of the Project***

3.3.5 The financial internal rate of return (FIRR) is the basic indicator used to assess the financial performance of the project. This rate is determined on the basis of investment costs (excluding customs duties and taxes), the operating and maintenance costs and the income generated by the project. Assuming a 5% real discount rate, the financial net present value (FNPV) stands at MAD 543 million. The financial internal rate of return (FIRR) is 5.3% over the analysis period (2019-2069). This discount rate is based on the weighted average cost of capital (WACC) as calculated by the High Commission for Planning. An analysis of SNWM's financial projections was conducted in parallel. The results of the financial analysis show that the project is financially viable. The table below presents a summary of the financial analysis, the details of which are provided in Technical Annex B5.

**Table 3.3: Results of the Financial Analysis**

<b><i>Financial Rate of Return (FRR)</i></b>	<b>5.3%</b>
<b><i>Net present value (NPV) in MAD million</i></b>	<b>543</b>
<b><i>Discount rate</i></b>	<b>5%</b>

### **3.4 Environmental and Social Impact**

#### **Environment**

3.4.1 The initial phase of the project was classified in Category 1 on 14/03/2015. It should be recalled that the Category 1 classification was due to the fact that the project will induce major negative impacts on the sedimentary and flow dynamics of the marine environment, affect marine biodiversity, deforest more than 200 ha, and cause a loss of property and livelihoods for 763 households and 110 fishermen.

3.4.2 For the supplementary financing, the Category 1 classification was maintained and validated on 15/01/2022 since the project content has not changed.

3.4.3 In accordance with the Integrated Safeguards System (ISS) and the provisions of Law No. 12.03, the Environmental and Social Impact Assessment (ESIA), the Environmental and Social Management Plan (ESMP) and the Comprehensive Resettlement Plan (CRP) of the project were produced in January 2015, validated and published by the Bank on 27 March 2015. During the works implementation, SNWM also produced the following documents: the Stakeholder Engagement Plan (SEP), the PNWM Environmental and Social Management System (ESMS), the Employment and Labour Conditions Management Plan and the Worker Flow Management Plan. It should be noted that the Comprehensive Resettlement Plan (CRP) of the Nador West Med Port Complex is broken down into four (4) specific compensation and livelihood restoration plans (CLRPs).

3.4.4 The share of the cost of environmental and social measures included in the ESMP has been updated and included in the total cost of the works. The share of the costs relating to environmental surveillance and monitoring activities is borne by the Control Missions, attached to SNWM's Project Management. The total cost of the ESMP amounted to nearly MAD 189 million, and was revised within the framework of the supplementary loan to MAD 348 million exclusive of tax, excluding physical contingencies.

3.4.5 The negative impacts on the natural environment, during the construction phase will include: (i) the disruption of the sediment/flow dynamics during the construction of the initial sections of breakwaters; (ii) the pollution of marine waters by the increase in turbidity/suspension of sandy and silty sediments caused by suction dredging operations; (iii) the disruption of fishery resources in the direct impact area; (iv) the deforestation of nearly 200 ha of land that loses its protective vegetation cover thus creating risks of erosion; and (v) the relocation of about 70 fishermen, 25 owners of plots of land located in the area linking the RN16 to the site, as well as 763 households impacted by the development of the first phase of the 150 ha free zone adjacent to the port. In the operational phase, the major negative impacts are (i) silting and chronic sand build-up caused by water inflows from Kert wadi as well as vessel movements and manoeuvres; (ii) pollution stemming from black waste and sediment pump-out operations carried out by ships at the quayside, as well as from maritime and road traffic linking the international port to cities of the Kingdom, as well as exhaust fumes from ships (between 2.2 and 0.5 grams EC/t).

3.4.6 The main mitigation measures will focus on works organisation and the implementation of clauses relating to environmental best practices. The specifications require companies to develop: (i) Environmental Action Plans (EAPs); (ii) a Site Environmental Protection Plan (SEPP); (iii) a Navigation Plan comprising movement and extraction charts and procedures; (iv) a Health and Hygiene Plan (HHP) that makes provision for the supply and wearing of personal protection equipment (PPE) and diving equipment, and lays down navigation and diving safety rules; and (v) emergency response procedures. Moreover, since the start of the project, an environmental and social management system has been implemented for the construction phase, including regulatory monitoring, continuous analysis of risks, impacts and incidents, as well as monitoring and surveillance.

3.4.7 SNWM undertakes to implement the Project in accordance with the ESMP and the Full Resettlement Plan (FRP), and/or the works and compensation schedule, the Bank's Safeguards Policies and applicable national legislation in a manner satisfactory to the Bank, both in substance and form.

3.4.8 In terms of environmental and social monitoring of the project and in order to ensure effective E&S performance, in line with the Bank's procedures, SNWM will henceforth provide a monthly Environmental & Social (E&S) data sheet including the monitoring of key E&S indicators (Serious accidents, environmental incidents, complaints and claims, and any other information that the Borrower deems necessary to bring to the Bank's attention; (2) an FRP implementation fact sheet; and (3) quarterly reports on the implementation of the ESMP and FRP, including identified shortcomings and corrective actions taken to address them.

3.4.9 SNWM undertakes to refrain from any action that would prevent or hinder the implementation of the ESMP and FRP, including any amendment, suspension, waiver and/or cancellation of provisions, in whole or in part, without the prior written consent of the Bank.

3.4.10 SNWM undertakes, and ensures that each of its contractors, subcontractors and employees do likewise, to commence work in areas affected by the implementation of the Project only on condition that all Project Affected Persons (PAPs) present in the affected Project area are compensated and/or resettled in accordance with the FRP and/or the works and compensation schedule.

3.4.11 The E&S performance of the project is considered satisfactory and to the extent that the implementation of the ESMP, RAP, SEP and project specific plans are carried out in a satisfactory and timely manner. The affected persons met during the supervision mission expressed their satisfaction with their treatment within a very short time. The 2021 E&S audit report is expected to be submitted to the Bank in March 2022.

3.4.12 Moreover, SNWM will commission an independent expert recruited in accordance with Bank-approved terms of reference to: (i) conduct an annual audit of the implementation of the project's ESMP, CRP and SEPP; and (ii) prepare a completion audit of the ESMP, CRP and SEPP implementation no later than six months after the end of the project.

### **Resettlement of Displaced Communities**

3.4.13 The construction of Phase 1 of the Nador West Med port complex requires vacation of the right-of-way for the project works, which includes: (i) the 3-km-long dual carriageway linking RN16 to the NWM port site, which will affect 25 plot owners; (ii) the three informal landing points that will affect 110 fishermen and their 120 boats located on the beach of Betoya Bay; (iii) development of the first section of the 150-hectare free zone adjacent to the port that will affect 763 households; and (iv) the 17-km-long Harcha quarry access road linking up with RN16.

3.4.14 Accordingly, the Full Resettlement Plan (FRP) of the Nador West Med Port Complex produced in January 2015 is broken down into four (4) compensation and livelihood restoration plans (CLRP), depending on the infrastructure concerned, namely: (i) the compensation and livelihood restoration plan (CLRP) for those affected by the construction of the 3-km-long dual carriageway linking the RN16 to the NWM port site; (ii) the CLRP for the fishermen affected by the development of the three informal landing points on the Betoya Bay beach where their boats are anchored; (iii) The CLRP for those affected by the acquisition of land for the development of Phase 1 of the 150-ha free zone adjacent to the port, which will serve as an industrial zone for Moroccan world-class industries; and (iv) the CLRP for the 17-km-long Harcha quarry access road linking up with RN16

3.4.15 The affected property is mainly farmland, fruit trees, crops and non-inhabitable structures. Public forestlands will be acquired in accordance with the provisions of Dahir No. 1-58-382 of 7 April 1959, for lands that form part of the public forest domain required for the implementation of public interest projects, with the establishment of an NWM/High Commission for Water Conservation.

3.4.16 To date, out of a total CRP budget of MAD 276 million, SNWM has raised and paid MAD 251 million as compensation and social support to PAPs. It should be noted that at this stage all PAPs have been compensated and that the balance of MAD 25 million will be used to construct the superstructures and buildings of the improved landing point intended for the affected fishermen.

3.4.17 The implementation of the subsequent phases of the project, which will involve the gradual development of the 1,500 ha free zone, will be the subject of another resettlement plan. The indicative budget allocated to the implementation of the Expropriation Plan (PIR) is provisionally established at MAD 10 227 000. It includes the costs of compensation, the costs of the communication plan and those due to social support measures. Its implementation is entirely at the expense of SNWM.

## Climate Change

3.4.18 The project was screened for climate risks using the Bank's Climate Safeguard System (CSS) and classified in Category 2, which means that it is moderately vulnerable to climate change impacts. The main risk is that the port is located in a coastal area exposed to rise in sea level. Adaptation measures have been taken to reduce potential impacts.

3.4.19 Accordingly, the port infrastructure design took into account the breakwater and quay height-setting margins (1m), the highest swells, the highest tides, as well as the long-term rise in sea level. Furthermore, marine traffic carbon emissions per tonne transported are minimal compared to road traffic. Given its 20-22 metre draught, the port allows for the berthing of recent generation ships, which generate only 0.5 g EC/t and are equipped with a particulate filter system at the nozzle exit.

## Social

3.4.20 On the social front, this operation will have a transformative impact on the project area. It is expected to trigger the region's industrialization, with a secondary sector which should account for 36% of GDP by 2034, compared with 23% in 2016. The creation of new jobs, especially for experts and other intermediate professions will trigger an influx of people from other regions of Morocco. This additional population, estimated at more than 200,000 by 2034, will require the construction of about 40,000 new housing units mainly in the rural parts of the project area. The project will also help to improve basic infrastructure and services, thereby expanding access to water and electricity networks for currently remote rural areas, increasing the secondary school enrolment rate and broadening the provision of healthcare services. With nearly MAD 40 to 55 billion in income distributed over the 2021-2034 period through direct and indirect jobs, the local economy will benefit from substantial additional resources. The result will be improved living conditions, with a diversity of businesses, restaurants, recreation centres and facilities, cultural centres, etc.

3.4.21 At port commissioning, the project should create 10,000 jobs. By the time it reaches cruising speed in 2035, the project is expected to create 90,000 jobs. Over the same period, the reduced costs in terms of transport time and logistics are valued at MAD 1,411.3 million and MAD 2,763.8 million, respectively.

3.4.22 The women's social support and assistance measures provided for under this project will therefore be implemented in synergy with planned actions under the National Human Development Initiative (INDH).

## Gender and Vulnerable Persons

3.4.23 The project is classified in Category 3, under the Bank's Gender Marker System. Despite Morocco's progress in eliminating all forms of discrimination against women, there are lingering gender-based disparities. In the direct project impact area, women represent 51.8% of the total population estimated at 11,815 inhabitants. The overall illiteracy rate in Iaazanène is 50.5%, with 66.1% for women. Like in the entire country, rural women in the project area are still the most vulnerable segment of the population owing to their low access to production factors (land, market, etc.). Women's participation in the fisheries sector, for example, is still low and limited. However, they are involved in the various agricultural sub-sectors where they contribute in several ways. It is necessary to improve their performance so as to ensure the development of the agricultural sector.

3.4.24 The Government of Morocco has initiated numerous pro-poor activities in the project impact area (PIA), targeted mostly at women. They include projects implemented under the National Human Development Initiative (INDH). These projects are part of the comprehensive effort to fight poverty, exclusion and insecurity. Indeed, in this province, INDH projects covered various development aspects in rural districts and communes, namely: (i) improvement of access to basic services; (ii) facilitation of socio-cultural and sports activities; (iii) promotion of income-generating and job-creating activities; (iv) local capacity-building and good governance enhancement; and (v) construction, equipment and upgrade of empowerment centres.



3.4.25 The women's social support and assistance measures provided for under this project are implemented in synergy with activities envisaged under INDH. These are measures intended to mitigate the negative impacts on the situation of women and ensure their socio-economic empowerment, and include the training of 24 women in the fishing industry in partnership with the association "*Femme pour l'Afrique*" and the rehabilitation of four primary schools. The project will create direct and indirect jobs for at least 40% of women. The Gender Action Plan is provided in the technical annex.

### **3.5 Vulnerability and Resilience Aspects**

3.5.1 On the political front, Morocco returned to the African Union (AU) on 30 January 2017 and has been actively engaged in diplomacy for several years to promote its political leadership on the continent. In line with the strategic building blocks announced by King Mohammed VI in August 2019 and October 2021, the Government's current priorities include: (i) consolidating resilience efforts with a special focus on security and social protection (including the extension of social protection and the overhaul and upgrading of the health system); (ii) economic recovery; and (iii) deployment of the New Development Model (NMD).

3.5.2 Moreover, the COVID-19 pandemic has worsened social inequalities, with job losses estimated at more than 400,000 in 2021. The Government swiftly took measures to mitigate the socio-economic impact by setting up a special Pandemic Management Fund with a total of EUR 3 billion to provide substantial support to businesses and the population. Strong complementary measures were also announced for 2021 aimed at expanding social coverage to all segments of the population in a highly precarious situation.

### **3.6. Monitoring and Evaluation**

3.6.1 SNWM monitors the implementation of all project activities and produces quarterly, semi-annual and annual progress reports on physical and financial implementation. The periodic supervision missions of the donors also afford an opportunity to discuss the implementation status of the major project components. The same mechanism will be applied for the Bank's supplementary financing.

### **3.7. Governance**

3.7.1 On the whole, Morocco's country fiduciary risk is moderate thanks to its satisfactory public finance management processes (budget planning and budgeting, budget execution control, management accounting and production of reports, and external control and audit). The same applies to budget risk surveillance (State budget) conducted by DEPP whose main duty is to improve the governance and efficiency of public establishments and enterprises (PEEs). The governance pattern of the Department of Public Enterprises and Privatization (DEPP) hinges on the following three thrusts: (i) professionalization of PEE's Board of Directors; (ii) PEE management quality; and (iii) usefulness of State control for the State and PEE (modulated control according to PEE's risk level). It therefore follows that DEPP should continue to promote internal audit within PEEs and certification of PEE annual accounts by auditors. In addition, the DEPP has established multi-year programme contracts aimed at restructuring or developing PEEs in need of restructuring and development. Such is the governance context of SNWM and TMSA, which feature among the limited companies in which the Treasury has direct shares and which are vested with public authority by the State. SNWM's financial viability is guaranteed by the support that the State and institutional shareholders have provided to this major port construction project and by their commitment to finalizing its overall financing schedule.

### **3.8. Sustainability**

3.8.1 Sustainability of the project largely depends on: (i) the managerial entity's technical and financial capacity to ensure regular and timely maintenance of the infrastructure on a routine and periodic basis; (ii) its operational conditions; and (iii) the quality of its engineering design and works execution. In accordance with the port operation provisions, SNWM will be responsible for planning

and monitoring the implementation of its maintenance tasks on common sections (access channel, basin, remedial works, traffic lanes, safety and security equipment, etc.). In this respect, SNWM will guide the ships entering or leaving the port. Each concession holder will be responsible for the maintenance of infrastructure (container terminals, hydrocarbon product terminals, bulk-cargo terminals) entrusted to it for operation, and of the superstructures and equipment constructed or acquired by it to carry out its activities.

3.8.2 Upon completion of the works, SNWM will redeploy its teams to ensure timely and proper implementation of the port maintenance system. Furthermore, NWM will ensure, during the selection of concession holders that they are capable of strictly complying with the provisions of their contracts relating to the maintenance and operation of facilities entrusted to them, in accordance with the standards laid down by regulation. The assessment of the project financial performance also shows that SNWM and the various concession holders will have sufficient own resources to finance maintenance. In addition, the technical solutions adopted during project design are consistent with the required standards, thereby ensuring proper upkeep of the facility in relation to the operating costs and the effects of its environment. Furthermore, the measures taken to ensure the control, supervision and monitoring of works execution are reassuring as to their good quality. All these measures auger well for sustainability of the planned investments.

### 3.9. Risk Management

3.9.1 The major risks and the measures for their mitigation are same as those identified for the original project and are listed in the following table:

*Table 3.4 : Potential Risks and Mitigation Measures*

Category	Risk Description	Rating	Mitigation Measures	Risk Driver
Other risk	Late provision of counterpart resources	Moderate	Concerning counterpart contribution, project financing agreements have been signed between SNWM and all the parties concerned, and funds will be provided according to the established schedule. Moreover, an analysis of the financial situation of the contributing entities reveals that they are viable enough to pay up SNWM's capital during the remaining period (2022-2023). It should be noted that since the start of the project there have been no delays in the mobilisation of counterpart funds.	SNWM
Other risk	Inability to mobilise resources from other TFPs or default by one or more donors	Low	SNWM has received the agreement in principle of the TFPs listed in the financing plan. In addition, SNWM has other alternatives (capital increase, bridging loans, bond issue, etc.)	SNWM
Macroeconom ic risk	Impacts of COVID-19 and competition with other ports in the region which may hamper the profitability of the project	Moderate	Traffic projections were based on realistic assumptions, and it is expected that traffic will pick up again when the port is commissioned, which should be after the COVID-19 pandemic. Moreover, NWM's new infrastructure and equipment are better tailored to receive and accommodate new types of ships. In addition, by adopting the prices charged by TMSA, SNWM should have prices lower than those of ports in neighbouring countries. Mitigation measures will also be reinforced by the effects of the AfCFTA	Govt.

## IV. RATIONALE FOR SUPPLEMENTARY FINANCING RELATIVE TO THE SUPPLEMENTARY FINANCING POLICY

### 4.1 Rationale for the Scope of the Supplementary Financing:

Condition for the Scope of the Supplementary Financing	Fulfilment of the conditions
<p><i>9 - The supplementary financing policy allows the Bank, at the request of the Borrower/Beneficiary, to provide supplementary financing to well-performing ongoing projects in order to address one or a combination of the following situations with proper justification:</i></p> <p><i>(a) Where there is an anticipated or unforeseen financing gap (that is, changes in the financial contributions from the Bank or the Government) that cannot be met by the Regional Member Country (RMC) or donors, to enable the completion of the original project activities, up to a limit.</i></p> <p><i>(b) where there is an unforeseen budget overrun beyond the control of the RMC to complete the original project activities, up to a limit</i></p>	<ul style="list-style-type: none"> <li>- The PNWM project was deemed to be well-performing, based on the results of the various supervision missions, the last of which took place in September 2021. The project meets all the criteria listed in paragraph 10 of the scope of the supplementary financing.</li> <li>- The supplementary financing requested will cover part of the borrower's contribution following the financial difficulties experienced by the borrower as a result of the COVID-19 pandemic.</li> <li>- This SF will finance additional works due to geotechnical and geological contingencies, as well as part of the optional phase of the initial contract relating to the construction of a specialised bulk cargo berth), which was the responsibility of the borrower. It thus meets criteria a and b of the scope of the SF.</li> </ul>

### 4.2 Rationale for the Eligibility Criteria

Eligibility Criteria	Fulfilment of the Criteria
(a) A satisfactory assessment showing that supplementary financing is a preferable option to starting a new project that would entail activities related to preparation, evaluation and implementation.	The supplementary financing is linked to the original project and entails no new activities. It cannot therefore be dissociated from the ongoing original project.
(b) Alignment of the project with relevant Bank Group, country, regional and sector strategies, priorities and policies, and the overall environment is conducive to its success.	The supplementary financing is based on the original project which remains aligned with the strategies, priorities and policies of the Bank Group and the borrower, and the overall environment is conducive to its success.
(c) The conformity of the overall project with the development objectives of the original project.	The supplementary financing does not change the development objectives of the original project.
(d) A satisfactory assessment showing that the overall project is technically feasible.	The supplementary financing does not make any technical modifications to the original project which remains technically feasible.
(e) A satisfactory assessment showing that the overall project is economically and financially viable.	The project remains economically and financially viable (see section 3.3).
(f) The project as a whole has satisfactory institutional, fiduciary, environmental and social arrangements.	The various project supervision missions confirm that the institutional, fiduciary, environmental and social arrangements put in place are satisfactory
(g) The project as a whole ensures the satisfactory mitigation of associated risks.	Mitigation measures for identified potential risks are well implemented.
(h) The assessment reveals that the quality at entry (that is, implementation readiness and likelihood of achieving expected results) of the overall project is satisfactory	Following the assessment, the quality at entry for the entire project is deemed satisfactory by the various project appraisal and supervision missions.



## **V. LEGAL FRAMEWORK**

### **5.1 Legal Instrument**

The legal instrument used in the programme is a Loan Agreement between the African Development Bank (the Bank) and Nador West Med Company (SNWM), the Borrower, with a guarantee from the Kingdom of Morocco.

### **5.2 Conditions Associated with Bank Intervention**

**5.2.1. Conditions precedent to the effectiveness of the Loan Agreement and the Guarantee Agreement:** The effectiveness of the Loan Agreement is subject to its signature by the Bank and the Borrower. The entry into force of the Guarantee Agreement is subject to the Guarantor fulfilling, to the satisfaction of the Bank, the conditions set out in Section 12.01 of the General Conditions applicable to the Bank's Loan Agreements and Guarantee Agreements (Sovereign Entities).

**5.2.2. Conditions precedent to loan disbursements:** The first disbursement of loan resources is subject to the Borrower fulfilling, to the satisfaction of the Bank, the conditions set out in Section 12.02 of the General Conditions applicable to the Bank's Loan Agreements and Guarantee Agreements (non-sovereign entities).

**5.2.3. Commitments :** In addition to maintaining the commitments made by the Borrower under the original ADB Loan Agreement, in particular those relating to environmental and social safeguards, the Borrower undertakes to have an independent expert acceptable to the Bank carry out: (i) an annual audit of the implementation of the project's ESMPs, FRP and SEP; and (ii) a completion audit of the implementation of the ESMPs, FRP and SEP no later than six (6) months after the end of the project.

### **5.3 Compliance with Bank Policies**

The project complies with all applicable Bank policies.

## **VI. CONCLUSION AND RECOMMENDATION**

### **6.1 Conclusion**



The supplementary financing requested by Nador West Med Company will help to bridge the gap in the original financing of the project, which was borne by Nador West Med Company, without modifying the planned activities, thus guaranteeing the proper implementation of the Nador West Med Port Complex Construction Project.

### **6.2 Recommendation**

In view of the above, it is recommended that an AfDB loan not exceeding EUR 57 million be granted to Nador West Med Company (SNWM), with a guarantee from the Kingdom of Morocco. This supplementary loan will be used to implement the project as designed and described in this report. The loan will be subject to the conditions specified in the Loan Agreement.

## Annex 1: Portfolio of Ongoing Operations as at end-November 2021

	Sector / Operation	Date Approved	Date of 1 <sup>st</sup> Disbursement	Amount Approved (UA Million)	Current Disbursement Rate %	Closing Date
<b>ENERGY</b> 						
1	Power Transmission and Distribution Development Project	02-Dec-09	02-Dec-09	102,462,190	100%	31-Dec-20
2	MIDELT Solar Complex Project - Phase I - NOORM I Plant	06-Dec-17	06-Dec-17	84,780,489		31-Dec-23
	MIDELT Solar Complex - Phase I - NOORM I Plant (CTF)	06-Dec-17	06-Dec-17	8,831,301		31-Dec-23
3	PERG	13-Jun-12	13-Jun-12	125,000,000	95.1%	31-Dec-21
4	Al Koudia Al Baida Wind Farm	13-Jun-12	13-Jun-12	40,983,606	80.0%	31-Dec-21
	Al Koudia Al Baida Wind Farm (FTP)	13-Jun-12	13-Jun-12	22,516,556	93.0%	31-Dec-21
5	PIEFER - Tangiers 2 Wind Farm	13-Jun-12	13-Jun-12	32,786,885	0.0%	31-Dec-21
	PIEFER - Tangiers 2 Wind Farm (FTP)	13-Jun-12	13-Jun-12	20,529,801	0.0%	31-Dec-21
6	PIEFER - Step Abdel Moumen	13-Jun-12	13-Jun-12	109,836,065	72.3%	31-Dec-21
	PIEFER - Step Abdel Moumen (FTP)	13-Jun-12	13-Jun-12	39,735,100	66.7%	31-Dec-21
7	Power Transmission Network Development and Rural Electrification Programme	10-Dec-19	18-May-21	195,538,342	0.80%	
	<b>Sub-Total</b>			<b>876,612,125</b>	<b>45.4%</b>	
<b>TRANSPORT</b> 						
8	Tangiers-Casablanca-Marrakech Railway Capacity Building Project	27-Jan-16	07-Jun-16	81,507,341	98.6%	31-Dec-20
9	Nador West Med Port Complex Construction Project	16-Sept-15	01-Jun-16	90,440,663	55.9%	31-Dec-22
10	Rabat-Salé Airport Modernisation and Extension Project (PEMARS)	05-Nov-18	26-Jun-19	61,416,007	23.4%	31-Jun-22
	<b>Sub-Total</b>			<b>233,364,011</b>	<b>61.7%</b>	
<b>WATER &amp; SANITATION</b> 						
11	Twelfth Marrakech DWS Project	07-Nov-12	17-May-13	100,840,336	84.3%	31-Dec-21
	Twelfth Marrakech DWS Project	07-Nov-12	17-May-13	27,523,004	76.5%	31-Dec-21
12	Water Quality and Service Improvement Project (13 <sup>th</sup> DWS)	08-Jun-16	20-Jan-17	68,549,165	63.7%	31-Dec-21
13	Project to outsource the management of rural drinking water supply services to the private sector FAPA grant	26-Apr-16	11-Apr-17	275,398	5.7%	31-Dec-22
14	Water Access Sustainability and Security Project (PPSAE)	05-Nov-18	21-Dec-18	64,961,758	35.4%	31-Dec-24
	Water Access Sustainability and Security Project (PPSAE)	05-Nov-18	21-Dec-18	31,371,868	34.4%	31-Dec-24
15	Project to outsource the management of rural drinking water supply services to the private sector - Supplementary Financing	05-Nov-20	01-Apr-21	684,234	0.0%	31-Dec-25
16	Project to outsource the management of rural drinking water supply services to the private sector - Supplementary Financing	29-Sept-21		15,000,000		
	<b>Sub-Total</b>			<b>294,205,763</b>	<b>61.7%</b>	
<b>SOCIAL SECTOR</b> 						
17	Support for UEFM MIC grant	29-Jan-16	27-May-16	398,000	100%	30-Jun-21
18	SOUK AT TANMIA	20-Sept-18		3,745,436	55.5%	
19	Programme for Improving Access to Employment	13-Dec-18	03-May-19	69,836,542	55.1%	31-Dec-21

Sector / Operation		Date Approved	Date of 1 <sup>st</sup> Disbursement	Amount Approved (UA Million)	Current Disbursement Rate %	Closing Date
20	Social Protection Improvement Support Programme (PAAPS)	16-Dec-19	30-Jun-20	148,590,575	25.0%	30-Jun-24
21	Social Protection Improvement Support Programme (PAAPS - COVID-19 - Supplementary Financing)	02-Nov-20	24-May-21	97,634,950	25.0%	30-Jun-22
<b>Sub-Total</b>				<b>222,570,553</b>	<b>52.1%</b>	
<b>AGRICULTURE</b> 						
22	National Irrigation Water Saving Programme (PAPNEEI II)	13-Dec-16	04-Aug-17	62,617,332	29.5%	31-Dec-22
23	Inclusive and Sustainable Development Support Programme for Agricultural and Rural Areas (PADIDZAR)	27-Oct-21		93,716,869		
<b>Sub-Total</b>				<b>62,617,332</b>	<b>29.5%</b>	
<b>GOVERNANCE</b> 						
24	Project to Support the Modernization of the Debt Management Organizational Framework - <b>MIC grant</b>	27-Feb-13	10-Sept-13	536,976	90.2%	31-Sept-21
25	DTFE Strategic Study - <b>MIC Grant</b>	21-May-15	25-Sept-19	797,600	68.8%	31-Dec-24
26	Morocco Export - <b>MIC Grant</b>	25-Nov-15	19-Aug-16	630,000	65.6%	30-Apr-21
27	CAFRAD Transformation Support Project (PAT CAFRAD) - <b>MIC Grant</b>	29-Mar-17	30-Jun-17	479,000	97.0%	30-Sept-20
28	AMU Institutional Support (Phase II) – <b>MIC Grant</b>	30-Mar-17	21-Aug-15	495,365	61.1%	31-Dec-20
29	Capacity Building Support Project for the National Public Procurement Commission (CNCP)	12-Dec-18	03-Feb-20	410,000	4.1%	30-Dec-21
30	Support project for the CGEM	29-May-19	21-Jun-19	400,000	8.0%	31-Aug-21
31	Project to Support the Improvement of the Business Climate and Recovery.	11-Feb-21	14-Apr-21	670,000	16.7%	31-Aug-23
32	Results-Based Programme for Enhancing Regional Competitiveness in Morocco (PARACT-M)	18-Dec-19		160,244,737	0.0%	
33	Financial Inclusion. Entrepreneurship and MSME Support Programme for Economic Recovery (PIFE)	24-Nov-21		98,729,678		
<b>Sub-Total</b>				<b>594,438,750</b>	<b>51.4%</b>	
<b>PRIVATE SECTOR. FINANCE AND INDUSTRY</b>						
34	TEK CIM	06-Dec-17	21-Jun-19	41,126,199	32.0%	21-Dec-32
35	Line of credit - <i>Banque centrale populaire</i> (BCP)	27-Jun-18	14-Nov-19	84,803 256	100%	02-Apr-20
36	<i>Office Chérifien des Phosphates</i> (OCP) - Jorf Lasfar Phosphate Hub Expansion Programme	22-Nov-18	12-Mar-20	144,704,188	72.2%	04-Dec-22
37	Municipal Equipment Fund (MEF)	28-Nov-19		80,861,662	0.0%	
<b>Sub-Total</b>				<b>351,495,305</b>	<b>74.5%</b>	
<b>TOTAL</b>				<b>2,178,795,328</b>	<b>53.75%</b>	

## Annex 2 : Monitoring Plan

A. Alignment indicator							
Indicator name		Definition/ description		Source	Baselines and target		
<i>Cross-border trade costs (USD)</i>					Baseline (date) Target (date) :		
B. B. Outcome and output indicators (performance indicators)							
Indicator name	Definition/ description	Collection method	Collection Responsibility	Reporting Frequency	Outcome Planning		
					2014.	2021	2024
<i>Level of container traffic handled</i>	Volume of container traffic in the region	Statistics	SNWM	Annual	0.007M		0.720 M
Volume of general cargo handled	Quantity of general cargo in the region	Statistics	SNWM	Annual	2.702M		3.5 M
Volume of energy products processed	Energy products processed in the region	Statistics	SNWM	Annual	0.38M		7.4 M
Average waiting time for ships in port	Average waiting time for ships in the harbour (anchorage)	Statistics	SNWM	Annual	12		4 h
Container processing speed	Container processing speed	Statistics	SNWM	Annual	10.		35
Jobs created	Number of direct and indirect jobs created	Statistics	SNWM	Annual			10,000 of which 40% are women
Length of breakwater	Length of breakwater developed	Works progress reports	SNWM	Annual			5400
Length of quay	Length of quay developed	Works progress reports	SNWM	Annual			4354
Platform area.	Platform area.	Works progress reports	SNWM	Annual			152
Training of women in fishing trades	Number of Women trained;	Statistics	SNWM	Annual		24	
Primary schools rehabilitated	Number of primary schools rehabilitated	Statistics	SNWM	Annual		4	

### Annex 3 : Map of Project Impact Area



#### **Annex 4 :     PROGRESS REPORT ON THE NEW NADOR WEST MED PORT COMPLEX CONSTRUCTION PROJECT As at 30 September 2021**

Implementation of the Nador West Med Port and Industrial Complex Construction Project is part of the overall national strategy to develop the transport sector, and notably to continue the upgrading and modernisation of transport infrastructure and services with a view to boosting the logistical competitiveness of the national economy.

This major project will consist of:

- A new deep-water port complex with significant capacity for container transshipment; the development of an energy hub (processing, packaging, storage of hydrocarbon products and by-products), the processing of specialised bulk products, general cargo and roll-on roll-off traffic.
- An integrated industrial platform which will be developed in the long term on an area of approximately 2,000 ha, open to renowned investors and intended for world-class Moroccan industries. This platform will be developed on an area adjacent to the port, a large part of which is classified as a free zone, with a huge potential land reserve of more than 3,000 ha within a radius of 30 km of the port.

The Nador West Med Port Complex is designed to handle the following activities:

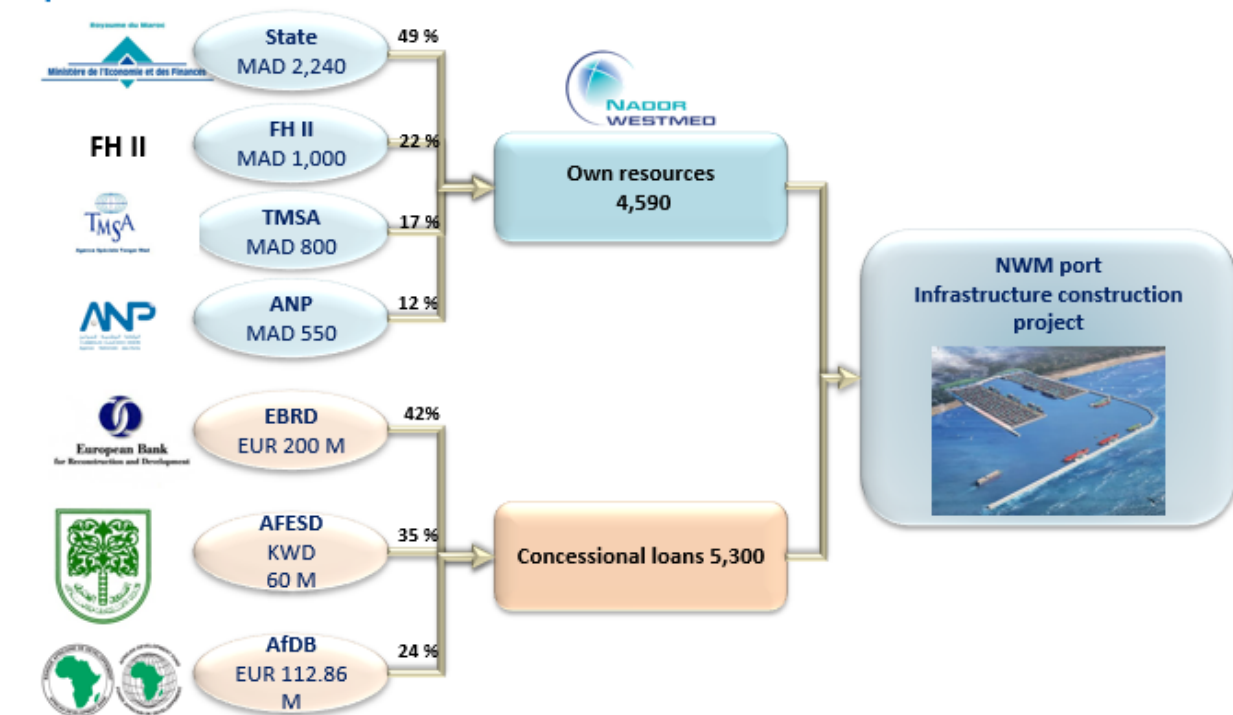
- Container transshipment traffic;
- Traffic in petroleum products for domestic use and transshipment purposes;
- Roll-on roll-off traffic, various bulk cargo and specialised bulk cargo for national and regional needs.

The port infrastructure of the Nador West Med project is designed and structured to be built in three phases, characterized by:

- A medium- and long-term development potential allowing would-be operators and ship owners to develop visions and perspectives;
- Gradual construction of infrastructure and flexibility in planning for possible future extensions; and
- A capacity to adapt to traffic, market and shipping industry trends.

The diagram below summarises the financial arrangements for the firm tranche.





## I- DESCRIPTION OF THE FINAL PHASE OF THE PORT COMPLEX

In its final phase, and after the various possible extensions, the port complex will comprise:

- A 7,500-metre-long main breakwater and a 700-metre-long secondary breakwater;
- Container quays with a total length of 7,300 metres and a capacity of 13 to 15 million TEU;
- Five oil berths with a capacity of 50 million tonnes;
- A 360-metre-long bulk-cargo quay with a capacity of 8 million tonnes;
- Berths for miscellaneous cargo, roll-on roll-off cargo and services with a capacity of more than 3 million tonnes.

The Nador West Med port project infrastructure comprises:

- a) Works of the firm tranche which include:
- Dredging of the foundations of the main and secondary breakwaters, straddles and quays;
  - General dredging of the basin dock and manoeuvring area;
  - Replacement of silty materials beneath the foundations of breakwaters and straddles with vibro-compactable sand and/or aggregates;
  - Vibro-compaction of the replacement sand;
  - The main breakwater with a length of 4,233metres, comprising a 1,500-metre-long embankment breakwater and a 2,733-metre-long caisson breakwater;
  - The secondary breakwater (embankment breakwater) with a length of 1,220 metres;
  - The East and West straddles;
  - The 1,520-metre-long and 18-metre-deep East Container Terminal;

- The 600-metre long and 18-metre deep West Container Terminal;
- The 384-metre-long and 11-metre-deep service quay;
- The 500-metre wide and East and West quayside back-up space;
- Three oil berths, each 115 metres long and 22 metres deep;
- The 39-metre-long and 18-metre-deep roll-on roll-off berth ramp.

b) The optional works concern:

- The extension of the western quay over a distance of 840 metres with a depth of 18 metres;
- The medians of the extension;
- The specialised terminal (bulk cargo) with a length of 360 metres and a depth of 20 metres.

## II- PROJECT IMPLEMENTATION PROGRESS

As at end-September 2021, the progress recorded was as follows:

1. **Overall progress:** In relation to revised quantities: 61%.

### **Total payments made:**

In dirhams: MAD 2,873,296,301.22

In euros: EUR 77,663,448.74

In dollars: USD 87,274,209.83

### **Donor drawdowns (in MAD equivalent)**

EBRD : 1,305,051,415

AfDB : 686,898,077

AFESD: 936,758,398

## III- IMPACTS OF COVID-19 ON WORKS PROGRESS

Despite the past and ongoing measures to combat the spread of COVID-19, which were outlined in the October 2020 progress report and have enabled the continuation of onsite activities, there is no denying that the outbreak of this pandemic is having direct and indirect impacts on the project and on the overall progress of works.

### **Direct Impact**

- Decline in output due to staff reduction prompted by the need for physical distancing;
- Delays in certain tasks due to restrictions on inter-city travel and prohibition of night-time travel;
- Delays in the start of works by sub-contractors due to border closures and/or flight cancellations;
- Reduced progress in the construction of the main and secondary breakwaters, due to the ban by the Moroccan Government on the use of nitrox gas outside the hospital context.



## **Indirect Impact**

- Delays in supplies, particularly of steel piles for the East and West terminals, as a result of the closure of many steel plants and the resulting demand pressure. Two shipments of steel piles with a total volume of 8,871 tonnes were delivered to the worksite in September, representing 21% of the quantity of steel piles required for the construction of the East and West container terminals. Further orders and supplies are highly dependent on world steel prices.
- Sharp increase in prices, especially for steel on the world market;
- Increased sea transport timeframes and costs.

## **Other External Impacts**

- The Turkish economic situation has resulted in a steep drop in the exchange rate of the Turkish currency against the dollar and the euro, making it more difficult for Turkish banks to provide international bank guarantees. This situation has adversely impacted the Group's cash flow and financial capacity.
- Despite the hope of an improvement in the global health situation following the various vaccination operations, the emergence of COVID variants and the recurrence of waves of the pandemic have reduced or even nullified the chances of predicting the trends of the pandemic and the decisions that might be imposed by health and public authorities.
- Under the current circumstances, it is very difficult to accurately assess the ultimate impact of the pandemic on the project (in terms of time or financial cost).
- The works will be several months behind the contractual schedule (July 2022). Taking into account the current knowledge of the various factors, the delay may be estimated today at 12 months, unless the situation worsens or there are additional delays in the supply of steel piles.

# ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



## A. Basic Information<sup>2</sup>

Project Name: NADOR WEST MED PORT COMPLEX CONSTRUCTION PROJECT - SUPPLEMENTARY FINANCING		Project "SAP Code": P-MA-DD0-008
Country:	Lending Instrument <sup>3</sup> : DI <input checked="" type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RSA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>	
Project Sector: Transport	Task Team Leader: Mohamed El Abass WADE	
Appraisal date: 08/11/2021	Estimated Approval Date: 09/03/2022	
Environmental Safeguards Officer: Beyda BCHIR		
Social Safeguards Officer: Pierre Hassan SANON		
Environmental and Social Category: 1	Date of categorization: 15/01/2022	Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>
Is this project processed under rapid responses to crises and emergencies?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Is this project processed under a waiver to the Integrated Safeguards System?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

## B. Disclosure and Compliance Monitoring

### B.1 Mandatory disclosure

Environmental Assessment/Audit/System/Others (specify: ESIA)		
Was/Were the document(s) disclosed <i>prior to appraisal</i> ?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>	
Date of "in-country" disclosure by the borrower/client	27/03/2015	
Date of receipt, by the Bank, of the authorization to disclose	27/03/2015	
Date of disclosure by the Bank	27/03/2015	
Resettlement Action Plan/Framework/Others (specify: RPF)		
Was/Were the document(s) disclosed <i>prior to appraisal</i> ?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>	
Date of "in-country" disclosure by the borrower/client	27/03/2015	
Date of receipt, by the Bank, of the authorization to disclose	27/03/2015	
Date of disclosure by the Bank	27/03/2015	
Vulnerable Persons Plan/Framework/Others		
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>	
Date of "in-country" disclosure by the borrower/client	[Date]	
Date of receipt, by the Bank, of the authorization to disclose	[Date]	
Date of disclosure by the Bank	[Date]	
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: .....		

### B.2 Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, <i>effectively mobilized and secured</i> ?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>

## C. Clearance

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?

Yes ☒ No ☐

Prepared by:	Name	Signature	Date
Environmental Safeguards Officer:	Beyda BCHIR		14/01/2022
Social Safeguards Officer:	Pierre Hassan SANON		15/01/2022
Task Team Leader:	Mohamed El Abass WADE		17/01/2022
Submitted by:			
Sector Director:	Mike SALAWOU		14/03/2022
Cleared by:			
Director SNSC:	Maman-Sani ISSA		14/03/2022

<sup>2</sup> Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

<sup>3</sup> DI=Direct Investment; FI=Financial Intermediary; CL=Corporate Loan; BS=Budget Support; GU=Guarantee; RPA=Risk Purchase Agreement; EF=Equity Financing; RBF=Results-Based Financing.