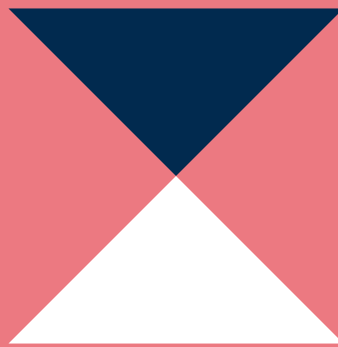


Morocco

January 2022

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annex D 2024



CHALLENGE
FUND
FXR
YOUTH
EMPLOYMENT

Scoping Report

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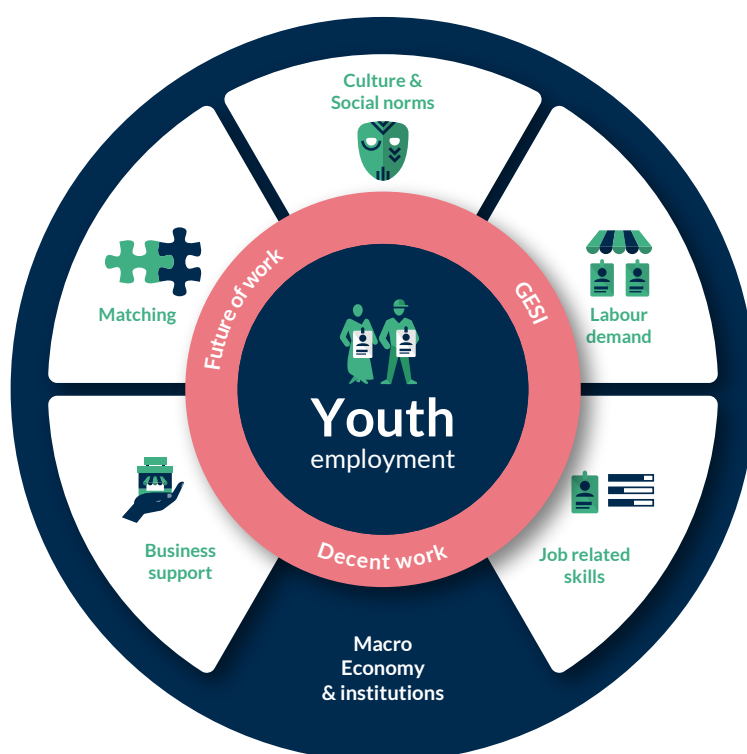
The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs, managed by Palladium, VSO Nederland and Randstad.

Introduction: Why this report?

The Challenge Fund for Youth Employment (CFYE) is a six-year program launched by the Netherlands Ministry of Foreign Affairs to create inclusive jobs for 200,000 young people in the Sahel, Horn of Africa, the Middle East and North Africa, with a particular focus on women. The Fund is scoping for private sector-driven proposals that offer solutions to create and improve jobs and enable better placements for young women and men.

This report presents an overview of the key findings from the scoping study that was conducted for Morocco between September 2021 to December 2021. The goal of this study was to identify the nature of the employment challenges at country level—by mapping across six key domains of the labour market. The study also aimed to identify the key opportunities to provide decent, demand-aligned, and sustainable jobs for Moroccan youth, and how the Fund can play a role in supporting them.

An analysis of the challenges and opportunities within these domains has been used to formulate an evidence-based, strategic Call for Solutions to launch in Morocco. A summary of this information has been presented in this report. Information has been collected through a literature review, focus group discussions with young men and women representing varying segments, and 30+ interviews with employers and key informants in Morocco.



Section 1. What does the problem look like?

The Country Context

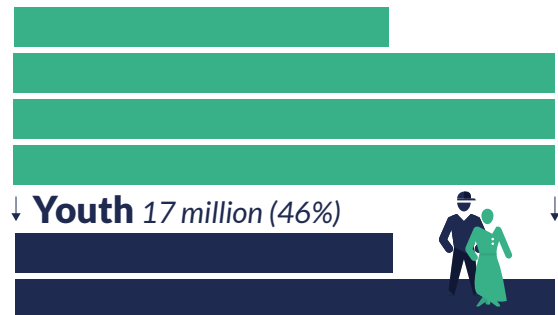
Morocco, a country of 36.5 million, is one of the best performing economies of North Africa and enjoys macroeconomic and political stability relative to many of its neighbors. It is an open market economy with a well-developed financial ecosystem. Morocco has strong government institutions which has led dynamic reforms in the last few decades, with a pragmatic approach towards the private sector. The country has free trade agreements with the EU, US, Turkey, the MENA region, and many African countries. As a nod to the country's liberal economy and stability, many multinational companies have established their headquarters in Morocco. It has proven itself a reliable center of manufacturing, with a geographical location that enables cost and time efficiency to serve markets in Africa, Europe, and the Middle East.

However, a low-skilled yet growing workforce, low job creation, and a weak entrepreneurial culture have led to slow private sector growth and serve as major impediments preventing Morocco from reaching its economic potential. Nearly half (46%) of Morocco's population is under the age of 25. Educational institutions and vocational training programs produce mixed outcomes, and new labor market entrants are ill-prepared for both, the technical and soft skills required for the jobs available.

This phenomenon of low job demand and a mismatch of skills gives rise to alarming unemployment figures; in urban areas youth unemployment is close to 40%. In rural areas, these figures are much lower at 11.3%, where employment for youth is driven mostly by informal jobs in the agricultural sector. Over half of urban women remain unemployed (50.9%). Paradoxically, these figures are higher still for those with graduate degrees, evidencing a lack of support structures and conservative norms vis a vis women employment.

Since Morocco's independence in 1956, the country developed a powerful public sector, where till today, jobs are more coveted by youth due to perceived long-term stability, higher benefits and pay, and greater prestige. While there has been a significant push by the government to reduce dependence on the agricultural sector and modernize the economy through years of sustained reforms, the private sector's

Total Population 36.5 million



growth has not kept pace with the supply of labor. In recent years, the working age population has been growing by an average of roughly 400,000 annually, with a mere 140,000 new jobs created every year.

Small and medium-sized enterprises (SMEs) represent 95% of the economy, account for half of employment, and are responsible for roughly a third of exports. A majority of SMEs are family-owned businesses, where there is considerable inertia towards modernization. While younger firms have a higher appetite for innovation, they face a range of constraints to their growth, including low access to finance, human capital, or access to international markets. Many start-ups are necessity entrepreneurs due to a lack of alternative income-generating options, and with a largely underdeveloped entrepreneurial ecosystem, there is a low survival rate for new businesses.

SMEs and entrepreneurial support structures such as incubators are mostly concentrated in Casablanca and Rabat, where there is a stronger start-up culture relative to other cities. Societal norms do not encourage entrepreneurship as it is considered a risky career path.

The country has a very large informal sector and there are considerable regional disparities between the more densely populated north and west-central areas, and inland areas in the east and south of the country.

The government has expended considerable public resources and attracted foreign direct investment in key industrial growth sectors including automotive, aeronautics, textiles, and renewable energy. However, despite high infrastructure investments being channeled through the public sector, private sector activity has remained sluggish.

Key Challenges in the Moroccan Labour market

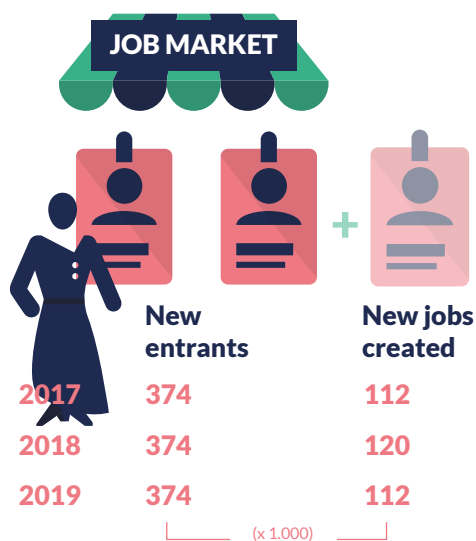
Indeed, a combination of limited jobs available, growing numbers of entrants to the labour market, a weak education system, and conservative social norms lead to four key challenges to youth employment in Morocco:

1. low job creation
2. lack of inclusion
3. skills mismatch and
4. poor quality of jobs

Each of these challenges is explored briefly below.

1.2.1 Low job creation

Morocco is facing two noteworthy trajectories in its demographic evolution. There is a slowdown in the overall growth rate of the population due to the continuous decline in fertility (from 7 children to 2.2 children per woman). On the other hand, the structure of the population is evolving to form a higher working-age population, particularly youth below the age of 25 who represent 46% of the total population. This is a double-edged sword, since it leads to a ready labour force able to contribute to the economy, yet at the same time puts pressure on the country's capacity to absorb the growing number of job seekers.



SMEs face a number of constraints that hamper their ability to grow; in particular, costly access to land, a complex and burdensome tax system, low access to finance, low market competitiveness, and anti-monopoly policies.

In terms of sectoral contribution to employment, services remain the main job provider with a share of 45.6% of total employment, and the main contributor to GDP (59.2%). Agriculture is the next largest provider of employment (30%) although its contribution to GDP is around 15.8%, mainly due to its dependence on the weather and unpredictable growth. While the manufacturing sector is the second largest contributor to GDP (24.4%), it is only the third in terms of employment, with a share of 24.3% of total jobs.

The manufacturing sector is slow in terms of job creation, although the public sector is encouraging investments in high-potential sectors such as automotive and aeronautics. In addition to the challenge of absorbing the growing workforce, available jobs in the manufacturing sector remain concentrated in lower-skilled sectors. Job creation is the highest in services, in particular in low and medium-skilled services (for example retail) and is decreasing in agriculture.

1.2.2 Lack of inclusion

Youth

The Moroccan job market is not fully inclusive of youth. While the participation rate of men is similar to comparable countries, youth unemployment is increasing and is almost three times the general unemployment rate (31% compared to 11.8%). Youth unemployment is largely an urban issue since about 39% of the unemployed are young men with high levels of education, living in urban areas.

From an alternative perspective, 29% percent of the youth category (aged 15-24) are NEETs—not in education, employment, or training. This phenomenon remains a chronic issue for the Moroccan economy and ranks the country just before MENA countries that were in a situation of conflict or state of fragility. For instance, Morocco's NEETs rate is just four points higher than that of Tunisia, a country having undergone significant political, economic, and social turmoil through the "Unfinished Revolution of 2011".

A study conducted by the World Bank¹ found that youth who were NEETs in 2010 had a 70 to 90 percent probability of remaining NEET after 10 years, and only a 10 to 30 percent probability of finding a job. This raises a larger issue related to the long-term ability of youth to acquire new skills and enter the job market after graduation, or at a later stage.

Women

Morocco's Female Labour Force participation (FLFP) stands at 21.16% and is one of the lowest in the world. The country was ranked 145th among 156 countries in the World Economic Forum Global Gender Gap Report 2021.

The gender gap in managerial positions is significant, with only 13% of managerial positions being occupied by women. While there is broad access to primary education (80% for women and 95% for men), the gender gap in the labour market widens at later stages.

In the NEET category, the gap is significant. While more than 70% of 24-year-old women were NEET in 2019, only 22% of men were in the same category. These figures show that inactivity is predominant among women due to the conservative culture and prevailing social norms.

The situation of women in the labour market varies according to location. Inactivity is mostly an urban issue; women in rural areas have lower levels of education yet record high levels of activity, and work mostly in agriculture as family workers. At the same time, in urban areas, the percentage of inactive women is high, despite higher levels of education. There is a concentration of women working in services, mainly as wage workers.

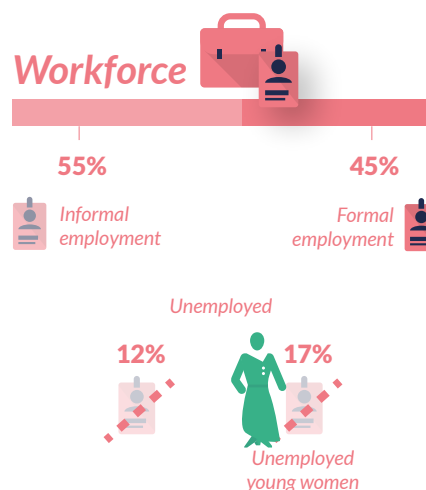
Regions

Five regions of Morocco host 70% of the population and employment, along with most economic activity and infrastructure. These regions (Casablanca-Settat, Rabat-Salé-Kénitra, Tanger-Tétouan-Al Hoceima, Fès-Meknés, and Marrakech-Safi) are situated between the Mediterranean and Atlantic coasts and the Atlas Mountains, and grow faster than the country's average.

The economic development of these regions is led by different sectors: Services and public administration for Rabat, manufacturing for Casablanca and Tangier, Tourism for Marrakech, and agriculture for Fès. In terms

of employment, these five regions create more jobs than the rest of the country and the Casablanca-Settat alone accounts for more than 20% of job creation. The services sector employs an important share of workforce across Moroccan regions with differences in terms of sectors and skill level. For instance, it employs about 50% of the labour force in both Rabat and the Oriental regions, two regions with diverse services sectors requiring variations of skill-levels.

The remaining 7 regions differ in terms of contribution to GDP, sectorial structure, and unemployment rates. The three southern regions lay at the bottom of the ranking in terms of GDP contribution. They record high levels of unemployment and their economies rely heavily on services and fishing, with a relatively important industrial activity in the region of Laâyoune-Sakia El Hamra. The region of Oriental has the second highest unemployment rate and relies mainly on services, while the region of Souss-Massa differs in terms of sectors with a developed agricultural sector and high potential for tourism and other services. The two remaining regions (Béni Mellal-Khénifra and Darâa-Tafilalet) although different in terms of geography, share common characteristics in terms of unemployment and reliance on services.



1 World Bank (2020). *Once NEET, always NEET? A Synthetic Panel Approach to Analyze the Moroccan Labor Market*

1.2.3 Skills Mismatch

While young people tend to be more educated, higher educational attainment does not guarantee improved labour market outcomes, including for skilled youth. This is often a concern for youth who have completed post-secondary education but may not have the skills required by employers.

University graduates with degrees in humanities and social sciences lack the technical and soft skills that are demanded by firms in different sectors. On the other hand, employers lack internships and on-the-job training programmes which limits the opportunities for youth to gain experience and relevant skills.

There is a shortage of students with technical backgrounds with Science, Technology, Engineering, and Mathematics (STEM) qualifications, which are required by some key leading sectors such as automotive, aeronautics and ICT. This skills mismatch is a significant impediment for an innovation-driven transition for the Moroccan economy.

1.2.4 Low quality of jobs

The Moroccan labour market is characterized by a high level of informality of jobs. For instance, 55% of wage workers' jobs are informal and a majority do not have an employment contract. In addition, irregular and seasonal employment has increased since the 2008 global financial crisis. Informality of jobs impacts women more than men and is prevalent in the rural areas where most men and women work as family workers. With the continued decline of public sector employment, there is more pressure on services and manufacturing to absorb the growing workforce.

There are however, two noteworthy trends with regards to job formalization in Morocco. First, high value-added and capital-intensive sectors such as mining, banking, and finance record higher levels of formality compared to the national average, reaching 72%. Second, there is a recent trend to increase formality of jobs in several sectors such as agriculture, and trade, which typically hire a lower skilled workforce.

Small businesses with less than 10 employees have contributed the most to job creation in the private sector; they are the source of 64.5% of the jobs created in the last 20 years. This category of companies is also the most fragile in the face of business environment constraints

and can easily switch to informal employment. In this scenario, many factors give cause to more informality. These include high costs of formal hiring of the workforce (eg. minimum wage, health insurance, and severance).

Decent work

With most of the employment in the informal sector, labour regulation and decent work requirements apply to a minority of the workforce in Morocco. The minimum wage, currently set at MAD 2,699 (~ € 260) per month for the private sector and MAD 1,994 (~ € 190) per month for the agricultural sector, is high in relation to the average national income and the productivity of workers.

The social insurance system benefits only a minority of Moroccan workers, 75% do not have access to pension systems, and 85% are excluded from health insurance.

In 2021, Morocco launched an unprecedented reform to make the national social protection system universal, benefiting all Moroccans by 2025. Two phases have been planned to implement this social reform. The first phase (2021-2023) will be devoted to rolling out mandatory health insurance (AMO, Assurance Maladie Obligatoire) and family allowances to all households.

The second phase (2024-2025) will be devoted to generalizing retirement benefits and compensation



for loss of employment for the labour force. This project, which gives priority to farmers, tradesmen

and craftsmen, professionals and independent service providers covered by the single professional contribution (CPU) scheme, the self-employed entrepreneur scheme, or the accounting scheme, will be extended in the second phase to other categories.

COVID-19 impact on youth employment

COVID-19 has had a significant impact on the performance of the labour market, on employment rates and quality of work of the most vulnerable groups. Thirty-four percent of Moroccan households indicated having no source of income because of quarantine.² During the pandemic, the Moroccan economy lost 432,000 jobs in 2020 compared to 2019, the unemployment rate increased from 9.2% to 11.9% and remained relatively higher among those most vulnerable before the crisis: young people aged 15 to 24, graduates, and women.

Massive layoffs took place in tourism and labour-intensive exporting industries—textiles, automotive, aeronautics, and transport. Recovery from the pandemic shutdown has been sluggish. COVID-19 will make the issues pertaining to NEETs and low female labour force participation (FLFP) simultaneously more challenging and pressing to address.

² HCP (2020). *Enquête sur l'impact du coronavirus sur la situation économique, sociale et psychologique des ménages*.

Section 2. Who are the Youth?

In Morocco, three different types of classifications are used to categorize youths: (i) The National Bureau of Statistics (Haut Commissariat au Plan, HCP) considers the age group 15-24 years, (ii) the Ministry of Youth, culture and communication defines youth as individuals aged 15 to 29 years, and (iii) in the political arena youth are those aged 18-40 years.

Given the broader definition of youth for the Challenge Fund Activities, the Call for Solutions in Morocco will consider youth between the ages of 15 and 35.

For the purpose of our scoping research, we have categorized Moroccan youth into four groups, based on their overall potential for sustainable and decent (self-) employment. To this end, we have considered three key indicators: i) level of education/skills, ii) geographic location and iii) the type of job they have, or aspire towards.



- ▶ **Category 1: Youth based in remote areas** with access to mostly unsustainable self-employment options or limited public sector job opportunities. The highest level of education for most in this category is secondary schooling, or they may have completed certificate level courses. This group might include youth with university or TVET degrees.



- ▶ **Category 2: Low-skilled youth in urban areas.** This category includes youth with a low level of education from low-income backgrounds. Youth in this category struggle to find jobs that fit their aspirations. When employed, they work mostly in the gig economy, where requirements for education are lower.



- ▶ **Category 3: Medium-skilled youth in urban areas with vocational training through TVETs.** This is the category of youth that constitutes a majority of workers who are self-employed or employed formally in the manufacturing and services sector, with a large proportion of them working in textiles and automotive.



- ▶ **Category 4: Medium to high-skilled youth/university graduates in urban areas,** looking for formal employment or successful self-employment in their field of study or field of interest. This category faces many challenges, including a lack of technical and transferrable skills required by the private sector.

Through focus group discussions, we gathered additional primary input on youth's aspirations, their challenges, and recommendations towards their pathway to employment.

Youth Aspiration Sessions were organised in three Moroccan regions (Daraa-Tafilalet, Tangier – Tétouan – Al Hoceima, and Béni Mellal-Khénifra). The discussions clearly demonstrated that Moroccan youth have

converging aspirations and expectations when it comes to decent work, with differences in perspectives mostly influenced by their location and education. The table on the next page introduces the key outcomes per youth category.

Personal stories

Some personal stories told by some youth during our Youth Aspiration Sessions:

My field of studies (Arabic literature) is different from what I'm doing now in my work. This is because job opportunities are limited in my field of study. So rather than looking for a job outside of my city I have chosen to be self-employed in the field of automobile mechanic which is something I'm passionate about.

– Mourad

After a 10-year break I decided to change fields to move towards a more promising field, I moved from textiles to ICT which, I think, is providing more flexibility, especially for me as a women and mother of two children. I'm pursuing training and I rely also on online self-learning to progress.

– Fatima

We have no diploma and we are both passionate about pastry. We have tried to launch our own project in this field but we couldn't go further because we are lacking funding and our reliance on our families' funding is not sufficient. The predominant social norms (Women shouldn't work outside their homes, etc) are also limiting our ambitions.

– Salwa & Aicha

Having worked in several SMEs in agribusiness I can confirm that the main challenge for youth is the lack of a [strong] managerial culture within companies, especially the small ones. I decided to quit my job and start my own business in order to provide decent work opportunities for youth and support them in overcoming the barriers I had to deal with.

– Hasna

There is a sort of tacit agreement between companies to take advantage of the employee as much as possible. An example of this is the continuous turnover of interns to avoid offering a long-term contract for youth. The young graduate remains in a fragile situation as an intern, moving from one company to another.

– Jawad

Table 1. Youth categories and their characteristics

<i>Categories</i>	<i>Main challenges</i>	<i>Aspirations</i>	<i>Opportunity for CFYE to Support...</i>
Category 1: Youth based in remote areas	<ul style="list-style-type: none"> ▶ Lack of job opportunities due to a weak private sector. ▶ Less developed regions with limited opportunities for self-employment. 	<ul style="list-style-type: none"> ▶ Jobs with a steady salary, mainly in the public sector. ▶ Transparent and inclusive access to public sector jobs. ▶ Financial and technical support programmes for self-employment and entrepreneurship tailored to the specificities of these regions. 	<ul style="list-style-type: none"> ▶ Expansion of decent job opportunities by the private sector in remote regions ▶ Promotion of training + matching programmes tailored to the characteristics of these regions in terms of prevailing sectors, etc. ▶ Improvement of job quality
Category 2: Low-skilled youth in urban areas	<ul style="list-style-type: none"> ▶ Lack of information on available job opportunities. ▶ Available jobs are in the informal sector and don't meet decency standards. ▶ Lack of entrepreneurship and support programmes for this category of youth. 	<ul style="list-style-type: none"> ▶ Short technical training with low barriers to enrolment (required educational level etc.). ▶ Transparent access to information on job opportunities in the private sector. ▶ Support for entrepreneurship and self-employment based on simple processes and requirements. 	<ul style="list-style-type: none"> ▶ Expansion of decent job opportunities by the private sector in the manufacturing and services sectors, catered to this segment. ▶ Promotion of inclusive training + matching programmes with minimum requirements to apply (in terms of required education level, etc.)
Category 3: Medium-skilled youth in urban areas with vocational training through TVETs	<ul style="list-style-type: none"> ▶ Lack of information on available job opportunities, particularly in automotive, aeronautics & other manufacturing sectors. ▶ Available jobs are in the informal sector and don't meet decency standards. ▶ Limited career progression opportunities within companies due to a lack of support and mentorship. 	<ul style="list-style-type: none"> ▶ Jobs in the formal sector with reasonable pay, healthy working conditions and a work-life balance. ▶ Training opportunities within companies with a clear path to professional development. ▶ Real mentorship within companies and transparent access to knowledge from the senior staff. ▶ Job opportunities in promising sectors such as the ICT. 	<ul style="list-style-type: none"> ▶ Internship + placement programmes for TVET alumnus in order to gain experience in targeted sectors ▶ Digital skills training + placement programmes in the IT sector ▶ Measures to enforce decent work conditions in the manufacturing sector (minimum wage, social security etc). ▶ Training on soft and transferrable skills, including language skills (English & Spanish).
Category 4: Medium to High-skilled youth/ university graduates in urban areas	<ul style="list-style-type: none"> ▶ Mismatch between the education outcomes and the real needs of the private sector. ▶ Job opportunities are below the qualifications of this category of youth. ▶ Low wages offered compared to the expectations of youth. 	<ul style="list-style-type: none"> ▶ Tailored training to acquire the technical skills required by the private sector. ▶ Job offers taking into consideration the qualifications of this category of youth. 	<ul style="list-style-type: none"> ▶ Initiatives that bridge the gap between academia and industry (e.g. training + placement programmes). ▶ On the job technical training.

The key findings of the four Youth Aspiration Sessions are summarized below in Table 2

Table 2. Key outcomes of the Youth aspiration Sessions

<p>General aspirations</p> <ul style="list-style-type: none"> ▶ Youth generally aspire to get job opportunities that fit their field of study and their competencies, pay a reasonable salary, and enable them to have a work-life balance. ▶ Self-employment and entrepreneurship don't seem as the first choice for youth, especially for those with no work experience. ▶ Youth from remote areas tend to favour employment within the public sector although they believe the application procedures and the criteria are not transparent. ▶ In addition to a reasonable salary, youth tend to place work environment and training opportunities as, respectively, their second and third priorities in their job quest. ▶ Internships are considered a key element for youth to acquire experience but they need to meet criteria that fosters decent work (it should be paid and not take advantage of the youth, with good working conditions). ▶ The ICT sector is considered as a promising sector for youth, especially women, given its open knowledge networks, the flexibility of work location, and a relative inclusiveness given the fact that there are no access barriers related to diplomas or level of study.
<p>Solutions suggested by the youth</p> <ul style="list-style-type: none"> ▶ Transparency and inclusiveness are key recommendations from the youth when it comes to the recruitment either in the public or the private sector and this starts with open and fair access to information about job opportunities and transparent channels for application and submission of CVs. ▶ Training programmes should be non-discriminatory toward youth with low levels of education either in terms of requirements or language of instruction (Arabic rather than French). ▶ Entrepreneurship programmes should aim to foster the risk-taking culture and support youth in taking their first step through financial support, mentorship, and tailored training programmes (soft skills etc). ▶ ICT centres should be established in vulnerable neighbourhoods and rural areas to provide free and open access for youth, especially women, to this promising sector.
<p>Some location/sector specific insights</p> <ul style="list-style-type: none"> ▶ Youth consider the textile sector a promising job provider, especially for women, but the predominance of informality hampers the potential of this sector to meet the international standards and the common norms for decent jobs (Minimum wage, working hours etc). ▶ Remote regions like Daraa-Tafilalet are lagging behind other regions, and youth in these regions think that government initiatives for youth employment need to be tailored to the specificities of their regions, namely the small private sector and reliance on the gig economy, tourism, and some mining industries. ▶ Automotive & aeronautics: These sectors are clearly defined by youth as very promising especially in the regions of Casablanca-Sattat and Tangier – Tétouan – Al Hoceima. Nevertheless, youth complain about the lack of transparency in the recruitment process of companies in these sectors where, they believe, the main channel of hiring is through personal networks. ▶ Agribusiness and agriculture remain the largest employers in some regions like Beni Mellal- Khénifra according to youth in this region. The main constraints facing youth in this sector are the lack of transparency, and the poor management culture within companies, such as the lack of mentorship of newly recruited youth by senior staff.
<p>Youth perspectives on decent work</p> <p>During the Youth Aspiration Sessions youth were asked about their views on decent work and their priorities when applying to jobs. The following figure (Pyramid) shows how most youth prioritise some aspects of decent jobs, ranging from the “must have” at the bottom to the “Preferable to have” at the top:</p> <ul style="list-style-type: none"> ▶ Job meeting one’s passion ▶ Transparent and equitable career development opportunities ▶ Jobs providing a work-life balance ▶ Mentorship and certified training opportunities ▶ Formal contract respecting the Moroccan labour law (work hours, vacations etc) ▶ Fixed and reasonable salary and social security



Section 3. What are the main obstacles and opportunities for youth employment in Morocco?

This section maps out the challenges and opportunities of five domains of the labour market: labour demand, job-related skills, culture and social norms, matching and business support. This will help identify which type of challenges need to be addressed for any development interventions to have the most meaningful impact. It will provide concrete guidance on the focus and type of CFYE co-funded interventions which meet its objectives in Morocco.



Labour Demand

Key Facts

- ▶ The roughly 140,000 jobs created annually by the Moroccan economy absorbs only 30% of the working-age population, which is estimated to grow by 400,000 annually.
- ▶ The services sector is the main job provider with a share of 45.6% of total employment. Agriculture is the second provider of employment (30%), and the manufacturing sector is the third in terms of employment, with a contribution of 24.4% and a rapid development of automotive, aeronautics, and chemicals, industries mainly driven by foreign direct investment (FDI).
- ▶ More than 70% of employment opportunities are in 5 regions (Casablanca–Settat, Rabat–Salé–kénitra, Tanger–Tétouan–Al Hoceima, Marrakech–Safi, Fés–Meknés).
- ▶ 95% of Moroccan companies are SMEs, representing only 50% of employment, and 30% of exports.
- ▶ The public sector provides 36% of formal employment while 64% of formal jobs are within the private sector.
- ▶ Wage employment accounts for 50% of employment, followed by 35% of self-employment and 15% of family workers.

Challenges

- ▶ The COVID-19 outbreak caused accelerated job losses in key sectors such as tourism, hospitality, and labour-intensive and exporting industries (such as textiles, automotive, aeronautics, and transportation).
- ▶ Formal wage employment is dominated by males.
- ▶ 55% of wage workers are employed in informal jobs.

Opportunities

- ▶ Although there is a high rate of informality, there is a trend of increasing formalization in some sectors (for example, agriculture and construction).
- ▶ High growth industries such as automotive, aeronautics and the textile sectors provide opportunities for job creation in a post COVID-19 recovery period.
- ▶ There is emerging labour demand and potential for high female inclusion in the digital economy.
- ▶ The objectives of the government's New Development Model are strongly aligned with CFYE's strategy in the country; there is strong political commitment towards the inclusion of women and the promotion of decent work. The new model aims to increase the FLFP to 45% and formal jobs share to 80%.

Relevance for CFYE

- ▶ Youth employment initiatives funded by CFYE should focus on:
- ▶ Supporting SMEs in the value chains of high growth sectors and provide technical assistance to enable them to create decent jobs for youth and women.
- ▶ Creating work opportunities in digitally-enabled work (such as offshoring).
- ▶ Encouraging formalization efforts in some sectors such as textiles, in particular for women (living income / wage, security in the workplace, social protection).

Practical Example of an interesting project idea for CFYE

A consortium of vocational training institutes and SMEs with confirmed demand for jobs in the automotive sector providing training for youth in highly advanced transferable skills (electric engines, automation etc) and subsequently hiring top talent.

Job-related Skills



Key facts

- ▶ Morocco has high education enrolment rates; reaching 98% in primary and 65% in secondary. However, enrolment decreases to 35% in tertiary education.
- ▶ School enrolment has gender and geographical gaps; enrolment for women is declining much faster than for men (60% at the age of 18 compared to 80% for men), and the rural areas are largely lagging behind (22% and 10% for male and females respectively compared to 50% and 42% for urbans aged 19-24).
- ▶ There is a clear learning deficit in secondary schools; recent PISA (Programme international pour le suivi des acquis des élèves) from the OECD results show that the performance of 15-year-old students in Morocco is significantly below the participating MENA countries average and represents nearly 4 years of lost schooling.
- ▶ The number of students enrolled in TVETs in Morocco has almost tripled from 136,132 in 2000 to 462,700 in 2017 (80% are enrolled in public institutions which represent only 33% of the total number of TVET institutions). Young people in rural areas have limited access to TVET institutions, with the exception of agricultural TVETs.
- ▶ TVETs are seen as 'schooling of last resort' for those who do not have the demonstrated capacity to pursue general higher education or complete a general secondary degree.
- ▶ There is a new PPP model for TVET in strategic sectors (automotive, aeronautics etc); Funding by the public sector and management carried out by the private sector.
- ▶ There are ongoing efforts to intensify the cooperation between TVET institutions and employers to determine the skills needed in different geographical areas of the country. For example, the construction of 12 Cities of Trades and Skills (Cités des Métiers et des Compétences, CMC) was launched in the 12 regions. These CMC will be based on a PPP governance model with local private sector needs driving the training programmes.

Challenges

- ▶ Industrial skills that could benefit the needs of growing sectors are not prioritized, and skills that graduates acquire are often not transferrable to any real-world working environment, causing gaps between skills supply and demand.
- ▶ There are gender and geographical gaps in accessing TVET training with almost all institutions located in urban areas.
- ▶ TVET programmes are designed centrally and not tailored to the real needs of employers in each region.
- ▶ There is a negative perception of TVETs as 'schooling of the last resort' among Moroccan youth and their families.
- ▶ There is a predominance of public TVET institutions in enrolment share and their heavy reliance on payroll tax funding, while private institutions face many regulatory constraints (such as accreditation) and attract less population and focus more on the service sector.

Opportunities

- ▶ There is a high level of political commitment and strategic orientation toward PPP governance models for sectorial vocation training institutions in some key sectors (Instituts de Formation aux Métiers de l'Industrie Automobile, IFMIA in the automotive sector, Institut des Métiers de l'aéronautique, IMA in the aeronautics, and textiles) and more market-driven training programmes.
- ▶ Stronger partnerships are being built between OFPPT (public agency in charge of vocational training) and the private sector both nationally and at the regional/local level. The 12 CMCs (Cités des Métiers et des Compétences) being established and the current partnership with the Millenium Challenge Corporation (MCC) are key examples of this trend.
- ▶ There is an increasing number of youth enrolled in TVETs across the country and the rate of female enrolment in diploma courses is improving, at 44% in some centres.

Relevance for Challenge Fund for Youth Employment

- ▶ Youth employment initiatives funded by CFYE should focus on:
- ▶ Supporting programmes and projects that aim to provide market-driven training programmes with a clear path to employment.
- ▶ Soft and digital skills are in high demand yet are often underdeveloped in TVET institutions. Thus, supporting initiatives that offer these skills, coupled with job placements, is a key path toward sustainable employability of youth, especially women.
- ▶ Supporting projects that bridge the geographic and gender gap in TVET enrolment plus placement activities.

Practical Example of an interesting project idea for CFYE

- ▶ A local TVET institution providing market-driven training in soft and technical skills for local youth in partnership with a consortium of companies in some labour-intensive sectors with confirmed demand for jobs, resulting in job placements for top performing TVET graduates.



Business support

Key Facts

- ▶ Small firms (with a turnover of less than MAD 3 million) represent 84.3% while only 7% have a turnover between MAD 10 and MAD 175 million
- ▶ 58% of companies are in the service sector while only 11% operate in manufacturing.
- ▶ A quarter of registered firms in Casablanca – Settat do not even start their business and 50% of those who start an activity survive after three years. This indicates a relatively low firms' survival rate.
- ▶ Businesses are run mainly by men (84%) with no diploma (69.5%) living in urban areas (mainly 5 out of the 12 regions)
- ▶ Women entrepreneurs are concentrated in the Casablanca-Rabat axis particularly in the sectors of trade, services and certain forms of self-employment.
- ▶ There is an emergent entrepreneurship ecosystem with limited coverage outside Casablanca. Most start-ups were launched after 2011.
- ▶ Banks are the principal source of external finance for SMEs, although non-bank financial institutions are growing, and microfinance institutions have become a viable source of financing for microenterprises, small firms, low-income populations and women in particular.
- ▶ Although the Casablanca Stock Exchange (CSE) is Africa's second- largest market, companies rarely use it to raise capital.
- ▶ Private equity is relatively well developed in Morocco, but venture capital (VC) and business "angels" are scarce.
- ▶ Medium and large-sized family-run firms generally finance growth from their own profits and are often reluctant to share information concerning their capital and governance.
- ▶ Small firms, start-ups, women-owned businesses are less likely to receive formal finance due to higher risks and costs related to the use, registration and enforcement of collateral since 91% of loans require financial guarantees.
- ▶ Most women-owned businesses are micro-enterprises. Financial institutions do not offer differentiated services for women-owned businesses except for some initiatives launched by some banks in partnership with international institutions (eg. Women in Business by BMCE).
- ▶ Delays in payment create further chronic cash-flow problems (an average of 83 days in 2017 ahead of China, Greece, Turkey and Italy) and payment delays or defaults are behind 40 percent of insolvencies in Morocco.

Challenges

- ▶ There is an uneven playing field in terms of competition with the involvement of state-owned enterprises in many sectors.
- ▶ SMEs face high competition from the informal sector
- ▶ FDI and large foreign companies are the key driver of rapid growth in key emerging sectors such as automotive and aerospace industries.
- ▶ The financial system is risk-averse, constraining access to finance for very small enterprises (VSEs) and SMEs, with additional challenges for women-owned companies.

Opportunities

- ▶ There is ongoing diversification of the economy with export-oriented sectors such as automotive, aeronautics, and textiles.
- ▶ These sectors are highly integrated with the international value chain which leads to important opportunities for levelling up the local industries in various geographic areas.
- ▶ There is prevalence of old SMEs with more than 35 years of experience providing reliable opportunities of sustainability for financial and technical support.

Relevance for CFYE

- ▶ Youth employment initiatives funded by CFYE should focus on:
- ▶ Supporting small and medium-sized companies to expand their activities and integrate into the value chain of key exporting sectors in Morocco (such as automotive, textiles, and agribusiness).
- ▶ Providing funding opportunities for less advantaged companies (such as small companies with less access to collateral and women-owned companies).
- ▶ Supporting consortiums comprising SMEs and financial institutions to mitigate the risk of certain projects through joint financing.
- ▶ Support export-competitive SMEs through technical assistance and access to new markets in order to expand employment opportunities to youth.

Practical Example of an interesting project idea for CFYE

- ▶ CFYE in partnership with a local bank jointly funds an SME in its extension project to increase its supply capacity to a Tier 1 company in the aeronautic sector for example.



Culture and social norms

Key Facts

- ▶ Morocco has a risk-averse culture largely fostering the search for stable jobs within the public sector to the detriment of private sector employment or entrepreneurship opportunities.
- ▶ Extended families provide youth with support, which might serve as a disincentive to look for “risky” job opportunities.
- ▶ Social norms and traditions tend to play a key role in shaping women’s roles, especially in rural areas. Whereas men are mainly seen as household providers, women are considered to be responsible for the domestic sphere.
- ▶ The Female Labor Force participation (FLFP)³ rate in Morocco is low and continues to decrease compared to countries at similar economic development levels. It is one of the lowest in the MENA region.
- ▶ The social stigma attached to disability also affects the desire and motivation of people with disabilities to integrate into the workforce.

Challenges

- ▶ Traditional culture tends to encourage stable jobs, limiting the entrepreneurial drive of youth.
- ▶ Women face more challenges to enter the labour force compared to men and these challenges are mainly driven by conservative views on gender roles in both urban and rural areas.

Opportunities

- ▶ Morocco has an institutional and legal framework encouraging the economic and social inclusion of women and working toward a modern and inclusive society.
- ▶ The New Development Model fosters inclusion and has set an FLFP target of 45% by 2035.
- ▶ The new generation of youth has an evolving and positive attitude toward entrepreneurship.
- ▶ Female participation is promising in emerging sectors such as automotive, ICT, and agribusiness.

Relevance for CFYE

- ▶ Youth employment initiatives funded by CFYE should focus on:
- ▶ Supporting private sector projects that push the envelope in increasing the FLFP and decent work for women in emerging sectors through pro-active measures such as providing childcare facilities, extended maternity leave, safe transportation etc.
- ▶ Encouraging applicants to provide new opportunities for women in traditionally male-oriented jobs and activities.
- ▶ Using ICT projects as leverage to women inclusion in the job market, especially in rural and remote areas.

Practical Example of an interesting project idea for CFYE

- ▶ CFYE supports a consortium of a local NGO and ICT companies to provide digital skills training for young women in rural areas, followed by concrete employment opportunities.

3 Percentage of Moroccan Women aged 15-65 years old either working or looking for a job.

Matching



Key Facts

- ▶ There are a large number of university graduates that are lacking the technical and soft skills that are required by available jobs.
- ▶ The most talented Moroccan engineers hardly ever work in engineering jobs; most seek jobs in management, administration, and finance.
- ▶ One of the key reasons for a skills mismatch is the youth's lack of soft skills, particularly graduates from TVET institutions.
- ▶ The public-private partnership (PPP) managed TVET institutions such as Instituts de Formation aux Métiers de l'Industrie Automobile (IFMIA) and Institut des métiers de l'aéronautique (IMA) have managed to reduce the skills gap by providing targeted job-related training and have subsequently achieved high rates (80-90%) of youth integration in the labour force.
- ▶ The matching programmes implemented by public agencies, mainly Agence Nationale de Promotion de l'emploi et des Compétences (ANAPEC), are limited. It is estimated that only 1% of registered jobseekers find employment through the ANAPEC and only 3% of all unemployed registered with the agency have lower than secondary level schooling, reflecting that these mechanisms are not suitable for jobseekers with lower educational attainment.
- ▶ Intermediation systems are underutilized as most youth rely on their network of family and friends to find a job.

Challenges

- ▶ There is a persisting gap between education outcomes and the requirements of the private sector.
- ▶ Information on job openings remains sparse and unreliable.
- ▶ There is a dearth of job matching platforms and reliance on personal networks for both hiring and finding job opportunities.
- ▶ Fresh graduates find it difficult to find jobs since employers often require a minimum number of years of experience. Finding internships is also challenging for youth and generally there are no formal contracts signed with the intern, which leads to some level of informality.

Opportunities

- ▶ There is a successful matching model developed by the public-private partnership (PPP) managed TVET institutions in emerging sectors (automotive, aeronautics, and textiles).
- ▶ There are emerging initiatives of training combined with job placement with interesting achievements, such as the Millenium Challenge Corporation (MCC) Agency in Morocco and their programme d'emploi par le financement basé sur les résultats (FBR).
- ▶ Digital platforms are more pervasive for hiring within the private sector (for example, LinkedIn and rekrute).
- ▶ There is a relatively developed network of recruitment and placement firms with close monitoring of the private labour market and innovative approaches towards recruiting.

Relevance for CFYE

- ▶ Youth employment initiatives funded by CFYE should focus on:
- ▶ Combining training with job placement with clear and reliable indicators on job creation.
- ▶ Implementing innovative initiatives in providing internships for youth such as work-study contracts.
- ▶ Promoting transparency and merit-based selection and gender-sensitive criteria in the training and the hiring process.
- ▶ Partnering with actors having implemented successful initiatives in reducing the skills gap and ensuring high rates of job placements for youth.
- ▶ Implementing innovative approaches to overcome the limits of existing matching platforms and mechanisms.

Practical Example of an interesting project idea for CFYE

- ▶ Partnering with recruitment firms and the private sector to develop targeted skills training aiming to ensure direct job placements for youth and women, especially in labour intensive sectors such as textiles and promising sectors like the ICT.

Promising Sectors

Automotive

Today, Morocco is Africa's largest producer of personal automobiles. The sector has experienced strong growth through FDI, and is one of the key drivers of industrial development, export, and large-scale employment in Morocco. The automotive sector is expected to create 66,500 new jobs and includes labor-intensive sub-sectors such as vehicle assembly and wiring. The industry is well organized and runs their own training and vocational centers. CFYE sees an opportunity to support local SMEs in the supply chain of this industry who are poised for growth, and have a high demand for medium to high-skilled labor, and wish to improve the quality of existing jobs in their businesses. Moreover, as the sector is male-dominated, there is opportunity for addressing barriers to entry for women and extending job opportunities for educated women in technical and managerial roles.

Aeronautics

Aeronautics is a high growth sector with a clear roadmap for development, supported by a strong business association, the Moroccan Aerospace Industries (GIMAS). GIMAS is targeting creation of 23,000 new jobs in the sector and runs its own training and vocational education center in Casablanca. There is potential for absorbing high-skilled women in this sector, particularly in wiring. Currently, 140 companies operate in this sector.

Textiles

The textile sector is of high strategic importance due to its contribution to the labor market (27% of jobs). Jobs are concentrated in low-value added work, though there is potential for innovation and growth in new subsectors such as technical textiles. The sector is run by a well-organized professional association, the Moroccan Association of the Textile and Apparel Industries (AMITH), which also runs its own training and vocational center in Casablanca. Approximately 1600 companies operate in this sector, employing upwards of 190,000 people, of which 65% are youth.

Renewable Energy

Morocco imports over 97% of its domestic energy needs, making it the largest energy importer in the MENA region. The government is aiming to reduce this dependency by lowering the energy requirements and becoming a champion of renewable energy in the region. This provides CFYE with an opportunity to support green economy sectors through job creation for skilled youth.

ICT enabled jobs & offshoring opportunities across service sectors

Technological innovation will be strategically key to support Morocco's private sector development and to expand market opportunities. The CFYE considers this as a relatively crisis-resilient sector with high potential for hiring youth and women at scale. Based on our youth aspiration sessions, digitally-enabled opportunities align well with the interests of the youth.

Agribusiness

Agriculture is a major driver of domestic demand. Within this industry, the largest employers are agribusinesses, hiring 145,109 workers, of which women account for 42.5%. Agribusinesses can be a major source of employment in interior regions, where their full integration with local and global value chains can boost growth and provide job opportunities for youth at scale. With modern technologies and innovative agricultural practices, there is potential for the agribusiness sector to achieve socially and environmentally sustainable agricultural solutions as well as attract youth to more tech-oriented jobs in this sector, for example through smart agriculture and digital platforms.

Pharmaceuticals

Morocco's pharmaceuticals industry is strong due to industrial investments, decades of experience, and a well-developed local base of producers that manufacture products based on international standards. The government's push towards universal healthcare is expected to further boost local demand for pharmaceuticals. Moreover, Morocco is the second largest exporter of pharmaceuticals in Africa, second to South Africa. The sector is poised to grow its export market beyond Africa, to Europe and North America.

Section 4: Call for Solutions

Our Call for Solutions in Morocco aims to address the following key challenges to youth employment in country: low job creation, low levels of women and youth inclusion, low quality of jobs, and a skills mismatch.

We have identified two application windows with key opportunities for impact on youth employment

in Morocco. These windows are described below. Preference will be given to applicants that propose a concrete business plan that fits within the following windows. Please note: commercially and technically viable business plans that meet minimum eligibility criteria yet fall outside these windows will also be considered.

Window	Description	Minimum # of jobs impacted
1	Co-investment in high-growth potential SMEs in the value chain of key manufacturing sectors (automotive, aeronautics, textiles, pharmaceuticals, and agri-business)	250
2	Matching programs for digital skills development + large scale employment through ICT-enabled jobs & offshoring across service sectors (e-commerce, education, health, finance, creative sector, etc.)	500

Description of Windows

Below is a description of the windows, rationale, and potential project examples under each of the 3 job

categories which CFYE supports: Create, Match, & Improve.

Window 1

Co-investment in **high-growth SMEs in the value chain of key manufacturing sectors** (automotive, aeronautics, textiles, pharmaceuticals, and agri-businesses).


SMEs in key high-value added sectors require skilled employees to fuel innovation, growth, & competitiveness in the export market. This window focuses on mobilizing human capital for medium to high-skilled jobs in industrial growth sectors, particularly for SMEs in the supply chain of these fast-growing sectors. There is potential for significant impact on job creation, where sector associations have aggressive job creation targets. CFYE additionally sees an opportunity for male-dominated sectors to remove barriers to entry for women and enhance opportunities for medium to high-skilled women in these sectors.

- ▶ Applications aimed at expansion of job opportunities in less developed regions will be regarded favourably during evaluation.
- ▶ Applicants' use of environmentally sustainable practices, such as renewable energy, and an integrated strategy for social inclusion (for example, working with female-led suppliers or community inclusion) would also be regarded favorably during evaluation.

Examples of project ideas can relate to:

- ▶ **Create:** Implementing partners' solutions on creating new jobs in these sectors may focus on, for example, creating work opportunities with a managerial or technical focus, to make them more attractive to youth. Financial institutions could consider partnering with SMEs by providing access to finance with direct causality of job creation & incentivizing the hiring of Moroccan youth.
- ▶ **Match:** TVETs operating in these sectors or other private matching platforms can partner with SMEs to provide the requisite training skills and match youth to suitable opportunities, or design apprenticeship

opportunities followed by employment. Note: CFYE will not support training only projects. Training institutions or matching platforms must partner with private sector companies with confirmed demand for jobs.

 **Improve:** Solutions in this category will particularly focus on improving the decency or quality of jobs that youth are currently employed in. Project ideas could include: formalising businesses that are currently informal, ideas for enabling women to work flexibly, and ideas that advance the decent work agenda for manufacturing employees, focusing on several of the following aspects:

▶ **Living income / wage**, in particular focusing on redressing the gender wage gap by supporting women into jobs in higher paid sectors and occupations or into senior positions within firms, and improving their career prospects in general. This category also includes introducing policies for ensuring workers are compensated for overtime and transportation.

▶ **Security in the workplace**, including physical safety provisions that take into account the particular needs of women (e.g. safe transport to and from work, appropriate bathroom facilities) and protection against psychosocial hazards such as sexual harassment or discrimination (e.g. social support systems for workers).

▶ **Social protection for families**, which does not reinforce women's traditional roles and responsibilities, but contributes to the transformation of gender relations in economic and social spheres (e.g. maternity leave, childcare provision or subsidies for working mothers or single fathers to access childcare).


▶ **Prospects for personal development and social integration** by conducting risk assessments of how a job or a promotion within a job might affect how a worker is perceived and treated in their family and community, and deploying strategies to mitigate against any harm (e.g. community outreach activities to protect women employees against domestic recriminations for working).


Window 2

Matching programs for digital skills development and large-scale employment through **ICT-enabled jobs & offshoring** across service sectors (e-commerce, education, health, finance, creative sector, etc.)


Digital business development services using technology to create new value in business models, customer experiences, and the internal capabilities that support its core operations, has high potential to impact jobs at scale. This window covers e-commerce as well as traditional brick-and-mortar players that are transforming their businesses with digital technologies. There is also good potential for providing opportunities for women, as the work often enables remote work and flexibility in timings. Moreover, as per our scoping research, digitally-enabled jobs align strongly with youth aspirations. While direct digital business models are typically deployed in urban and semi-urban areas, this can also be a viable solution to connect with rural markets.

Examples of project ideas can relate to:

 **Create:** Companies can create job opportunities to youth for supplying or using new digital business management tools for B2B service delivery. Another example in this category is companies adopting e-commerce B2C delivery models and providing digital or logistics jobs.

 **Match:** Matching platforms can partner with SMEs to provide digital skills training and match youth to opportunities with employers that join the consortium. Note: CFYE will not support training only projects.

Training institutions or matching platforms must partner with private sector companies with confirmed demand for jobs.

 **Improve:** Providing working mothers with access to flexible working arrangements, childcare, safe transportation, etc. Equality of opportunity and treatment, for example, applying a gender and inclusion lens to firms' HR practices, especially at hiring and promotion stages (avoiding highly masculinised language in job descriptions, avoiding unconscious bias in training, establishing clear evaluation criteria, etc.).

Eligibility Criteria

1. Principles

Should adhere to CFYE's guiding principles & priorities

2. Exclusion Criteria

The project and organizations involved in delivering the project must pass the FMO exclusion criteria.

3. Operational capabilities:

- ▶ The lead applicant, or at least one of the consortium partners, must have local operating presence in country.
- ▶ The applicant must be able to begin operations no later than October 2022.

4. Applicant Profile:

- ▶ We actively welcome partnerships or consortium responses to this challenge.
- ▶ We strongly invite applications from private sector companies, as we believe that private sector involvement is the most effective way to develop and test market-based solutions that respond to the challenge of youth employment.
- ▶ Business accelerators and impact investors are also eligible.
- ▶ Non-profit entities are welcome to apply, but if they are the lead applicant, they **must** apply in consortium with a private-sector partner with confirmed labour demand.
- ▶ We have a strong preference to work with fast-growing small and medium-sized enterprises (SMEs).

5. Job type

Jobs should focus on wage employment or partial self-employment (working with agents).

6. Decency of Jobs

For any job created, matched or improved, the average monthly income is at least 2830 Moroccan Dirhams, has no more than 48 hours per week of work, and jobs are maintained for at least 6 months.

7. Total Youth Job Targets

The project must meet the minimum eligibility criteria for job targets through a combination of CFYE categories: create, match or improve. The minimum job targets are as follows:

Window 1: 250 jobs

Window 2: 500 jobs

Higher job targets showing cost-effectiveness will be regarded favourably during evaluation.

8. Women Targets

Of the total youth employment created, matched, or improved, at least **33 %** are for women. Higher women inclusion targets will be regarded favourably during evaluation.

9. Budget Guidelines

- ▶ The minimum contribution of the fund is €100,000. This should be matched by a co-investment that is **at least equal** to the contribution requested. Sources of co-funding must follow the guidance provided in the Concept Note guidance pack on the website.
- ▶ The contribution requested from CFYE is expected to be within a reasonable range, in comparison with the lead organisation's average annual turnover in previous years, or the income of the current year in case of a newly-established organisation. If the amount requested is significantly larger, CFYE requires an explanation as to how the organisation/project intends to manage the funds and match it with their own contribution. Guidance around the proof of managing finances is provided in the Business Case guidance. Applications that require lower co-investment by CFYE will be viewed favourably during evaluation. Suggested range for CFYE co-investment is 20-50%.
- ▶ There is no maximum grant amount stipulated, but we will consider whether the budget is realistic and whether the applicant can raise the required co-funding. We will also assess if the cost per job is competitive.

- ▶ Suggested range for Cost per job to CFYE (Total CFYE co-investment / total # of jobs) is between 300-800 Euros.
- ▶ Projects with a higher budget than this range may be considered if there is a compelling and feasible developmental additionality (eg. high inclusion).
- ▶ Projects that demonstrate value for money and cost-effectiveness will be viewed favourably during evaluation.
- ▶ The company's in-kind contributions must not exceed 30% of their total co-investment.
- ▶ Capital investment (capex) request from CFYE must not exceed 33% of the total investment.

10. Youth

The jobs created, matched or improved would be for youth aged **15-35 years**. The proposal must demonstrate that the aspirations and requirements of youth have been taken into consideration in the design of the concept.

11. Additionality

Additionality is a central consideration in the review of proposed projects. CFYE co-financing must be additional to the proposed project, i.e., funding is channelled to bring about activities and further investments in youth employment which would **not** otherwise occur (either at all, in the same timeframe, or to the same scale or quality). The provision of funding through a contract or grant agreement must not substitute or replace an organisation's core funding, or crowd out other funding sources.

Large enterprises are welcome to apply but **must** demonstrate strong additionality of CFYE co-funding.

Annex A. Sector Analysis

The assessments below reflect the CFYE team's scoping research. This was based on desk research and interviews with employers & relevant development partners, and was validated through focus group discussions with youth.

Sectors	Potential to create jobs for youth (in particular, post COVID-19)	Opportunities for women	Interest of youth and women to work in the sector	Required skills level
Agriculture/ Agri-business	<p>High</p> <ul style="list-style-type: none"> Currently the highest employer of labour (36% of workforce) and is likely to receive increased focus from the government to ensure national food security. First job for rural male youth between the ages of 15-24. Offers opportunities for youth (especially in new areas like ag-tech, storage/logistics and mechanization). 	<p>Medium</p> <ul style="list-style-type: none"> Varies based on type of job and supply chain. Young women are typically involved in non-farm activities (except for a very small number in rural areas that are involved in subsistence farming) 	<p>Low-Medium</p> <ul style="list-style-type: none"> Youth consider primary agriculture an unattractive sector but are more open to innovative farming or agribusiness. Core farming is regarded as manual labour and women traditionally perform non-farm jobs such as processing and sales. 	<p>Unskilled - Low-skilled</p> <ul style="list-style-type: none"> Depending on the value chain and type of job. High demand for farmers for outgrower schemes (informal and low-skilled). Agro-processors require technically skilled workers and digital jobs related to the sector require low-medium skills.
Trade	<p>Medium</p> <ul style="list-style-type: none"> Second largest employer after agriculture Largely informal Opportunities for trade in local products and digitization of sector (especially post COVID-19) 	<p>High</p> <p>Currently one of the sectors that engages the highest number of women</p>	<p>High</p>	<p>Unskilled - Low-skilled</p> <p>Low skills required for actual trade, but medium skills will be needed for digital jobs</p>
ICT	<p>Medium</p> <ul style="list-style-type: none"> High growth sector that has a high labour demand Opportunities from business adopting technology to enable/enhance remote work and reach customers. Emergence of new industries such as fintech, ag-tech, health-tech, ed-tech and e-commerce driving growth in labour demand. 	<p>Medium</p> <p>STEM training and high drive to close gender disparity in sector. However, higher number of uneducated women means less women are qualified to take up positions.</p>	<p>Medium-Low</p> <p>Perception that roles in the sector are for men</p>	<p>Low-skilled to High-skilled</p> <ul style="list-style-type: none"> Requires mostly skilled individuals and draws the most talent with post-secondary education Targeted at educated youth in urban areas
Transportation/ Logistics	<p>Medium</p> <p>Growth in sector and labour demand driven by government investment in sector and entry of foreign players. Growth in logistics driven by digitization of retail sector and increased light manufacturing activities. Some areas (such as road and logistics) will rapidly recover post COVID-19.</p>	<p>Medium</p> <p>Opportunities for women in several aspects of the value chain – admin, sales, booking etc.</p>	<p>Low - Medium</p> <p>Perception that roles in the sector are for men.</p>	<p>Unskilled - High-skilled</p> <p>Skills dependent on the type of job</p>

<p>Manufacturing</p>	<p>Medium</p> <ul style="list-style-type: none"> ▶ Sector was growing but is hit hard by COVID-19. ▶ High demand for technically skilled workers 	<p>Medium</p> <p>Opportunities for women in formal light manufacturing or informal household enterprises.</p>	<p>Low - Medium</p> <p>Traditionally male dominated sector and perception that roles in the sector are for men.</p>	<p>Semi-skilled to High skilled</p> <p>Skills dependent on the type of job. Skills development necessary for blue-collar jobs</p>
<p>Construction</p>	<p>Medium</p> <ul style="list-style-type: none"> ▶ Growth in demand is driven by demand for housing and public infrastructure. ▶ High demand for technically skilled works such as electrical engineers, welders, etc. 	<p>Low</p> <p>Traditionally viewed as a male dominated sector</p>	<p>Low</p> <p>Perception that roles in the sector are for men</p>	<p>Unskilled to High skilled</p> <p>Skills development necessary for blue-collar jobs</p>
<p>Power/ Renewable Energy</p>	<p>Low- Medium</p> <ul style="list-style-type: none"> ▶ Objective volume of labour demand is still low but sector is growing quickly. ▶ Growth in sector and labour demand is driven by increased investment in sector by government and foreign investors. ▶ High demand for technical workers but also sales support. 	<p>Medium</p> <ul style="list-style-type: none"> ▶ Traditionally viewed as a male dominated sector. ▶ Opportunities for women in several aspects of the value chain – admin, sales, booking etc. 	<p>High</p> <ul style="list-style-type: none"> ▶ High interest amongst youth in innovative business models and technologies ▶ Perception that roles in the sector are for men. 	<p>Semi-skilled to High skilled</p> <p>Skills dependent on the type of job (especially for blue collar jobs)</p>
<p>Creative Industry</p>	<p>Low-Medium</p> <ul style="list-style-type: none"> ▶ The key drivers of job creation are: design, music, film and television, fashion and craft ▶ Majority of the work force are freelancers, who are grossly underpaid in comparison to their foreign counterparts. 	<p>High</p> <p>Several opportunities for women in film (makeup, styling etc) and in fashion and craft</p>	<p>High</p>	<p>Semi-skilled to High skilled</p> <p>Skills dependent on the type of job</p>
<p>Hospitality & food services</p>	<p>Medium</p> <ul style="list-style-type: none"> ▶ Traditionally seen as a high value and high volume sector with a high labour demand ▶ One of the industries most affected by COVID-19. Some areas such as catering have taken a smaller hit. Recovery will take some time (projections are 2021) 	<p>Medium</p> <p>High prior to the COVID-19 pandemic.</p>	<p>High</p>	<p>Unskilled to High skilled</p> <p>Skills dependent on the type of job but mostly unskilled</p>

Annex B. List of key stakeholders interviewed

Name	Position	Name of organisation	Type of organisation
Jalal BENHAYOUN	General Manager	Regional Center of Investment Tangier - Tétouan - Al Hoceima	Public Sector
Marouane ABDELATI	General Manager	Regional Center of Investment Souss - Massa	Public Sector
Adil AZMI	Director of the investor's house direction	Regional Center of Investment Béni mellal - Khénifra	Public sector
Selma Bennis		Regional Center of Investment Casablanca-Settat	Public sector
Naima	Vocational training programme Manager	Millenium Challenge Corporation Agency - Morocco	Donor
Maria EL FILALI	General Manager	Groupement des Industries Marocaines Aéronautiques et spatiales, GIMAS	Private sector
Fatima zahra ALAOUI -	General Manager	Association Marocaine des Industries du Textile et de l'Habillement, AMITH	Private sector
Touria BENLAFQIH	Director and entrepreneurship consultant	Qudurate	NGO
Ilyass SAIFELISLAM - Basma SLIMANI		AISEC	NGO
Mariam OUNDO - Amine AIT MOUMMA - Soumia FARES - Anas BELHACHMI		JCI	NGO
Mustapha Ben EL Ahmar Ali Benmokhtar	Directeur du Centre d'études et de recherches du Groupe Crédit Agricole du Maroc (Cercam) Directeur des Etudes CERCAM	CAM CERCAM	Financial Institution
Imad BENHAYOUN		BMCE	Financial Institution
AJOUYED Khalid - BEN-ELAHMAR Sarra	General Manager -	Institut de Formation aux Métiers de l'Industrie Automobile de Renault - Tanger, IFMIA	Vocational training institution
Salma LAAJEL	Career Counselor	Career Center - Tangier	Public employability institution

<i>Name</i>	<i>Position</i>	<i>Name of organisation</i>	<i>Type of organisation</i>
Yousra EL HATIB	Team Leader	Tasharoc Programme	Donor
Oumnia BENARAFA	CEO of Apebi	APEBI	Private sector
Amine Al Hazzaz	Founder of HSeven	HSeven	Private sector
Mehdi Alaoui	CEO	Lafactory	Private sector
Bilal EL OUARDI	CEO and HR consultant	MI Consulting	Private sector
Adil Raitab	Economic Affairs Advisor	Dutsh embassy in Morocco	
Soukaine EL ALLAM	Business Development Director	Enactus	NGO
Multisac			

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Annex D. Morocco Scoping Report – Call 6

A first call of solutions was launched last year in Morocco in January 2022. The call targeted working with private sector firms in key growth sectors, implementing sustainable solutions for job creation, embedding decency of work, youth aspirations, gender sensitivity and other inclusion requirements, in compliance with the labour laws of Morocco.

More details on the beneficiaries and existing portfolio of existing implanting partners can be found on the website: <https://fundforyouthemployment.nl/morocco-portfolio/>.

This Call for Solutions will prioritise projects operating in either the digital or green streams, or both.

Purpose of this Document

This document is a summary of the findings from the scoping work conducted in Morocco from March to July 2023. The information will be used to update the existing scoping research report in line with the specific focus of Call 6 (and in line with the Embassy of the Netherlands combination tracks) on Morocco.

The data was collected by mapping relevant stakeholders - including private sector entities -, conducting semi-structured interviews, and analysing their insights.

The findings have been shared with the Moroccan CFYE team and is to be considered complementary to the scoping report above.

Priority Windows

This second call for solutions in Morocco is focused on green and digital jobs, proposals from other sectors will not be considered. For this second call, CFYE invites proposals in innovative private sector-led initiatives that give businesses access to suitably skilled personnel and realise decent employment for youth in Digital and Green sub-sectors.



✦ **Digital Business Development Services (BDS)** refer to the use of digital technologies to enhance and optimise business development processes. Digital BDS aim to help businesses leverage the power of digital technologies to improve their operations and drive growth in today's increasingly digital world. This sub-sector includes companies engaged in ICT, offshoring services, e-commerce, online employment support services, and digitisation of business solutions (sector-agnostic). In addition, it can also encompass AgriTech, FinTech, EdTech, and HealthTech, where companies aim to digitise their business offerings.



✦ **Green economy** is crucial to addressing climate change and promoting sustainable economic development. The target for this subsector is for employment opportunities in industries contributing to environmental sustainability and the transition towards a more sustainable economy. Green jobs are typically associated with efforts to reduce greenhouse gas emissions, promote renewable energy, conserve natural resources, and minimize pollution and waste. This includes companies involved in waste management, recycling, renewable energy, agriculture and agribusiness, sustainable construction, electric mobility, eco-tourism, and circular economy (sector-agnostic), where companies seek to implement green practices throughout their value chain.

Green

Given the pressure that climate change is putting on water and land resources and the expected negative impacts on agricultural production and food security issues, Morocco has incorporated climate change strategies and supported green growth, seeking to increase the resilience and adaptation of rural populations to climate change. Morocco's vision is to make its territory and people more resilient to climate change while ensuring a rapid transition to a low-carbon economy.

The transformation of the agricultural sector and decarbonization can open new opportunities for the private sector as it fosters the development of innovative technologies and green climate services, creating positive spillovers on economic growth and job creation.

Among the green industries to support growth and generate jobs, we can find:

- ◀ Sustainable Agriculture (Agriculture and Agribusiness)
- ◀ Renewable energy
- ◀ Energy efficiency
- ◀ Liquid sanitation
- ◀ Construction
- ◀ Transportation
- ◀ Waste management and recovery
- ◀ Aquaculture;
- ◀ Water
- ◀ Climate Adaptation and Risk Management services;
- ◀ Forest value chains
- ◀ Aromatic and medicinal plants.



For example, it is estimated that investing in renewables and energy efficiency in line with government targets of achieving 52% of the energy mix by 2030 could contribute to around 28,000 net jobs per year, particularly in four technologies (utility-scale solar, distributed solar; utility-scale wind; and increasing energy efficiency) . Indeed, various flagship projects in solar and wind have been developed to tap the country's potential in Renewable Energy.

In Morocco, these related green emerging sectors remain underrepresented. Plus, given the high cost of capital in some cases, a competition landscape characterised by informality and a lack of relevant regulations, few private players operate in these sectors. Therefore, These sectors present opportunities for private-sector responsible investment and job creation. For example, in the Waste Management subsector, opportunities exist to create and offer better opportunities for youth and women with low-medium skills working in the informal sector, and to move toward more organized entities. In the energy value chain and energy efficiency sub-sectors, opportunities for medium to highly skilled youth and women exist in auditing services, consulting, engineering, and technical services (i.e. project management, installation, construction, and operations and maintenance). In rural areas, various opportunities exist for improving job quality and generating income. These opportunities are linked to the development of sustainable local agri-food value chains. This includes enhancing and diversifying organic production systems, transforming and valorizing, as well as commercializing local products. Additionally, self-employment opportunities are available for youth interested in establishing startups that offer innovative and sustainable solutions. To achieve these ambitions, appropriate higher education, vocational training, training, and re-skilling would need to be in place to prepare the workforce for these new jobs capable of offering technical and soft skills.

	<i>Observation</i>	<i>Opportunities</i>
<i>Labor Demand</i>	<ul style="list-style-type: none"> ◀ Skill requirements vary depending on the sub-sectors, from low semi-skilled labour in sectors like waste management to highly skilled in energy efficiency and renewable energy. ◀ The majority of the labour force in this sector is composed of males and young people ◀ Sustainable agriculture and crafts offer more opportunities for women, especially in rural areas (ex-cooperatives,...) ◀ Self-employment opportunities exist for skilled urban youth to establish their startups offering innovative green solutions. ◀ The type of labour and skill level depend on the sub-sector. ◀ The majority job opportunities in this sector are available to young people. 	<ul style="list-style-type: none"> ◀ Opportunities exist to create and offer better opportunities for youth and women with low-medium skills working in the informal sector to move toward more organized formal entities. ◀ Investment in new emerging value chains and contribute to fostering "Made in Morocco" the competitiveness of local value chains. ◀ Renewable energy and energy efficiency offer more opportunities to medium and highly-skilled youth ◀ Opportunities are available for innovative ventures and start-ups. ◀ Contributing to the acceleration of these emerging sectors offers new opportunities to existing and new ventures to generate more jobs. ◀ Opportunities exist for training and reskilling for youth to acquire new technical and business skills.
<i>Labor Supply and Skills Development</i>	<ul style="list-style-type: none"> ◀ The green sub-sectors have diverse skill requirements depending on specific needs, but most positions require semi-skilled or highly skilled individuals. ◀ Some business associations and organizations provide specific training in green and renewable energy. 	<ul style="list-style-type: none"> ◀ Working with TVETs, NGOs, and sectors' business associations to train and upskill.
<i>Business Support & Access to Finance</i>	<ul style="list-style-type: none"> ◀ The green industries are emerging sectors with much potential for private sector investment; however, it remains risky given the informal competition and lack of specific regulations protecting (ex: waste management.). ◀ Investment in renewable energies is still dominated and driven by public entities (SEOs) 	<ul style="list-style-type: none"> ◀ Numerous Opportunities for private sector investment exist. ◀ More support for research institutions and the private sector to develop new technologies, make them commercially viable, and foster green technology adoption
<i>Culture & Social Norms</i>	<ul style="list-style-type: none"> ◀ The sector is male dominated, while women are more prevalent in agriculture and sales departments. 	
<i>Decency of work</i>	<ul style="list-style-type: none"> ◀ The majority of jobs in some green sectors, like Waste Management and sustainable agriculture, are for semi-skilled labour, casual, informal, or seasonal. At the same time, permanent positions exist, especially for medium and high-skilled positions. 	<ul style="list-style-type: none"> ◀ The growth of businesses in related sectors would make jobs more sustainable, shifting from seasonal casual positions to permanent or full-time casual positions and providing opportunities for skills improvement and new opportunities for youth to find relevant jobs. ◀ Private sector investment can offer opportunities for more formal self-employment

Digital

The digital economy plays a pivotal role in addressing Morocco's most pressing socio-economic challenges. It is considered a driver of transformative change, with the potential to enhance citizen-administration interactions and boost the Moroccan economy's productivity and competitiveness. Additionally, it can play a significant role in mitigating key inequalities within the country.

Recognizing its importance, and in response to these imperatives, Morocco has demonstrated its commitment to digital development through the implementation of various national programs over the past decade. Among these initiatives, a comprehensive strategy for digitalisation was developed, aiming to integrate digital technologies across multiple sectors of the economy and society.

The digital sector has seen strong growth in recent years, driven by the increasing use of social media, e-commerce and digital platforms, increased internet penetration, and a growing middle class; hence many ICT and digital and offshoring companies (BPO/ITO..) have been expanding their activities and attracting investment. With growing businesses and organisations across different sectors such as Banking, Finance, and Industry looking to digitise their operations (ex: Industry 4.), the demand for qualified, skilled youth has seen strong demand.



Still, this sector faces many challenges, including the low penetration of the digital infrastructure, the legal and regulatory barriers, and an enormous digital skills gap that undermines the country's potential for digital growth and being considered as "Digital Nation". ICT recruiters report that they face difficulties in finding young talents at middle management level with both tech skills and good soft skills. Another frustrating trend is the tradition of Morocco to export talents, especially when it comes to engineers' "brain drain", a situation that stems from the lack of perspectives and the international talent war for Tech talents with tech skills in development, AI, and machine learning.⁵

The ICT sector is promising for Morocco because it meets youth aspirations, especially for women, given its open knowledge networks, work location flexibility, and inclusiveness, especially in rural and remote areas. However, for Morocco to take advantage of economic opportunities, secure long-term economic development, and ensure the private sector's resilience, the country must close the digital skills gap.

5 *Bridging the Gap: Matching Digital Skills and The Employability Pipeline in Morocco. 2021. Digital Talent Review - A Huawei initiative*



	Observation	Opportunities
Labor Demand	<ul style="list-style-type: none"> ✦ High growth sector with a high labour demand ✦ Opportunities from businesses adopting technology to enable/enhance remote work and reach customers. ✦ Emergence of tech-driven ventures such as fintech, ag-tech, health-tech, ed-tech, and e-commerce driving growth in labour demand. ✦ ICT-enabled jobs & offshoring opportunities are available across service sectors for youth & women ✦ Opportunities available for medium and highly skilled talents ✦ The market demand is concentrated in a few central regions of Morocco ✦ More demand for Semi-skilled tech talents (ex: technicians) vs. Highly qualified in companies 	<ul style="list-style-type: none"> ✦ ICT training and upskilling centres should be established in vulnerable neighbourhoods and rural areas to provide open access for youth, and women. ✦ There are opportunities available for innovative ventures and start-ups. ✦ Opportunities to leverage women's inclusion in the job market. ✦ Digital technologies can improve business competitiveness and the quality of jobs, especially in sectors like sustainable agriculture.
Labor Supply and Skills Development	<ul style="list-style-type: none"> ✦ There is a shortage of graduates with technical backgrounds with Science, Technology, Engineering, and Mathematics (STEM) qualifications. ✦ Misalignment of academic training with the market needs ✦ Few companies offer Tech and digital skills training; most youth rely on self-learning, mainly YouTube tutorials. ✦ Lack of tech talents with good soft and linguistic skills ✦ Academic institutes fail to integrate students into the corporate world 	<ul style="list-style-type: none"> ✦ Upskilling and ICT skills with the latest professional certifications can be considered an attractive retention tool by youth ✦ Provide more opportunities for training for School-to-work transition ✦ Provide STEM training and Tech on job training to contribute to closing the gender disparity. ✦ Blended hard tech and soft skills training can be offered to improve the integration of young graduates in the job market
Business Support & Access to Finance	<ul style="list-style-type: none"> ✦ Preference to hire graduates from public schools and universities, preferably with certifications. ✦ The digital skills gap affects not only digital sectors but all investment decisions. ✦ Start-ups face significant challenges related to bureaucratic and regulatory barriers, as well as a lack of resources with Tech skills needed for their business growth 	<ul style="list-style-type: none"> ✦ Support the creation of strong Moroccan Digital ecosystems that contributes to attracting more foreign investments, and creating more jobs ✦ Supports the creation of a large ecosystem of talented young entrepreneurs ✦ Foster Industry-academia partnerships to ensure curricula align with industry needs, provide internships, offer practical training opportunities. ✦ Improve access to relevant technology, software, and resources needed to develop Tech skills, particularly in educational institutions and training centres. ✦ More innovative stakeholders' collaboration, between academic institutions/ TVET centres/ government agencies, civil society, and private sector representatives to equip young individuals with the necessary skills and knowledge demanded by the industry and ensure job opportunities
Culture & Social Norms	<ul style="list-style-type: none"> ✦ The perception is that roles in the Digital sector are for men. 	<ul style="list-style-type: none"> ✦ Increase the lack of awareness in the broader society on the importance of digital inclusion.
Decency of work	<ul style="list-style-type: none"> ✦ This sector presents good opportunities for decent work for medium and highly skilled tech talents, although other opportunities for self-employment and freelancing exist that meet youth aspirations. ✦ Young talents express a preference to work for large international rather than local SMEs ✦ Young generations seem to express negative views on the ICT job market, which results in high turnover. ✦ Some youth considers that working for Startups is not attractive because of the limited incentives and lack of a clear career path 	<ul style="list-style-type: none"> ✦ SMEs can create a more engaging environment that attracts youth and meet their aspirations. ✦ SMEs and startups can offer opportunities

Key Stakeholders Consulted

<i>Name Interviewee</i>	<i>Position</i>	<i>Name of Organization</i>	<i>Type of Organization</i>
Fatima-Ezzahra AIT EL HABTI	Chef de Division des Plateformes Technologiques & des Clusters (Ministère de l'Industrie et du Commerce)	Ministère de l'Industrie et du Commerce	Public
Samir Idrissi Kassimy	GCIP Morocco Coordinator	Ministry of Energy Transition and Sustainable Development	Public
Nourdine Bouyaakoub	Managing Director	CE3M	Business Association
Fatima Zahra El Khalifa	Managing Director	Cluster EnR	Business Association
Kaoutar Filali	Managing Director	Cluster Menara	Business Association
Meryem Rachdi	Managing Director	Moroccan Fashion Cluster	Business Association
Zakaria El Madani	Managing Director	Cluster Valbiom Maroc	Business Association
Wafaa Berny-Mezouar	Managing Director	Association Al Jisr	NGO
Issam Cherrat	Managing Director	Association Chifae	NGO
Mounir Aznail	Managing Director	Marock'Jeunes	NGO
Leila Adghirni	Program Officer	Hiya Wa Howa Siyan	NGO
Marwane Fachane	Managing Director	Hiba Foundation	NGO
Touria Belfquih	Managing Director	Al Maghreb Qudurate	NGO
Driss Nahya	Managing Director	Polluclean	For Profit Company
Nawal Amimi	Procurement Director	Morocco Copper Foundry	For Profit Company
Hamza Chraibi	President and Founder at Arab Excellence	Arab Excellence	For Profit Company
Aida Tagmouti	Co-Founder and CEO	JobBees	For Profit Company
Yassine Bentaleb	Founder	Foodeals	For-Profit Company
Hamza Cherif D'Ouezzan	Managing Director	The Anou	Cooperative
Mehdi Alaoui	Tech Entrepreneur	La Startup Station	Incubator/Accelerator
Amine Hazzaz	Founder and CEO	H7	Incubator/Accelerator
Adnane Bennis	Managing Editor	Morocco World News	For Profit Company