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R2019-0241/1

October 21, 2019

**Closing Date: Thursday, November 7, 2019
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

Morocco - Municipal Performance Program-for-Results

Program Appraisal Document

Attached is the Program Appraisal Document regarding a proposed loan to Morocco for a Municipal Performance Program-for-Results (R2019-0241), which is being processed on an absence-of-objection basis.

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Report No: PAD3282

PROGRAM APPRAISAL DOCUMENT
ON A
PROPOSED LOAN
IN THE AMOUNT OF EURO 271.8 MILLION
(US\$300 MILLION EQUIVALENT)
TO THE
KINGDOM OF MOROCCO
FOR A
MUNICIPAL PERFORMANCE PROGRAM-FOR-RESULTS
OCTOBER 16, 2019

Urban, Resilience, and Land Global Practice
Governance Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective August 31, 2019)

Currency Unit = Moroccan Dirham (MAD)
MAD 1 = US\$ 0.1032
EUR1 = US\$ 0.90571506

FISCAL YEAR
July 1 - June 30

CALENDAR YEAR
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ACBP	Annual Capacity Building Plan
AFD	French Agency for Development (<i>Agence Française Développement</i>)
CAS	Country Assistance Strategy
CAS TVA	Value Added Tax Special Account (<i>Compte d'Affectation Spécial pour la Taxe sur la Valeur Ajoutée – Part des Collectivités locales dans la Taxe sur la valeur ajoutée</i>)
CE	Citizen Engagement
CNCP	National Commission of Public Procurement (<i>Commission Nationale de la Commande Publique</i>)
COFOG	Classification Of the Functions Of Government
CPF	Country Partnership Framework
DGCL	Directorate General of Local Governments (<i>Direction Générale des Collectivités Locales</i>)
DGI	General Directorate of Taxation (<i>Direction Générale des Impôts</i>)
DLI	Disbursement-linked Indicator
DLR	Disbursement-linked Result
ECI	Inter-municipal Cooperation Institution (<i>Etablissement de Coopération Intercommunale</i>)
ESES	Environmental Sustainability and Energy Sector
ESSA	Environmental and Social System Assessment
FART	National Urban Transport Fund (<i>Fonds d'Accompagnement des Réformes du Transport urbain</i>)
FOMAP	Organization Fund for the Modernization of Public Administration (<i>Fonds d'Organisation de Modernisation de l'Administration Publique</i>)
GDP	Gross Domestic Product
GoM	Government of Morocco
GPSURR	Social, Urban, Rural and Resilience Global Practice
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HR	Human Resources
ICT	Information and Communication Technology
IEECAG	Consultative group on equity, equality of opportunities, and gender approach (<i>Instance de l'Équité, de l'Égalité des Chances et de l'approche genre</i>)
IEG	Independent Evaluation Group



IFC	International Finance Corporation
IFI	International Finance Institution
IGAT	General Inspectorate of Territorial Administration (<i>Inspection Générale de l'Administration Territoriale</i>)
IGF	General Inspectorate of Finances (<i>Inspection Générale des Finances</i>)
INDH	National Initiative for Human Development (<i>Initiative Nationale pour le Développement Humain</i>)
IPF	Investment Project Financing
M&E	Monitoring and Evaluation
MMC	Minimum Mandatory Condition
Mol	Ministry of Interior
NDC	Nationally Determined Contribution
NPPC	National Public Procurement Committee
ONCB	Open National Competitive Bidding
OPRC	Operations Procurement Review Committee
PAC	Municipal Action Plan (<i>Plan d'Action Communal</i>)
PACT	Local Governments Support Program (<i>Programme d'Appui aux Collectivités Territoriales</i>)
PAP	Program Action Plan
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PforR	Program for Results
PI	Performance Indicator
PMU	Program Management Unit
PNCL	National Portal of Local Gouvernement (<i>Portail National des Collectivités Locales</i>)
RCP	Representative Concentration Pathway
SAI	Supreme Audit Institution
TA	Technical Assistance
TGR	Treasury General of the Kingdom (<i>Trésorerie Générale du Royaume</i>)
TPB	Three-year Program Budget
TVA	Value Added Tax (<i>Taxe sur la Valeur Ajoutée</i>)



Regional Vice President: Ferid Belhaj

Global Director: Sameh Naguib Wahba

Regional Director: Ayat Soliman, Najy Benhassine

Country Director: Jesko Hentschel

Practice Manager: Jaafar Sadok Friaa, Robert Beschel

Task Team Leaders: Augustin Maria,
Kolie Ousmane Maurice Megnan



MOROCCO
MUNICIPAL PERFORMANCE PROGRAM-FOR-RESULTS

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**BASIC INFORMATION**

Is this a regionally tagged project?		Financing Instrument
No		Program-for-Results Financing
Bank/IFC Collaboration	Does this operation have an IPF component?	
Yes	No	

Proposed Program Development Objective(s)

The Program Development Objective is to improve the institutional and service delivery performance of Participating Municipalities.

Organizations

Borrower:	Kingdom of Morocco
Implementing Agency:	Ministry of Interior

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

Government program Cost	780.00
Total Operation Cost	760.00
Total Program Cost	759.25
Other Costs	0.75
Total Financing	760.00
Financing Gap	0.00

Financing (USD Millions)

Counterpart Funding	346.00
Borrower/Recipient	346.00
International Bank for Reconstruction and Development (IBRD)	300.00



Cofinancing - Other Sources (IFIs, Bilaterals, Foundations)	114.00
FRANCE: French Agency for Development	114.00

Expected Disbursements (USD Millions)

Fiscal Year	2020	2021	2022	2023	2024	2025
Absolute	59.76	65.54	68.67	63.62	34.21	8.2
Cumulative	59.76	125.3	193.97	257.59	291.8	300.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Urban, Resilience, And Land Global Practice

Contributing Practice Areas

Governance

Climate Change and Disaster Screening

Yes

Private Capital Mobilized

No

Gender Tag

Does the program plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes



c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	● Moderate
10. Overall	● Substantial

COMPLIANCE

Policy

Does the program depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the program require any waivers of Bank policies?

☐ Yes ☒ No



Safeguard Policies Triggered

Safeguard Policies	Yes	No
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

ARTICLE IV — REMEDIES OF THE BANK

The Co-financing Deadline for the effectiveness of the Co-financing Agreement is June 30, 2020.

Sections and Description

Schedule 2, I.A.1

(a) The Borrower shall, through the MI, maintain within its DGCL, throughout Project implementation, the PMU with composition and resources acceptable to the Bank and defined in the Program operational Manual, to be responsible for day-to-day management, monitoring and evaluation of the Program;

Sections and Description

Schedule 2, I.A.1

(b) The Borrower shall (i) ensure that the Program is carried out in accordance with the requirements set forth in a manual acceptable to the Bank ("Project Operational Manual" or "POM"); and (ii) not assign, amend, abrogate, or waive the POM or any of its provisions, except with the prior written approval of the Bank.

Sections and Description

Schedule 2, I.A.1

(c) The Borrower shall maintain, throughout Program implementation, a Steering Committee, composed of representatives of the entities and institutions participating in the implementation, monitoring and evaluation of the Program, responsible for strategic oversight and guidance under the Program, all under terms and conditions acceptable to the Bank and described in the POM

Sections and Description

Schedule 2, I.A.1

(d) The Borrower shall ensure, throughout Program implementation, the coordination with other agencies/entities participating in the implementation of the Program, including the Participating Municipalities (including their ECIs, as applicable).



Conditions

Type	Description of condition
Disbursement	<p>Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed EUR13,590,000 may be made on the basis of DLRs achieved prior to this date but on or after January 1, 2019; or/and (b) for any DLR under Categories (1) to (9), until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved. 2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed EUR 67,950,000 as an advance; provided, however, that if the DLRs in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the provisions of paragraph (3) of this Part B) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower. 3. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs under Categories (1) to (9) has not been achieved, the Bank may, by notice to the Borrower (a) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or (b) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.</p>

TASK TEAM

Bank Staff

Name	Role	Specialization	Unit
Augustin Maria	Team leader (ADM Responsible)	Urban Development	SMNUR
Kolie Ousmane Maurice Megnan	Team leader	Governance	EMNGU
Moustapha Ould El Bechir	Procurement Specialist (ADM Responsible)	Procurement	EMNRU
Laila Moudden	Financial Management Specialist (ADM Responsible)	Financial Management	EMNGU
Houcine Gabi	Social Specialist (ADM Responsible)	Social Development	SMNSO



Khalid Anouar	Environmental Specialist (ADM Responsible)	Environment	SMNEN
Anastasia Nejma Touati	Team Member	Urban Development	SMNUR
Andrianirina Michel Eric Ranjeva	Team Member	Disbursement	WFACS
Anne Lucie Lefebvre	Team Member	Governance	EMNGU
Charlene D'Almeida	Team Member	Operations	SMNSO
Clarisse Hida	Team Member	Operations	GSU11
Elena Segura	Counsel	Legal	LEGAM
Herve Hocquard	Team Member	Municipal Finance	SMNUR
Lamia Zaki	Team Member	Municipal Management	SMNUR
Najat Maalla	Team Member	Social Development	GSU11
Salim Rouhana	Team Member	Urban Development	SMNUR
Sarah Keener	Team Member	Citizen Engagement	SMNSO
Taoufiq Bennouna	Environmental Specialist	Environment	SMNEN
Thibault Bouessel du Bourg	Team Member	Operations	GSU11
Walid Dhouibi	Procurement Specialist	Procurement	EMNRU
Wahid Kraiem	Team Member	Municipal Performance	SMNUR
Extended Team			
Name	Title	Organization	Location



I. STRATEGIC CONTEXT

A. Country Context

1. **Morocco, a lower-middle-income country of about 34 million people, has almost eliminated extreme poverty, reduced poverty, and promoted shared prosperity over the past 15 years.** The national poverty line (US\$2.15 per day) fell from 15.3 percent of the population in 2001 to 4.8 percent in 2014, while extreme poverty was eradicated¹. Morocco has sustained pro-poor growth and has invested in education, health, and other social services. Yet, pockets of poverty remain across the country and territorial disparities reflect deep social and economic inequalities.
2. **Given Morocco's sustained urbanization trend, supporting the development and governance of cities is a key challenge for the future of the country.** Morocco's continuing population growth is taking place in its cities, while rural population started decreasing around 2015. Although the rate of population growth has been decreasing in the wake of a rapid demographic transition (it went from 1.38 percent in 2004 to 1.25 percent in 2014), the country continues to urbanize². According to the United Nations World Urbanization Prospects (2014), 74 percent of Moroccans will live in cities in 2050 as opposed to 60.3 percent in 2014. Moroccan cities will house an additional population of 5.8 million in the next 15 years, 50 percent of which will be concentrated in larger cities.
3. **While Moroccan cities have proven to be engines of economic growth for the country, they have not been fully delivering on their potential.** Along with the concentration of people, urbanization has led to the increasing concentration of economic activities in cities, which are estimated to account for about 75 percent of the country's gross domestic product (GDP)³. While absorbing rural poverty (14.5 percent compared to 4.8 percent in urban areas) through in-migration and accounting for 80 percent of total tax revenues and 60 percent of all jobs, cities remain plagued by important pockets of poverty. Roughly one million people in urban areas live below the relative poverty threshold (US\$1.3 per day) and an additional 13.6 percent (2.3 million) is economically vulnerable, with a higher likelihood of falling into poverty when exposed to shocks. Urban unemployment stands at 14 percent compared to 3.8 percent in rural areas.⁴ The recent Morocco Urbanization Review⁵ shows that Moroccan cities have created less agglomeration economies than cities in comparable countries.
4. **In 2011, a new Constitution was adopted, including institutional reforms to establish a more democratic society, greater separation of powers, and increased decentralization or 'advanced regionalization' (*régionalisation avancée*).** The advanced regionalization agenda includes a process of decentralization and deconcentration, with a gradual transfer of decision-making powers and resources to the local and regional levels. The implementation of these reforms remains a priority, as the country's population continues to display low levels of trust in the different levels of administration and high levels of dissatisfaction with the quality of public services.

¹ World Bank. 2018. *Morocco's Systematic Country Diagnostic*.

² World Bank. 2018. Morocco Urbanization review.

³ World Bank. 2018. Morocco Urbanization review.

⁴ National Employment Survey, *Haut-Commissariat au Plan*, 2013.

⁵ World Bank. 2018. Morocco Urbanization review.



5. **The Government's decentralization agenda stems from the recognition of the pivotal role of municipalities in renewing the social contract in Morocco.** Indeed, municipalities' responsibilities put them at the forefront of the interaction between citizens and their administration. Their mandate for the provision of key basic services and infrastructure, taxation, standard administrative services, and the reception and treatment of citizen grievances make them the first point of contact between citizens and public authorities. In providing a framework for increased decentralization, Morocco's 2011 Constitution recognized the role of municipalities as the key interface between the state and citizens. The 2015 Organic Law on Municipalities confirms their primary role in local administration and service delivery. Municipalities are also expected to be instrumental in implementing the Constitution's provisions for increased transparency, accountability, and citizen engagement (CE) as well as ensuring a strong gender approach.

B. Sectoral (or Multi-Sectoral) and Institutional Context

6. **Over the past decades, Morocco has engaged in a decentralization process that has been further reinforced with the 2011 Constitution (Box 1).** The first Communal Charter issued in 1976 was replaced by a new charter in 2002, which unified the six larger cities (of over 500,000 inhabitants) into a single municipality to strengthen the integrated development of these agglomerations. The level of financing of Moroccan municipalities is relatively high compared to other countries of the region (3.5 percent of GDP as against one percent in Tunisia)⁶, and municipalities have been entrusted with a wide range of mandates including roads, public spaces, collective urban transport, solid waste, water and sanitation, and hygiene. While the title dedicated to municipalities included three articles in the 1996 Constitution, it is composed of 12 articles in the 2011 Constitution. The first article of the new Constitution states that "the territorial organization of the Kingdom is decentralized". Through its article 136, it also establishes the principle of administrative freedom of municipalities, thus acknowledging the end of the administrative control or '*tutelle*' of the Central Government over municipalities.

Box 1. The role of municipalities under the 2011 Constitution and the Organic Law No. 113-14

The 2011 Constitution, and the Organic Law No. 113-14 of July 15, 2015, confirmed the primary role of municipalities in local governance and service delivery. The new legal framework reinforced municipalities' 'own mandates' (*compétences propres*), while entrusting them with new 'shared' and 'transferred' mandates (*compétences partagées* and *compétences transférées*). Morocco has 1503 municipalities in charge of providing local services ("*services de proximité*") to citizens. Municipalities have: (i) 'own mandates', allowing them to create and manage local services and equipment pertaining to a wide range of sectors including the distribution of electricity, water and sanitation, roads, public spaces, collective urban transport, solid waste, hygiene, the maintenance of public spaces and parks, mobility and parking, municipal markets, bus stations, etc. In the field of urban planning, municipalities hold a consultative role regarding the adoption of the Urban Development Plans (*Plans d'Aménagement*), which are mostly implemented through the awarding of building or subdivision permits signed by the President of the municipal council (mayor); (ii) 'shared mandates', i.e. competences shared with the central government and derived from three main fields of competence, namely local economic development and employment promotion; the preservation and development of local cultural heritage and the implementation of the necessary measures to encourage private investment; and (iii) transferred

⁶ World Bank. 2018. Morocco Urbanization review. Thematic note on municipal finances.



mandates (although two areas of competences are listed in the 2015 Organic Law, the latter needs itself to be modified to confirm the existence of new “own mandates” (art. 91).

7. **Strengthening municipalities, both financially and institutionally, is key to allowing them to fulfill their service provision mandate.** Municipalities have seen their autonomy increased by the recent reforms with municipal revenues having increased over the last decade. However, capital expenditures have stagnated. Own source revenues of the municipalities have increased over the recent years. However, they remain low compared to their potential and municipalities do not have the financial autonomy to determine the rate and base on which local taxes can be levied⁷. On the technical side, municipal mandates cover a wide range of key municipal services from potable water supply and wastewater collection and treatment to urban transport, traffic signaling, and parking management,⁸ requiring specific skills for selecting, preparing, and executing local investments.

8. **Moroccan cities still face significant challenges in delivering the infrastructure needed to accommodate the continued increase in urban population.** The Morocco Urbanization Review estimated that investment requirements for urban infrastructure, equipment, and services in Moroccan cities amount to around MAD 320 billion (US\$33.02 billion equivalent) over 2017–2027, with an estimated 69 percent of this—or MAD 22.2 billion (US\$2.29 billion equivalent) per year over the 10-year period—to be financed by municipalities themselves. In comparison, the total capital expenditure of these municipalities has stagnated at around MAD 4.5 billion (US\$464 million equivalent) per year over 2009–2015, around 20 percent of the estimated annual investment required to provide cities with the infrastructure, equipment, and services they need to support improved living standards and economic activity in their territories.

9. **Low levels of investments are driven by stagnant net savings available to finance investments, and limited use of borrowing.** The current resources of municipalities consist of: (a) 23 percent of tax revenues administered by the State on their behalf, (b) 24 percent of own source revenues administered by the municipalities themselves resources, and (c) 53 percent of financial transfers from the State. On the expenditure side, despite important efforts to limit staff costs, the increase in recurrent expenditure associated with the delivery of local public services such as solid waste management has resulted in a continued increase in recurrent expenditures. Between 2006 and 2018, municipalities recurrent revenues increased by 92 percent⁹, recurrent expenditures increased by 110 percent. This has led to a stagnation of net savings available for investment, which represent barely 22 percent of recurrent revenues, while the use of bank loans remains very limited. This explains the low and quasi stagnant level of investment of municipalities in the urban sector over the last ten years. This stagnation is partly due to the weak institutional capacities of municipalities which contribute to maintain the significant untapped tax potential. The collection rate of local taxes and fees is between one-third and one-half of the fiscal

⁷ World Bank. 2018. Morocco Urbanization review.

⁸ The municipal competencies cover provision of key municipal services, including potable water supply, wastewater collection and treatment, drainage, electricity distribution, municipal solid waste collection and disposal, streetlighting, urban transport, traffic signaling and parking management, slaughterhouses, markets, socio/cultural/sports centers, and ambulance and funeral services.

⁹ The 42 percent of recurrent revenues over the 2005–2015 period corresponded to a 37 percent increase in transfers, a 58% increase in taxes administered directly by municipalities and a 28% increase in the revenues from the taxes administered by the State on behalf of municipalities.



potential in most Moroccan cities¹⁰ thus, limiting net savings and investment capacities of Moroccan municipalities.

10. **Beyond the crucial financial needs to finance urban infrastructure and services, the limited capacity, and the lack of incentives of Moroccan municipalities to strategically plan and effectively execute their investment budgets is a binding constraint.** Moroccan municipalities have weak capacities across a broad range of functional responsibilities, particularly in municipal investment prioritization and planning including gender mainstreaming, citizen participation, and oversight.¹¹ Many municipalities have not yet voted on their five-year municipal action plans (*Plans d'Action Communaux*, PAC) as provided for by the Organic Law on Municipalities. This document is crucial for planning purposes as it determines the municipality's priority projects to be conducted based on the municipality's needs and potentialities, including a gender approach. Municipalities often execute only about 50 percent of their yearly investment plans, and the total accumulated surplus amounts to MAD 29.5 billion (US\$ 3.04 billion)¹². This is due to weak capacities in terms of quality project management, including procurement, environmental and social management, a lack of sufficient qualified human resources (HR), a lack of modern technological equipment, and technical and administrative difficulties.¹³

11. **The weak accountability relationship between municipalities and their citizens does not provide sufficient incentives for the municipalities to perform effectively.** This further undermines their capacity in terms of planning, budgeting, and operating and maintaining of their assets. For example, municipalities have important property assets but on the one hand they neither have asset inventories, nor the existing ones are complete or usable, and on the other hand, the rents perceived for these assets, when they were perceived, are very low compared to their actual value. In addition, the level of civic organization around municipal issues is generally low, and civil society groups have limited experience in face-to-face efforts to engage municipalities, given historical limits on space for both information sharing and opportunities to engage.

12. **The institutional framework for inter-municipal cooperation needs to be strengthened to formalize and structure the management of local services that already extend beyond municipal areas.** Although rapid urban growth calls for addressing service delivery needs at the metropolitan level and reap network synergies and economies of scale, inter-municipal cooperation which is necessary to optimize the planning and furniture of key facilities and services (such as transport, water and sanitation, solid waste, and so on) at the most relevant scale is not yet operational. The introduction of the inter-municipal cooperation institutions (*Etablissements de Coopération Intercommunale*, ECIs) in the 2015 Organic Law on Municipalities responds to this need of providing metropolitan agglomerations with a framework for service provision at the inter-municipal level. These ECIs are specifically intended to develop urban equipment and services at the relevant scale of the agglomeration. However, to provide municipalities with the right tools, the current institutional framework for inter-municipal cooperation will require further development. In particular, ECIs need to be provided with a framework for financial sustainability and autonomy. The existing ECIs currently rely on voluntary contributions from municipalities, which are not sufficient and are unpredictable to fulfill even their limited mandates. Public services and local public

¹⁰ World Bank. 2018. *Morocco Urbanization Review*.

¹¹ Morocco Public Expenditure and Financial Accountability (PEFA) 2016/Casablanca PEFA 2016.

¹² TGR 2018, Monthly Bulletin of Local Finance.

¹³ Banque Mondiale. 2018. *Donner aux villes les moyens financiers de relever les défis de l'urbanisation. Note Thématique sur les Finances Locales. Revue de l'Urbanisation Au Maroc* (Projet P158999).



investments must be planned and deployed in a sound financial framework which does not yet exist today. Provisions should therefore be made to ensure that the ECIs have the financial means corresponding to their competences.

13. **Within the context of its ongoing decentralization program (*Régionalisation avancée*), the Government of Morocco (GoM) seeks to renew the way it provides support to Municipalities.** By granting increased decision-making autonomy to municipalities, the 2011 constitutional reform radically modified the relation between the state and municipalities, from control ("*tutelle*"), to support ("*accompagnement*"). This qualitative change has implications on the way GoM provides financial and capacity support to municipalities. It provides the opportunity to move towards a performance-based approach to supporting municipalities, but also calls for an ambitious capacity building program to address Municipalities existing capacity constraints.

14. **The shift from a control-based approach to one focused on support calls for a transition from compliance to performance.** With the reduction of *ex ante* controls introduced by the reforms, there is a need to monitor and assess the performance of municipalities in order to detect capacity gaps to be addressed. This shift towards a performance-based approach in turn offers an opportunity to increase the impact of fiscal transfers through increased predictability and stronger incentives. This can be achieved by moving from a needs-based project-by-project approach to a formula-based system which leverages the Government's fiscal transfers to municipalities to incentivize performance improvements. The Government currently supports municipalities through the devolution of a large part of 30 percent of the amounts collected from the Value Added Tax (*Taxe sur la Valeur Ajoutée*, TVA). The mechanisms for allocation and transfers of funds from the TVA to municipalities can be strengthened to incentivize municipalities to increase (a) their institutional capacity; (b) their performance in the delivery of municipal services; and (c) their financial sustainability and capacity to finance the required investments.

15. **To help address Municipalities' existing capacity constraints, the Government seeks to strengthen its municipality capacity building program.** While the Ministry of Interior (Mol) has developed over the last decades a robust system for the training of local elected officials and functionaries, there is an increasing need to develop new approaches to provide hands-on support and technical assistance to Municipalities. This type of support has been provided on an ad-hoc basis by technical departments within Directorate General of Local Governments (*Direction Générale des Collectivités Locales*, DGCL) and the deconcentrated divisions of local governments (*Division des collectivités locales*) at the provincial level. However, the increasing needs of Municipalities require the implementation of a dedicated program to offer Municipalities just-in-time advice and handholding on selected technical areas.

16. **Digital technologies offer an untapped opportunity to improve administration and service delivery at the Municipal level.** The development of digital technologies offers leapfrogging opportunities for municipalities, through the implementation of digital platforms to modernize municipal management and service delivery systems. As an example, building on the successful experience of digitalization of administrative procedures for the issuance of building permits and commercial in Casablanca, which is supported by the World Bank-financed Casablanca Municipal Support Program (Program for Results, PforR), DGCL is planning to scale up the same digital platform at the national level. Other planned initiatives include the rolling out of a digital revenue management system, and the digitalization of civil registrars administered by municipalities.



C. Relationship to the CPF and Rationale for Use of Instrument

17. **Strengthening municipalities to improve local administration and service delivery in Morocco is a continuing focus of the World Bank's engagement in the country.** The World Bank reaffirmed its strong engagement on local governance support in Morocco after the constitutional reform of 2011, with, among others, the objectives to improve service delivery to citizens and bringing citizens into decision-making processes. Strengthening the capacity of municipalities and improving their services was a strategic objective of the Morocco Country Assistance Strategy (CAS) FY2014–2017,¹⁴ including more specifically the need to 'improve capacity to plan, manage, and assess the delivery of key services, especially at the local level'. The current Morocco Country Partnership Framework (CPF) FY2019–2024¹⁵ includes the objective to 'Improve Performance of Key Infrastructure Delivery Services of Cities and Agglomerations' as part of its Strategic Focus Area C on 'Promoting Inclusive and Resilient Territorial Development'. This objective includes (a) linking citizens (including poor, women, and people with limited mobility) to economic opportunities; (b) boosting municipal capacity to deliver urban services and infrastructure with special attention to underserved neighborhoods; (c) improving urban mobility; and (d) strengthening capacity for mobilizing and managing financing, governance, and public and private investment for urban infrastructure. This engagement also supports the 'Governance and Citizen Participation Foundation' by contributing to effective state-citizen engagement at the local level. It also aligns with the World Bank Group's enlarged Middle East and North Africa Regional Strategy (March 2019) pillar of renewing the social contract by improving the quality of service delivery and priority area of digital transformation by leveraging on technology to improve administrative procedures and services, and with the World Bank Group's Gender Strategy, Objective 4 "enhancing women's voice and agency" through promoting and enhancing women's decision making in service-delivery governance structures. Finally, this operation contributes to the World Bank Group's strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner.

18. **For municipalities to better achieve their mandates, especially those located in urban areas, DGCL of the MoI has prioritized improving municipal performance.** Supporting the financial and institutional empowerment of municipalities in urban areas and enhancing local governance are part of the measures accompanying advanced regionalization and decentralization, defined as a priority of the Kingdom's economic and social development program. Increased municipal performance would also allow Moroccan cities to contribute to leading urbanization rather than suffering from its pressures.

19. **The client's request for the World Bank's support stems from a longstanding and articulated partnership and robust portfolio on local governance and service delivery.** Such a partnership was built through both analytical work (World Bank support to the National Urban Strategy in 2009) as well as lending operations: Investment Project Financings (IPFs) (the Local Development Support Program or *Programme d'Appui aux Collectivités Territoriales* – PACT); Development Policy Loans (the Urban Transport Development Policy Loan, the Municipal Solid Waste series, and the Hakama Governance series); and PforRs (the National Initiative on Human Development II, the Urban Transport Program and the Casablanca Municipal Support Program). The improvement of municipal performance has been specifically targeted in: (a) the aforementioned Local Development Support Program; (b) the New

¹⁴ The World Bank Group CAS for FY14–17 (Report No. 86518-MA) was discussed by the Board of Executive Directors on April 29, 2014.

¹⁵ The World Bank Group CPF for FY19–24 (Report No. 131039-MA) was discussed by the Board of Executive Directors on February 19, 2019.



Governance Framework implementation support project, by improving municipalities' access to decentralized support services, assistance to institutionalize inter-municipal cooperation and strengthening fiscal decentralization and financial management-; and (c) the Casablanca Municipal Support Program, a US\$200 million PforR currently supporting the City of Casablanca to increase its investment capacity, improve its business environment, and enhance access to basic services for the citizen. The experience of the Casablanca Municipal Support Program has been instrumental in supporting the design of this operation, by demonstrating a model for incentivizing municipal level reforms through results-based support to municipal investments. Casablanca has also served as a platform for experimentation in the implementation of digital platforms for the delivery of administrative services such as the issuance of building permits and commercial licenses, which are being scaled up under the proposed operation. In addition, the improvement of municipal performance through the establishment of a new financing model and the implementation of the newly adopted organigrams for inter-municipal cooperation will complement ongoing efforts supported by the Urban Transport PforR. These efforts aim to increase the urban mobility by reinforcing the performance of the existing ECIs.

20. **Rationale for use of the PforR instrument.** The proposed PforR has been identified as the most appropriate lending instrument for the following reasons:

- (a) **The PforR instrument fits the operation's programmatic approach to municipal investments and its focus on municipal performance.** The PforR instrument has been used successfully in a growing number of countries to improve the financing and institutional framework for service delivery and investment by municipalities.¹⁶ Following this model, the operation supports a Government program composed of investments and institutional reforms. The PforR instrument appears well fitted for this type of program as it allows to support an ambitious Government program of reforms based on performance improvement and the achievement of concrete results, while financing a large number of investment subprojects developed and implemented by a broad range of municipalities.
- (b) The PforR instrument will also help reorient the expenditure planning of selected municipalities away from a mere focus on inputs to one on outcomes, by placing incentives and technical support to the achievement of key results.
- (c) The PforR provides the framework for the World Bank's implementation support to focus on fostering institutional building.
- (d) The PforR will allow to harmonize and channel a co-financing with the French Agency for Development (*Agence Française Développement*, AFD). In accordance with the new Joint Partnership and Co-Financing Agreement signed on June 13, 2018, by the World Bank and AFD, the AFD would align its intervention with the preparation/follow-up procedures of the World Bank. The World Bank and AFD would thus co-finance (through the formalization of two loan agreements with GoM) one single Program to support the performance of selected municipalities, with the same supervision and disbursement procedures.

¹⁶ In September 2008, the DGCL organized a national workshop with the support of the World Bank and the Public-Private Infrastructure Advisory Facility to present and discuss international experience in implementing municipal support programs using performance-based grants. Examples of such operations include Tanzania Urban Local Government Strengthening Program (P118152), Uganda Support to Municipal Infrastructure Development Program (P117876), Ethiopia Local Government Development Project II (P133592), and Tunisia Urban Development and Local Governance Program (P130637).



II. PROGRAM DESCRIPTION

A. Government Program

21. **The Government program is structured around the central objective of improving the delivery of services and infrastructure to the residents of Moroccan cities, by putting Moroccan municipalities in the capacity to fulfill their constitutional responsibilities.** The decentralization reforms confirmed the central role of municipalities in the provision of key basic services which are critical to efficient urbanization. Municipalities have seen their autonomy increased by the reforms, but they still face mounting challenges to step up to the task of delivering the infrastructures needed to accommodate the continued increase in urban population. Indeed, it is estimated that municipalities in urban areas will need to multiply their current level of investment by a factor of five to address the existing gaps and accommodate future investment needs.¹⁷ To meet this challenge, Moroccan municipalities need to improve their management systems to increase revenues, improve investment planning and executions, and strengthen CE and participation.

22. **The Government program's support will be focused on municipalities in urban areas where improvements in institutional and service delivery performance are expected to have the largest impact.** The Government program is expected to target a total of around 106 municipalities in Morocco. Targeted cities include all municipalities with a population of more than 50,000 inhabitants and municipalities which constitute a provincial administrative center (*chef lieu*). The combined population of the targeted municipalities represents more than 80 percent of Morocco's urban population and nearly 50 percent of its total population. Demographic projections show that these municipalities will concentrate most of Morocco's demographic growth in the future years. As a result, they also concentrate most of the urban infrastructure investment needs. The Government program's focus on the targeted municipalities comes from the assumption that, provided with increased institutional and financial capacity, these municipalities have the potential to contribute to bridging the investment gap and provide improved services to their citizens with limited support from the State. This would in turn allow the State to focus its financial support to smaller municipalities whose tax potential is very low due to limited tax bases and will continue to require financial support to provide improved services to their residents.

23. **The Government program is structured around three main subprograms:** (a) Subprogram 1: developing and implementing a performance-based grants transfer system on Participating Municipalities, (b) Subprogram 2: strengthening the institutional framework for inter-municipal cooperation, and (c) Subprogram 3: enhancing the organization and human capacities of Participating Municipalities. This program reflects the GoM's commitment to consolidating decentralization reflected in further strengthening of municipalities to become drivers of development in their territories. It is aligned with and builds on the long-standing dialogue of the World Bank and other donors with the MoI and more specifically the DGCL.

24. **Subprogram 1: Developing and implementing a performance-based grants transfer system on Participating Municipalities.** This subprogram will promote a novel performance-based approach focused

¹⁷ World Bank. 2017. "Making Urbanization Work for Growth and Shared Prosperity in Morocco", Urban and Regional Development Policy Note.



on municipalities in urban areas. The subprogram will introduce an annual performance assessment of the Participating Municipalities, based on a performance framework consisting of Minimum Mandatory Conditions (MMCs) and Performance Indicators (PIs). The subprogram will incentivize municipalities to improve their performance through financial incentives consisting of performance-based investments grants. The performance grants will be allocated to municipalities based on an objective and transparent formula taking into account each municipality's population, its achievement of the MMCs, and its score on the different PIs¹⁸. With support from the World Bank and AFD, DGCL and General Inspectorate of Territorial Administration (*Inspection Générale de l'Administration Territoriale*, IGAT) has developed a performance assessment framework consisting of a set of MMCs related to the existing legal provisions and of PIs articulated around complementary themes (presented in the paragraph below) targeted toward ensuring improvement of municipal performance and service to citizens. These MMC and PI, listed in Annex 8, were developed on the basis of field surveys and questionnaires that helped identify the current level of municipal performance with regards to key themes. This first list of MMCs/PIs is intended to evolve according to the future performance assessment results. The performance framework builds on similar experiences including the Urban Development and Local Governance PforR financed by the World Bank in Tunisia.¹⁹ The MMCs and PIs included in the performance framework cover the core functions and services provided by municipalities to their citizens as well as core elements of transparency and systematic citizen feedback to improve municipal management.

25. The performance assessment framework includes the following areas:

- **Governance and transparency, including citizen participation.** This includes the public disclosure of key information, monitoring of delegated services, systematic measurement of citizen feedback, and implementation of the petition right introduced through the 2011 constitution.
- **Expenditure management.** This includes budget programming, execution, procurement, and audits.
- **Revenue management.** This includes the improvement of own source revenues, the development of active management strategy for municipal assets, and mobilization of inactive resources in the special accounts.
- **Human resources.** This includes updating the municipal organization chart, defining tasks and staffing key positions, and implementing capacity-building plans.
- **Social and environmental management.** This includes the implementation of environmental and social management systems; the effective functioning of the consultative group on equity, equality of opportunities, and gender approach (*Instance de l'Équité, de l'Égalité des Chances et de l'approche genre*, IEECAG) and adoption of a planning process that identifies and addresses specific needs of women and men in infrastructure and service delivery, as a way to operationalize the 2015 Organic Law.
- **Service delivery.** This includes the introduction of citizen satisfaction measurement tools, the digitalization of key administrative services, and the improvement of service level in municipal services, such as household waste collection, commercial licenses, civil registry, signature legislation.

¹⁸ Cf. Figure A3.1. in Annex 3 – Performance based grants allocation formula.

¹⁹ A study tour to Tunisia was organized in April 2019 to inform the design of the operation. A Moroccan delegation including mayors, and Mol officials travelled to Tunis to meet with the Tunisian institutions involved in the implementation of the Tunisia Urban Development and Local Governance Program.



26. **The DGCL has launched an initial round of annual performance assessment in May 2019.** The initial results of the performance assessment have been presented and discussed with the Participating Municipalities in a series of regional workshops held in July 2019 (Figures 1 and 2). For the first implementation year, the DGCL will allocate an initial envelop for performance-based grants based only on the achievement of MMCs. The objective of this initial round is to establish the new performance-based approach ahead of the coming elections scheduled for 2021. Preliminary results from the performance assessment, communicated in July 2019, have been reviewed during appraisal to validate the baseline and targets of the Disbursement-linked Indicators (DLIs) related to the achievement of MMCs and PIs by the Participating Municipalities.

Figure 1. Initial performance assessment: number of Participating Municipalities having achieved MMC

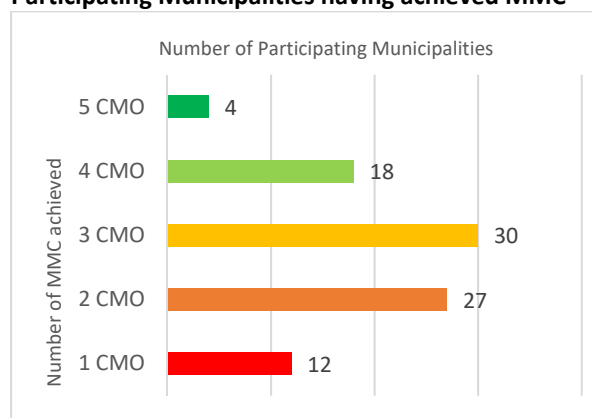
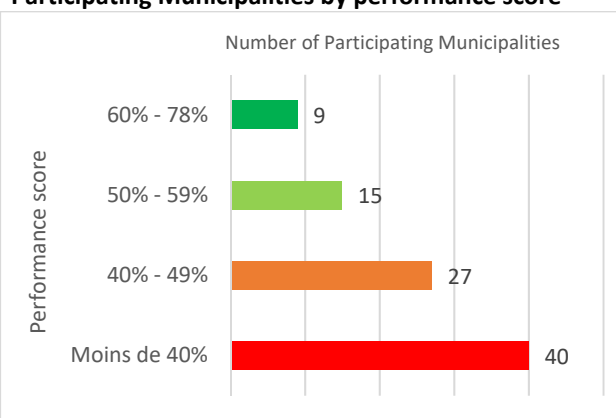


Figure 2. Initial performance assessment: number of Participating Municipalities by performance score



27. **Subprogram 2: Strengthening the institutional framework for inter-municipal cooperation.** This subprogram aims at strengthening inter-municipal cooperation to optimize and coordinate investments and resources management, and improve service delivery, by (a) developing a national inter-municipal cooperation scheme; (b) establishing a sustainable operating framework for the ECIs (including the adoption/enforcement of a new financing model and the implementation of the newly adopted organigrams); and (c) setting up an on-demand technical assistance (TA) facility to coach municipalities interested to collaborate under an ECI model and support the created ECIs.

28. **Subprogram 3: Enhancing the organization and human capacities of Participating Municipalities.** Under this subprogram, the DGCL will strengthen its support systems for municipalities. Activities under this subprogram will include (a) the development and implementation of a comprehensive capacity-building program available to municipalities seeking to improve their performance, including gender dimension of planning/management/budgeting; (b) TA to operationalize the legal and regulatory framework for decentralization; (c) the digitalization and simplification of selected administrative processes and services to citizens and businesses in line with the Mol's smart city agenda²⁰

²⁰ This includes the deployment of the (a) integrated revenue management system, (b) single window platform for citizen administrative services, (c) back office system for the civil registrar, and (d) digital platform for the issuance of building permits and commercial licenses.



as described in Annex 9; and (d) the development and implementation of a training curriculum for municipal employees and elected officials.

B. PforR Program Scope

29. **Program boundaries.** As a subset of the Government program, the PforR Program financed through this operation will include the three subprograms described above. The articulation between the respective scope of the PforR Program and the Government program is defined by the following boundaries:

- **Duration.** The Program's duration is aligned with the Government program's first phase and will run between 2019 and 2024.
- **Program area.** The Program area includes: (a) the regions of Béni Mellal-Khénifra, Casablanca-Settat, Drâa-Tafilalet, Fès-Meknès, Marrakech-Safi, Oriental, Rabat-Salé-Kénitra, Souss-Massa and Tanger-Tétouan-Al Hoceïma; (b) the provinces of Guelmin, Tan-Tan and Sidi Ifni; and (c) the municipality of Assa.
- **Targeted municipalities and ECIs.** The Program will include support under the Government program to the targeted municipalities and ECIs within the Program area. The Program is expected to target a total of around 100 municipalities in Morocco. Targeted cities include all municipalities in the Program area with a population of more than 50,000 inhabitants, and municipalities which are a provincial administrative center (*chef lieu*). The Program will also provide TA for ECIs' reinforcement / training in the Program area.
- **Exclusions.** Municipal investments under Subprogram 1 will be excluded from Program financing should they have the potential to cause significant adverse impacts on the environment and/or affected people as defined in the World Bank Policy and Directive on PforR Financing, or if they involve works, goods, and consultancy contracts above the Operations Procurement Review Committee (OPRC) thresholds.

30. Table 1 summarizes the scope of the Government program (US\$ 780 million) and the definition of the PforR Program boundaries (US\$ 760 million) within the Government program. The activities outside the Program boundary amount to US\$ 20 million.



Table 1. Government program and Boundaries for the PforR

Within Program Boundary (US\$760 million)	Outside Program Boundary (US\$ 20 million)
<i>Subprogram 1: Developing and implementing a performance-based grants transfer system on Participating Municipalities</i>	
Incentivizing Participating Municipalities to improve their performance through the development and implementation of a performance-based grants transfer system	Municipal investments in selected municipalities—high risk and/or outside the Program Area
<i>Subprogram 2: Strengthening the institutional framework for inter-municipal cooperation</i>	
<p>Strengthening inter-municipal cooperation to optimize and coordinate investments and resources management and to improve service delivery through, <i>inter alia</i>:</p> <p>The development of a national scheme for inter-municipal cooperation</p> <p>The strengthening of the regulatory and organizational framework for ECIs sustainability, including the adoption/implementation of a new contractual framework for the financing of competencies transferred to ECIs and the implementation of the newly adopted organigram.</p> <p>The development of an on-demand TA program to assist Participating Municipalities interested to collaborate under an ECI model, and support the ECIs as needed</p>	TA to ECIs outside the Program Area
<i>Subprogram 3: Enhancing the organization and human capacities of Participating Municipalities</i>	
<p>Carrying out a program activity aimed at strengthening the Participating Municipalities capacity and information and organization systems through, <i>inter alia</i>:</p> <p>The development and implementation of a comprehensive capacity-building program</p> <p>The provision of TA to implement the GoM legal and regulatory decentralization framework</p> <p>The digitalization and simplification of selected administrative processes and services to citizens and firms (in line with the MoI's smart city agenda)</p> <p>The development and implementation of a training curriculum for employees and officials of Participating Municipalities</p>	Capacity-building and TA activities for municipalities outside the Program Area

31. Table 2 presents the breakdown of the Program financing.

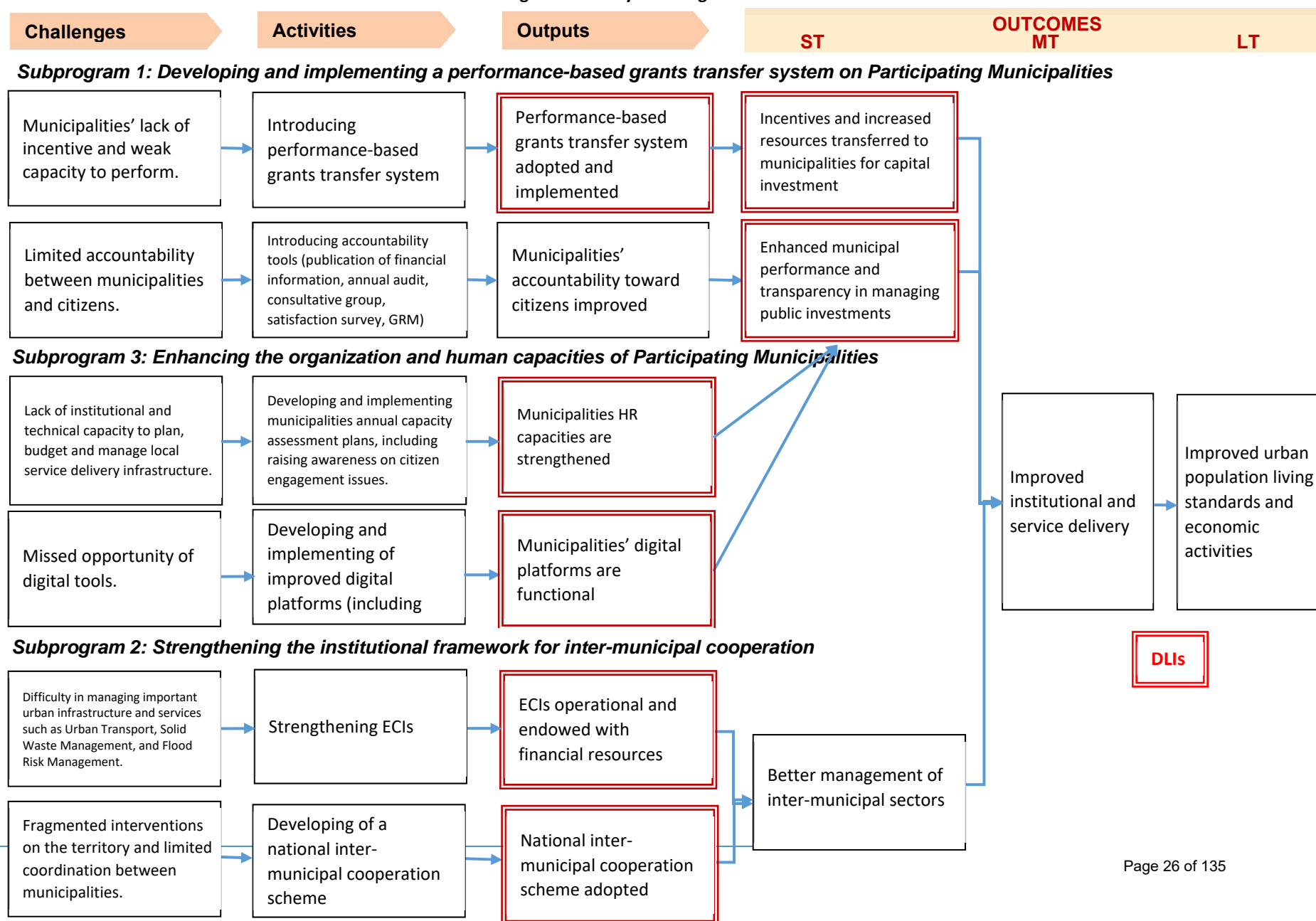
**Table 2. Program Financing**

Source	Amount (US\$, millions)	% of Total
Counterpart Funding	346.00	45.53
Borrower/Recipient	346.00	45.53
International Bank for Reconstruction and Development (IBRD)	300.00	39.47
Cofinancing - Other Sources (IFIs, Bilaterals, Foundations)	114.00	15.00
FRANCE: French Agency for Development	114.00	15.00
Total Program Financing	760.00	100.00

32. Figure 3 summarizes the Program's theory of change and results chain linking the main challenges identified, the activities, results, and tentative DLIs identified for each subprogram. The constraints and risks that could prevent achieving the results and outcomes of the Program are identified and mitigated in the risks section of the Program.



Figure 3. Theory of Change





C. Corporate Priorities

33. **Gender tag rationale.** Morocco is still facing development challenges which particularly affect the opportunities of the most vulnerable, especially among women, and lack of inclusive and adequate governance and service delivery may contribute to widening social and gender disparities.²¹ Therefore, the program will contribute to enhance women's voice and participation in decision making in local governance, specifically by promoting the development and implementation of Municipal Action Plans (PAC) that identify and address specific needs of women and men in infrastructure and service delivery. The project will monitor the share of PACs that fulfill this criteria.

34. **Gender analysis.** Despite some progress in Morocco, women's representation in elected office and decision-making spaces remains poor. At the local level, elected women increased from 0.5 percent in 2003 to 12 percent²² in 2009, and 21 percent in 2015, owing to the reform of the electoral code introducing affirmative action in the form of a gender quota. Yet, only 21 women were elected as president of a municipal council²³. The low presence of women in decision-making bodies combined with structural constraints in local governance, including the unavailability of gender-sensitive data, poor control of result-oriented programming approaches, and the paucity of resources (human and financial), may prevent women from benefitting from national development.²⁴ To strengthen women's voice and participation in municipal affairs, and to promote the preparation and adoption of PACs that identify and address specific needs of women and men, the Government has taken concrete steps by strengthening of the legal framework for municipal governance and planning. The 2015 organic law on municipalities requires municipalities to (i) establish a consultative group on equity, equality of opportunities, and gender approach (*Instance de l'Équité, de l'Égalité des Chances et de l'approche genre*, IEECAG), (ii) ensure that the PACs which are developed by each municipal council in the first year of their mandate and outline the municipality's priorities over the next six years are prepared using a diagnostic informed by gender-disaggregated statistics and including a specific analysis of gender-related gaps and disparities, and (iii) assess and measure through specific indicators the impact of the programs included in the PACs. Yet, the operationalization of these reforms is still under way. According to an evaluation commissioned by the DCGL, with support of United Nations Women and carried out in 2015, only 75 out of 219 municipalities had established the Commission of Parity and Equal Opportunities (now IEECAG), and only 57 out of 140 Municipal Development Plans (now PACs) included objectives and indicators addressing women' and men's needs.²⁵

35. **Gender-related actions and indicators.** The Program will support the Government to operationalize the above-mentioned reforms. Through Subprogram 1, the Program will incentivize municipalities to ensure the operationalization of the IEECAG and their effective contribution to municipal governance. Specifically, the performance-based investments grants will be allocated to those municipalities which, among other conditions, have the IEECAG meeting on a regular basis and provide

²¹ World Bank Group. 2018. *Kingdom of Morocco. Governing Towards Efficiency, Equity, Education, and Endurance*. A Systematic Country Diagnostic.

²² Janjar, M. 2013. *Pour une démocratie paritaire, ONU Femmes*.

²³ Out of 1503 Municipal councils

²⁴ *Conseil national des droits de l'Homme*. 2015. Gender Equality and Parity in Morocco. Preserving and Implementing the Aims and Objectives of the Constitution. Executive Summary.

²⁵ Institut Méditerranéen de la Gouvernance. 2107. *Évaluation du degré d'intégration du genre dans Les Plans Communaux de Développement. Rapport final*.



consultative support to the municipal council. Indicators to evaluate municipalities' performance will cover (a) inclusion of objectives and indicators within the PAC that respond to the specific and differentiated needs of women and men; (b) inclusion of sex-disaggregated data in the diagnostic informing the preparation of the PAC, and used to monitor implementation; and (c) specific contributions of the IEECAG has informed the PAC. Under Subprogram 3, the Program will also provide specific TA and capacity building on the gender dimension of planning/management/budgeting²⁶ to municipalities' staff and elected officials in coordination with the Gender Unit of the DCGL, which has already initiated an institutional strengthening program (elaboration of training, tools, and guides) with the support of United Nations Women. Therefore, the Results Framework will include the following indicators (a) percentage of Participating Municipalities including specific objectives and indicators in their planning process (PAC)²⁷ and (b) percentage of Participating Municipalities that benefitted from capacity building and TA on gender dimension of planning/management/budgeting in local governance.

36. **Expected benefits.** The operationalization of the IEECAG and the elaboration of gender-responsive local policies and instruments will ensure that women' and men's needs/interests are addressed in local governance and that women acquire an increased legitimization in public space and representation in decision making. More specifically, planning of infrastructure investments and service provision will be able to address constraints on women's time and physical mobility.²⁸ Improved streetlighting is often reported by local communities as a critical element in increasing the perception of safety, especially for women. Women also derive specific benefits from the extension of water supply, sanitation, and electricity networks. Women are often the primary users, providers, and managers of water in their households.²⁹ They are also more affected than men by the absence of reliable and convenient access to water supply, being forced to travel long distances and/or wait in line to meet their family needs or having to stay at home to take care of children affected by waterborne diseases. Improved access to water supply and sanitation will help reduce women's time associated with health and caregiving and give them more time for productive endeavors, adult education, empowerment activities, and leisure.³⁰

37. **Citizen engagement.** Mainstreaming CE as a core element of municipal performance is a central objective of the Program. Municipalities' responsibilities put them at the forefront of the interaction between citizens and their administration and making municipal governments more transparent and more responsive to their citizens is a key success factor for the Government's decentralization strategy. The Program will support improved CE and accountability through several means.

38. Under Subprogram 1, the municipal performance assessment will provide an evaluation and incentive mechanisms to develop and strengthen critical elements of CE at the municipal level through specific MMCs and PIs. These will include the following:

- (a) Increased transparency and openness through the publication of key official documents

²⁶ Ensuring women' and men's needs are adequately identified and addressed in local governance.

²⁷ Objectives addressing women' and men's needs/interests and indicators that show progress in narrowing/closing gender gaps.

²⁸ World Bank Group Gender Strategy FY16–23.

²⁹ World Bank. 2010. *Mainstreaming Gender in Water and Sanitation*. Water and Sanitation Program Report.

³⁰ UN Water, 2006, *Gender, Water, and Sanitation, A Policy Brief*.



- (b) Improved civil society and beneficiaries' participation in municipal governance through the effective establishment, in each municipality, of the IEECAG whose purpose is to provide an effective voice for these groups in municipal planning and oversight
- (c) Effective implementation of the petition right introduced by the new 2011 Constitution and the Organic Law No. 113-14
- (d) Effective operation of municipal grievance redress systems
- (e) The introduction of citizen satisfaction measurement tools at the municipal level that will allow for systematic citizen feedback and closing of the feedback loop. These tools will help to shift the focus to:
 - (i) Systematically collect the demand from improved service delivery from the citizens;
 - (ii) Increase opportunities for CE with municipal governments; and
 - (iii) Address the core systemic issues. By doing so, the municipalities' accountability toward citizens is expected to improve and will not be limited to the elections.

39. Under Subprogram 3, the operation will support the development and implementation of capacity-building programs aimed at providing municipalities with the tools and skills required to improve their performance on the dimensions mentioned earlier. Because CE approaches (transparency, downward accountability, robust grievance redress, and citizen feedback) often represent a behavioral shift, capacity building will include peer-to-peer coaching, and participatory diagnostics and the development of learning modules. Subprogram 3 will also support the development of digital platforms, which will allow improved CE, including the revamping of the DGCL website (National Portal for Local Government / *Portail National des Collectivités Locales - PNCL*).

40. **Disruptive technologies.** The Program supports the Mol's agenda in digitalization and simplification of the municipalities' procedures in line with the smart city agenda. To this end, the activities under Subprogram 3 include the deployment of digital platforms and Information and Communication Technology (ICT) tools on selected administrative processes with a view to not only improve the delivery of administrative services to citizens and businesses, but also increase the efficiency and transparency of the administration to administration processes. Annex 9 provides a list of digital platforms and ICT tools supported by the Program. In addition, DLI#7, which includes three Disbursement-linked Results (DLRs) and one PI in the performance assessment framework, was incorporated in the Program to incentivize the Mol and municipalities for the use of digital platforms and ICT tools.

41. **Maximizing Finance for Development.** The Program meets the four criteria³¹ to be considered as "MFD enabling". The GoM has embarked in several initiatives (including the revision of the PPP law to allow municipalities to engage in PPP) aiming to attract private sector solution both at the central and decentralized levels. This operation will contribute to the Maximizing Finance for Development agenda by addressing binding constraints to the development of private financing solutions for municipal investment. It is part of an integrated World Bank Group support to the mobilization of private capital to finance investments realized by subnational governments. The International Finance Corporation (IFC) is piloting non-sovereign lending to subnational governments through a loan to the regional council of Casablanca. On the one hand, the lessons learned from the IFC loan and other subsequent similar investments made by IFC are expected to help develop the market for commercial lending to Moroccan

³¹ Existence of a clear and credible plan to introduce a private sector solution, explicit mention of enabling private sector solution in the program, addressing key bottlenecks to enable private sector solution, sustainability of the private sector solution.



municipalities. On the other hand, the Municipal Performance Program supported by this operation will address key binding constraints to the development of commercial lending to municipalities by:

- (a) Strengthening the municipalities' financial information to populations and transparency (Subprogram 1 - the performance assessment framework includes indicators and mandatory conditions relating to the publication of the financial statements, and the appointment of the financial officers. Furthermore, the Program Action Plan (PAP) includes an action on the implementation of improved financial statements in line with the International Financial Reporting Standards);
- (b) Improving of the municipalities' revenues collections (Subprogram 1 - the performance assessment framework comprises four indicators in this area); and
- (c) Reinforcing the municipalities' technical capacities (Subprogram 3).

42. By strengthening the financial and institutional capacity of the municipalities, the Program will address key upstream constraints that limit the potential, both in terms of public and private investment in the infrastructure needed for their developments. Specifically, by strengthening the municipal finances, this Program will support the promotion and sustainability of private sector participation in various areas of infrastructure projects covered by the municipalities including solid waste management and urban transport. In addition, by improving financial information and the revenues collection of targeted municipalities, this Program aims at increasing their credit worthiness capacities to leverage private resources and skills for municipal investments.

43. **Climate Co-Benefits.** The Program is expected to have substantial climates co-benefits by financing more climate resilient infrastructure at the municipal level.

44. **Natural disasters in Morocco are growing both in frequency and intensity as temperatures increase, precipitation fluctuates, and the sea levels rises.**³² A government report found that extreme weather events have increased 22-fold since 2000.³³ Economic losses due to climate change induced disasters now average US\$790 million each year.³⁴ The mean annual temperatures are currently 1.2°C (coast) to 1.7°C (interior) above preindustrial levels.³⁵ Rainfall is erratic and dry spells are punctuated by vigorous downpours, particularly in October and November.³⁶ Overall, precipitation has declined 30 percent since 1960.³⁷ As Morocco struggles to recover from two decades of drought over the past 70 years, rainfall is forecasted to drop another 20 percent by 2050.³⁸ By 2100, sea levels will rise from 18 cm to 59

³² Morocco Country Profile, Climate Change Knowledge Portal, World Bank, 2019; ThinkHazard! (a natural disaster risk screening tool), World Bank, 2019; and Morocco Climate Adaptation Briefing, World Bank, 2016.

³³ Court of Auditors, Kingdom of Morocco, "Evaluation de la Gestion des Catastrophes Naturelles," April 2016.

³⁴ World Bank. 2019. *Morocco Natural Hazard Risk Country Profile, Global Facility for Disaster Risk Reduction and Recovery*.

³⁵ Berkley Earth Surface Temperature Project, 2018; World Bank Morocco Country Profile, Climate Change Knowledge Portal, 2019; Pearce and Hausfather, *Mapped: How Every Part of the World Has Warmed*, CarbonBrief, September 2018.

³⁶ USAID (United States Agency for International Development). 2016. *Morocco Climate Change Risk Profile*, page

³⁷ World Bank. 2018. *Morocco's Systematic Country Diagnostic*, page 45.

³⁸ Morocco Energy Sector Overview, Climate Change Knowledge Portal, 2019; Morocco's First Nationally Determined Contribution (NDC) submitted to the United Nations Framework Convention on Climate Change, 2016, page 16; World Bank. 2014. *Impacts of Climate Change on Water Resource Management and Adaptation Measures in the Oum er Rbia River Basin*.



cm according to low-end estimates and more than one m according to high-end estimates.³⁹ Three-quarters of the country's sandy beaches could be submerged, and 2.1 million coastal residents could be displaced by the end of the century.⁴⁰

45. **Urban areas are highly vulnerable to flash floods, heat waves, water scarcity, and wild fires.** Torrential rains, such as those that struck Rabat and Salé in February 2017, overwhelm stormwater drainage, inundate roads, and waterlog neighborhoods.⁴¹ In November 2014, flash floods around the country killed 47 people and inflicted US\$600 million in damages. Agadir and Tiznit saw 200 mm to 300 mm of precipitation within a 10-day period.⁴² Temperatures are projected to rise by 1.8°C (Representative Concentration Pathway – RCP, 2.6, coast) to 2.6°C (RCP 8.5, interior) by 2050 and up to 6.5°C above preindustrial levels by 2100 (RCP 8.5, interior).⁴³ Over the past four summers, heat waves in major cities like Casablanca, Fes, and Tangiers routinely propel temperatures beyond 40°C. By the end of the century, urban heat waves could increase to 150 days per year. Meanwhile, per capita water availability, which was 2,600 m³ in 1960 and 700 m³ in 2017, will continue to decline as population grows and snow packs in the Atlas mountains melt.⁴⁴ By 2030, the average Moroccan citizen will have 500 m³ of water to use annually or about 1.37 m³ per day.⁴⁵ By 2050, climate-induced water scarcity is expected to cost the Middle East and North Africa region 6 percent to 14 percent in GDP growth.⁴⁶ Rangelands, which cover 82 percent of arid land in Morocco, are rapidly losing vegetation, as plant breeding habitats degrade and desertification expands.⁴⁷ Finally, wild fires endanger the country's limited tree cover and its urban building stock.⁴⁸

46. **Climate change threatens shared prosperity in Morocco's cities.** Low-income, marginalized populations lack the resources to adapt to climate-induced shocks such as floods, landslides, droughts, wild fires, and heat waves.⁴⁹ Poor households in the Middle East and North Africa region suffer the highest

³⁹ Brown, Sally, Abiy S. Kebede, and R.J. Nicholls. 2011. Sea-Level Rise and Impacts in Africa. University of Southampton; Khattabi, Abdellatif. 2009. Vulnerability of Coastal Ecosystems in Northeast Morocco to Shoreline Erosion and Sea Level Rise; Snoussi, Maria, Tachfine Ouchani, Abdou Khouakhi, and Isabelle Niang-Diop. 2009. Impacts of Sea-Level Rise on the Moroccan Coastal Zone: Quantifying Coastal Erosion and Flooding in Tangier Bay; World Bank. 2014. Turn Down the Heat: Confronting the New Climate Normal, paragraphs 159, 162–163, 149.

⁴⁰ World Bank. 2019. Projected Change in Monthly Temperatures for Morocco for 2080–2099. Climate Change Knowledge Portal.

⁴¹ Streets of Rabat Flooded After 100 mm of Rain in a Few Hours, Floodlist News, March 2, 2017.

⁴² Szönyi, Michael, Targa AIDE, and Abdeslam Dahman Saidi. 2015. "Morocco Floods of 2014: What We Can Learn from Guelmim and Sidi Ifni." Zurich Insurance.

⁴³ Intergovernmental Panel on Climate Change AR5 and Koninklijk Nederlands Meteorologisch Instituut Climate Explorer data extrapolated by Coupled Model Intercomparison Project 5 (CMIP5), 2019.

⁴⁴ NDC, paragraphs 1,16

⁴⁵ Morocco's Third National Communication to the United Nations Framework Convention on Climate Change, 2016, page 26

⁴⁶ World Bank. 2018. *Beyond Scarcity: Water Scarcity in the Middle East and North Africa*, pxxviii

⁴⁷ NDC, paragraphs 16–17.

⁴⁸ In Morocco, forests cover 12.6 percent of land (World Bank 2015).

⁴⁹ Hallegatte, Stephane, Mook Bangalore, Laura Bonzanigo; Marianne Fay; Tamaro Kane; Ulf Narloch, Julie Rozenberg; David Treguer, and Adrien Vogt-Schilb. 2016. "Shockwaves: Managing the Impacts of Climate Change on Poverty." World Bank Group, paragraphs 31–110. In Morocco, 4.8 percent of the country lives below the national poverty line (World Bank 2013).



economic losses when extreme weather strikes.⁵⁰ Food security could also be endangered. Agricultural productivity is forecasted to plummet by 26 percent to 39 percent among all crops. Depleted fish stocks are expected to migrate to cooler waters.⁵¹ Finally, climate change jeopardizes public health. The World Health Organization predicts a 10-fold increase in heat-related mortality in Morocco by 2100, a higher precedence of skin cancer, respiratory illness, and cardiovascular disease, an increase in diarrheal deaths linked to climate change, an expansion of dengue fever transmission vectors, and large declines in outdoor labor productivity.⁵²

47. The Program will increase the climate resilience of Moroccan cities through performance grants that promote climate adaptation and mitigation investments (DLIs 1–4, US\$183.25 million), through inter-municipal cooperation for improved management of urban transit systems and solid waste collection and disposal (DLIs 5 and 6, US\$45 million) and through climate change capacity building among urban policy makers and municipal employees (DLI 8, US\$25 million). Based on Moroccan urban service delivery needs, 60 percent of performance grants are expected to be channeled into climate-smart infrastructure investments.⁵³

- **Urban roads (20 percent).** Project designs will include (a) all-weather pavement resurfacing with material that prevents water damage thus adapting to flashfloods and torrential rains that are characteristic of current rainfall patterns and will only increase over time, reflects solar radiation which reduces the heat absorbed on the surface and adapting to the heatwave/stress conditions, and withstands extreme heat that is expected to occur in both the long term and short-term due to climate change, the direct result of this being a reduction of the urban heat island effect and therefore less heat stress on surrounding vulnerable poor populations that suffer the highest economic losses when such extreme weather strikes; (b) construction of wider drains and culverts as well as slope stabilization to accommodate heavy rainfall and prevent erosion and ensure that water is channeled and collected in areas where it can be used to recharge surface water storage as well as used as resource; (c) elevation of bridges, tunnels, and roads in flood prone locations to allow for increased amounts of runoff from torrential rainfall to be transported away from vulnerable areas as disposed of safely; (d) curbside bioswales and vegetated permeable space to absorb stormwater, provide shade, and reduce urban heat which is expected to occur; and (e) other structural retrofits to make municipal transportation networks resilient to climate-induced natural hazards like those Morocco face including floods, landslides, droughts, wild fires, and heat waves.
- **Mass transit including bus stations (18 percent).** Improved public transportation systems

⁵⁰ Woden, Quentin, and Andrea Liverani. 2014. "Impact of Weather Shocks on MENA Households." World Bank Group.

⁵¹ According to the Food and Agriculture Organization data, 77.3 percent of the fish stocks in the Saharan Upwelling that serve Morocco are fully exploited, overexploited, or collapsed. Climate change makes oceans warmer, more acidic, and further deoxygenated. Thermal stress and degraded spawning grounds prompt marine life to migrate to cooler waters.

⁵² World Health Organization and United Nations Framework Convention on Climate Change. 2015. *Morocco's Climate and Health Country Profile*.

⁵³ See Table A3.2 in annex 3. This technical assessment provides an analysis of estimated municipal investment needs over the next 10 years.



will; (a) reduce emissions by converting drivers into riders; and (b) increase zero carbon urban mobility through sidewalk, bike lane, pedestrian pathway, and signage investments. Extreme climate induced weather events have severe impacts on vulnerable communities and their transportation infrastructure, especially like those in Morocco. Mass evacuation out of flooded areas is difficult due to lack of adequate transportation infrastructure. Access to transportation is critical or lifesaving before, during and after climate induced extreme weather events. Existing public transit can come to a halt during a storm event for safety reasons, but because areas with existing transit have a form conducive to actual routing, vehicle access and picking up passengers, these areas are can accommodate emergency buses and other forms of transportation much easier during such storm events. Transit access is also important for low income families whose cars get damaged during an extreme weather events, and who cannot afford to immediately replace them. This causes difficulty at the time of recovery, and for everyday commuting to reach various services in everyday life.

- **Green spaces (12 percent).** Parks with trees and fountains serve: (a) as carbon sinks; and (b) as investments in adaptive capacity that lower flood risk by absorbing rainfall and stormwater from runoff and provide relief from heat by providing an area that breaks hard urban surfaces that contribute to creating urban heat islands.
- **Public lighting, housing, and smart cities (10 percent).** Projects in these areas will earn mitigation co-benefits through energy efficient streetlamps thus reducing the pressure on the national grid to provide energy; insulation upgrades; building envelop retrofits; and the installation of electricity, fuel, and water-saving sensors and smart meters, thus reducing the pressure on such resources and allowing for their efficient use and in the case of fuel, a marked reduction in emissions.

D. Program Development Objective(s) (PDO) and PDO Level Results Indicators

48. The PDO is to improve the institutional and service delivery performance of Participating Municipalities.

49. PDO Indicators will measure progress toward the achievement of the PDO. These will include the following:

- **PDO Indicator 1:** Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions
- **PDO Indicator 2:** Percentage of Participating Municipalities that have achieved a performance⁵⁴ score above the agreed threshold of 60 points out of 100
- **PDO Indicator 3:** Percentage of Participating Municipalities that have introduced citizen satisfaction measurement tools and shared the results with citizens

⁵⁴ Performance areas include (a) governance and transparency including citizen participation, (b) access to public services, (c) fiduciary, (d) HR, (e) revenues, and (f) safeguards and environment.



- **PDO Indicator 4:** Population from Participating Municipalities provided with access to improved citizen services through the deployment of the digital platform for issuing building permits and commercial licenses
- **PDO Indicator 5:** Population from Participating Municipalities provided with access to improved citizen services through the deployment of the Citizen Services Portal

E. Disbursement Linked Indicators and Verification Protocols

50. **DLIs have been selected to reflect critical elements of performance required to achieve the PDOs.** Table 3 presents the nine Program DLIs, and the amount allocated to each DLI.

51. **Measurability plays a key role in the definition of DLIs.** All DLIs rely on solid measurement systems allowing for reliable verification. A detailed definition of the DLIs, their verification protocols, and the basis for the determination of disbursements are provided in Annex 2.

Table 3. DLIs Table

DLIs	IBRD Allocated Amount (US\$, millions)	AFD Allocated Amount (US\$, millions)
DLI#1 - Timely communication to Participating Municipalities of the indicative Performance Grants (PG) allocation and timely transfer of PGs on the basis of an objective allocation formula	20.00	7.60
DLI#2 - Cumulative amount of PGs transferred to Participating Municipalities	40.00	15.20
DLI#3 - Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions	34.00	12.92
DLI#4 - Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100	89.25	33.92
DLI#5 - Elaboration of a national inter-municipal cooperation scheme	15.00	5.70
DLI#6 - Establishment of a sustainable operating framework for ECIs	30.00	11.40
DLI#7 - Digitalization of procedures and administrative services	35.00	13.30
DLI#8 - Percentage of Participating Municipalities benefitting from the capacity building activities requested in their Annual Capacity Building Plans (ACBP)	25.00	9.50
DLI#9 – Improvement of local transparency and accountability of the Participating Municipalities through the carrying out of financial audits ⁵⁵	11.00	4.18
<i>Front-end Fee</i>	0.75	0.29
Total	300.00	114.00

52. **DLI#1 - Timely communication to Participating Municipalities of the indicative Performance grants (PG) allocation and timely transfer of PGs on the basis of an objective allocation formula (US\$20 million)** - will incentivize the continued operationalization of the annual cycle for the performance assessment (cf. figure 4. for a description of the full annual cycle). The effective operationalization will be

⁵⁵ PI 1.4 on the implementation of audit recommendations complements this DLI.



measured through the timeliness of the communication of indicative allocation and transfer of the grants, which have a direct impact on the ability of municipalities to plan for and execute PG proceeds.

53. ***DLI#2 - Cumulative amount of PGs transferred to Participating Municipalities (US\$40 million)*** - aims at ensuring that the GoM will leverage IBRD and AFD resources and sustain the performance-based grant program by allocating part of the CAS-TVA own resources through the performance-based grants. The end target for this DLI represents a total amount of MAD 5.5 billion allocated to Participating Municipalities during the Program implementation period. This target ensures that the resources allocated by GoM from the CAS-TVA would represent approximately 40 percent of the combined IBRD and AFD financing.

54. ***DLI#3 - Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions (US\$34 million) and DLI#4 - Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100 (US\$89.25 million)*** - will measure and incentivize the achievement of the Program's main outcome which is the increased institutional and service delivery performance of Participating Municipalities as measured by: (a) the percentage of Participating Municipalities meeting the MMCs (DLI3) and (b) the percentage of municipalities achieving the performance score above 60 points out of 100 (DLI4).

55. ***DLI#5 - Elaboration of a national inter-municipal cooperation scheme (US\$15 million)*** - aims to pave the way for an effective collaboration among the municipalities by providing national orientations on the geographical perimeter and functional mandates of ECIs. More specifically, a national inter-municipal cooperation scheme will define the geographical boundaries of the ECIs as well as the structuring of their competencies (i.e. water and electricity distribution, sewage, transportation, waste collection and treatment, etc.). By complying to the national inter-municipal cooperation scheme, the ECIs will receive financial support from the GoM to implement the policies related to their specific competencies. Initially, the national inter-municipal cooperation scheme will include the ten largest agglomerations in the country⁵⁶. It will then be applied gradually to the whole country.

56. ***DLI#6 - Establishment of a sustainable operating framework for ECIs (US\$30 million)*** - will strengthen the human and financial resources of the ECIs with the view to improve their capacity to deliver the services to the citizens. More specifically, under this DLI, a circular setting up the ECIs categories will be developed and financing agreements templates will be established for each type of competencies (urban transport, solid and liquid waste, etc.)⁵⁷. The DLI will then measure the number of competencies covered by financing agreements in the 10 largest ECIs. Finally, this DLI will incentivize the ECIs to fulfill key positions in their organigrams.

57. ***DLI#7 - Digitalization of procedures and administrative services (US\$35 million)*** - will incentivize the implementation of digital platforms which will strengthen municipal management, improve service delivery, and increase transparency. This DLI will measure the digitalization of key administrative processes and administrative services in Participating Municipalities, including the deployment of an integrated revenue management system, the digitalization of administrative processes for the issuance of

⁵⁶ Casablanca, Rabat-Sale-Témara, Fès, Tanger, Marrakech, Meknès, Oujda, Kenitra, Agadir, Tétouan.

⁵⁷ Competencies considered for this DLI are the ones listed under article 134 of Organic Law 113-14, with the exception of "distribution services", which may not be covered by financing agreements as long as they are financially sustainable.



building permits and commercial licenses, the development of a back-office system for the civil registry and the operationalization of a citizen services digital portal.

58. ***DLI#8 - Percentage of Participating Municipalities benefitting from the capacity building activities requested in their Annual Capacity Building Plans (ACBP) (US\$25 million)*** - will incentivize the MoI to implement the capacity building activities, including training and TA, through a demand driven approach. The DLI addresses the constraints identified in the technical, fiduciary and environmental/social assessments.

59. ***DLI#9 - Improvement of local transparency and accountability of the Participating Municipalities through the carrying out of financial audits (US\$11 million)*** - will support GoM efforts to ensure that municipalities are regularly covered by a financial audit. Regular financial audits are a key foundation for increased transparency and accountability at the local level. They are also a key tool for fiduciary monitoring and risk mitigation at the Program level. The 2015 organic law on regional, provincial and municipal governments provide for an annual financial audit of all subnational governments. This objective is particularly challenging in the case of municipalities given their large number and the limited capacity of the auditing institutions (IGF and IGAT). The indicative annual targets for DLI#9 are designed to incentivize GoM to accelerate its ongoing program of generalization of financial audits, with a focus on Participating Municipalities, so as to ensure that all Participating Municipalities will have been covered by a financial audit in the last two years by the end of the Program. This DLI is complemented by a PI aiming to foster the implementation of the audit recommendations.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

60. **The Program's institutional architecture relies on clear roles, accountability lines, and high-level ownership.** The Program will be managed at the Government level by the DGCL at the MoI, which has largely demonstrated its capacity to coordinate the work of Moroccan municipalities and support them in fulfilling their mandates, including through its strong coverage at the local level ensured by key stakeholders (Walis at the regional level and governors at the provincial level). The DGCL will be responsible for the development and implementation of the performance-based grant system, the provision of TA and capacity building to targeted municipalities and ECIs, as well as the implementation of activities aimed at improving central support systems to municipalities. IGAT, under the MoI, will be responsible for carrying out the annual performance assessment of municipalities. At the local level, Participating Municipalities will be responsible for the implementation of investments financed under Subprogram 1. Municipalities and ECIs benefitting from Subprograms 2 and 3 will have a technical responsibility in the implementation of TA and capacity-building activities which they will benefit from.

61. A Program Management Unit (PMU) within the DGCL was set up in June 2019 to support day-to-day implementation and monitoring and evaluation (M&E)⁵⁸. It will be responsible for ensuring the timely implementation of the performance-based grant system, coordinating the provision of TA and capacity building to targeted municipalities and ECIs, as well as the implementation of activities aimed at improving

⁵⁸ 'Note de service' from DGCL No. 374 of May 28, 2019

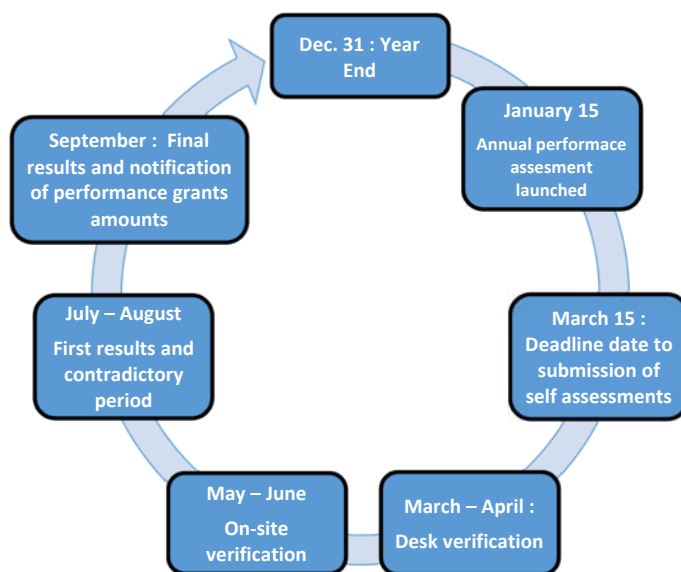


central support systems to municipalities. The DGCL has appointed dedicated staff to oversee Program implementation, including: (a) a program coordinator; (b) focal points in charge of each subprogram; (c) two social and environmental management focal points (one full time staff and one support staff); (d) two fiduciary focal points (one full time staff and one support staff) covering financial management and procurement aspects; and (e) two municipal liaison officers in charge of acting as a liaison with municipalities (via performance correspondents, i.e. focal points named at each Participating Municipality's level) for optimal support and communication.

62. A Program Steering Committee will ensure efficient cooperation and ownership of the Program's objectives and activities within the relevant directions of the MoI. The Program Steering Committee will be chaired by the Director General of DGCL and will include governors of the relevant directorates within the DGCL/MoI. The Committee will review Program implementation progress and will ensure coordination among key Program stakeholders. It will oversee overall Program reporting, including the results verification process; results achievement notification; and Program audits. To this effect, the Steering Committee will review the draft Annual Program Report submitted by the PMU. The committee will meet at least on a quarterly basis and as often, as necessary. Officials from other institutions involved in the Program (including IGAT, the Treasury General of the Kingdom or *Trésorerie Générale du Royaume* - TGR, the General Directorate of Taxations or *Direction Générale des Impôts* – DGI, the Budget Directorate or *Direction du Budget* – DB, and so on) will be invited to the committee's meeting. To clarify roles and responsibilities, the PMU has developed a Program Operational Manual (POM) comprising (i) the implementation arrangements, (ii) the performance assessment manual, (iii) the financial and complaint report templates, and (iv) the environmental and social guidelines.

63. Municipalities will be responsible for the implementation of the municipal investments financed under Subprogram 1. The Subprogram 1 implementation cycle is shown in figure 4.

Figure 4. Subprogram 1 Implementation Cycle





64. **DLIs verification.** IGAT will take the responsibility of verifying all DLIs except for DLI#3, 4, and 9.⁵⁹ Verification of these DLIs will be performed by an independent audit firm to be recruited on a competitive basis by the DGCL. Owing to its successful involvement in several PforRs, IGAT (under the authority of the MoI) has developed a solid reputation as a reliable verification agent in Morocco and its involvement in the proposed operation would constitute a strong plus for monitoring the Program results.

65. **Financial audit of the Program.** The General Inspectorate of Finances (*Inspection Générale des Finances*, IGF)—a Department of the Ministry of Economy and Finance—will carry out the financial audit of the Program in accordance with the IGF standards manual and terms of reference agreed with the World Bank for the audit of PforRs, including the audit of the Participating Municipalities in collaboration with IGAT. The terms of reference of the audit will include both financial and procurement audits.

B. Results Monitoring and Evaluation

66. The Results Framework (Annex 1) provides key measures of Program achievements against its stated objectives. All indicators rely on solid measurement systems managed by the various entities in charge of execution and participating in the DGCL.

67. The DGCL will be responsible for Program results M&E. It will aggregate M&E data and ensure that the data are backed by evidence of overall progress on all dimensions of the Results Framework, with an emphasis on results related to DLIs, and compliance with PAP requirements.

68. The DGCL will produce a draft Program Report based on compiled M&E data and any other evidence related to Program implementation. The DGCL will submit the draft Program Report to the Steering Committee for validation and approval. The DGCL will submit the approved Program Report to the World Bank no later than 60 calendar days after the end of each calendar semester, covering the calendar semester. The Program Report provides the basis for the World Bank's implementation support missions and the Program's midterm review.

C. Disbursement Arrangements

69. **Disbursement arrangements.** Disbursements of the World Bank loan proceeds are made at the request of the borrower upon achievement of DLIs. These disbursements will be made on the Value Added Tax Account (*Compte d'Affectation Spéciale pour la Part des collectivités territoriales dans le produit de la TVA - CAS TVA*) and the repayments of the loan will also be made on this account. Some DLIs (see DLI matrix) are scalable, thus allowing for disbursements to be proportional to the progress toward achieving the targeted DLI value. Other DLIs are not scalable, as the indicators relate to actions that are either achieved or not. The specific amounts to be disbursed against achieved and verified results is determined in accordance with the formulas provided in Annex 2.

70. **Advances and prior results financing.** An advance, representing US\$75 million equivalent (25 percent of the loan amount) will be available for disbursement once the Program becomes effective to facilitate the achievement of DLI results. This advance would be available throughout Program implementation on a revolving basis. In addition, a disbursement of up to a maximum amount of US\$15

⁵⁹ IGAT will be involved in the achievement of these DLIs as part of the implementation of the performance assessment framework. For this reason, IGAT will not carry out the verification of these DLIs.



million (5 percent of the loan amount, up to a total advance of 30 percent of the loan amount) can be made upon effectiveness on account of DLIs achieved before the date of the loan agreement but on or after January 1st, 2019. The borrower intends to avail the full advance of the loan upon effectiveness and will submit a request for prior results achievement for some DLIs. The World Bank proceeds and related costs will be reflected in the annual general budget of the Mol.

71. **Verification protocols.** For each verification request, the DGCL will compile and make available to IGAT (with regards to DLI# 1, 2, 5, 6, 7 and 8) or the independent audit firm (with regards to DLI# 3, 4 and 9) the data and documentation necessary for the verification based on the verification protocol (Annex 2). The verification report will be submitted to the DGCL.

72. **Results achievement notification.** The DGCL on behalf of the Mol will notify the World Bank of DLI achievement through the Ministry of Finance, supported by the relevant evidence and documentation. Following the World Bank's review of the complete documentation, including any additional information considered necessary to confirm the achievement of the DLI results, the World Bank will confirm the achievement of the DLIs and the level of Program financing proceeds available for disbursement against each DLI, including any incremental disbursement.

73. **Disbursement requests** (Withdrawal Applications) are submitted to the World Bank by the Ministry of Economy and Finance using the World Bank's e-disbursement system and standard disbursement form along with request for advance. A copy of the World Bank's official communications confirming the DLI achievement is attached to the disbursement requests.

D. Capacity Building

74. Capacity building and institutional strengthening are at the core of Subprogram 3 and activities will be undertaken at the national, ECI, and municipality levels. Such activities will include: (a) TA in areas related to public investment management, financial management, procurement, social and environmental management, and citizen participation; (b) deployment of information management systems; and (c) providing capacity-building support through orientation, training, coaching, peer learning events, and on-the-job training. The DLIs are all substantiated by capacity enhancements at the national, inter-municipal, and municipal levels.

75. Empowering the municipalities to deliver on the needs of the citizens revolves around the strengthening of the municipalities' staff capacities. To address this specific challenge, the Program supports the development of a dedicated human resource plan to align the municipalities' needs to its evolving responsibilities.

IV. ASSESSMENT SUMMARY

A. Technical (including program financial and economic evaluation)

A.1. Program Strategic Relevance



76. **The Program strategic relevance is High.** As noted in the Country Economic Memorandum for Morocco released by the World Bank in 2017, urbanization and decentralization are two critical transformations which contribute to framing the challenges and opportunities faced by Moroccan policy makers when considering policy options to pursue the two objectives of boosting economic growth and promoting social equity. In this context, the Program's support to improving the institutional performance of Participating Municipalities, while strengthening inter-municipal cooperation for local service delivery in selected urban agglomerations, is highly relevant.

77. The Program supports the 2011 Constitution which establishes the principle of administrative freedom of municipalities (article 136), thus acknowledging the end of the '*tutelle*' of the MoI over municipalities. As for the Organic Law no.113-14 of July 15, 2015, pertaining to municipalities, the 2011 Constitution has reinforced the 'own mandates' of municipalities (*compétences propres*) pertaining to service delivery, while entrusting them with new 'shared' and 'transferred' mandates (*compétences partagées* and *compétences transférées*). Nonetheless, Moroccan municipalities do not have enough autonomy, whether from a financial or a technical point of view, to fulfill their mandate. While their revenues have increased over the last decade, the potential increase in terms of municipal own source revenues remains significant and their capital expenditures have stagnated. On the technical side, municipal competencies cover a wide range of key municipal services,⁶⁰ requiring specific internal skills for selecting, preparing, and executing local investments.

A.2. Program Technical Soundness

78. **The Program's design relies on solid technical bases.** In recent years, Morocco has acquired experience with developing territorial development programs anchored around large urban agglomerations such as Tangiers, Rabat, and Marrakesh. A large body of analytical work on the challenges facing municipalities and the provision of urban infrastructure and local public services has recently been developed.⁶¹ For the first time in Morocco, the improvement of municipal performance would be supported through the development of a comprehensive assessment system and the introduction of incentive-based grants. The international conference on the 'Performance of Municipal Management' organized by the DGCL, with the support of the World Bank, on September 20, 2018, gathered the mayors, the directors or Director General of municipal services (*Directeurs Généraux des Services Communaux*) of the 36 municipalities with 100,000 inhabitants or more and allowed them to present international experiences and lessons learned (including from the Tunisian, Tanzanian, Ugandan and Ethiopian cases). This event confirmed the Government's will to focus on a results-based approach and shift from a legal and technical approach of local services to a management approach based on concrete results driven by citizen demand.

79. **The Program's design reflects lessons learned from the World Bank's global experience with similar operations in several countries.** These include the following:

- (a) **The need for a strong institutional champion at the national and local levels.** As mentioned, the Program relies on solid ownership by the DGCL of the MoI, which reaffirmed its will to

⁶⁰ Municipal mandates include the provision of key services, such as drinking water supply, sanitation, distribution of electricity, municipal solid waste collection and disposal, streetlighting, urban transport, traffic signs and parking management, slaughterhouses, markets, and socio/cultural/sports centers.

⁶¹ See, for example, the 2018 World Bank Morocco Urbanization Review.



support the deepening of decentralization and accompany municipalities through this process. As for municipalities, the mayors of the cities with over 100,000 inhabitants clearly expressed, during the conference organized in September 2018, their strong interest for the results-based approach to be used through the Program as it would enable them to compare the achievements of their city with those of other comparable cities while allowing them to use objective data to exchange with their citizens.

- (b) **Attention to jointly strengthening the interlocking elements of municipal capacity.** The Program includes reforms addressing essential aspects of decision making, financing, and management. Similarly, the Program places concomitant incentives on institutional, fiscal, and investment objectives, in line with other municipal support PforRs.

A.3. Program Expenditure Framework

80. **The Program supports the objectives of the Government program of improving the delivery of services and infrastructure to the residents of Moroccan cities, by putting Moroccan municipalities in the capacity to fulfill their constitutional responsibilities.** The Program financing will amount to US\$760 million over a period of five years (2019–2024) of which IBRD will finance US\$300 million, the AFD will finance US\$114 million equivalent. The remaining US\$346 million will be directly financed by the GoM which has confirmed its commitment to leverage the PforR financing of the municipal performance window (Subprogram 1) with complementary resources from the CAS TVA. The Program will use the CAS TVA as a single depository of funds, for usage as capital grant transfer and other TA and non-investment related activities.

81. **Alignment of the budget with Government priorities, classification, sustainability, and predictability are assessed as more than adequate.** The planned expenditures are adequate to achieve the PforR results. The Program's activities contained in the expenditure framework meets the directions set by the GoM. They are aligned with the Program's intended results and with the national efforts to improve public service delivery and social inclusion at the decentralized level. The Program budget structure is clear in terms of sources of funding, budgetary vehicles, and categories of expenditures. The Program will mainly use the CAS TVA, created in 1986, as special funds for capital grant transfer and other TA and non-investment related activities. The CAS TVA's budget structure is aligned with the General Budget of the State which conforms with the international budget classification (Classification of the Functions of Government, COFOG) as confirmed by the last PEFA report (rated A).⁶² The CAS TVA's budget composition has been stable over the last three years and includes 59 percent unconditional grants, 22 percent capital expenditures grants, 16 percent joint expenditures '*charges communes*', and 3 percent operating expenditures⁶³.

Financial Sustainability: Implications of the fiscal context on the PforR Program

82. **Morocco's overall medium-term fiscal outlook is adequate to ensure the sustainability of the Program.** In 2013, in response to the external shocks facing the country (especially related to the increase in the price of oil products), Morocco initiated a process of fiscal consolidation and revenue improvement that allowed it to shrink its fiscal deficit from 6.8 percent of GDP in 2012 to 3.6 percent in 2017. With

⁶² 'A' being the highest score.

⁶³ Realization on the basis of data provided by the DGCL.

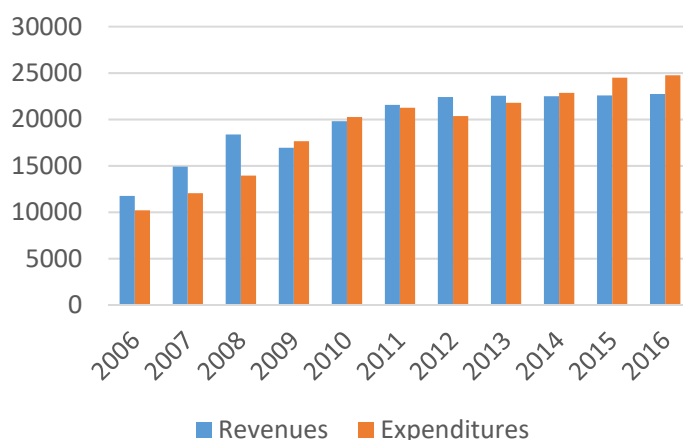


progress in fiscal consolidation, the debt-to-GDP ratio stabilized at around 65 percent of GDP since 2016. Fiscal space is also eroded by the recurrent cost obligations associated with the infrastructure buildup. Over the medium term, economic performance is expected to improve, enabled by sound fiscal and monetary policies, sector strategies better aligned with government's priorities, and an improved investment environment, all of which are aimed at supporting gradual competitiveness gains.

83. **The 2019 Budget Law reflects the Government's commitment to increase social spending through stronger domestic revenue mobilization.** It also plans to increase allocations of corporate and income tax revenues to the regions and increase transfers made to the interregional solidarity fund. Revenue measures to finance this additional spending include: (a) introducing a 2.5 percent solidarity tax on companies earning an annual net profit of over MAD 50 million; (b) privatizing certain government assets/SOEs; (c) increasing consumption taxes, particularly on tobacco; and (d) establishing improved governance systems for SOEs, including a multiannual policy for dividends and other contributions by SOEs to the general budget. Overall predictability of GoM's expenditure programs is ensured by the existence of several tools: (1) the Three-year Program Budget (TPB) for 2019 – 2021, developed in the context of the Public Finance Act; (2) the annual performance project endorsed by the Parliament which describes the key programs, the associated budget and PIs; and (3) the annual performance report which summarizes the results achieved and the budget executed for a given year. Overall, as per the 2017 PEFA, the predictability of the GoM's expenditures is robust with the indicator on predictability rated A based on timely release of the budget appropriations to the budget holders.

84. **Specifically, the predictability of the Program Expenditure Framework is supported by well-established mechanisms for intergovernmental fiscal transfers from the General Budget of the State to municipalities.** Intergovernmental fiscal transfers to municipalities are channeled through the special account for the subnational governments' share in the product of the value added tax (CAS TVA). The CAS TVA receives 30 percent of the annual revenues from the Value Added Tax. Revenues of the CAS TVA increased rapidly from 2006 to 2012, due to the combined effects of economic growth and increased tax collection efficiency, and practically doubled during this period, to reach a level of annual revenues of around MAD 22 billion. However, revenues of the CAS TVA have been stagnant over the years 2012-2016, thus limiting the ability of the MoI to introduce reforms to the way it uses the CAS TVA to support municipalities. In 2017 and 2018, the resources of the CAS TVA increased again (+ 19 percent in two years) and have reached MAD 26 billion in 2018, but the expenditures increased even more, especially to honor the multi-year investment commitments formerly made by the State. After increasing from about MAD 2 billion to about MAD 10 billion from 2005 to 2013, the CAS TVA revenues have declined again to a balance of about MAD 4 billion in 2016. revenues have exceeded the expenses of MAD 10 billion, while the expenses have exceeded the revenues of MAD 6.8 billion since the year 2014.

Figure 5. Revenues and Expenditures of the CAS TVA (2006-2016)



Source: Monthly bulletin of local finances - TGR

85. **CAS TVA resources are allocated between the three levels of subnational governments and are used to finance formula-based transfers as well as specific investment programs⁶⁴.** Nearly three fourths of the CAS TVA resources actually granted to subnational governments, benefit to municipalities and their ECIs, nearly a quarter to provincial councils and three percent to regions.⁶⁵ 57 percent of the CAS TVA resources benefitting municipalities and other subnational governments are transferred as unconditional grants (*dotations globales*)⁶⁶, 17 percent is oriented towards supporting specific investment projects under the framework of national sectoral programs, or city-level integrated investment programs, and 21 percent finances contributions to national programs such as the National Initiative for Human Development (*Initiative Nationale pour le Développement Humain - INDH*), or the National Urban Transport Fund (*Fonds d'Accompagnement des Réformes du Transport urbain - FART*), which have a specific impact in terms of territorial development.

86. **The recent evolution of revenues and expenditures of the CAS TVA have led to a significant reduction in the ability of the GoM to adapt its support to municipalities, provinces and regions.** The resources of the CAS TVA, after five years of stagnation, have rebound between 2016 and 2018 (+19 percent) and a perceptible growth is expected to occur in the medium to long term, thanks to implementation of a new tax framework law expected in 2021, which would strengthen tax collection and close loopholes currently impacting the level of TVA overall revenues. In spite of this positive medium to long-term outlook, the current stagnation in CAS TVA revenues is limiting GoM ability to adapt the allocation of its resources in response to emerging and future needs. On the one hand, the CAS TVA is facing an increasing amount of multi-year commitments entered through the various sectoral or integrated investment programs the CAS TVA is called to contribute to. On the other hand, the repartition of formula-based transfers to municipalities is practically frozen because, in the absence of growth of the overall envelope, any modification of the repartition would reduce the amounts allocated.

⁶⁴ World Bank. 2018. Morocco Urbanization review. Thematic note on municipal finances.

⁶⁵ It should be noted that another special account receiving five percent of the amounts collected from the Income Tax and Corporate Tax has been instituted to benefit exclusively the newly established regional councils. (*Fonds spécial relatif au produit des arts d'impôts affectées aux régions*)

⁶⁶ 9 percent out of the 63 percent are dedicated to municipalities facing financial difficulties or to help municipalities to enforce some reforms such as wage increase decided by the Government.



Financial Sustainability: Implications of the PforR Program on the fiscal context

87. **The Program is expected to have a positive long-term impact on the fiscal outlook.** In line with its decentralization agenda (*régionalisation avancée*) and the objective of giving more autonomy to local governments, GoM strategy is to strengthen municipalities to allow them to fulfill their responsibilities while maintaining the financial support of the Government through transfers at its current level. This would be made possible by tapping the unrealized potential in terms of increased own source revenues, and improved efficiency, which is mostly concentrated in the larger municipalities which are the focus of this operation. The long-term strategy of the GoM is to use the Program to put its larger municipalities on a trajectory in which they will be able to meet their service delivery responsibilities with greater financial autonomy. This would in turn allow the State to focus its financial support to smaller municipalities whose tax potential is very low due to limited tax bases and will continue to require financial support to provide improved services to their residents.

88. **Municipalities' own source revenues can be significantly increased.** It is estimated that the returns from the taxes administered by the State on behalf of municipalities and the taxes and fees administered by the municipalities themselves could increase significantly and could potentially double or triple⁶⁷. Realizing the full potential of these taxes and fees would require improving the tax collection efficiency which is generally low and expanding the tax base through improved addressing and registration of taxable properties. Most of the potential for increased own source revenues is concentrated in the larger municipalities which are the focus of this Program. In average, transfers from the CAS TVA represent 53 percent of municipalities recurrent revenues, while own source revenues - including taxes administered by the State on behalf of the municipalities as well as the taxes and fees administered by the municipalities – represent only 47 percent. However, the share of transfers and own source revenues vary significantly between the larger and smaller municipalities. In the case of the 1282 smaller municipalities which used to be categorized as “rural” before the 2015 organic law on municipalities, transfers from the CAS TVA represent 77 percent of recurrent revenues, while they represent only 44 percent of the recurrent revenues of the 221 former “urban” municipalities. Own source revenues play an even more significant role in the revenues of the larger municipalities which are the focus of this operation. When one considers the municipalities with a population over 50,000 people, the current resources of the municipalities consist of: (a) 37 percent of tax revenues administered by the State on their behalf; (b) 36 percent of taxes and fees administered by the municipalities themselves; and (c) 27 percent of financial transfers from the State.

89. **The group of municipalities targeted by the operation are where the challenges of urbanization and the opportunities associated with improved urban management are concentrated.** The combined population of the targeted municipalities represents more than 80 percent of Morocco's urban population and nearly 50 percent of its total population. Demographic projections show that these municipalities will concentrate most of Morocco's demographic growth in the future years. As a result, they also concentrate most of the urban infrastructure investment needs. At the same time, as mentioned above, these municipalities also concentrate most of the unrealized potential in terms of own source revenues, but

⁶⁷ A detailed assessment was carried out for the Municipality of Casablanca in 2009, which identified the potential to increase the municipality's own source revenues (including taxes administered by the State on behalf of the municipality as well as the taxes and fees administered by the municipality) by 100 percent to 200 percent. Similar studies carried out in other large municipalities have confirmed this range.



also in terms of increased efficiency of municipal investment through improved accountability, planning, and management of expenditures.

A.4. Economic Analysis

90. **The recent decentralization reforms have confirmed the central role of municipalities in the development of equipment and the provision of services that are critical to ensure efficient urbanization.** Although municipalities have seen their autonomy increased by the reforms, they still face mounting challenges to step up to the task of delivering the infrastructures needed to accommodate the continued increase in urban population. Empowering municipalities, both financially and institutionally, is thus key to ensure more efficient public investment and better service delivery for the citizen. The Program will fund capacity building and institutional capacity activities in support of Morocco's decentralization policy. The program will adopt an approach based on demand and performance, which should contribute to improving municipalities' governance and accountability while reducing the funding cost of local public investment. Investments in institutional strengthening will also contribute to the improvement of urban management and quality and sustainability of standard public services. Thus, the Program investments represent a judicious use of public resources, with a clear rationale for public provision and financing.

91. **Delivering the infrastructure and services needed to accommodate the continued increase in urban population requires substantial financing, estimated by a recent study at around MAD 335 billion (US\$35 billion equivalent) over 2017–2027.**⁶⁸ These estimates consist of extrapolations based on available plans, studies, and technical standards and are focused on infrastructures which provision falls within the mandates of Moroccan municipalities.

A.5. Economic Impact of the Program

92. **Emerging evidence from similar Programs indicates that the activities supported by the proposed Program will likely result in a reduction of transaction costs associated with the delivery of local services because of** (a) improved predictability and reliability of transfers from the Central Government to municipalities; (b) improved Public Financial Management (PFM) capacity at the local level resulting in better budget planning and execution, reporting, and accounting practices; and (c) improved administrative capacity at the local level resulting in improved responsiveness of municipalities to the needs of citizens.

93. The Program is expected to benefit the population of the Targeted cities which represent a total of around 106 municipalities in Morocco. Targeted cities include all municipalities with a population of more than 50,000 inhabitants and municipalities which constitute a provincial administrative center (*chef lieu*). The combined population of the targeted municipalities represents more than 80 percent of Morocco's urban population and nearly 50 percent of its total population. This population is expected to benefit from improved delivery of administrative and infrastructure services by their respective municipality. Infrastructure services provided by municipalities include, among others, the building/upgrading and maintenance of urban roads, public spaces, economic and social facilities, public lighting, water supply and sanitation networks, and solid waste collection. They would spur the demand

⁶⁸ "Etude d'évaluation des besoins en investissements des communes urbaines au Maroc," BM 2017, Rapport soumis au Ministère de l'Intérieur.



in Morocco for labor, goods, and services and, ultimately support income levels and consumption capacities of the local population. The population of targeted cities are also expected to benefit from access to improved services including citizen services portal, and digitalized issuance of building permits and commercial license. Lastly, the introduction of citizen satisfaction measurement tools will help incorporate the beneficiaries' feedbacks as to improve the impact of the Program.

94. **While the Program is expected to contribute to improved public service delivery, the benefits accrued are not easily quantifiable.** By design, the proposed Program provides municipalities with discretion in deciding on the types of infrastructure investments that will be financed through the conditional capital grant system. It is therefore impossible to determine, in advance, which infrastructure services will be implemented. Municipal infrastructure investments under the Program would include, among others, the building/upgrading and maintenance of urban roads, public spaces, economic and social facilities, public lighting, water supply and sanitation networks, solid waste collection, and so on. They would spur the demand in Morocco for labor, goods, and services and, ultimately support income levels and consumption capacities of local population. The scope of this impact analysis is also limited by a lack of data pertaining to the effective impact of municipal investment on the local economy. Support for performance monitoring and other components of M&E is part of this Program to help improve expected outcomes and increase the availability of data to assess the merits of similar development interventions that may be undertaken in the future in Morocco.

95. **Effectiveness.** The Program's activities included under the Expenditure Framework are subject to technical and financial assessments to ensure their timely execution at envisaged costs. In addition, all Program executing entities are subject to public procurement rules, allowing for the Program activities to be executed at the lowest cost. The national and sub national PEFA reports confirm that effectiveness in the procurement process which will be reinforced by the ongoing generalization of the e-procurement system. Finally, the implementing entities will be supported by a TA and training plan as part of the Subprogram 3. This will include support for the screening/selection of the investment projects. Lastly, transparency and accountability streamlined in the Program's design will help closing the loop of effectiveness through dedicated (a) minimum conditions and PIs covering the transparency in the planning/procurement processes and citizen engagement and (b) a DLI on audit report of the municipalities. The Program's own fiduciary risk control mechanisms (which are more fully assessed within the Fiduciary System Assessment) provide a further driver of efficacy of expenditures and transparency under the Program.

96. **Beside the expected financial gains to be generated by a more efficient local taxation as targeted in the Program, it is expected to allocate MAD 1 billion per year (US\$104 million equivalent) of performance-based grants in addition to the existing financial transfers from the State.** The allocation would be split into a flat rate allowance (x percent) and a population-based allowance (1-x percent). This methodology was tested assuming different flat rates. Under each hypothesis, the allocation granted per capita to the largest city and to the smallest city covered by the Program were compared to each other, and also compared, per category of population, to the average equipment costs for 2015, 2016, and 2017. The analysis shows that, under the different modeled scenarios, the additional transfers associated with the introduction of performance-based grants would be large enough to provide a significant incentive for municipalities to improve their performance but would, at the same time, represent an increase in the municipalities' investment budgets which they can be expected to absorb.



B. Fiduciary

97. **Risk assessment. The Program's fiduciary systems are acceptable, and they provide reasonable assurance on the use of the Program's resources. The fiduciary risk is rated Substantial.** To ensure adequate implementation, the systems will require to be strengthened. The Program Expenditure Framework (tables A3.2 and A4.1) mainly includes two categories: 86 percent of infrastructures (Subprogram 1) and 14 percent of consultant services for capacity building and improvement of knowledge (Subprogram 2 and 3) to be implemented by the Participating Municipalities and the DGCL, respectively.

98. **Data collection and methodology.** The fiduciary risk is based on (a) the data available at the DGCL, TGR, Ombudsman Office, and National Public Procurement Committee (NPPC); (b) the analyses of quantitative and qualitative fiduciary data from about 64 percent of the municipalities participating in the Program; (c) the PEFA reports both national (2017) and subnational (Casablanca and Agadir); and (d) the independent assessment of the IGF. These data comprised lead time in the submission of the Procurement Plan, percentage of contracts awarded within the service standards, percentage of contracts awarded on a competitive basis, percentage of contracts awarded on a single source basis, average number of bids, budget execution, lead time in the procurement process as well as in the production of the financial statements, and percentage of complaints received on contracts awarded at the municipality level. The data was complemented and validated by field visits in a sample of 10 municipalities selected based on a combination of criteria (risk, capacity, size of budget, and population).

99. **Key weaknesses and potential anticipated risks identified at the municipalities' level are summarized below.** The weaknesses are mainly in programming/planning, internal control/audit, accounting, procurement/contract management, archives arrangements, and revenue management. More specifically the weaknesses and potential risks relate to : (a) lack of maturity of the investment projects; (b) absence of formalized/customized procedures; (c) insufficiencies in the risk management process; (d) weak quality of the financial reporting; (e) inefficiencies in procurement processes, contracts award; (f) weak quality of the bidding documents and the associated cost estimates (potential risk); (g) lack of timely transfer of grants to the municipalities; and (h) limited capacity of the fiduciary staff.

100. **In addition, another risk pertaining to the fiduciary coordination (consolidated reporting, reconciliation between the Program expenditures, and disbursements) of the Program at the DGCL level were identified.** Lastly, the Program's ex ante and ex post arrangements were found adequate to address the risk of fraud and corruption related to the infrastructure under Subprogram 1. These arrangements comprise several effective institutions playing complementary roles (Ombudsman Office, Supreme Audit Institution - SAI, IGAT, National Commission of Public Procurement - CNCP, and IGF). IGAT will collect—with support from the abovementioned institutions—and report to the World Bank allegations occurring under the Program through the annual progress reports during Program implementation. The reporting format will include the following: (a) location and date of the complaint; (b) allegation's description; (c) description of progress in investigation; and (d) investigation outcome.

101. **Mitigation measures. To mitigate the abovementioned risks, the Program's design includes a comprehensive and articulated set of measures.** First is the municipal performance framework included



in Subprogram 1 (MMCs⁶⁹ and PIs)⁷⁰ which will be the basis for the allocation of the performance-based grants. It aims to incentivize the municipalities to improve their performance through performance-based grants. Second, Subprogram 3 will focus on TA that incorporates fiduciary TA and hands-on-support as well as deployment information management systems. Third, DLI#1 and DLI#9 will focus on (a) the timely transfer of the performance grants to the municipalities and (b) the financial accountability related to the municipal financial audit reports. Fourth is the PAP that includes fiduciary-related actions (appointment of dedicated fiduciary staff for the Program's transactions and financial statements, implementation of a capacity-building program for the municipalities, and introduction / adaptation of improved financial reporting standards—in line with International Public-Sector Accounting Standards—at the municipality level). Moreover, in accordance with the World Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing" dated February 1, 2012, and revised July 10, 2015, the Program will take steps to ensure that "any person or entity debarred or suspended by the World Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension."

102. **Exclusions.** There are no contracts with a value expected to exceed the exclusion OPRC review thresholds.⁷¹ In addition, municipalities' infrastructures under Subprogram 1 will be excluded from Program financing should they have the potential to cause significant adverse impact on the environment and/or affected people as defined in the World Bank Policy and Directive on PforR Financing.

C. Environmental and Social

103. **The Environmental and Social System Assessment (ESSA) has been prepared by the World Bank for the proposed PforR.** The ESSA assessed, against the requirements of the World Bank Policy and Directive on PforR Financing, the national and municipal environmental and social management systems applicable to the Program. The pipeline of projects to be undertaken was also analyzed to identify potential environmental and social effects. The ESSA was supported by (a) a review of relevant documentation; (b) the administration of a questionnaire to 78 targeted municipalities; (c) interviews and focus groups with stakeholders at the national and local level; and (d) site visits in a sample of municipalities (Larache, Sidi Taibi, Meknès, Agadir, Ait Melloul, Drarga, Biougra, and Aourir). The assessment also drew on experience from previous World Bank-funded projects in Morocco.

104. **Consultations plan.** The draft ESSA report was shared with counterparts and discussed during a consultation workshop organized on May 16, 2019. The final ESSA report has been publicly disclosed

⁶⁹ They include (a) the publication of the municipal core financial documents (financial statements, Procurement Plan, and procurement execution report); (b) update of the programming documents; and (c) revenue management.

⁷⁰ They include indicators related to (a) investment budget execution report, (b) appointment of fiduciary staff, (c) deployment of fiduciary information management systems, (d) operationalization of internal audit units, (e) lead time in the procurement processes, and (f) monitoring of the implementation of the recommendations of the audits.

⁷¹ Key contracts are under Subprogram 1. The annual expected expenditures for the Participating Municipalities amount to US\$145 million broken down into five categories. The review of each expenditure category per municipality did not reveal any contract above the OPCR's thresholds (US\$75 million for the civil works, US\$50 million for the goods, US\$50 million non-consulting services and US\$20 million for the consulting).



through the World Bank's website and on the PNCL on June 5, 2019, and public comments have been solicited during a defined comment period.

105. **The Program's supported activities will have positive social and environmental impacts on the populations of the Participating Municipalities.** The Program is expected to generate positive social impacts, through increased quality and accessibility of municipal services including in disadvantaged neighborhoods, including women and youth. In addition, as required by Constitution 2011 and Organic Law relative to the communes establishing strong participatory processes for planning public investments, opportunities for citizen feedback, robust grievance redress mechanisms (GRMs), and access to information will be a key element of the PforR. Performance incentives for municipalities will be adjusted to emphasize outcomes and outputs and to provide incentives for municipalities to close the feedback loop with citizens.

106. **Adverse environmental and social risks stemming from the Program's supported activities are anticipated to be low to moderate, but the overall Environmental and Social risk rating of the Program is Substantial due to the limited capacity at the municipal level.** Based on the type, scope, and scale of works under this Program, adverse social and environmental effects are expected to be typical construction risks that are site-specific and generally limited to the construction phase. Capacity analysis of the municipalities revealed the lack of qualified environment and social staff able to follow up and monitor the activities in an efficient way (regardless if these activities are subject to the national Environmental Impact Assessment system or not). This was verified during field visits to a selected set of municipalities and during the analysis of the 61 answers to the questionnaire (addressed to 78 municipalities) which show that only 34 percent of municipalities have a dedicated structure for environmental monitoring and have an environmental specialist ensuring environmental monitoring but the latter deals primarily with green spaces management and municipal solid waste management. The Program is expected to help address this capacity gap through the annual performance assessment, incentives provided by the performance-based grants, and specific capacity building and technical assistance activities provided to participating municipalities.

107. **All projects requiring acquisition of private lands will be excluded from the Program.** Physical investments will be systematically carried out within the public domain to avoid temporary or permanent private land acquisition. The remaining resettlement risks to be managed will be limited to temporary restriction of access to sites or to sources of income (such as commercial occupants of public lands and rights-of-way) during the construction phase. To prevent or mitigate these risks, mitigation measures will be implemented, including planning and sequencing of works, alternative access options, information and consultation of affected people, and easy access to appropriate GRMs.

108. **The Program will include specific measures aiming at strengthening environmental and social management systems at the local level.** The Program will support the development of practical tools for municipalities to (a) carry out a diagnostic of environmental and social risks associated with their investment projects, (b) identify relevant risk mitigating measures, and (c) monitor and follow up on the implementation of the applicable risk mitigating measures. The municipalities' performance in use of these tools and implementation of risk mitigating measures will be monitored through the annual performance assessment, which will include specific indicators on environmental and social management. As for other areas evaluated under the annual performance assessment, the implementation of environmental and social management tools will be supported through specific capacity-building programs implemented under Subprogram 3. The central Program Implementation Unit in the DGCL will



include a dedicated environmental and social focal point whose role will be to organize and coordinate capacity-building activities, provide hands-on support to the Participating Municipalities in applying the tools developed through the Program, and carry out M&E of environmental and social management systems at the Program level.

109. **Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program GRM or the World Bank's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

110. Morocco has several institutions responsible for grievance handling and resolution. The available national GRS mechanisms and institutions have been recently elevated to constitutional bodies to provide them with more independence and financial autonomy, necessary to validate their power of self-referral. The World Bank's GRS mechanism does not affect the efficiency of the Moroccan complaints and resolution system.

D. Risk Assessment

111. **The operation's overall risk is considered substantial.** The program will introduce an important shift in the intergovernmental transfer system by focusing on performance and accountability. The limited capacity of the municipalities also contributes to increasing risks. The operation addresses these issues using the performance assessment framework and the TA to respectively incentivize the Participating Municipalities and strengthen their capacities.

112. **Political and governance risks are considered substantial.** Political risks are mainly related to the municipal council renewal following the elections that will be held in 2021, during the first phase of the Program cycle. Specifically, non-incumbent elected municipal authorities will need to be rapidly familiarized with the Program in the post-election period. To mitigate these risks, the Program will account for electoral incentives and risks in the design and choice of MMCs, PIs, and PAPs. In addition, ad hoc consultations and capacity-building activities with incoming municipal authorities will help build buy-in and understanding of the opportunities of the Program. Beyond elections, political risks also stem from the introduction of innovative CE mechanisms: the opening of space for citizen participation can create high expectations that need to be properly managed and responded to, to avoid frustration and discontent. To mitigate this risk, the Program will build capacities at the municipal level to design, manage, and respond to citizens' demands for transparency, information, and participation. This will be complemented by randomization of sample satisfaction surveys to provide evidence on the process.

113. **The technical Program design risk is considered substantial.** The Program will introduce and fund a performance-based grant transfer system from the State to Participating Municipalities, which represents a brand-new concept and mechanism for Morocco, thus entailing significant risk in



implementation. Despite the commitment of the GoM to proceed with key reforms as part of its sectoral action plan, many of those remain to be better defined and fine-tuned. Those are primarily linked to the objective and shape of the performance-based grant transfer system, on the one hand, and the drive and effective setup of inter-municipal/metropolitan entities on the other. To mitigate this risk, the task team will work closely with the DGCL on the design and effective phasing of the rollout of the performance-based grant transfer system and the selection of priority agglomerations toward which a TA and incentive system will be initiated for the setup of inter-municipal cooperation bodies.

114. **Fiduciary risks are assessed as substantial.** Fiduciary risks are primarily linked to financial management and procurement capacities (particularly in programming/planning, internal control, and information management systems) of selected municipalities. To mitigate those risks, the Program will strengthen both financial management and procurement capacities at the municipal level with continuous training and TA. This will be complemented with indicators in the performance assessment framework.

115. **Environmental and social risks are considered substantial.** They are associated with perceived weaknesses of the existing environment and social systems, at the national and regional levels, and relative weakness of municipalities in the management of adverse environmental and social impacts. The Program's design includes TA and indicators in the performance assessment framework aiming to address the abovementioned risks.

116. **The risks mentioned above are mitigated by the Mol's and, more specifically, the DGCL's long-standing and strong operational experience working with municipalities.** In addition, the Mol is involved in the implementation of several World Bank-financed Programs using the PforR instrument, which will allow early identification and mitigation of potential risks. Lastly, the strong ownership of the Mol is substantiated by the launch of the performance test assessment on May 16, 2019.

117. **Based on the technical, fiduciary, and environment and social assessments, a PAP has been developed.** The plan consists (Annex 6) of a set of actions to strengthen entities involved in Program implementation or oversight to deliver Program results. The actions are also intended to promote a more sustainable system, which will enable the Mol, the municipalities, and the ECIs to effectively perform their mandate in the long term. These will be monitored by the World Bank as part of the Program Implementation Support Plan. As such the establishment of the PMU, staffed with the dedicated civil servants (program coordinator, environmental specialist, fiduciary focal point, municipal focal points), will be critical to ensure the day-to-day management of the Program. In addition, the inclusion of the performance grant windows in the reform of fiscal transfers to municipalities and the reform of local taxes to provide municipalities with improved fiscal revenues are crucial to ensure sustainability of the Program. Lastly, the development/deployment of training tools will contribute to improve the performance of the municipalities.



ANNEX 1. RESULTS FRAMEWORK MATRIX

Results Framework

COUNTRY: Morocco

Municipal Performance Program

Program Development Objective(s)

The Program Development Objective is to improve the institutional and service delivery performance of Participating Municipalities.

Program Development Objective Indicators by Objectives/Outcomes

Indicator Name	DLI	Baseline	2020	2021	2022	2023	2024	End Target
Improve the institutional and service delivery performance of Participating Municipalities								
Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions (Percentage)	DLI 3	50.00	60.00	70.00	80.00	90.00	90.00	90.00
Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100 (Percentage)	DLI 4	10.00	50.00	60.00	70.00	80.00	80.00	80.00
Percentage of Participating Municipalities that have introduced citizen satisfaction measurement tools and shared the results with citizens (Percentage)		30.00	35.00	40.00	50.00	60.00	70.00	70.00
Population from Participating Municipalities provided with access to improved citizen services through the deployment of the digital		5,000.00	6,000.00	8,000.00	11,000.00	13,000.00	15,000.00	15,000.00



Indicator Name	DLI	Baseline	2020	2021	2022	2023	2024	End Target
platform for issuing building permits and commercial licences (Number (Thousand))								
Population from Participating Municipalities provided with access to improved citizen services through the deployment of the Citizen Services Portal (Number (Thousand))		0.00	500.00	1,500.00	3,000.00	7,000.00	10,000.00	10,000.00



Intermediate Results Indicator by Results Areas

Indicator Name	DLI	Baseline	2020	2021	2022	2023	2024	End Target
Developing and Implementing a Performance-based Grants Transfer system on Participating Municipalities								
Timely communication to Participating Municipalities of the indicative Performance Grants (PG) allocation and timely transfer of PGs on the basis of an objective allocation formula (Text)	DLI 1	N/A	YES	YES	YES	YES	YES	YES
Percentage of Participating Municipalities including gender oriented objectives and indicators in their planning process (Percentage)		50.00	55.00	60.00	65.00	70.00	80.00	80.00
Cumulative amount of PGs transferred to Participating Municipalities (Number)	DLI 2	0.00	1,500.00	2,500.00	4,000.00	5,500.00	5,500.00	5,500.00
Percentage of Participating Municipalities that have reach a satisfying quality level for citizen services - case of household waste (Percentage)		15.00	20.00	25.00	40.00	50.00	70.00	70.00
Annual increase in the Participating Municipalities' own revenues (Percentage)		3.00	3.50	4.00	4.50	5.00	6.00	6.00
Strengthening the Institutional Framework for Inter-municipal Cooperation								
Elaboration of a national inter-municipal cooperation scheme (Text)	DLI 5	No	Adoption of the framework circular (Circulaire de Cadrage or relevant act) for the development of the national inter-municipal cooperation scheme		Adoption of the Order/Circular (Arrêté/Circulaire or relevant act) on the national inter-municipal cooperation scheme covering at least the ten largest agglomerations			A national inter-municipal cooperation scheme has been elaborated



Indicator Name	DLI	Baseline	2020	2021	2022	2023	2024	End Target
					listed in the POM			
Establishment of a contractual framework for the financing of competencies transferred to ECIs (Text)	DLI 6	No	Adoption of the order(s) (Arrêté(s) or relevant act(s)) establishing the categories of ECIs representing in total a minimum of 6.5 million inhabitants pursuant to Circulaire No. D-536 dated April 8, 2019	Adoption of the circular (Circulaire or relevant act) establishing the contractual framework for the financing of competencies transferred to ECIs (including model agreement by type of competency and method for calculating transferred expenses)				A contractual framework for the financing of competencies transferred to ECIs has been established
Percentage of the total number of positions provided by the organization charts of ECIs representing in total a minimum of 6.5 million inhabitants that have been filled (Percentage)	DLI 6	0.00	10.00	35.00	50.00	50.00	50.00	50.00
Number of competencies covered by financing agreements in the ECIs representing a minimum of 500,000 inhabitants (Percentage)	DLI 6	0.00	3.00	8.00	10.00	15.00	15.00	15.00
Enhancing the organization and human capacity of Participating Municipalities								
The digital platform for issuing building permits and commercial licenses is operational and publicly accessible in at least 50% of the Participating Municipalities (Percentage)	DLI 7	50.00	50.00	50.00	50.00	50.00	50.00	50.00
The integrated revenue management system	DLI 7	30.00	70.00	70.00	70.00	70.00	70.00	70.00



Indicator Name	DLI	Baseline	2020	2021	2022	2023	2024	End Target
has been implemented in at least 70% of the Participating Municipalities. (Percentage)								
The back-office system for the civil registry has been developed and is operational in at least 50% of the Participating Municipalities (Percentage)	DLI 7	15.00	20.00	50.00	50.00	50.00	50.00	50.00
The citizen services digital portal is operational and publicly available in at least 50% of the Participating Municipalities (Percentage)	DLI 7	0.00	10.00	20.00	50.00	50.00	50.00	50.00
Improvement of local transparency and accountability - Percentage of Participating Municipalities which have been audited in the two previous years (Percentage)	DLI 9	15.00	50.00	60.00	75.00	100.00	100.00	100.00
Percentage of Participating Municipalities that benefitted from capacity building and TA on gender planning/management/budgeting (Percentage)		0.00	10.00	20.00	30.00	40.00	50.00	50.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions	Percentage of Participating Municipalities successful on MMC	Annual	IGAT (PA reports)	IGAT will provide the independent auditor with PA reports.	Independent Auditor
Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100	Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100	Annual	IGAT (PA reports)	IGAT will provide the independent auditor with PA reports.	Independent Auditor
Percentage of Participating Municipalities that have introduced citizen satisfaction measurement tools and shared the results with citizens	Percentage of Participating Municipalities that have introduced citizen satisfaction measurement tools and shared the results with citizens	Annual	DGCL (PA reports)	DGCL will provide the data based on the PA framework to IGAT	IGAT
Population from Participating Municipalities provided with access to improved citizen services through the deployment of the digital platform for issuing building permits and commercial licences	Population from Participating Municipalities provided with access to improved citizen services through the deployment of the digital platform for issuing building permits and commercial licences	Annual	DGCL, portal manager	Portal manager will provide IGAT with relevant data on accounts, users and traffic	IGAT
Population from Participating Municipalities provided with access to improved citizen services through the deployment of the Citizen Services Portal	Population from Participating Municipalities provided with access to improved citizen services through the deployment of	Annual	DGCL, portal manager	Portal manager will provide IGAT with relevant data on accounts, users and traffic	IGAT



	the Citizen Services Portal				
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Timely communication to Participating Municipalities of the indicative Performance Grants (PG) allocation and timely transfer of PGs on the basis of an objective allocation formula	Annual allocation of PGs made publicly available no later than mid-September of the preceding year (or such later date as agreed with the Bank), and transferred to Participating Municipalities no later than end of March of the current year (or such later date as agreed with the Bank). Due to its shorten overall calendar, the deadline to make annual allocation publicly available for CY 2019 is mid-December 2019.	Annual	DGCL	DGCL will notify IGAT of the date and means of publication of the annual allocation of PGs and will submit the documentation related to the transfers.	IGAT
Percentage of Participating Municipalities including gender oriented objectives and indicators in their planning process	Participating Municipalities are expected to include and monitor objectives and indicators that specifically identify and address gender differentiated needs and priorities in their planning process.	Annual	DGCL (PA reports)	DGCL will provide the data based on the Performance Assessment (PA) framework to IGAT	IGAT
Cumulative amount of PGs transferred to Participating Municipalities	The total amount of PGs distributed each year should be progressive from year to year over the entire	Annual	DGCL	DGCL will provide IGAT with appropriate budgetary and financial documents relative to	IGAT



	duration of the program, from a minimum of 300 million MAD in CY2019 to a minimum of 5,500 million MAD in CY2023.			PG transfers.	
Percentage of Participating Municipalities that have reach a satisfying quality level for citizen services - case of household waste	This indicator captures the percentage of Participating Municipalities which meet all MMCs in a given year. The objective is to reach 70% of MC-compliant municipalities as of year 1 of the Program (CY2019), reach 90% at mid term (CY2021), and maintain that level throughout the end of the program.	Annual	DGCL (PA reports)	DGCL will provide the data based on the Performance Assessment (PA) framework to IGAT	IGAT
Annual increase in the Participating Municipalities' own revenues	For each CY: Percentage increase of municipal revenues (excluding transfers) as recorded in the financial statements of the previous CY, compared to the baseline of CY2019	Annual	DGCL	DGCL will provide IGAT with appropriate documents relative to the Municipalities' own revenues.	IGAT
Elaboration of a national inter-municipal cooperation scheme	Adoption of the Order/Circular (Arrêté/Circulaire or relevant act) on the national inter-municipal cooperation scheme covering at least the ten largest agglomerations.	Once	DGCL	DGCL will provide IGAT and the Bank with a copy of the relevant act officially adopted.	IGAT



Establishment of a contractual framework for the financing of competencies transferred to ECIs	Adoption of the circular ("Circulaire") setting out the contractual framework for the financing of competences transferred to ECIs (model agreement for each type of competencies and methods for calculating transferred expenses).	Once	DGCL	DGCL will provide IGAT and the Bank with an official copy of the signed Circulaire.	IGAT
Percentage of the total number of positions provided by the organization charts of ECIs representing in total a minimum of 6.5 million inhabitants that have been filled	ECIs representing in total a minimum of 6.5 million inhabitants will have to comply with new organization chart.	Once	DGCL	DGCL will provide IGAT and the Bank with the list of filled positions in ECIs representing in total a minimum of 6.5 million inhabitants.	IGAT
Number of competencies covered by financing agreements in the ECIs representing a minimum of 500,000 inhabitants	ECIs representing a minimum of 500,000 inhabitants will have to sign financing agreements to cover transferred competencies.	Once	DGCL	DGCL will provide IGAT and the Bank with the list of financing agreements signed in ECIs representing a minimum of 500,000 inhabitants.	IGAT
The digital platform for issuing building permits and commercial licenses is operational and publicly accessible in at least 50% of the Participating Municipalities	Deployment of the digital platform	Annual	DGCL, portal manager	Portal manager will provide IGAT with relevant data on accounts, users and traffic and IGAT will verify that the objectives have been met.	IGAT



The integrated revenue management system has been implemented in at least 70% of the Participating Municipalities.	Deployment of GIR	Annual	DGCL, Participating Municipalities, Ministry of Economy and Finance (MEF)	Participating Municipalities will declare to DGCL whether they used the Integrated Revenue Management system ('GIR') or not, and DGCL and MEF will verify using appropriate technical means. DGCL will provide results and supporting documents to IGAT.	IGAT
The back-office system for the civil registry has been developed and is operational in at least 50% of the Participating Municipalities	Deployment of the back-office system for the civil registry	Annual	DGCL, IT director	IT Director will provide IGAT with relevant data on accounts, users and traffic	IGAT
The citizen services digital portal is operational and publicly available in at least 50% of the Participating Municipalities	Deployment of the citizen service digital portal	Annual	DGCL, portal manager	Portal manager will provide IGAT with relevant data on accounts, users and traffic.	IGAT
Improvement of local transparency and accountability - Percentage of Participating Municipalities which have been audited in the two previous years.	Review of the audit reports.	Annual	IGAT (PA report)	At the end of each year, IGAT will provide the list of audited municipalities to the independent auditor, who will then compute the subsequent rate.	Independant Auditor



Percentage of Participating Municipalities that benefitted from capacity building and TA on gender planning/management/budgeting		Annual	DGCL (PA reports)	DGCL will provide the data based on the Performance Assessment (PA) framework to IGAT	IGAT
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ANNEX 2. Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Disbursement Linked Indicators Matrix

DLI 1	Timely communication to Participating Municipalities of the indicative Performance Grants (PG) allocation and timely transfer of PGs on the basis of an objective allocation formula			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Text	20.00	6.67
Period	Value	Allocated Amount (USD)		Formula
Baseline	No assessment			
CY 2019		0.00		
CY 2020	DLR 1.1: Annual allocation of PGs made publicly available no later than mid-December, 2019 (or such later date as agreed with the Bank), and transferred to Participating Municipalities no later than end of March of 2020 (or such later date as agreed with the Bank).	4.00		Yes/No
CY 2021	DLR 1.2: Annual allocation of PGs made publicly available no later than mid-September, 2020 (or such later date as agreed with the Bank), and transferred to Participating Municipalities no later than end of March of 2021 (or such later date as agreed with the Bank).	4.00		Yes/No



CY 2022	DLR 1.3: Annual allocation of PGs made publicly available no later than mid-September, 2021 (or such later date as agreed with the Bank), and transferred to Participating Municipalities no later than end of March of 2022 (or such later date as agreed with the Bank).		4.00	Yes/No
CY 2023	DLR 1.4: Annual allocation of PGs made publicly available no later than mid-September, 2022 (or such later date as agreed with the Bank), and transferred to Participating Municipalities no later than end of March of 2023 (or such later date as agreed with the Bank).		4.00	Yes/No
CY 2024	DLR 1.5: Annual allocation of PGs made publicly available no later than mid-September, 2023 (or such later date as agreed with the Bank), and transferred to Participating Municipalities no later than end of March of 2024 (or such later date as agreed with the Bank).		4.00	Yes/No
DLI 2	Cumulative amount of performance grants transferred to Participating Municipalities			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number (Thousand)	40.00	13.33
Period	Value	Allocated Amount (USD)		Formula
Baseline	0.00			
CY 2019	300.00	2.18		D=(PG)/T*A



CY 2020	1,500.00		6.55	"
CY 2021	2,500.00		9.45	"
CY 2022	4,000.00		10.91	"
CY 2023	5,500.00		10.91	"
CY 2024	5,500.00		0.00	"
DLI 3	Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Percentage	34.00	11.33
Period	Value		Allocated Amount (USD)	Formula
Baseline	4.00			
CY 2019	50.00		6.80	$D=(PM)/T*A$
CY 2020	60.00		6.80	$D=(PM)/T*A$
CY 2021	70.00		6.80	$D=(PM)/T*A$
CY 2022	80.00		6.80	$D=(PM)/T*A$
CY 2023	90.00		6.80	$D=(PM)/T*A$
CY 2024			0.00	



DLI 4	Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Percentage	89.25	29.75
Period	Value		Allocated Amount (USD)	Formula
Baseline	10.00			
CY 2019			0.00	
CY 2020	50.00		22.50	$D=(PM)/T*A$
CY 2021	60.00		22.50	$D=(PM)/T*A$
CY 2022	70.00		22.50	$D=(PM)/T*A$
CY 2023	80.00		21.75	$D=(PM)/T*A$
CY 2024			0.00	
DLI 5	Elaboration of a national inter-municipal cooperation scheme			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Text	15.00	5.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No regulatory framework			
CY 2019			0.00	
CY 2020	DLR 5.1: Adoption of the framework circular		5.00	Yes / No



	("Circulaire de cadrage" or relevant act) for the development of the national inter-municipal cooperation scheme			
CY 2021			0.00	
CY 2022	DLR 5.2: Adoption of the Order/Circular (Arrêté/Circulaire or relevant act) on the national inter-municipal cooperation scheme covering at least the ten largest agglomerations listed in the POM		10.00	Yes/No
CY 2023			0.00	
CY 2024			0.00	
DLI 6	Establishment of a sustainable operating framework for ECIs			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Text	30.00	10.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No Technical Assistance Program			
CY 2019			0.00	
CY 2020	DLR 6.1: Adoption of the order(s) (Arrêté(s) or relevant act(s)) establishing the categories of ECIs representing in total a minimum of 6.5 million inhabitants pursuant circular No. D-536 dated April 8, 2019		7.50	Yes/No
CY 2021	DLR 6.2: Adoption of the circular (Circulaire or		7.50	Yes/No



	relevant act) establishing the contractual framework for the financing of competences transferred to ECIs (including model agreement by type of competency and method for calculating transferred expenses)			
CY 2022	DLR 6.3: 50% of the total number of positions provided for by the organization charts of ECIs representing in total a minimum of 6.5 million inhabitants have been filled	7.50	Yes/No	
CY 2023	DLR 6.4 : 15 competencies have been covered by financing agreements in ECIs representing in total a minimum of 500,000 inhabitants	7.50	Yes/No	
CY 2024		0.00		
DLI 7	Digitalization of procedures and administrative services			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	35.00	11.67
Period	Value		Allocated Amount (USD)	Formula
Baseline	No digitalization			
CY 2019	DLR 7.1: The integrated revenue management system has been implemented in at least 50% of the Participating Municipalities.		7.00	Yes/No
CY 2020	DLR 7.2: The digital platform for issuing building permits and commercial licences is operational and publicly accessible in at least 50% of the Participating Municipalities. DLR 7.3: The		14.00	Yes/No



	integrated revenue management system has been implemented in at least 70% of the Participating Municipalities.		
CY 2021	DLR 7.4: The back-office system for the civil registry has been developed and is operational in at least 50% of the Participating Municipalities.	7.00	Yes/No
CY 2022	DLR 7.5: The citizen services digital portal is operational and publicly available in at least 50% of the Participating Municipalities.	7.00	Yes/No
CY 2023		0.00	
CY 2024		0.00	
DLI 8	Percentage of Participating Municipalities benefitting from the capacity building activities requested in their Annual Capacity Building Plans (ACBP)		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)
Output	No	Text	25.00
Period	Value	Allocated Amount (USD)	Formula
Baseline	0%		
CY 2019	DLR 8.1: A capacity building program has been established (including on demand trainings and technical assistance services) and a consolidated ACBP has been developed following an inventory of the identified needs in training and technical assistance.	4.50	Yes/No
CY 2020	DLR 8.2: A medium-term capacity building	2.50	DLR 8.2: Yes/No;



	strategy for the Participating Municipalities (as defined in the POM) has been adopted by the DGCL. DLR 8.3: 50% of the Participating Municipalities have achieved at least 70% of their ACBP.		4.50	DLR 8.3: D=(PM)/T*A
CY 2021	DLR 8.4: 60% of the Participating Municipalities have achieved at least 70% of their ACBP.		4.50	D=(PM)/T*A
CY 2022	DLR 8.5: 70% of the Participating Municipalities have achieved at least 70% of their ACBP.		4.50	D=(PM)/T*A
CY 2023	DLR 8.6: 80% of the Participating Municipalities have achieved at least 70% of their ACBP.		4.50	D=(PM)/T*A
CY 2024			0.00	
DLI 9	Improvement of local transparency and accountability of the Participating Municipalities through the carrying out of financial audits			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	11.00	3.67
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
CY 2019	6.00		0.59	D=(NA)*Euro 89,784 (US\$ 99,099 equivalent)
CY 2020	30.00		2.97	
CY 2021	10.00		0.99	



CY 2022	15.00	1.49	
CY 2023	50.00	4.95	
CY 2024		0.00	



Verification Protocol Table: Disbursement Linked Indicators

DLI 1	Timely communication to Participating Municipalities of the indicative Performance Grants (PG) allocation and timely transfer of PGs on the basis of an objective allocation formula
Description	<p>This DLI will be verified if the annual allocations of PGs are made publicly available and are transferred to Participating Municipalities in due time.</p> <p>The DLRs are the following:</p> <ul style="list-style-type: none"> - DLR#1.1: Annual allocation of PGs made publicly available no later than mid-December 2019 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2020 (or such later date as agreed with the Bank). - DLR#1.2: Annual allocation of PGs made publicly available no later than mid-September 2020 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2021 (or such later date as agreed with the Bank). - DLR#1.3: Annual allocation of PGs made publicly available no later than mid-September 2021 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2022, (or such later date as agreed with the Bank). - DLR#1.4: Annual allocation of PGs made publicly available no later than mid-September 2022 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2023 (or such later date as agreed with the Bank). - DLR#1.5: Annual allocation of PGs made publicly available no later than mid-September 2023 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2024 (or such later date as agreed with the Bank).
Data source/ Agency	DGCL
Verification Entity	IGAT
Procedure	DGCL will notify IGAT of the date and means of publication of the annual allocation of PGs and will submit the documentation related to the transfers.
DLI 2	Cumulative amount of PGs transferred to Participating Municipalities
Description	This DLI will measure the cumulative amount of performance grants (PG) transferred to Participating Municipalities, and has



	<p>one DLR :</p> <p>DLR#2: MAD5,500 million of PGs transferred to Participating Municipalities, from a baseline of 0.</p> <p>For each calendar year, an indicative cumulative target has been defined :</p> <ul style="list-style-type: none"> - In CY 2019: 300 million MAD of PGs have been transferred to Participating Municipalities. - In CY 2020: 1,500 million MAD of PGs have been transferred to Participating Municipalities. - In CY2021: 2,500 million MAD of PGs have been transferred to Participating Municipalities. - In CY 2022: 4,000 million MAD of PGs have been transferred to Participating Municipalities. - In CY 2023: 5,500 million MAD of PGs have been transferred to Participating Municipalities. - In CY 2024: 5,500 million MAD of PGs have been transferred to Participating Municipalities. <p>For each amount of PGs transferred to Participating Municipalities, a proportional amount will be disbursed to the borrower, on the basis of the following formula: Disbursement (D) is equal to MAD amount of PGs transferred to Participating Municipalities (PG), divided by targeted MAD amount in DLR (T), multiplied by total amount allocated to the DLR (A).</p>
Data source/ Agency	DGCL
Verification Entity	IGAT
Procedure	DGCL will provide IGAT with the budget and financial documents related to PG transfers.
DLI 3	Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions
Description	<p>This DLI will be measured by the percentage of Participating Municipalities that have met the Minimum Mandatory Conditions, as verified through the annual performance assessment carried out in the same year.</p> <p>The DLRs are the following:</p> <ul style="list-style-type: none"> - DLR#3.1: 50% in 2019, from a baseline of 4% - DLR#3.2: 60% in 2020 - DLR#3.3: 70% in 2021



	<ul style="list-style-type: none">- DLR#3.4: 80% in 2022- DLR#3.5: 90% in 2023 <p>Disbursements will be proportional to the annual targets, calculated on the basis of the following formula: Disbursement (D) is equal to percentage number of Participating Municipalities that have met the minimum mandatory conditions (PM), divided by total percentage number of Participating Municipalities targeted under said DLR (T), multiplied by total amount allocated to said DLR (A).</p>
Data source/ Agency	IGAT (PA reports)
Verification Entity	Independent Auditor
Procedure	IGAT, in charge of the performance assessment, will provide the independent auditor with PA reports.
DLI 4	Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100
Description	<p>This DLI will be measured by the percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100, as verified through the annual performance assessment carried out in the same year.</p> <p>The DLRs are the following:</p> <ul style="list-style-type: none">- DLR#4.1: 50% in 2020, from a baseline of 10%- DLR#4.2: 60% in 2021- DLR#4.3: 70% in 2022- DLR#4.4: 80% in 2023 <p>Disbursements will be proportional to the annual targets, calculated on the basis of the following formula: Disbursement (D) is equal to percentage number of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100 (PM), divided by total percentage number of Participating Municipalities targeted under said DLR (T), multiplied by total amount allocated to said DLR (A).</p>



Data source/ Agency	IGAT (PA reports)
Verification Entity	Independent Auditor
Procedure	IGAT, in charge of the PA, will provide the independent auditor with PA reports
DLI 5	Elaboration of a national inter-municipal cooperation scheme
Description	<p>This DLI will verify whether a national inter-municipal cooperation scheme has been developed.</p> <p>The DLRs are the following:</p> <ul style="list-style-type: none"> - DLR#5.1: Adoption of the framework circular ("Circulaire de Cadrage" or relevant act) for the development of the national inter-municipal cooperation scheme - DLR#5.2: Adoption of the Order/Circular (Arrêté/Circulaire or relevant act) on the national inter-municipal cooperation scheme covering at least the ten largest agglomerations listed in the POM <p>The indicative timeline for the achievement of DLRs is the following:</p> <ul style="list-style-type: none"> - DLR#5.1 is expected to be achieved in CY 2020. - DLR#5.2 is expected to be achieved in CY 2022. <p>Allocated amounts will be disbursed on a "Yes/No" basis.</p> <ul style="list-style-type: none"> - Following verification of DLR#5.1, an amount of USD 5 million will be disbursed. - Following verification of DLR#5.2, an amount of USD 10 million will be disbursed.
Data source/ Agency	DGCL
Verification Entity	IGAT
Procedure	DGCL will provide IGAT and the Bank with a copy of the relevant act officially adopted.
DLI 6	Establishment of a sustainable operating framework for ECIs
Description	This DLI will verify whether a sustainable operational framework for ECIs has been established.



	<p>The DLRs are the following:</p> <ul style="list-style-type: none"> - DLR#6.1: Adoption of the order(s) (Arrêté(s) or relevant act(s)) establishing the categories of ECIs representing in total a minimum of 6.5 million inhabitants pursuant circular No. D-536 dated April 8, 2019 - DLR#6.2: Adoption of the circular (Circulaire or relevant act) establishing the contractual framework for the financing of competences transferred to ECIs (including model agreement by type of competency and method for calculating transferred expenses) - DLR#6.3: 50% of the total number of positions provided for by the organization charts of ECIs representing in total a minimum of 6.5 million inhabitants have been filled - DLR#6.4: 15 competencies have been covered by financing agreements in ECIs representing in total a minimum of 500,000 inhabitants <p>The indicative timeline for the achievement of DLRs is the following:</p> <ul style="list-style-type: none"> - DLR#6.1 is expected to be achieved in CY 2020. - DLR#6.2 is expected to be achieved in CY 2021. - DLR#6.3 is expected to be achieved in CY 2022 - DLR#6.4 is expected to be achieved in CY 2023 <p>Allocated amounts will be disbursed on a "Yes/No" basis.</p> <ul style="list-style-type: none"> - Following the verification of DLR#6.1, an amount of USD 7.5 million will be disbursed. - Following the verification of DLR#6.2, an amount of USD 7.5 million will be disbursed. - Following the verification of DLR#6.3, an amount of USD 7.5 million will be disbursed. - Following the verification of DLR#6.4, an amount of USD 7.5 million will be disbursed.
Data source/ Agency	DGCL
Verification Entity	IGAT
Procedure	<p>DLR 6.1: DGCL will provide IGAT and the Bank with official copies of the signed order(s) (Arrêté(s) or relevant act(s)).</p> <p>DLR 6.2: DGCL will provide IGAT and the Bank with an official copy of the signed circular (Circulaire or relevant act).</p> <p>DLR 6.3: DGCL will provide IGAT and the Bank with the list of filled positions in ECIs representing in total a minimum of 6.5 million inhabitants.</p> <p>DLR 6.4: DGCL will provide IGAT and the Bank with the list of financing agreements signed in ECIs representing in total a</p>



	minimum of 500,000 inhabitants.
DLI 7	Digitalization of procedures and administrative services
Description	<p>This DLI will measure the digitalization of procedures and administrative services in Participating Municipalities.</p> <p>The DLRs are the following:</p> <ul style="list-style-type: none"> - DLR#7.1: The integrated revenue management system has been implemented in at least 50% of the Participating Municipalities - DLR#7.2: The digital platform for issuing building permits and commercial licenses is operational and publicly accessible in at least 50% of the Participating Municipalities - DLR#7.3: The integrated revenue management system has been implemented in at least 70% of the Participating Municipalities - DLR#7.4: The back-office system for the civil registry has been developed and is operational in at least 50% of the Participating Municipalities - DLR#7.5: the citizen services digital portal is operational and publicly available in at least 50% of the Participating Municipalities <p>The indicative timeline for the achievement of DLRs is the following:</p> <ul style="list-style-type: none"> - DLR#7.1 is expected to be achieved in CY 2019 - DLR#7.2 is expected to be achieved in CY 2020 - DLR#7.3 is expected to be achieved in CY 2020 - DLR#7.4 is expected to be achieved in CY 2021 - DLR#7.5 is expected to be achieved in CY 2022 <p>Allocated amounts will be disbursed on a "Yes/No" basis.</p> <ul style="list-style-type: none"> - Following the verification of DLR#7.1, an amount of USD 7 million will be disbursed. - Following the verification of DLR#7.2, an amount of USD 7 million will be disbursed. - Following the verification of DLR#7.3, an amount of USD 7 million will be disbursed. - Following the verification of DLR#7.4, an amount of USD 7 million will be disbursed. - Following the verification of DLR#7.5, an amount of USD 7 million will be disbursed.



Data source/ Agency	DGCL, Participating Municipalities, digital platform/portal manager, IT director, Ministry of Finance
Verification Entity	IGAT
Procedure	<p>DLR 7.2: Portal manager will provide IGAT with relevant data on accounts, users and traffic and IGAT will verify that the objectives have been met.</p> <p>DLR 7.3: Participating Municipalities will declare to DGCL whether they used the Integrated Revenue Management system ('GIR') or not, and DGCL and MEF will verify using appropriate technical means. DGCL will provide results and supporting documents to IGAT.</p> <p>DLR 7.4: IT Director will provide IGAT with relevant data on accounts, users and traffic and IGAT will verify that the objectives have been met.</p> <p>DLR 7.5: Portal manager will provide IGAT with relevant data on accounts, users and traffic and IGAT will verify that the objectives have been met.</p>
DLI 8	Percentage of Participating Municipalities benefitting from the capacity building activities requested in their Annual Capacity Building Plans (ACBP)
Description	<p>This DLI will be measured as the percentage of Participating Municipalities benefitting from the capacity building activities requested in their Annual Capacity Building Plans (ACBP), provided by the annual performance assessments.</p> <p>The DLRs are the following:</p> <ul style="list-style-type: none"> - DLR#8.1: A capacity building program has been established (including on-demand training and technical assistance services) and a consolidated ACPB has been developed following an inventory of the identified needs in training and technical assistance, in 2019. - DLR#8.2: A medium-term capacity building strategy for the Participating Municipalities (as defined in the POM) has been adopted by the DGCL, in 2020. - DLR#8.3: 50% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2020. - DLR#8.4: 60% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2021. - DLR#8.5: 70% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2022. - DLR#8.6: 80% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2023. <p>Amount allocated to DLRs 8.1 and 8.2 will be disbursed on a "Yes/No" basis.</p>



	<ul style="list-style-type: none"> - Following the verification of DLR#8.1, an amount of USD 4,5 million will be disbursed. - Following the verification of DLR#8.2, an amount of USD 2,5 million will be disbursed. <p>Amount allocated to DLRs 8.3 to 8.6, will be proportional to the annual target, calculated on the basis of the following formula: Disbursement (D) is equal to percentage number of Participating Municipalities benefitting from the capacity building activities requested in their annual capacity building plans (PM), divided by total percentage number of Participating Municipalities targeted under said DLR (T), multiplied by total amount allocated to said DLR (A).</p>
Data source/ Agency	DGCL, Participating Municipalities
Verification Entity	IGAT
Procedure	Participating Municipalities will provide their ACBP to the DGCL, which will compile data from its Direction de la Formation and from entities in charge of TA actions to calculate the completion rate of the ACBP for each municipality, and will aggregate results to obtain the global rate. The DGCL will submit the rates and the supporting documents to IGAT.
DLI 9	Improvement of local transparency and accountability of the Participating Municipalities through the carrying out of financial audits
Description	<p>This DLI will measure the Improvement of local transparency and accountability of the Participating Municipalities through the carrying out of financial audits, and has one DLR:</p> <p>DLR#9: Number of new financial audits carried out in Participating Municipalities which have not been audited in the two years preceding the new financial audit, from a baseline of 0 in 2018.</p> <p>For each calendar year, an indicative annual target has been defined below :</p> <ul style="list-style-type: none"> - In CY 2019: 6 new financial audits have been carried out in targeted Participating Municipalities. - In CY 2020: 30 new financial audits have been carried out in targeted Participating Municipalities. - In CY 2021: 10 new financial audits have been carried out in targeted Participating Municipalities. - In CY 2022: 15 new financial audits have been carried out in targeted Participating Municipalities. - In CY 2023: 50 new financial audits have been carried out in targeted Participating Municipalities. <p>For each new annual audit (NA) carried out on a Participating Municipality which has not been audited in the two years</p>



	preceding the new annual audit a proportional amount will be disbursed to the borrower, on the basis of the following formula: Disbursement (D) is equal to number of new annual audit (NA), multiplied by Euro 89,784 (USD 99,099 equivalent).
Data source/ Agency	IGAT
Verification Entity	Independent Auditor
Procedure	At the end of each year, IGAT will provide the list of newly audited Participating Municipalities to the independent auditor, who will then compute the subsequent number.



ANNEX 3. TECHNICAL ASSESSMENT

COUNTRY : Morocco

Municipal Performance Program

A. Program Strategic Relevance and Technical Soundness

A.1. Program Strategic Relevance

118. **The Program strategic relevance is High.** As noted in the Country Economic Memorandum for Morocco released by the World Bank in 2017, urbanization and decentralization are two critical transformations which contribute to framing the challenges and opportunities faced by Moroccan policy makers when considering policy options to pursue the two objectives of boosting economic growth and promoting social equity. In this context, the Program's support to improving the institutional performance of Participating Municipalities, while strengthening inter-municipal cooperation for local service delivery in selected urban agglomerations, is highly relevant.

119. Morocco has engaged over the past decades in a decentralization process that has been further reinforced with the new 2011 Constitution. The latter establishes the principle of administrative freedom of municipalities (article 136), thus establishing the end of the *'tutelle'* of the Central Government over municipalities. As for the Organic Law no.113-14 of July 15, 2015, pertaining to municipalities, it has reinforced the *'own mandates'* of municipalities (*compétences propres*) pertaining to service delivery, while entrusting them with new *'shared'* and *'transferred'* mandates (*compétences partagées* and *compétences transférées*). Nonetheless, Moroccan municipalities do not have sufficient autonomy, whether from a financial or a technical point of view, to fulfill their mandate. While their revenues have increased over the last decade, the potential increase in terms of municipal own source revenues remains significant and their capital expenditure have stagnated. On the technical side, municipal competencies cover a wide range of key municipal services,⁷² requiring specific internal skills for selecting, preparing, and executing local investments.

120. Beyond the crucial financial needs to finance urban infrastructure and services, the limited capacity, and the lack of incentives of Moroccan municipalities to strategically plan and effectively execute their investment budgets is a binding constraint. Moroccan municipalities have weak capacities across a broad range of functional responsibilities and in terms of municipal investment prioritization and planning, including citizen participation and oversight.⁷³ This is due to weak capacities in terms of quality project management, including procurement and environmental and social management, and a lack of sufficient qualified HR. In addition, the weak accountability relationship between municipalities and their citizens does not provide any incentives for the municipalities to perform effectively, which further undermines their capacity in terms of planning, budgeting and operation and maintenance of their assets. The institutional framework for inter-municipal cooperation also needs to be strengthened and further operationalized to enable and structure the management of local services at the most relevant scale

⁷² Municipal mandates include the provision of key services, such as drinking water supply, sanitation, the distribution of electricity, municipal solid waste collection and disposal, streetlighting, urban transport, traffic signs and parking management, slaughterhouses, markets, and socio/cultural/sports centers.

⁷³ Morocco PEFA 2016/Casablanca PEFA 2016.



(including the metropolitan level) and reap network synergies and economies of scale for key facilities and services such as transport, water and sanitation, solid waste, and so on.

A.2. Program Technical Soundness

121. **The Program's design rests on solid technical bases.** In recent years, Morocco has acquired experience with developing territorial development programs anchored around large urban agglomerations such as Tangiers, Rabat, and Marrakesh. A large body of analytical work on the challenges facing municipalities and the provision of urban infrastructure and local public services has recently been developed.⁷⁴ For the first time in Morocco, the improvement of municipal performance would be supported through the development of a comprehensive assessment system and the introduction of incentive-based grants. The international conference on the 'Performance of Municipal Management' organized by the DGCL, with the support of the World Bank, on September 20, 2018, gathered the mayors and Director General of municipal services (*Directeurs Généraux des Services*) of the 36 municipalities with 100,000 inhabitants or more and allowed them to present international experiences and lessons learned (including from the Tunisian, Tanzanian, Ugandan and Ethiopian cases). This event confirmed the Government's will to focus on a results-based approach and shift from 'a legal and technical approach of local services to a management approach based on concrete results driven by citizen demand'.⁷⁵

122. **The Program's design reflects lessons learned from the World Bank's global experience with similar operations in several countries.** These include the following:

- (a) **The need for a strong institutional champion at the national and local levels.** As mentioned, the Program relies on solid ownership by the DGCL of the MoI, which reaffirmed its will to support the deepening of decentralization and accompany municipalities through this process. As for municipalities, the mayors of the cities with over 100,000 inhabitants clearly expressed, during the conference organized in September 2018, their strong interest for the results-based approach to be used through the Program as it would enable them to compare the achievements of their city with those of other comparable cities while allowing them to use objective data to exchange with their citizens.
- (b) **Attention to jointly strengthening the interlocking elements of municipal capacity.** The Program includes reforms addressing essential aspects of decision making, financing, and management. Similarly, the Program places concomitant incentives on institutional, fiscal, and investments objectives, in line with other municipal support PforRs.

123. **The Program also aims at maximizing finance for local development.** By improving the credit-worthiness of targeted municipalities, this Program aims at increasing their capacities to leverage private resources and skills for municipal investments. The *Fond d'Équipement Communal*, the largest lender to municipalities in Morocco, identified low municipal revenues and their lack of predictability on one hand, and the lack of municipal capacities to effectively implement their projects as the primary roadblocks for increased municipal lending on one hand, and private sector engagement on the other. The team is also

⁷⁴ See, for example, the 2018 World Bank *Morocco Urbanization Review*.

⁷⁵ Opening Statement by H.E Nour Eddine Boutayeb, Minister Delegate to the Minister of Interior.



collaborating with IFC as they identify key client subnational stakeholders to leverage additional impact financing.

124. **Program activities and expenditures** are aligned with the Program's overall objectives and subprograms. They reflect the GoM's commitment to advancing decentralization through supporting municipalities to become real drivers of development in their territories. Program activities are aligned with and build on the long-standing dialogue of the World Bank and other donors with the MoI and more specifically the DGCL.

125. **Subprogram 1.** This subprogram will incentivize Participating Municipalities to improve their performance through the development and implementing of a performance-based grant system. It will promote a novel performance-based approach focused on municipalities in urban areas and introduce an annual performance assessment of the Participating Municipalities, based on a performance framework consisting on MMCs and PIs. The performance grants will be allocated to municipalities based on an objective and transparent formula taking into account each municipality's population, its achievement of the MMCs, and its score on the different PIs (see Figure A3.1 below). With support from the World Bank and AFD, DGCL and IGAT has developed a performance assessment framework consisting of five MMCs and twenty-four PIs. The performance framework builds on similar experiences including the Urban Development and Local Governance Program supported by the World Bank in Tunisia.⁷⁶ The MMCs and PIs included in the performance framework cover the core functions and services provided by municipalities to their citizens as well as core elements of transparency and systematic citizen feedback to improve municipal management.

126. The performance assessment framework includes the following areas:

- **Governance and transparency, including citizen participation.** This includes the public disclosure of key information, monitoring of delegated services, systematic measurement of citizen feedback, and implementation of the petition right introduced through the 2011 constitution.
- **Expenditure management.** This includes budget programming, execution, procurement, and audits.
- **Revenue management.** This includes the improvement of own source revenues, the development of active management strategy for municipal assets, and mobilization of inactive resources in the special accounts.
- **Human resources.** This includes updating the municipal organization chart, defining tasks and staffing key positions, and implementing capacity-building plans.
- **Social and environmental management.** This includes the implementation of environmental and social management systems; the effective functioning of the =IEECAG); and adoption of

⁷⁶ A study tour to Tunisia was organized on April 2019 to inform the design of the operation. A Moroccan delegation including mayors, and MoI officials travelled to Tunis to meet with the Tunisian institutions involved in the implementation of the Tunisia Urban Development and Local Governance Program.



a gender-responsive planning process introduced by the 2015 Organic Law.

- **Service delivery.** This includes the introduction of citizen satisfaction measurement tools, the digitalization of key administrative services, and the improvement of service level in municipal services, such as household waste collection, commercial licenses, civil registry, signature legislation.

Figure A3.1. Performance based grants allocation formula

$$A_i = E \times \left(0.3 \times \frac{1}{N} + 0.7 \times \frac{Pop_i}{\sum_1^N Pop_j} \right) \times C_i (0.4 + 0.6 \times P_i)$$

Ai = Individual performance-based grant allocation for municipality i
E = Total annual envelope allocated or performance-based grants

Flat-rate share of 30%
 30% of the total envelope is allocated equally between the N municipalities

Population based allocation of 70%
 The remaining 70% is allocated between the N municipalities based on their respective population

Performance-based formula:
 Each municipality gets access to its individual envelope based on the achievement of MMCs ($C_i = 0$ or 1).

 Achievement of MMCs grants access to 40% of the individual envelope.

 Access to the remaining 60% is proportional to the municipality's performance score (P_i between 0 and 100%)

127. **The DGCL has launched an initial round of annual performance assessment in May 2019.** The initial results of the performance assessment have been presented and discussed with the Participating Municipalities in a series of regional workshops held in July 2019. For the first implementation year, the DGCL will allocate an initial envelop for performance-based grants based only on the achievement of MMCs. The objective of this initial round is to establish the new performance-based approach ahead of the coming elections scheduled for 2021. Preliminary results from the performance assessment, communicated in July 2019, have been reviewed during appraisal to validate the baseline and targets of the DLIs related to the achievement of MMCs and PIs by the Participating Municipalities.

128. **Subprogram 2: Strengthening the institutional framework for inter-municipal cooperation.** This subprogram aims at strengthening inter-municipal cooperation to optimize and coordinate investments and resources management and to improve service delivery, through (a) the development of a national scheme for inter-municipal ; (b) the strengthening of the regulatory and organizational framework for ECIs sustainability, including the adoption/implementation of a new contractual framework for the financing of competencies transferred to ECIs and the implementation of the newly adopted organigrams; and (c)



the development of an on-demand TA program to assist Participating Municipalities interested to collaborate under an ECI model, and support the ECIs as needed. .

129. **Subprogram 3: Enhancing the organization and human capacities of municipalities.** Under this subprogram, the DGCL carry out a program of activities aimed at strengthening the Participating Municipalities capacity and information and organization systems. Activities under this subprogram will include (a) the development and implementation of a comprehensive capacity-building program; (b) the provision of technical assistance to implement the Borrower's legal and regulatory decentralization framework; (c) the digitalization and simplification of selected administrative processes and services to citizens and firms in line with the Mol's smart city agenda⁷⁷ as described in annex 9; and (d) the development and implementation of a training curriculum for employees and officials of Participating Municipalities.

A.3. Program Institutional Framework

130. **The Program's institutional architecture relies on clear roles, accountability lines, and high-level ownership.** The Program will be managed at the Government level by the (DGCL at the Mol, which has largely demonstrated its capacity to coordinate the work of Moroccan municipalities and support them in fulfilling their mandates, including through its strong coverage at the local level ensured by key stakeholders (Walis at the regional levels and governors at the level of prefectures). It will be responsible for the development and implementation of the performance-based grant system, the provision of technical and capacity building to targeted municipalities and ECIs, as well as the implementation of activities aimed at improving central support systems to municipalities. IGAT, under the Mol, will be responsible for carrying out the annual performance assessment of municipalities.

131. At the local level, the beneficiaries of the Program will be select municipalities ('communes' in French). Although their capacities are limited, the Program will allow to assess the risks on a continuous basis (through the setting up of clear and objective PIs) and manage them through the development of a comprehensive capacity-building program. More specifically and on fiduciary aspects, targeted municipalities will benefit from a fiduciary capacity-building program, which will help enable municipalities to implement modern and innovative approaches to procurement, for the implementation of planned investments and the delivery of quality services to citizens.

132. Based on the vision developed by the DGCL to improve the quality of service delivery in the country through to strengthening of inter-municipal cooperation, the Program will also provide technical support to ECIs. ECIs are public operators endowed with legal status and financial autonomy to implement specific mandates transferred by municipalities to optimize the quality and efficiency of local service delivery (through integrated planning of urban public services, optimal use of territorial resources, economies of scale, equalization processes, and so on). Seven ECIs have been created so far (see table 3.1). Although the key mandates have been transferred to them, these ECIs sometimes lack financial and technical skills. Pursuing the work initiated through the PACT, the Program will support the development of a strengthened regulatory and policy environment framework for ECIs (the adoption of which by the Government has been defined as a DLI). The Program will also provide technical support to identify

⁷⁷ This includes the deployment of the (a) integrated revenue management system, (b) single window platform for citizen administrative services, (c) back office system for the civil registrar, and (d) digital platform for the issuance of building permits and commercial licenses.



institutional/financial arrangements to further strengthen the existing ECIs and potentially create new ones. This technical support will be leveraged through the allocation by the DGCL of financial incentives to ECIs.

Table A3.1. List of Existing ECIs

Name	Headquarters	Number of Municipalities	Population	Transferred Mandates
Al Assima	Rabat	15	1,864,245	<ul style="list-style-type: none"> Urban public transport and preparation of the municipal urban mobility plan Distribution of water and electricity; sanitation
Al Baïda	Casablanca	18	3,570,132	<ul style="list-style-type: none"> Urban public transport and preparation of the municipal urban mobility plan Solid waste treatment Sanitation and solid waste management and wastewater treatment plants Distribution of water and electricity and public lighting
Grand Agadir	Agadir	9	816,073	<ul style="list-style-type: none"> Urban public transport and preparation of the municipal urban mobility plan
Grand Nador	Nador	11	393,000	<ul style="list-style-type: none"> Urban public transport and preparation of the municipal urban mobility plan Solid waste management
Oued El Makhazine	Larache	10	412,874	<ul style="list-style-type: none"> Urban public transport and preparation of the municipal urban mobility plan Solid waste management Creation and management of economic and industrial activity zones
Le Grand Safia El Hamra	Laâyoune	4	236,716	<ul style="list-style-type: none"> Distribution of water and electricity and sanitation Urban public transport and preparation of the municipal urban mobility plan Solid waste management Hygiene and public health Sanitation and solid waste management and wastewater treatment plants Maintenance of municipal roads

133. IGAT has agreed, in principle, to taking the responsibility of assessing the performance of municipalities. Owing to its successful involvement in several PforRs, IGAT (put under the authority of the



Mol) has developed a solid reputation as a reliable verification agent in Morocco and its involvement in the proposed operation would constitute a strong plus for monitoring the Program results.

134. Cooperation between the Program stakeholders will be ensured by the DGCL, a structure that has both the experience and the institutional mandate to coordinate with all municipalities and relevant central departments.

A.4. Institutional Arrangements

135. The Program will be implemented under the supervision of the DGCL at the Mol. Implementation and good governance of the Program will be ensured through the establishment of the following:

- (a) A Program Steering Committee will ensure efficient cooperation and ownership of the Program's objectives and activities within the relevant directions of the Mol. The Program Steering Committee will be chaired by the Wali DGCL and will include governors of the relevant directorates within the DGCL/Mol. The committee will review Program implementation progress and will ensure coordination among key Program stakeholders. It will oversee overall Program reporting, including the results verification process, results achievement notification, and Program audits. To this effect, the Steering Committee will review the draft Annual Program Report submitted by the PMU. The committee will meet at least on a quarterly basis and as often, as necessary. Officials from other institutions involved in the Program (including IGAT, TGR, DGI, and so on) will be invited to the committee's meeting as and when needed.
- (b) A PMU within the DGCL was set up on May 28, 2019, to support day-to-day implementation and M&E⁷⁸. It will be responsible for ensuring the timely implementation of the performance-based grant system, coordinating the provision of TA and capacity building to targeted municipalities and ECIs, and implementing activities aimed at improving central support systems to municipalities. The DGCL has appointed dedicated staff to oversee Program implementation, including (i) a program coordinator; (ii) focal points in charge of each subprogram; (iii) a social and environmental management focal point, (iv) a fiduciary focal point covering financial management and procurement aspects; and (v) two municipal liaison officers in charge of acting as a liaison with municipalities (via performance correspondents, i.e. focal points named at each Participating Municipality's level) for optimal support and communication.

136. To ensure efficient operationalization of the PMU, the DGCL has appointed dedicated staff to oversee Program implementation, including (a) a program coordinator, in charge of ensuring smooth cooperation of all engaged stakeholders and efficient implementation of the three subprograms. This key Program focal point is supported by a program assistant; (b) three program officers, in charge of supporting the implementation of each subprogram; (c) two safeguards and environmental officers, (d) two fiduciary officer covering both financial management and procurement aspects; and (e) a municipality focal point, in charge of acting as an interface with municipalities for optimal support and communication.

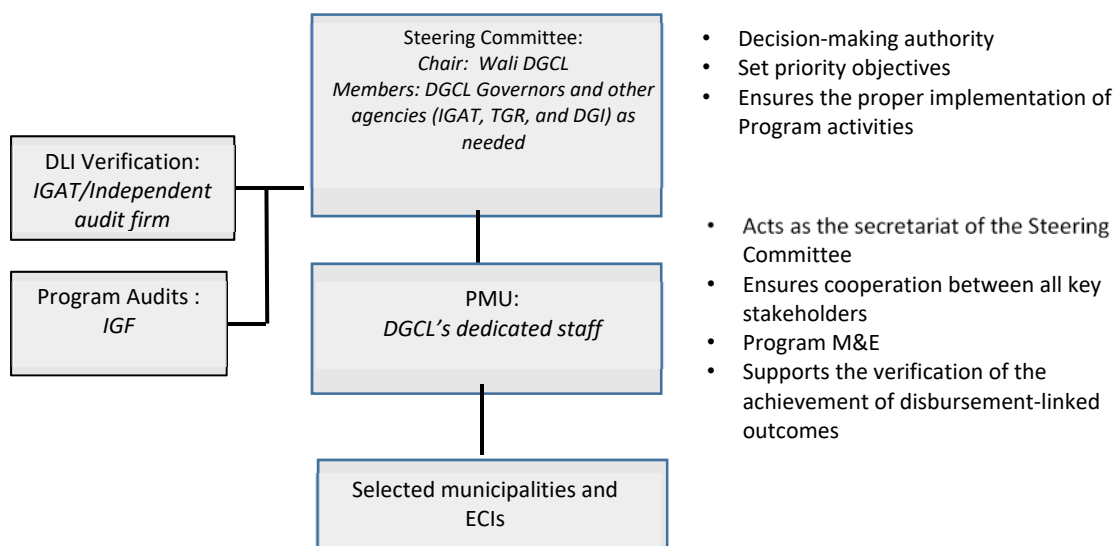
⁷⁸ 'Note de service' from DGCL No. 374 of May 28, 2019

137. Municipalities will be responsible for the implementation of the municipal investments financed under Subprogram 1. Municipalities and ECIs benefitting from Subprograms 2 and 3 will have a technical responsibility in the implementation of TA and capacity-building activities which they will benefit from.

138. **DLIs verification.** IGAT will act as the verification agent under the Program except for DLI#3, 4, and 9.⁷⁹ Verification of these DLIs will be performed by an independent audit firm to be recruited on a competitive basis by the DGCL. IGAT already acts as a verification agent in other World Bank PforRs in Morocco (National Human Development Initiative or *Initiative Nationale pour le Développement Humain*, Integrated Risk Management, Urban Transport, and Casablanca Municipal Support) with very satisfactory performance. Also given its specific mandate pertaining to the field of municipalities, IGAT has confirmed its readiness to ensure this mission within the framework of the proposed Program.

139. **Financial audit of the Program.** The IGF, a Department of the Ministry of Economy and Finance—will carry out the financial audit of the Program including the audit of the Participating Municipalities in collaboration with the IGAT.

Figure A3.2. Program Implementation Arrangements



B. Expenditure Framework

140. Alignment of the budget with Government priorities, classification, sustainability, and predictability are assessed as more than adequate. The planned expenditures are adequate to achieve the PforR results. The key risks identified in the Program Expenditure Framework are addressed in the Program's design.

⁷⁹ IGAT will be involved in the achievement of these DLIs as part of the implementation of the performance assessment framework.



Table A3.2. Program Expenditure

Program Expenditures	Amount (US\$ millions)
<i>Subprogram 1: Developing and implementing a performance-based grants transfer system on Participating Municipalities</i>	655
Municipalities' expenditure within the Program boundary	
<i>Chapter 10: Administrative infrastructures</i>	60
<i>Chapter 20: Social infrastructures</i>	28
<i>Chapter 30: Public spaces, water sanitation, public lighting infrastructures</i>	336
<i>Chapter 40: Economic infrastructures</i>	45
<i>Operation & Maintenance of municipalities' infrastructures</i>	186
<i>Subprogram 2: Strengthening the institutional framework for inter-municipal cooperation</i>	7
TA to support the development of a national inter-municipal cooperation scheme	2
TA to operationalize the financial and organization framework for ECIs sustainability (including the adoption/enforcement of a new financing model and the implementation of the newly adopted organigrams).	5
<i>Subprogram 3: Enhancing the organization and human capacities of Participating Municipalities</i>	98
Capacity-building and TA activities for municipalities in the Program area.	9
TA to operationalize the legal and regulatory framework for decentralization.	6
Digitalization and simplification of selected administrative processes in line with the Mol's smart city agenda	58
Development and implementation of a training curriculum for municipal employees and elected officials.	25
Total	760

141. **Alignment with GoM priorities.** The Program's activities contained in the expenditure framework meets the directions set by the Government and the regional authorities. They are aligned with the Programs' intended results and with the national efforts to improve public service delivery and social inclusion at the decentralized level. Activities pertaining to improving governance, transparency, accountability, and citizen participation fully meet the requirements of the new Constitution (Title XII) and Organic Law 113-14 on municipalities (Title VIII and articles 119 to 125). These activities are also aligned with the DGCL's action plan aiming to support the decentralization agenda.

142. **Budget structure and classification.** The Program budget structure is clear in terms of sources of funding, budgetary vehicles and categories of expenditures. The Program will use the CAS TVA, created in 1986, as special funds for capital grant transfer and other TA and non-investment related activities. The General Budget of the State is the main source of funding of the CAS TVA. The CAS TVA's budget structure is aligned with the General Budget of the State which conforms with the COFOG as confirmed by the last PEFA report (rated A).⁸⁰ The CAS TVA's budget composition has been stable over the last three years and includes 59 percent unconditional grants, 22 percent capital expenditures grants, 16 percent joint expenditures '*charges communes*', and 3 percent operating expenditures. In a review of the annual report on the state, the special fund did not reveal any major issues in terms of budget structure and allocation which have been stable over the last three years.

⁸⁰ 'A' being the highest score.



143. **Effectiveness and transparency.** The Program's activities included under the Expenditure Framework are subject to technical and financial assessments to ensure their timely execution at envisaged costs. In addition, all Program executing entities are subject to public procurement rules, allowing for the Program activities to be executed at the lowest cost. The national and sub national PEFA reports confirm that effectiveness in the procurement process which will be reinforced by the ongoing generalization of the e-procurement system. Finally, the implementing entities will be supported by a TA and training plan as part of the Subprogram 3. This will include support for the screening/selection of the investment projects. Lastly, transparency and accountability streamlined in the Program's design will help closing the loop of effectiveness through dedicated (a) minimum conditions and PIs covering the transparency in the planning/procurement processes and citizen engagement and (b) a DLI on audit report of the municipalities. The Program's own fiduciary risk control mechanisms (which are more fully assessed within the Fiduciary System Assessment) provide a further driver of efficacy of expenditures and transparency under the Program.

Fiscal Sustainability

Implications of the fiscal context on the PforR Program

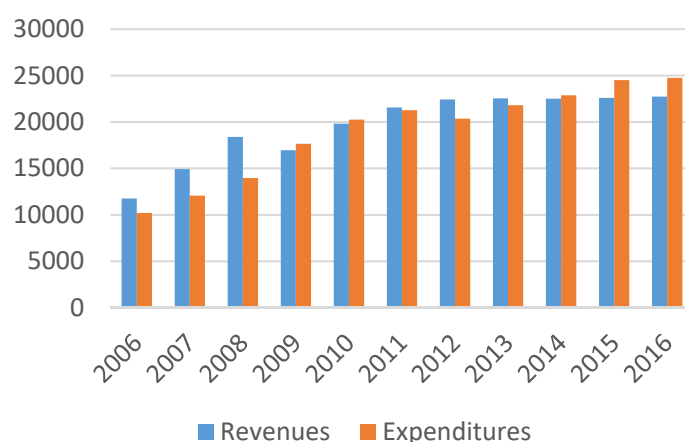
144. **Morocco's overall medium-term fiscal outlook is adequate to ensure the sustainability of the Program.** In 2013, in response to the external shocks facing the country (especially related to the increase in the price of oil products), Morocco initiated a process of fiscal consolidation and revenue improvement that allowed it to shrink its fiscal deficit from 6.8 percent of GDP in 2012 to 3.6 percent in 2017. With progress in fiscal consolidation, the debt-to-GDP ratio stabilized at around 65 percent of GDP since 2016. Fiscal space is also eroded by the recurrent cost obligations associated with the infrastructure buildup. Over the medium term, economic performance is expected to improve, enabled by sound fiscal and monetary policies, sector strategies better aligned with government's priorities, and an improved investment environment, all of which are aimed at supporting gradual competitiveness gains.

145. **The 2019 Budget Law reflects the Government's commitment to increase social spending through stronger domestic revenue mobilization.** It also plans to increase allocations of corporate and income tax revenues to the regions and increase transfers made to the interregional solidarity fund. Revenue measures to finance this additional spending include: (a) introducing a 2.5 percent solidarity tax on companies earning an annual net profit of over MAD 50 million; (b) privatizing certain government assets/SOEs; (c) increasing consumption taxes, particularly on tobacco; and (d) establishing improved governance systems for SOEs, including a multiannual policy for dividends and other contributions by SOEs to the general budget. Overall predictability of GoM's expenditure programs is ensured by the existence of several tools: (1) the Three-year Program Budget (TPB) for 2019 – 2021, developed in the context of the Public Finance Act; (2) the annual performance project endorsed by the Parliament which describes the key programs, the associated budget and PIs; and (3) the annual performance report which summarizes the results achieved and the budget executed for a given year. Overall, as per the 2017 PEFA, the predictability of the GoM's expenditures is robust with the indicator on predictability rated A based on timely release of the budget appropriations to the budget holders.

146. **Specifically, the predictability of the Program Expenditure Framework is supported by well-established mechanisms for intergovernmental fiscal transfers from the General Budget of the State to municipalities.** Intergovernmental fiscal transfers to municipalities are channeled through the special

account for the subnational governments' share in the product of the value added tax (CAS TVA). The CAS TVA receives 30 percent of the annual revenues from the Value Added Tax. Revenues of the CAS TVA increased rapidly from 2006 to 2012, due to the combined effects of economic growth and increased tax collection efficiency, and practically doubled during this period, to reach a level of annual revenues of around MAD 22 billion. However, revenues of the CAS TVA have been stagnant over the years 2012-2016, thus limiting the ability of the MoI to introduce reforms to the way it uses the CAS TVA to support municipalities. In 2017 and 2018, the resources of the AS TVA increased again (+ 19 percent in two years) and have reached MAD 26 billion in 2018, but the expenditures increased even more, especially to honor the multi-year investment commitments formerly made by the State. After increasing from about MAD 2 billion to about MAD 10 billion from 2005 to 2013, the CAS TVA revenues have declined again to a balance of about MAD 4 billion in 2016. revenues have exceeded the expenses of MAD 10 billion, while the expenses have exceeded the revenues of MAD 6.8 billion since the year 2014.

Figure A3.3. Revenues and Expenditures of the CAS TVA (2006-2016)



Source: Monthly bulletin of local finances - TGR

147. **CAS TVA resources are allocated between the three levels of subnational governments and are used to finance formula-based transfers as well as specific investment programs⁸¹.** Nearly three fourths of the CAS TVA resources actually granted to subnational governments, benefit to municipalities and their ECIs, nearly a quarter to provincial councils and three percent to regions.⁸² 57 percent of the CAS TVA resources benefitting municipalities and other subnational governments are transferred as unconditional grants (*dotations globales*)⁸³, 17 percent is oriented towards supporting specific investment projects under the framework of national sectoral programs, or city-level integrated investment programs, and 21 percent finances contributions to national programs such as the INDH or the FART, which have a specific impact in terms of territorial development.

⁸¹ World Bank. 2018. Morocco Urbanization review. Thematic note on municipal finances.

⁸² It should be noted that another special account receiving 5% of the amounts collected from the Income Tax and Corporate Tax has been instituted to benefit exclusively the newly established regional councils. (*Fonds spécial relatif au produit des arts d'impôts affectées aux régions*)

⁸³ 9 percent out of the 63 percent are dedicated to municipalities facing financial difficulties or to help municipalities to enforce some reforms such as wage increase decided by the Government.



148. **The recent evolution of revenues and expenditures of the CAS TVA have led to a significant reduction in the ability of the GoM to adapt its support to municipalities, provinces and regions.** The resources of the CAS TVA, after 5 years of stagnation, have rebound between 2016 and 2018 (+19 percent) and a perceptible growth is expected to occur in the medium to long term, thanks to implementation of a new tax framework law expected in 2021, which would strengthen tax collection and close loopholes currently impacting the level of TVA overall revenues. In spite of this positive medium to long term outlook, the current stagnation in CAS TVA revenues is limiting GoM ability to adapt the allocation of its resources in response to emerging and future needs. On the one hand, the CAS TVA is facing an increasing amount of multi-year commitments entered through the various sectoral or integrated investment programs the CAS TVA is called to contribute to. On the other hand, the repartition of formula-based transfers to municipalities is practically frozen because, in the absence of growth of the overall envelope, any modification of the repartition would reduce the amounts allocated.

Implications of the PforR Program on the fiscal context

149. **The Program is expected to have a positive long-term impact on the fiscal outlook.** GoM strategy is to strengthen municipalities to allow them to fulfill their responsibilities while maintaining the financial support of the Government through transfers at its current level. This would be made possible by tapping the unrealized potential in terms of increased own source revenues, and improved efficiency, which is mostly concentrated in the larger municipalities which are the focus of this operation. The long-term strategy of the GoM is to use the Program to put its larger municipalities on a trajectory in which they will be able to meet their service delivery responsibilities with greater financial autonomy. This would in turn allow the State to focus its financial support to smaller municipalities whose tax potential is very low due to limited tax bases and will continue to require financial support to provide improved services to their residents.

150. **Municipalities' own source revenues can be significantly increased.** It is estimated that the returns from the taxes administered by the State on behalf of municipalities and the taxes and fees administered by the municipalities themselves could increase significantly and could potentially double or triple⁸⁴. Realizing the full potential of these taxes and fees would require improving the tax collection efficiency which is generally low and expanding the tax base through improved addressing and registration of taxable properties. Most of the potential for increased own source revenues is concentrated in the larger municipalities which are the focus of this Program. In average, transfers from the CAS TVA represent 53 percent of municipalities recurrent revenues, while own source revenues - including taxes administered by the State on behalf of the municipalities as well as the taxes and fees administered by the municipalities – represent only 47 percent. However, the share of transfers and own source revenues vary significantly between the larger and smaller municipalities. In the case of the 1282 smaller municipalities which used to be categorized as “rural” before the 2015 organic law on municipalities, transfers from the CAS TVA represent 77 percent of recurrent revenues, while they represent only 44 percent of the recurrent revenues of the 221 former “urban” municipalities. Own source revenues play an even more significant role in the revenues of the larger municipalities which are the focus of this operation. When one considers the municipalities with a population over 50,000 people, the current

⁸⁴ A detailed assessment was carried out for the Municipality of Casablanca in 2009, which identified the potential to increase the municipality's own source revenues (including taxes administered by the State on behalf of the municipality as well as the taxes and fees administered by the municipality) by 100% to 200%. Similar studies carried out in other large municipalities have confirmed this range.



resources of the municipalities consist of: (a) 37 percent of tax revenues administered by the State on their behalf, (b) 36 percent of taxes and fees administered by the municipalities themselves, and (c) 27 percent of financial transfers from the State.

151. **The group of municipalities targeted by the operation are where the challenges of urbanization and the opportunities associated with improved urban management are concentrated.** The combined population of the targeted municipalities represents more than 80 percent of Morocco's urban population and nearly 50 percent of its total population. Demographic projections show that these municipalities will concentrate most of Morocco's demographic growth in the future years. As a result, they also concentrate most of the urban infrastructure investment needs. At the same time, as mentioned above, these municipalities also concentrate most of the unrealized potential in terms of own source revenues, but also in terms of increased efficiency of municipal investment through improved accountability, planning, and management of expenditures.

C. Results Framework and M&E Capacity

152. **The Program's progress will be monitored through a detailed Results Framework.** The Program supports three interrelated subprograms in support of the PDO which is to improve the institutional and service delivery performance of participating municipal governments. The three subprograms are as follows:

153. **Subprogram 1: Developing and implementing a performance-based grants transfer system on Participating Municipalities.** This will be achieved through the definition of PIs designed in collaboration with the MoI and municipalities to cover the core functions and services provided to the citizen, including (a) governance and transparency including citizen participation, (b) access to public services, (c) fiduciary, (d) HR, (e) revenues, and (f) safeguards and environment. The subprogram will incentivize municipalities to improve their performance through financial incentives consisting of performance-based investment grants. The performance grants will be allocated to municipalities based on a transparent formula based on their performance as well as selected objective criteria such as population.

154. **Subprogram 2: Strengthening the institutional framework for inter-municipal cooperation.** This will be achieved through strengthening the institutional environment around ECIs and through providing on-demand TA to existing ECIs and/or through coaching municipalities interested to collaborate under an ECI model. A national inter-municipal cooperation scheme will be developed and adopted to provide the enabling environment for the ECIs' development. In addition, a new financing model for the ECIs will be developed based on financing agreement templates, , aiming to transfer the needed resources for the functioning of the ECIs. Lastly, the ECIs will be supported to implement the newly adopted organogram through competitive recruitment.

155. **Subprogram 3: Enhancing the organization of human capacities of Participating Municipalities.** This will be achieved through a three-way approach. First is the digital transformation of the selected municipalities which will include the deployment of a set of information management systems including ICT tools that aim to improve service delivery to citizens (Government to citizen) or increase efficiency of administrative procedures within the municipalities (Government to Government). Second is the training aiming to strengthen the capacities of the selected municipalities to improve their performance. Third is hands-on-support to the municipalities to enhance their capacities.



156. **DLIs have been selected to reflect critical elements of performance required to achieve the PDO.** All Program DLIs are drawn from the Program Results Framework, containing a set of intermediate results indicators monitoring key inputs, outputs, and outcomes required to meet the PDO. DLIs identification was carried out to ensure they are (a) fully aligned with government priorities, (b) owned and monitorable by the responsible implementation entities; (c) achievable and yet challenging, (d) clearly measurable and independently verifiable, and (d) conducive to a smooth disbursement profile over Program implementation. Figure 3 presents the results chain which articulates how the Program activities and their outputs support the Program objectives.

157. **Results M&E.** Reporting progress on the Results Framework will be the responsibility of the DGCL at the Mol. The PMU housed at the DGCL will report to the Steering Committee which will ensure the implementation of the Program objectives. The PMU will prepare an annual Program Results Report (including reporting on all PDO-level and intermediate results indicators, evidence of results related to DLIs, and evidence of compliance with requirements of the PAP). The Program Results Report will be reviewed by the Steering Committee and will be submitted to the World Bank no later 60 days after the end of the calendar year.

158. **Verification protocol.** Each DLI relies on a verification protocol, defined by a specific methodology for measurement and verification. All verification protocols foresee the following accountabilities:

- (a) **DLI data monitoring and collection.** Data collection is the responsibility of the various entities directly in charge of Program activities aimed at the attainment of Program results. They each feed results data under the Program's M&E system managed at the PMU level by the DGCL.
- (b) **DLI data aggregation and validation.** The PMU at the DGCL agglomerates the DLI data within the overall Program M&E system (which tracks and measures intermediate results indicators too) and supports the verification agent during the entire verification process.
- (c) **The verification of progress toward** the achievement of the Program's objectives is carried out by IGAT/independent audit firm.

159. **Program's result chain.** Figure 3 in the PforR Program scope presents the theory of Change.

D. Economic Justification

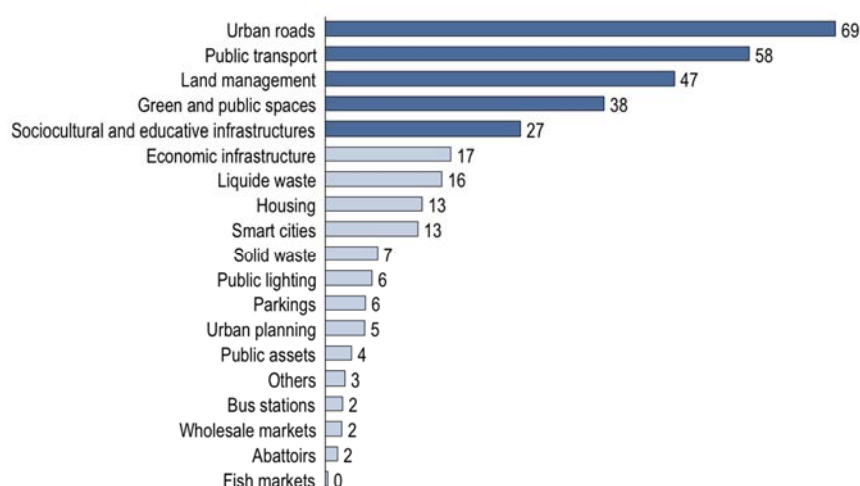
D.1. Rationale for Public Provision and/or Financing

160. The recent decentralization reforms have confirmed the central role of municipalities in the development of equipment and provision of services that are critical to ensure efficient urbanization. Although municipalities have seen their autonomy increased by the reforms, they still face mounting challenges to step up to the task of delivering the infrastructures needed to accommodate the continued increase in urban population. Empowering municipalities, both financially and institutionally, is thus key to ensure more efficient public investment and better service delivery for the citizens. The Program will fund capacity-building and institutional capacity activities in support of Morocco's decentralization policy. The Program will adopt an approach based on demand and performance, which should contribute to improving municipalities' governance and accountability while reducing the funding cost of local public

investment. Investments in terms of institutional strengthening will also contribute to the improvement of urban management and improvement of quality and sustainability of standard public services. Thus, the Program investments represent a judicious use of public resources, with a clear rationale for public provision and financing.

161. Delivering the infrastructure and services needed to accommodate the continued increase in urban population requires substantial financing, estimated by a recent study at around MAD 335 billion (US\$35 billion equivalent) over 2017–2027 (Figure A3.4).⁸⁵ These estimates consist of extrapolations based on available plans, studies, and technical standards and are focused on infrastructures whose provision falls within the mandates of Moroccan municipalities.

Figure A3.4. Investment Requirements for Urban Infrastructures in Moroccan Cities over 2017–2027 (MAD, billions)

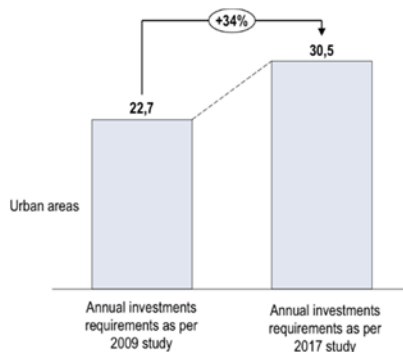


Source: World Bank, 2018, Investment Requirements for Urban Infrastructures in Moroccan Cities over 2017–2027, World Bank analysis prepared for DGCL

162. According to the same source, an estimated 69 percent of this—or MAD 22.2 billion per year (US\$2.29 billion equivalent) over this 10-year period—would be financed by municipalities in urban areas. In comparison, the Morocco Urbanization Review shows that the total capital expenditure of municipalities in urban areas has stagnated at around MAD 4.5 billion (US\$0.46 billion equivalent) per year over 2009–2015, around 20 percent of the estimated annual investment required to provide cities with the infrastructure they need to support improved living standards and economic activity in their territories. This stagnation is partly because of the weak institutional capacities of municipalities which contribute to maintain the significant untapped fiscal potential (the collection rate of local taxes and fees is between one-third and one-half of the fiscal potential in most Moroccan cities), thus limiting the net savings and investment capacities of Moroccan municipalities. Moroccan municipalities will need to multiply their current investment level by six to accommodate future investment needs. Those estimates represent an update of similar estimates prepared in 2009 for the Mol (Figure A3.5).

⁸⁵"*Etude d'évaluation des besoins en investissements des communes urbaines au Maroc*", BM 2017, Rapport soumis au Ministère de l'Intérieur.

Figure A3.5. Annual Investment Requirements



D.2. Economic Impact of the Program

163. Emerging evidence from similar Programs indicates that the activities supported by the proposed Program will likely result in a reduction of transaction costs associated with the delivery of local services because of (a) improved predictability and reliability of transfers from the Central Government to Participating Municipalities; (b) improved PFM capacity at the local level resulting in better budget planning and execution, reporting, and accounting practices; and (c) improved administrative capacity at the local level resulting in improved responsiveness of municipalities to the needs of citizens.

164. While the Program is expected to contribute to improved public service delivery, the benefits accrued are not easily quantifiable. By design, the proposed Program provides municipalities with discretion in deciding on the types of infrastructure investments that will be financed through the conditional capital grant system. It is therefore impossible to determine, in advance, which infrastructure services will be implemented. Municipal infrastructure investments under the Program would include, among others, the building/upgrading and maintenance of urban roads, public spaces, economic and social facilities, public lighting, water supply and sanitation networks, solid waste collection, and so on. They would spur the demand in Morocco for labor, goods, and services and, ultimately support income levels and consumption capacities of the local population. The scope of this impact analysis is also limited by a lack of data pertaining to the effective impact of municipal investment on the local economy. Support for performance monitoring and other components of M&E is part of this Program to help improve expected outcomes and increase the availability of data to assess the merits of similar development interventions that may be undertaken in the future in Morocco.

165. Beside the expected financial gains to be generated by a more efficient local taxation as targeted in the Program, it is expected to allocate MAD 1 billion per year (US\$103 million equivalent) of performance-based grants in addition to existing financial transfers from the State. The allocation would be split into a flat rate allowance (x percent) and a population-based allowance (1-x percent). This methodology was tested assuming different flat rates. Under each hypothesis, the allocation granted per capita to the largest city (Casablanca with 3,357,173 inhabitants) and to the smallest city (Harbil with 51,881 inhabitants) of the sample on which the grant allocation simulations were based were compared with each other, and also compared, per category of population, to the average equipment costs for 2015, 2016, and 2017. The results of the simulations are presented in table A3.3.



Table A3.3. Simulations for the Allocation of the Performance-based Grant between Eligible Municipalities

Flat rate X	Total Performance-based Grant Per Capita for the Largest City (MAD) (A)	Total Performance-based Grant Per Capita for the Smallest City (MAD) (B)	B/A	Ratio of Performance-based grant to Average Capital Expenditure for 2015, 2016, and 2017 For the 6 Largest Cities (%)	Ratio of Performance-based grant to Average Capital Expenditure for 2015, 2016, and 2017 For Cities from 100,000 to 500,000 Inhabitants (%)	Ratio of Performance-based Grant to Average Capital Expenditure for 2015, 2016, and 2017 For Cities from 50,000 to 100,000 Inhabitants (%)
20%	48.62	97.28	2.0	26	30	33
30%	43.02	116.01	2.7	23	30	37
40%	37.42	134.74	3.6	21	31	42

166. Based on the weight given to the population in the formula, allocation differences among cities are acceptable (the grant per capita being 2 to 3.6 times more important in smaller cities for a flat rate ranging between 20 percent and 40 percent). On the one hand, the projected grants would be significant and substantial for targeted municipalities as they would account respectively for around 25 percent, 30 percent, and 35 percent of the current capital expenditure for largest cities, medium range cities (from 100,000 to 500,000 inhabitants), and smallest cities (from 50,000 to 100,000 inhabitants). On the other hand, these grants would remain relatively limited compared to current financial transfers from the States to municipalities, which amount to about MAD 18 billion per year (US\$1.9 billion equivalent). In these conditions, the targeted municipalities would thus be likely to uptake such an increase in their budget.

D.3. World Bank Value Added together with AFD

167. The design of this Program builds on a solid and long-standing collaboration between the World Bank, AFD, and the Kingdom of Morocco in support of local authorities and the decentralization process in Morocco. The World Bank adds value to the Program through financing relevant and operational expertise and through its ability to help leverage additional resources as illustrated through the current operation, co-funded by the AFD. The institution has extensive experience supporting intergovernmental fiscal transfer system reforms, programs to strengthen municipalities' capabilities, and programs to increase access to municipal services and infrastructure around the world. Globally, the World Bank has supported decentralization efforts in more than 89 countries since the 1990s, including in Tunisia, Jordan, and West Bank and Gaza in the Middle East and North Africa. An Independent Evaluation Group (IEG) assessment of a subset of World Bank decentralization operations⁸⁶ found that the impact of many of these operations was weak in the 1990s but improved considerably in the 2000s (IEG 2008). This improvement may be attributable in part to World Bank staff disseminating lessons learned as appropriate

⁸⁶ IEG. 2008. "Decentralization in client countries, An evaluation of World Bank Support, 1990–2007."



to other projects over time. These lessons range from the importance of pairing certain reforms to the necessity of having effective performance monitoring systems in place and in use. Locally, the World Bank has engaged in local governance and service delivery in Morocco through both analytical work (World Bank support to the National Urban Strategy in 2009 and Morocco Urbanization Review 2018) and lending operations. In addition, the World Bank and AFD are long-standing partners in the sector of decentralization, having engaged in supporting local development and decentralized local governance in many countries, such as Senegal. The extent of financing proposed under the Program is substantial and places the World Bank and AFD as leading development partners in the financing of decentralization reform in Morocco. The lessons learned from these operations and the strong analytical basis are reflected in the design of the proposed Program and specifically the need to shift from project-based support to a program approach focused on strengthening the institutional basis for effective fiscal and administrative decentralization.

E. Technical Risk Rating

168. **Substantial technical program design risk.** The Program will introduce and fund a performance-based grant transfer system from the State to municipalities, which represents a brand-new concept and mechanism for Morocco, thus entailing significant risk in terms of implementation. The relatively limited proportion of financial transfers from the State to be allocated through the performance assessment system compared to the whole envelope of the financial transfers from the State also concurs to this technical risk. Indeed, uncertainties remain according to whether the level of incentives for targeted municipalities will be strong enough for them to effectively engage in the Program. Also, despite the commitment of the GoM to proceed with key reforms as part of their sectoral action plan, many of those remain to be better defined and fine-tuned. Those are primarily linked to the objective and shape of the performance-based grant transfer system, on one hand and, the drive and effective setup of inter-municipal/metropolitan entities, on the other. Another risk is that many of the approaches represent a shift in behavior toward more citizen-centric ways of managing. To mitigate the abovementioned risks, the task team will work closely with the DGCL on the design and effective phasing of the rollout of the performance-based grant transfer system and the selection of priority agglomerations toward which a TA and incentive system will be initiated for the setup of inter-municipal cooperation bodies.

169. **Moderate risk pertaining to institutional capacity for implementation and sustainability.** The DGCL has largely demonstrated its institutional capacity to coordinate the work of Moroccan municipalities and support them in fulfilling their mandates, including through its strong coverage at the local level ensured by key stakeholders (walis at the regional levels and governors at the level of prefectures).

170. **Moderate stakeholder risk.** The DGCL is implementing a communication strategy to explain the Program objectives, expected benefits and the criteria for municipality selection. An international conference on the 'Performance of Municipal Management', organized in September 2018, already allowed to foster the engagement of municipalities in the Program. The event gathered the mayors of the 36 cities with over 100,000 inhabitants, who expressed their strong interest for the results-based approach to be used through the Program (as it will enable them to compare the achievements of their city with those of other cities while allowing them to use objective data to exchange with their citizen). The DGCL has maintained the participating municipalities and other local stakeholders regularly informed of the progress in the initial phase of the Program's implementation. Two members of the PMU—the Municipality focal points—are specifically in charge of ensuring effective communication with targeted



municipalities for smooth implementation of the Program. The DGCL has launched the performance test on May 15, 2019. Dissemination of the results of this test was organized through 3 regional workshops held with the participating municipalities in July 2019.

F. Inputs to the PAP

171. A PAP has been developed to identify key actions required to mitigate each of the risks identified (see previous section and Table A3.4).

Table A3.4. Technical Assessment Suggested inputs to the PAP

Risks to Hedge	Main Causes	Action Plan	Due Date	Responsible Party
Sustainability of the performance grant transfer beyond the program	Weak incentive to pursue the performance grant transfer	Inclusion of the performance grant window in fiscal transfer reform to the municipalities (CAS TVA) Reform of the local taxes to provide municipalities with improved fiscal revenues	Definition of the action plan by Program effectiveness; implementation of the reform plan throughout Program implementation	DGCL
Lack of dedicated staff to implement the Program	The DGCL staff already involved in the MoI tasks	The PMU at the DGCL is operational	Done on May 2019	Mol
Delays/misunderstandings /bottlenecks in the implementation of the performance evaluation cycle linked to the lack of experience pertaining to the performance-based grant transfer system	Absence of any incentive based financial transfers from the State in Morocco	First performance evaluation cycle has been run for 2019 (Ongoing since May 15, 2019)	Development of guidelines for setting the rules of this first performance evaluation (verification of MMCs and Pls) finalized in April 2019 (used for developing the Performance Assessment Manual for the Program) Communication to target municipalities launched in May 2019	DGCL/IGAT DGCL
Problems in Program implementation due to lack of clarity pertaining	Innovative and ambitious Program	The Program Operational Manuals have	The following manuals have been shared during the negotiations	IGAT

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ANNEX 4. FIDUCIARY SYSTEMS ASSESSMENT

COUNTRY: Morocco

Municipal Performance Program

172. The Program's fiduciary systems are acceptable, and they provide reasonable assurance on the use of the Program's resources. The fiduciary risk is rated Substantial. To ensure adequate implementation, the systems will require to be strengthened. The Program Expenditure Framework (tables A3.2 and A4.1) mainly includes two categories: 86 percent of infrastructures (Subprogram 1) and 14 percent of consultant services for capacity building and improvement of knowledge (Subprograms 2 and 3) to be implemented by the Participating Municipalities and the DGCL, respectively.

173. **Data collection and methodology.** The fiduciary risk is based on (a) the data available at the DGCL TGR, Ombudsman Office, and NPPC; (b) the analyses of quantitative and qualitative fiduciary data from about 64 percent of the municipalities participating in the Program; (c) the PEFA reports both national (2017) and subnational (Casablanca and Agadir); and (d) the independent assessment of the IGF. These data comprised lead time in the submission of the Procurement Plan, percentage of contracts awarded within the service standards, average number of bids, percentage of contracts awarded on a competitive basis, percentage of contracts awarded on a single source basis, budget execution, lead time in the procurement process as well as in the production of the financial statements, and percentage of complaints received on contracts awarded at the municipality level. The data were complemented/validated by field visits in a sample of 10 municipalities selected based on a combination of criteria (risk, capacity, size of budget, and population).

174. **Key weaknesses and potential anticipated risks identified at the municipalities' level are summarized below.** The weaknesses are mainly in programming/planning, internal control/audit, accounting, procurement/contract management, archives arrangements, and revenue management. More specifically the weaknesses and potential risks relate to : (a) lack of maturity of the investment projects; (b) absence of formalized/customized procedures; (c) insufficiencies in the risk management process; (d) weak quality of the financial reporting; (e) inefficiencies in procurement processes, contracts award; (f) weak quality of the bidding documents and the associated cost estimates (potential risk); (g) lack of timely transfer of grants to the municipalities; and (h) limited capacity of the fiduciary staff.

175. In addition, another risk pertaining to the fiduciary coordination (consolidated reporting, reconciliation between the Program expenditures, and disbursements) of the Program at the DGCL level were identified. Lastly, the Program ex ante and ex post arrangements were found adequate to address the risk of fraud and corruption related to the infrastructure under Subprogram 1. These arrangements comprise several effective institutions playing complementary roles (Ombudsman Office, SAI, IGAT, CNCP, and IGF). IGAT will collect—with support from the abovementioned institutions—and report to the World Bank allegations occurring under the Program through the annual progress reports during Program implementation. The reporting format will include the following: (a) location and date of the complaint, (b) allegation's description, (c) description of progress in investigation, and (d) investigation outcome.



176. **Mitigation measures.** To mitigate the abovementioned risks, the Program's design includes a **comprehensive and articulated set of measures**. First is the municipal performance framework included in Subprogram 1 (MMCs⁸⁷ and PIs)⁸⁸ which will be the basis for the allocation of the performance-based grants. It aims to incentivize the municipalities to improve their performance through performance-based grants. Second, Subprogram 3 will focus on TA that incorporates fiduciary TA and hands-on-support as well as deployment information management systems. Third, DLI#1 and DLI#9 will focus on (a) the timely transfer of the performance grants to the municipalities and (b) the financial accountability related to the municipal financial audit reports. Fourth is the PAP that includes fiduciary-related actions (appointment of dedicated fiduciary staff for the Program's transactions and financial statements, implementation of a capacity-building program for the municipalities, and introduction/adaptation of improved financial reporting standards—in line with International Public-Sector Accounting Standards—at the municipality level).

177. **Exclusions.** There are no contracts with a value expected to exceed the exclusion OPRC review thresholds.⁸⁹ In addition, municipalities' infrastructures under Subprogram 1 will be excluded from Program financing should they have the potential to cause significant adverse impact on the environment and/or affected people as defined in the World Bank Policy and Directive on PforR Financing.

Program Fiduciary Arrangements

Overview of the Country PFM Cycle

178. Morocco's PFM system is considered adequate with moderate risk. This creates an enabling fiduciary environment for the implementation of the Program. The main conditions for fiscal and financial discipline are indeed met, as evidenced by the credibility of the budget and the achievement of the planned objectives. Budget execution benefits from an adequate information management system (*Gestion Intégrée de la Dépense*), as well as from robust internal controls which include ex ante expenditure control based on a risk model. The internal audit function is satisfactory using a risk-based audit approach with an acceptable completion rate of the audits planned, including a proper follow-up of recommendations. Procurement reforms also translate the Government's efforts to ensure a more strategic and efficient use of resources with the establishment of a CNCP and the harmonization and simplification for the regulatory framework for procurement. Standard bidding documents for works, goods, non-consulting services, and consulting services and general conditions of contract for works, have been developed. The development of general conditions for contracts for goods/services and for consulting services are under way. To facilitate transparent and efficient execution of procurement, the existing electronic procurement system has been improved and includes innovative features such as e-

⁸⁷ They include (a) the publication of the municipal core financial documents (financial statements, Procurement Plan, and procurement execution report); (b) update of the programming documents; and (c) revenue management.

⁸⁸ They include indicators related to (a) investment budget execution report, (b) appointment of fiduciary staff, (c) deployment of fiduciary information management systems, (d) operationalization of internal audit units, (e) lead time in the procurement processes, and (f) monitoring of the implementation of the recommendations of the audits.

⁸⁹ Key contracts are under Subprogram 1. The annual expected expenditures for the Participating Municipalities amount to US\$145 million broken down into five categories. The review of each expenditure category per municipality did not reveal any contract above the OPCR's thresholds (US\$75 million for the civil works, US\$50 million for the goods, US\$50 million for non-consulting services, and US\$20 million for the consulting).



tendering, e-reverse auction, a database, and so on. The SAI, whose independence is well guaranteed ensures effective ex post control.

Review of PFM Cycle of the entities involved in the Program

179. **Planning and budgeting. The planning and budgeting processes of the DGCL and municipalities are acceptable.** However, the insufficiencies in the investment prioritization/planning/project management may affect the implementation of the Program. To address this weakness, the performance assessment framework incorporates PIs aiming to improve the DGCL and municipalities programming/planning tools. This is complemented by TA under Subprogram 3.

- (a) **DGCL.** The budget mainly (about 90 percent) comprises operating expenditures (training, workshop, furniture, and small goods), the planning process of which does not pose significant risks. The planning and budgeting follow a structured, timely, and disciplined process which is consistent with the country PFM cycle and ensures that allocations fit within the available budget envelope. The 2017 PEFA assesses the country planning and budgeting procedures as satisfactory (rated A).
- (b) **Municipalities.** The main issue identified in the field visits and the data from the quantitative/qualitative assessments pertains to the insufficiencies in the multiyear planning process⁹⁰ (lack of maturity of the investment projects, delay in settlement process of the affected population, weak link between the planning and the budgeting, and shortcomings in the quality of the technical studies of the investment projects) which translates into weaknesses in the investment budget execution rate (see budget execution section). This issue is confirmed in the Agadir and Casablanca PEFA reports (rated D on the associated indicator). This weakness is addressed by the MMCs (MMC #2 and #4) in the performance assessment framework and is complemented by TA in Subprogram 3.

180. **Procurement profile of the Program. The detailed review of the Program Expenditure Framework did not reveal potential contracts with a cost estimate above the OPRC review thresholds.** The Program procurement activities predominantly include capital expenditures that are focused mainly on two broad categories: (a) 86 percent of infrastructures - table 4.1 (Subprogram 1) and (b) 14 percent of consultant services for capacity building and improvement of knowledge (Subprograms 2 and 3). Examples of activities under Subprograms 2 and 3 include development of TA supporting the national decentralization strategy and the implementation of information management systems including portals, platforms, and monitoring systems with hard and soft equipment.

181. The total estimated expenditures under Subprogram 1 amount to US\$655 million for the Participating Municipalities detailed as shown in table A4.1.

⁹⁰ About 23 percent are not endowed with planning tools and experienced difficulties in their implementation.



Table A4.1. Subprogram 1 – Expenditures Category

Expenditures Category	US\$, millions
Chapter 10: Administrative infrastructures	60
Chapter 20: Social infrastructures	28
Chapter 30: Public spaces, water sanitation, public lighting infrastructures	336
Chapter 40: Economic infrastructures	45
Operation and maintenance of eligible infrastructures	186
Total	655

182. A screening of the eligibility of these expenditures has been carried with the fiduciary and environment teams as part of the Program design. Based on this review, the individual contract per municipality does not exceed the OPRC review thresholds.⁹¹

183. **Procurement planning.** The DGCL and the municipalities are all subject to the procurement planning requirements included in the public procurement decree (No. 2-12-349 of March 20, 2013). In practice, the data collected, and the field visits identified procurement planning as an area of improvement as about 25 percent of the Participating Municipalities experienced issues (delay of about three to four months in the preparation of the Procurement Plans and weaknesses in the quality of the Procurement Plan affecting the budget execution). This is being addressed in the Program by the incorporation of two MMCs in the performance assessment framework. MMC#3. Required municipalities to ensure that the tri-annual budget programming is up-to-date and is attached to the budget. MMC#4 on the timely publication of the public procurement plan will help improve procurement planning.

184. **Budget execution, accounting, and reporting. The DGCL's budget execution, accounting, and reporting procedures are adequate; however, the ones enforced at municipalities will need to be strengthened.** To this end, the performance assessment framework includes indicators on budget execution and reporting aiming to incentivize the municipalities. This will be complemented by TA and hands-on-support under Subprogram 3. In addition, the PAP will include an action related to the municipalities' financial reporting through the implementation of improved financial reporting standards in line with the International Public Sector Accounting Standards. Lastly, the DGCL will oversee the consolidation of the Program's budget execution report and financial statements. The Program's financial statements will be prepared on an annual basis by the DGCL, which will appoint a dedicated staff. The financial statements will include the financial execution of each subprogram. Financial execution (actual expenditure incurred) of Subprogram 1 will be collected from the financial officer of each participating municipality and will be based on the integrated financial management system. Financial execution of Subprograms 2 and 3 will be provided by the DGCL at the central level.

185. The assessment of the existing budget execution, accounting, and reporting processes at the level of each entity of the Program is as follows:

- (a) **DGCL.** Budget execution, accounting, and reporting procedures are in line with the national ones which were assessed as adequate by the 2017 PEFA. The DGCL's budget lines mainly comprise operating expenditures that do not pose significant execution issues. The budget executions are monitored using the integrated financial management system. Reporting is done from this system and is reflected in the DGCL's execution report. The accounting

⁹¹ Civil works: US\$75 million, goods: US\$50 million, consulting services US\$20 million.



standards enforced at the DGCL are based on accrual and largely inspired from the International Public Sector Accounting Standards. The financial report comprises a budget execution report which is produced on a semester basis. The review performed by the World Bank's financial management team for the last three years underscored the following: (i) the budget commitment/execution ratio is about 95.5 percent, (ii) the payment ratio was about 100 percent of commitments, and (iii) the financial report was produced on time.

(b) Municipalities

- Budget execution suffers from several insufficiencies mainly resulting from the shortcomings during the planning phase (see planning and budgeting sections). These insufficiencies are complemented by specific issues at the execution phase and pertain to inadequate internal control procedures such as the lack of a manual of procedures (including on the procurement aspects) customized for the needs of the municipalities. In practice, these shortcomings translate into an execution ratio, over the last three years, of 58 percent and 80 percent, respectively, for the capital and recurrent expenditures.
- The accounting standards are based on cash and are not in line with the International Public Sector Accounting Standards. It should be noted that the implementation of these standards is a major ongoing reform at the national level led by the TGR. The reform is expected to be customized and deployed at the municipalities in three years.
- The quality of the financial reporting and the timely production (delay of three to six months) are areas of improvement identified in the Casablanca and Agadir PEFA reports and during the analyses of the data collected as part of the fiduciary assessment. Major weaknesses relate to the insufficiencies in the evaluation of the fixed assets and liabilities in the balance sheets.

186. **Procurement processes and procedures. The enforcement of the procurement processes and procedures at the DGCL are adequate. However, at the municipality level several areas for improvement were identified.** The PIs on (a) the lead time of the procurement cycle and (b) the appointment of a budget and procurement director included in the performance assessment framework will incentivize the municipalities to improve the procurement processes and procedures.

187. The main procurement methods are Open National Competitive Bidding (ONCB) and Shopping (purchase orders). The 2017 national PEFA confirms that, on average, more than 80 percent of the country's contracts are subject to competitive bidding processes. At the local level, the 2017 and 2018 data collected by TGR confirms this trend. The use of single source is limited (Table A4.2.).

Table A4.2. Breakdown of the Main Procurement Methods at the Local Level (sample of 10 municipalities)

Percentage	Average number of bids	ONCB	Single Source
2017	1,224	96	4
2018	1,078	97	3

Source: TGR's e-procurement system e-procurement portal.



188. The procurement system relies on the e-procurement portal which improves public access to information, by widely publishing a call for tender, making bidding documents available to all potential bidders, and publishing results of tendering processes. Additional recent features have been included in the e-procurement system: electronic submission of bids and electronic reverse auctions. The procurement portal also includes a supplier database.

189. However, at the municipality level, the effective implementation of the procedures remains an area of improvement and the use of e-procurement and other innovative procurement approaches (for example, framework contracts) is very limited. About 35 percent of the municipalities experience issues in the procurement procedures, which are not customized to their needs (national standards bidding document inadequate for the municipalities). This affects the percentage of contracts awarded within the service standard, which is another area for improvement (2017: 19 percent and 2018: 17 percent). This is amplified by the limited capacities of the staff dedicated to this task. Indeed, the issue of capacity emerges as the first area of weaknesses in the analysis of data collected on the procurement system. Subprogram 3 includes TA to strengthen the capacity of these staff. In addition, the appointment of a budget and procurement director (PI 4.1) and the monitoring of the procurement lead time (PI 2.4) have been included in the list of PIs in the performance assessment framework.

190. **Contract administration. The deployment of the e-procurement system offers an adequate environment to ensure transparency in the contract administration.** In practice, the rollout of the e-procurement module at the municipality level helped to improve the contract administration.

191. **Treasury management and funds flow. The funds flow from the central to the municipality levels will need to be improved to take into account the performance grant mechanism.** The current monthly transfer from the center to the municipalities is adequate (timely transfer). However, the introduction of the performance grant mechanism may affect the current transfer system. This risk is exacerbated by the performance cycle (data collection on the PIs and MMC, data verification, definition of the grants allocation, and transfer of the grants). To mitigate this risk, a first test of the performance assessment framework is being undertaken as part of the Program preparation. This will be an opportunity to adjust the lead time of the performance cycle with the view to ensure a timely transfer of the grant. This will be complemented by DLI#1 which aims to incentivize the timely transfer of the grants during Program implementation. The risk associated with the delay in the payment of the suppliers by the municipalities will be addressed by the ongoing actions deployed by the TGR to improve the related process (creation of national and local committees in charge of overseeing the payment lead time, digitalization of the processes, and so on).

192. The DGCL and municipalities' payment lead time ranges between 50 and 80 days. Ongoing efforts are being made by the TGR to reduce this lead time. They include the creation of national and local committees in charge of overseeing the payment lead time and the digitalization of the process. The combined effects of these actions are expected to have a positive impact on the payment of the Program's activities.

193. The Program funds will be disbursed to the Government's Treasury Single Account upon the achievement of the DLIs (see DLI verification mechanism). All payments will be made through the centralized Treasury system.



194. **Internal control. Internal control system is adequate at the DGCL but there are weaknesses at the municipalities.** The TA and the performance assessment framework include measures to address these weaknesses.

195. The assessment of the internal control arrangements in effect at the level of each entity of the Program is as follows:

- (a) **DGCL.** The entity is endowed with an adequate internal control platform (manual of procedures, information management system, segregation of duties between the budget holder and the accountant, culture of results, and risk map). The assessment by the World Bank team of the effectiveness of the current practices and the audit reports of the DGCL did not reveal any significant issue.
- (b) **Municipalities.** The analyses of the data collected identified internal control as the first area of improvement in the financial management system. In practice, about half of the Participating Municipalities experience issues in their internal control environment characterized by inadequate internal control procedures; such as the lack of a manual of procedures and internal control tools (including procurement aspects) customized to their needs, and weaknesses in risk management. Specific issues underscored in the SAI reports include shortcomings in inventory management, existences of payments made against insufficient supporting documents, weaknesses in the collection of taxes and other related revenues, wrong accounting assignment, non-compliance with procurement regulations, absence of risk maps, and lack of tools for monitoring the implementation of the investment projects. This translates into challenges in budget execution. To mitigate this risk, a set of measures will be implemented through the Program as part of the performance assessment framework such as the appointment of qualified fiduciary staff based on agreed terms of reference and the operationalization of an internal audit unit that will imply development of risk maps and enforcement of customized manual procedures. This will be complemented by the training and hands-on support to the municipalities' staff on financial management and the information management system under Subprogram 3. The performance assessment framework includes an indicator on the implementation of the recommendations from the internal/external audits.

196. **Record keeping and document management systems. The systems are adequate at the DGCL, but shortcomings exist at the municipalities.** The field visits confirmed that the procurement documentation is kept in all public entities including municipalities. The procurement documents are managed by three different services: (a) the procurement unit, (b) the accounting unit, and (c) the technical department (for contract supervision and management). However, the archiving and filing system has been identified as an area for improvement,⁹² which will be addressed by the deployment of an information management system in Subprogram 3.

197. **Internal audit. The Program's internal audit system is adequate at the central level, but weak at the municipalities.** The Program will support the operationalization of the internal audit function at the

⁹² About a third of the Participating Municipalities are not endowed with an adequate archiving system.



municipality level through compliance with one PI for selected municipalities. The assessment of the internal audit arrangements enforced at the level of each entity of the Program is as follows:

- (a) **DGCL.** As a directorate of the Mol, the DGCL's internal audit system is under the responsibility of IGAT. This entity is endowed with 80 auditors and 30 administrative staff. IGAT's reports are submitted to the Mol. The World Bank assessed the performance of this entity which plays the role an independent verification agent for four PforRs managed by the Mol. The review of these reports confirms the adequate performance of the institution. With the view to improve its performance, IGAT is being supported by the AFD to enforce the risk-based approach. The recent audit report issued by IGAT on the DGCL did not reveal significant issue.
- (b) **Municipalities.** In practice, the internal audit framework is largely underdeveloped in municipalities. The quantitative and qualitative analyses of the municipalities have identified the absence and lack of operational internal audit units, except for Casablanca and Agadir. The performance assessment framework includes an indicator on the operationalization of the internal audit units the municipalities. This is also being supported by a dedicated TA financed by the AFD, the Organization Fund for the Modernization of Public Administration (*Fonds d'Organisation de Modernisation de l'Administration Publique - FOMAP*) and the DGCL.

198. **Program governance and anticorruption arrangements. The country governance and anticorruption arrangements (relying on the Office of the Ombudsman, the SAI, IGAT, and IGF) are adequate.** The main risk and fraud and corruption are in the infrastructures to be financed under Subprogram 1. The following entities were found as the most relevant for the Program: (a) Office of the Ombudsman (*Institution du Médiateur*) for administrative complaints, (b) CNCP for procurement complaints, (c) SAI, (d) IGAT, and (e) IGF (see section on the financial audit of the Program) for financial complaints.

- (a) **The Office of the Ombudsman**, whose mandate is to handle complaints from the citizens, is deployed at the subnational level through regional units complemented by focal points. The Office publishes its report on an annual basis. The 2017 report shows that 67 percent of the complaints came mainly from six regions (Casablanca-Settat, Rabat-Sale-Kenitra, Fes-Meknes, Tanger-Tetouan-Al Hoceima, Oriental, and Marrakech-Safi) covered by the Program. The increase of the complaints logged (10 percent from 2016 to 2017, with a total number of complaints of 9,378 in 2017) to the Ombudsman Office confirms the growing confidence of the citizens in the system. About 32 percent of the complaints have been addressed by the Office, 16 percent are being processed, and the remaining 58 percent have been transferred to the relevant administrations.
- (b) **The CNCP**, whose decree has been approved by the council of the Government in September 2015, has the mandate to handle and manage complaints in procurement and contract execution. The number of complaint cases declared by the CNCP increased after the effective installation of the commission in January 2018 with more than 200 complaints (less than five percent of the cases were related to fraud and corruption). They comprise 11 complaints related to the municipalities submitted to the Mol for processing and three requests for information processed. The cases were closed within three months. In 2019, as



of end of April, five complaints and four requests for information related to the municipalities were received and are being processed. This is a sign of bidders' confidence in the CNCP's appeal mechanisms and for public entities seeking advice on specific procurement or execution cases. With the CNCP decree becoming effective and its installation, the commission gained more autonomy and independence. However, there is room for improvement for the effective functioning of this commission to transform this entity into a powerful appeal mechanism. This is being addressed by other World Bank instruments (just-in-time TA).

- (c) **The SAI** is one the most credible institutions in the country which investigates budget managers and public accountants and can sanction them. The 2017 PEFA assessed the institution performance as satisfactory (score B). The entity is decentralized and covers all the regions involved in the Program. On a yearly basis, the SAI issues its reports on investigation in fraud and corruption cases. The last report was issued on April 2019 and included several disciplinary actions against public accountants and budget holders (<http://www.courdescomptes.ma/fr/Page-27/publications/rapport-annuel/recueil-des-arrets-rendus-par-la-chambre-de-discipline-budgetaire-et-financiere-au-titre-de-lannee-2018---4eme-edition/1-234/>).
- (d) IGAT also investigates fraud and corruption allegations and issues its reports to the MoI (see internal control section on the performance of IGAT). A dedicated unit staffed with 20 auditors are in charge of collecting and processing complaints from citizen.

199. **IGAT will collect and report to the World Bank complaints and fraud allegations occurring under the Program, , including those made to the IGF in relation with the Participating Municipalities, through the annual progress reports during Program implementation.** The reporting format will include the following: (a) location and date of the complaint, (b) allegation's description, (c) description of progress in investigation, and (d) investigation outcome. The World Bank's prerogative of administrative inquiry for allegations of fraud and corruption has been clarified to the borrower during Program preparation. In accordance with the World Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing" dated February 1, 2012, and revised July 10, 2015, the Program will take steps to ensure that "any person or entity debarred or suspended by the World Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension." During the procurement processes, each of the implementing entities will verify the names of the contractor against the World Bank's database⁹³ of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program. The DGCL will publish the list of debarred or suspended contractors in its website accessible to the Municipalities.

200. **Actions related to fraud and corruption.** The combination of enhanced financial management and procurement systems, improved capacity, increased engagement and demand from citizens, enhanced access to information on local governance, and effective channels for grievance redress are complementary actions to address fraud and corruption. These actions are incorporated in the performance assessment framework.

⁹³ [https:// www.worldbank.org/debarr](https://www.worldbank.org/debarr).



201. **Financial auditing of the Program.** The financial auditing arrangements of the Program are adequate. The IGF is the assigned entity in charge of auditing the GoM programs in line with the country's financial audit arrangements. The World Bank financial management team carried out a comprehensive assessment of the IGF in 2016, complemented by the 2017 PEFA and annual review⁹⁴ of the performance of this entity. The capacity of this institution revealed the following. First, the IGF has built adequate credibility in auditing the GoM's programs over the last 20 years owing to the quality of the staff.⁹⁵ Second, the assessment confirms that the entity adequately implements international auditing standards (risk-based approach, quality assurance process), through a web-based audit software (Blue Audit) that is used by all the auditors to plan, carry out, and report on their missions. More than 95 percent of the annual plan is executed. The deployment of Blue Audit—which includes a module on recommendation monitoring—has increased the IGF's efficiency. Third, the IGF has a track record in auditing about five PforRs in various sectors including at the subnational level (health, urban transport, Casablanca, agribusiness, and integrated risks). The objectives of these audits were described in the respective terms of reference and were to provide an opinion on the use of the funds. Key issues underscored in the reports related to (a) ineligible expenditures, (b) absence of risk mapping, and (c) delay in the elaboration of the financial reports. Implementation of the recommendations associated with these issues are ongoing and are being monitored as part of the World Bank implementation support missions.

202. In addition, to the audit of the IGF, the DGCL and the municipalities are subject to some performance audits by the SAI. In its latest audit report, the SAI highlighted several shortcomings affecting the expenditure and revenue management included in the relevant sections of the fiduciary assessment (among others, insufficiencies in the budget planning/execution, lack of manual of procedures, and so on). In practice, only nearly half (44 percent) of the Participating Municipalities were audited over the last three years despite article 214 of the Organic Law which requires an annual audit by the IGF and/or IGAT. With the view to strengthen the accountability and transparency at the municipalities, DLI#9 has been included in the Program. Implementation of the recommendations from the audit will be monitored in the performance assessment framework that includes a related PI.

203. The IGF will carry out the financial audits of the Program expenditures. The audit reports will be carried out based on agreed terms of references and will include the verification of the achievement of the DLIs and the execution of the Program expenditures. The scope of those audits will include an opinion on the procurement system (screening to prevent debarred/suspended firms from being awarded contracts). The audit reports will be submitted no later than nine months after the closure of accounts. In addition, this arrangement is complemented by a performance audit carried out by the SAI equipped with regional courts covering the territory.

204. **Staff capacity.** The Program includes a capacity-building plan to strengthen staff in the various entities of the operation. The assessment of staff capacity both at the DGCL and municipalities, identified the limited capacity of the staff at the decentralized levels as the main impediment that could affect implementation of the Program.

- (a) **DGCL.** The DGCL is well-staffed with qualified personnel. It has proven experience in implementing a World Bank-financed IPF project. However, to ensure smooth

⁹⁴ Carried out on March 2017 and February 2018.

⁹⁵ About 125 auditors. The recruitment plan includes the integration, on a competitive basis over the three upcoming years, of about 25 new auditors, starting from 2017.

implementation of the Program, a PMU within the DGCL has been formed in May 2019. This PMU will include a fiduciary officer in charge of ensuring cooperation and consolidation of the Program's financial and procurement information.

- (b) **Municipalities.** The qualitative and quantitative analysis underscored the limited capacity of the fiduciary staffing. The Program includes: (a) a PI to appoint fiduciary staff based on terms of reference and (b) a capacity-building program aimed at building the skills of all fiduciary staff in municipalities.

205. **Contribution to the PAP.** Table A4.3 details the PAP's fiduciary actions.

Table A4.3.PAP Fiduciary Actions

[illegible]

206. **Implementation support.** Fiduciary support would include



- Close monitoring of the deployment of the integrated financial management and procurement system (TGR);
- Monitoring implementation progress and working with the World Bank task team to ensure that the achievement of Program results and DLIs are of a fiduciary nature;
- Support to the borrower to resolve implementation issues and carry out institutional capacity building;
- Monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP; and
- Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.



ANNEX 5. SUMMARY ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT

COUNTRY : Morocco

Municipal Performance Program

Social and Environmental Benefits of the Program

Social Benefits

207. The Program will undoubtedly have positive social benefits, in particular (a) improvement of the equal access of citizens (especially women, young people, and vulnerable individuals) to quality basic services in line with their expectations; (b) facilitation and digitalization of administrative procedures and access to administrative documents (civil status, laws, authorizations); (b) strengthening of citizen participation through effective operationalization of mechanisms allowing access to information, citizen consultations and participations, and grievances and petitions mechanisms; (d) systematization of the integration of the gender dimension into territorial programs and policies, by making IEECAG operational and by improving municipalities' capacities; and (e) improvement of the performance and governance of municipalities aiming at establishing a local administration that is both effective and attentive to citizens (including women, young people, and vulnerable individuals) and improving the responsiveness and social accountability to citizens of local administration.

Environmental Benefits

208. Through the activities it aims to fund, the Program will (a) support, introduce, and accompany the implementation of sustainable practices for development and management of communal infrastructures, by supporting eligible municipalities; (b) strengthen the partnership framework by supporting the inter communality, which enables the optimization of communal infrastructures and the minimization of the environmental and social risks and impacts of these infrastructures; (c) improve the environmental performance of these infrastructures by minimizing and recycling wastes and through the use of by-products; and (d) introduce a new model for the sustainable management of communal infrastructure, by strengthening the capacities of municipalities and developing and implementing relevant environmental and social management tools.

Environmental and Social Risks Associated with Program Activities

209. The Program does not fund activities involving high or substantial environmental and/or social risks, such as the actions of expropriations and significant displacement of population or all kind of activities with significant risks for the social and/or natural environment. Thus, the social and environmental risks of the Program will generally be minimal to moderate, easily controllable, and manageable. These risks will be fairly easy to identify and prevent and can be minimized with simple practices and effective mitigation measures. However, the overall risk rating of the Environment and Social Program is Substantial due to the limited capacity for environmental and social risk management at the municipal level.

210. Given the nature of the activities of the Program, which mostly are intended to improve capacities, skills, governance, and performance of municipalities, the overall effect of investments should be beneficial.



Main Social Risks

211. Only Subprogram 1 includes small- or medium-scale structural investments aiming at improving living and hygienic conditions, mobility and safety of citizens (especially vulnerable individuals), and easy access to quality services and online administrative documents. The negative social risks caused by land acquisitions in the context of the Program will be weak, because all the subprojects will be implemented in the state's or communal public domain and because no expropriation for public utility reasons will be made within the framework of this Program. In some cases, private land may be used for the implementation of subprojects by voluntary transfer or by mutual agreement sale, which will have to be duly documented by sales contracts or notarized deeds. Nonetheless, the work could lead to temporary restrictions or loss of access to income. People concerned will then have to be informed, consulted, and adequately assisted or compensated before works begin. No subproject can be financed without (a) the resolution and sanitation of the aspects related to land, before works begin and (b) the notification and relevant assistance or compensation to concerned people, before works begin.

212. The nature of the activities considered does not suggest that any vulnerable or specific groups (women, young people, the elderly, children, persons with disabilities, and poor people) could be harmed by the Program. In fact, activities aim at reducing social disparities and ensuring equitable access to all citizens (with particular attention to vulnerable individuals) to quality services and deliveries and meeting citizens' expectations. Owing to the participatory approach adopted in the identification and implementation of communal action plans, citizens (including women, young people, and vulnerable individuals) are informed in Arabic or Amazigh (Berberophone populations),⁹⁶ are consulted upon, and are involved. In accordance with the law, the municipalities have established the consultative group on equity, equal opportunities, and gender approach and citizen grievance management mechanisms. Training courses in gender mainstreaming in territorial governance and in gender-sensitive budgets have been initiated, guides have been developed with the support of the United Nations Women Maghreb to better understand and follow-up on gender objectives, and gender indicators have been included in the PAC as stipulated by law.

213. To prevent and mitigate risks linked to social conflicts, the municipalities are endowed with grievance management mechanisms (order desks, telephones, websites, mobile applications, and collaborative platforms). The Program aims to strengthen local participatory governance and will include specific capacity building on functional redress to ensure that all citizens of the targeted municipalities (including women, youth, and vulnerable individuals) have access to information, are consulted upon, and have easy access to relevant grievance management mechanisms. In this perspective, the Program should help alleviate social tensions and promote better social cohesion within the municipalities.

214. These social risks were discussed with the various stakeholders and the following mitigation measures were recommended:

- **Land acquisitions management.** Filling diagnostic and follow-up sheets that were established for this purpose to categorize social risks, identifying relevant mitigation measures and monitoring their implementation, documenting over-the-counter assignments (sale contracts and notarized deeds), informing and consulting populations, providing easily accessible and culturally relevant grievance management mechanisms, and

⁹⁶ Amazigh is an official language, in the same way as Arabic (Article 5, Constitution).



providing assistance and/or compensation (at replacement cost) to affected people before works commence, in accordance with the provisions of the World Bank policy.

- **Restriction or loss of access to goods, services, natural resources, and income during the works.** Informing and consulting populations, providing easily accessible and culturally appropriate grievance management mechanisms, sequencing work to minimize access difficulties and disturbances during work by including specific clauses in firms' specifications, and providing appropriate assistance and/or adequate compensation to affected persons by restrictions or loss of access to means of subsistence, before the beginning of works, in accordance with the provisions of the World Bank policy.
- Strengthening the capacity of the municipalities in the field of social management.
- **Robust TA, peer-to-peer exchanges, and capacity building** for municipalities on constructive communications and transparency and providing effective grievance redress systematic feedback mechanisms and inclusive municipal planning. To address the capacity needs of civil society, some of these training workshops, or peer-to-peer exchanges should also be open to diverse civil society.

215. Table A5.1 summarizes the main social risks and their mitigation measures.

Table A5.1. Main Social Risks and Mitigation Measures

Type of Risk	Level of Risk	Mitigation Measures
Forced expropriation of land and private property	Low risk Under the Program, the use of expropriation and displacement of people is excluded, the rule being to use the lands of the state or the municipality and to adopt technical alternatives to avoid encroachments on houses or shops. However, the work could lead to temporary restrictions or loss of access to income. The persons concerned will then have to be adequately assisted or compensated before the beginning of works.	<i>Note:</i> In the event of an over-the-counter assignment, procedure in accordance with the provisions of the World Bank procedures and the production of notarized and legalized documents, justifying the transfer of ownership to the municipality.
Unintentional displacement of people		
Restriction of access to goods, services, natural resources, and loss of income	Low to moderate risk Works could lead to temporary restrictions or loss of access to services or incomes.	Population consultation and information Easily accessible grievance management mechanism and informed populations on how to access them Sequencing of works to minimize access difficulties and nuisances during works



Type of Risk	Level of Risk	Mitigation Measures
		Specific clauses in companies' requirements/specifications Before the works begin: appropriate assistance and/or adequate compensation for persons affected by restrictions or loss of access to means of subsistence, in accordance with the provisions of the World Bank policy
Lack of inclusion furtherance and local disparities mitigation	<p>Low risk</p> <p>The Program is defined to reduce social disparities and ensure fairness and quality of access to municipal social and administrative services to all citizens (with special attention to women, young people, and disfavored populations). As far as the Berber populations are concerned, it is to be remembered that they are considered as an integral part of the population and that the Constitution recognizes Amazigh as an official language in the same way as Arabic.</p> <p>The aim of the Program is to strengthen the performance of municipalities to ensure that citizens have equitable access to quality services and deliveries, with special attention to the most disfavored ones, meeting their expectations and strengthening and systematizing inclusive citizen participation.</p> <p>Regarding gender mainstreaming, the DGCL has established, in its midst, a gender dedicated unit and has initiated a strengthening program (training, tools, and guides) of municipalities staff and elected officials' capacities in gender approach and in gender-sensitive budgets with the establishment of gender indicators within communal action plans, as required by the law on municipalities. These actions will be strengthened by the Program.</p>	
Social conflicts	Low risk	



Type of Risk	Level of Risk	Mitigation Measures
	<p>In accordance with the Constitution and the law on municipalities, the mechanisms of information dissemination and consultation of citizens, as well as the management of grievances and petitions have been set up at the municipalities level, to establish participative inclusive governance, taking into account the citizens expectations.</p> <p>The Program seeks to strengthen and systematize citizen participation through the reinforcement of actions regarding information, population consultation, and an easy and appropriate access to grievance management mechanisms. The Program also aims at strengthening municipalities mechanisms of social accountability</p>	

Main Environmental Risks

216. The structural activities financed in the scope of this Program, which could potentially imply environmental risks, are those presented in Subprogram 1 and could include the activities listed in section 83 of the Act 113-14 of municipalities.

217. Table A5.2 presents these activities and categorizes them into three groups according to whether they are subject to the Environmental Impact Assessment Act (Law 12-03) or that they present moderate or low environmental risks. These activities are judged to possibly bring significant, unprecedented, and sensible negative impacts on the environment and/or people that are outside of the scope of the Program. The municipality creates and manages the public services and facilities necessary for the provision of local services in the areas as shown in table A5.2.

Table A5.2. Public Services and Facilities in the Municipalities

Activities	Category A: Subject to Law 12-03	Category B: Not Subject to Law 12-03 but Present Moderate Risks	Category C: Not Subject to Law 12-03 and Present Low Risks
The distribution of drinking water and electricity		X	
Urban public transport		X	
Public lighting			X
Liquid and solid sanitation and wastewater treatment plants	X		
Cleaning of public roads and places and collection of	X		



domestic waste and similar, their transport to the landfill, their treatment and appreciation			
Traffic, taxiing, public road signs, and vehicles parking		X	
Hygiene preservation		X	
Transport of the sick and wounded			X
Dead bodies transport and burial			X
Creation and maintenance of cemeteries			X
Communal markets		X	
Craft fairs and the valorization of local products			X
Grains market			X
Bus stations		X	
Resting areas		X	
Creation and maintenance of natural parks within the territorial jurisdiction of the municipality			X
Campsites and summer camps		X	
Wholesale markets		X	
Slaughterhouses and slaughter and meat transportation	X		
Fish markets		X	

218. Table A5.3 summarizes the main environmental risks and their mitigation measures.

Table A5.3. Environmental Risks and Mitigation Measures

Type of Risk	Level of Risk	Mitigation Measure
Preparation Phase		
Inappropriate or poorly dimensioned technical and/or technological choices during the design.	Low to Moderate	Technical and technological variants analysis—choice of the best scenario according to technical, environmental, and economic criteria.
Negligence of environmental aspects when preparing tenders	Low to Moderate	Conduct of environmental studies and preliminary investigations and insertion in the requirement specifications of environmental and social clauses
Phase of the work		
Risk of loss of stripped soil characteristics	Low	Adequate storage (heap height does not exceed 1.5 m) Reuse of stripped soils
Ground or surface water pollution (accidental spill of hydrocarbons and lubricating oils)	Low to Moderate	Adequate storage of products and wastes (waterproof shed) Disposal of waste by specialized companies Oil tanks on waterproof slabs Dedicated zones for the distribution of hydrocarbons and lubricating oils, equipped with pumps installed on waterproof surfaces Availability of sand bins for immediate collection of spills Maintenance of vehicles in specialized garages
Loss of biodiversity	Low to Moderate	Planting of local plant species to compensate for possible losses because of works



Type of Risk	Level of Risk	Mitigation Measure
Emissions of dust and exhaust gases	Low	Watering of sites, systematic removal of unused embankments, and frequent maintenance of vehicles
Increased noise nuisances (rolling stock, hammers, and air compressors)	Low to Moderate	Public awareness Restrictions and prohibition of work during rest periods (for example, from 2100 hours to 0700 hours)
Traffic accidents	Low to Moderate	Public awareness Traffic signs
Accidents on construction sites	Low to Moderate	Wearing personal protective equipment Safety instructions on construction sites Worker awareness
Security issues due to the flow of workers and heavy machinery	Low to Moderate	Public and worker awareness Regular monitoring
Interruptions of drinking water and electricity services and the closure of public institutions and collective infrastructures	Low to Moderate	Public awareness Alternative measures
Temporary disturbances of economic activities	Low to Moderate	Public awareness Possible compensation measures
Respect of the labor code	Low	Companies' awareness/information about current regulations regarding the labor code. Possible recourse to the law to punish, by fine, any firm that does not comply with regulations concerning labor
Operating Phase		
Liquid effluents: ground and surface water pollution-soil pollution-waterborne diseases-development of disease vectors	Moderate	Physicochemical treatment of liquid effluents
Solid waste: Water pollution-soil pollution-development of disease vectors-greenhouse gases	Moderate	Collection and transport of solid waste to controlled landfills Compliance with the spreading of standards for orujo and amurca Collection, sorting, and disposal of hazardous waste by specialized companies
Accidents	Low to Moderate	Regular population awareness
Respect of the work code	Low	Awareness/information of companies about current regulations in the labor code. Possible recourse to the law to punish, by fine, any firm that does not comply with the regulations concerning works.

Evaluation of the Systems Applicable to this Program

Social Systems Applicable to the Program

219. The national social management system, as well as its laws, regulations, institutions, and procedures, is overall aligned with the PforR Policy. Indeed, in the area of social management, Morocco has a comprehensive legal framework, the new Constitution of 2011 and the Organic Laws related to



advanced regionalization, giving, in particular, a very important place for equity, parity, social inclusion, participation of populations in decision making, and accountability.

220. Many actions have been initiated to strengthen the mechanisms of participation, grievances and petitions management, and gender mainstreaming, in particular through the elaboration and dissemination of guides and procedures and building programs to enhance the capacity of the elected officials and municipalities' staff.

221. It should be recalled that in the Program, the performance of social and environmental management is assessed by one of the PIs, which the municipalities must reach to benefit from additional incentives and funding.

222. It should also be recalled that improving equitable access (with particular attention to the most disadvantaged populations) to quality and high-performance communal services that meet citizens' expectations; strengthening citizens' participation (information, consultation, grievance and petition management, and social accountability); as well as the gender dimension, are integral parts of the Program.

223. Nevertheless, overall the municipalities do not have sufficient capacity for social management, especially regarding the following issues: the assessment of potential social risks related to land acquisitions and relevant mitigation measures as well as monitoring their implementation. The effective operationalization of participation and dialogue mechanisms, grievance and petition management, and the integration of the gender dimension. Shortcomings are identified, especially at the level of coordination between the various territorial actors in the field of social management.

224. To this end, the ESSA action plan, which will be an integral part of the PAP, provides specific measures to enhance the quality and performance of the communal social management system.

Environmental Systems Applicable to the Program

225. The analysis of the regulatory and institutional frameworks constituting the national environmental management system showed their adequacy with the PforR Policy.

226. The analysis of institutions capacities involved in the Program showed that municipalities generally lack technical frameworks capable of environmentally following up and monitoring the activities of the municipality in an efficient way (covered by the national Environmental Impact Assessment system or not). This observation was verified during visits of the municipalities and also during the counting of the 61 replies to the questionnaire addressed to 78 municipalities which show that only 34 percent of the municipalities have a structure dedicated to environmental monitoring and a responsible unit dedicated to environmental monitoring, which in general only deals with green spaces management and municipal solid waste management. This is clearly visible at the level of the communal organizational charts which reflect the organization in services bearing the names and assignments related to these two activities.

227. The lack of an environmental management system for activities and infrastructures managed by the municipality results in the lack of procedures and tools for the environmental monitoring of these activities. Although some municipalities (14 percent) replied that they had such tools, in practice they



generally correspond to the tools for monitoring solid waste management (collection, transport, and landfill).

228. These findings, which are also identified at the level of the DGCL, demonstrate and justify the urgent need to operationalize a training module focusing on the development and implementation of an environmental management system able to accompany the municipalities in carrying out their functions as assigned in Law 113-14 and thus allow the municipalities to carry out their activities in accordance with the national regulations on environmental management.

229. This training module for the DGCL agents, the *Division des Collectivités Locales* in the provinces and prefectures, and the officials of the municipalities, should be focused on the following elements:

- Regulatory requirements for environmental management.
- Identification and assessment of environmental impacts.
- Categorization of activities financed by municipalities based on their impact generation potential.
- Identification of good environmental practices and impact mitigation measures.
- Monitoring and reporting tools on the implementation of mitigation measures.

230. The local staff who will follow this training should intervene as a focal environmental point within its municipality as it would be equipped and trained to accomplish the tasks listed in the mission letter of this post. It should be stressed that the municipalities of INDH are already equipped with such a system and that they have a designated environmental and social focal point.

231. The analysis of the activities proposed to be funded in the scope of this Program has allowed the sorting of the activities into three categories, taking into account their liability to Law 12-03 or their potential to generate environmental risks. Activities subject to Law 12-03 are not eligible under this Program. The activities of category B must prepare a social management programs (see model attached) and are subject to the scheme of authorizations issued by the municipalities and whose implementation and operation are followed up by the municipalities in accordance with Law 113-14 on municipalities. Activities in category C do not present environmental risks and do not require specific follow-up.

232. The follow-up during the construction phase of the activities of the second category will be ensured by the technical services of the municipalities issuing the construction authorizations. The control comprises aspects related to safety and hygiene and sanitation in accordance with Law 113-14 on municipalities which stipulates in article 100 that “The President of the Municipality Council shall exercise the administrative police in the fields of hygiene, safety, public tranquility and safety of passages. In particular, it exercises the following functions...Issues the authorizations for the exploitation of unsanitary, inconvenient or dangerous infrastructure under its attributions and ensures its control in accordance with the laws and regulations in force...Organizes and participates in the control of non-regulated commercial, artisanal and industrial activities which may adversely affect the hygiene, safety, safety of passengers and public tranquility or harm to the environment...”



233. The environmental monitoring of activities listed under category B will be effective with the use of evaluation and monitoring tools that have been presented and validated with the municipalities visited during the preparation of this Program. These tools will identify and categorize activities subject to funding to eliminate activities subject to Act 12-03 and to monitor the application of the mitigation measures that have been identified to accompany the activities of category B.

234. The PMU will include an environment focal point that will ensure implementation of the Environmental Sustainability and Energy Sector (ESES) action plan and ensure that the implemented environmental management system is functional and effective.

235. To conclude, the Program's environmental and social management system is globally in line with the PforR Policy. Environmental and social risks are characterized as 'Substantial' and judged to be acceptable because they are related to the municipalities' identified weakness in terms of environmental and social risk management. To mitigate these risks, the Program will strengthen the social and environmental management system at the municipal level with continuous formation and TA; implement mechanisms and tools (trained focal points, screening and follow-up forms, land management procedures, and environmental and social management plans), and indicators of environmental and social management performance; and will ensure regular follow-up and assessment.

ESSA Action Plan

236. Although the environmental and social risks of the activities are classified from low to moderate, the Program overall E&S risk is rated as substantial due to limited capacity for environmental and social management at the municipal level. The Program provides an opportunity to address this lack of capacity at the municipal level and strengthen the overall social and environmental management system of the municipalities.

237. To do this, the Program will support specific measures aimed at enhancing the quality and performance of the environmental and social management system in two areas of intervention:

- Actions aiming at strengthening the environmental and social management system
- Actions aiming at strengthening the actors' capacities regarding environmental and social management

238. Thus, the following two recommendations emerge from the ESES action plan:

- **Strengthening of the environmental and social management system** through
 - The elaboration of practical tools regarding environmental and social diagnosis and monitoring of works;
 - The designation of a full time environmental and social focal point, who will be attached to the PMU, who will be trained in environmental and social management, and whose missions will be to ensure, in close cooperation with all stakeholders, the coordination and monitoring of the implementation of strengthening action of social and environmental management systems, collection and centralization of all information related to social and environmental risks and their mitigation measures,



M&E of the implementation of mitigation measures and data integration at the information system level, as well as reporting; and

- The appointment of a municipal staff member, who will be designated as the municipal environmental and social focal point. He/she will be trained and will ensure, in close collaboration with municipal services involved in subprojects and the PMU environmental and social focal point, environmental and social risks identification and mitigation measures as well as their implementation follow-up, assessment, and reporting.
- **Capacity building for social and environmental management.** These capacity-building sessions will target the actors and the institutions involved in the implementation of the Program activities: divisions/directions/departments of the DGCL in charge of environment, heritage, training, gender integration and digitalization; the IEECAG; provincial divisions of local communities; environmental and social focal points; and elected officials and staff of municipalities. These capacity-building actions will be integrated into the capacity-building annual plan (submitted to PI 4.2) and in the *Direction de la Formation des Cadres Adminsitratifs et Techniques* formation plan (including environmental and social management modules) and will target elected representatives and municipal and ECIs' staff members, Participating Municipalities provincial divisions, and municipal and PMU environmental and social focal points.

239. The cost of all identified actions related to both environmental and social aspects of the ESES action plan, will be included in the overall budget of the Program.

240. Table A5.4 describes, in detail, all elements of the ESES action plan that will form an integral part of the Program's action plan as such.

Table A5.4. ESES Action Plan

Action	Activities	Responsible	Deadlines	Measures
Actions to strengthen the environmental and social management system				
Awareness and information	Organization of awareness sessions and dissemination of the ESES action plan and its recommendations.	DGCL/World Bank	Before the program comes into force (done on May 16, 2019)	Publication on the DGCL and the target municipalities' websites and on the World Bank's website Consultation reports
Environmental and social focal point	Designation and attachment to the PMU	Coordinating Committee/DGCL	Before the Program comes into force (done on June 28, 2019)	Appointment of the environmental and social focal point
Measures to build capacity in environmental and social management				
Relevant	Development of		Program	Developed



stakeholders' capacities building	the training module on environmental and social management including monitoring tools Organization of training sessions	PMU/municipalities	implementation first quarter During first semester of Program implementation	training module Training plan reports on the training have been carried out
Strengthening M&E of the environmental and social management system	Monitoring and reporting		Before the end of the first year	Follow-up reports submitted by the environmental and social focal point Information system
	Integration into the information system		Duration of the Program	



ANNEX 6. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Appointment of a dedicated program coordinator	Technical		DGCL	Due Date	28-Jun-2019	A Program coordinator has been identified and appointed by the DGCL according to terms of reference agreed with the World Bank (completed)
Appointment of a dedicated environmental and social focal point	Environmental and Social Systems		DGCL	Due Date	28-Jun-2019	An environmental and social focal point has been identified and appointed by the DGCL according to terms of reference agreed with the World Bank (completed)
Appointment of a dedicated fiduciary focal point	Fiduciary Systems		DGCL	Due Date	28-Jun-2019	A fiduciary focal point has been identified and appointed by the DGCL according to terms of reference agreed with the World Bank (completed)
Inclusion of the performance grant windows in the reform of fiscal transfers to municipalities	Technical		MoI	Due Date	01-Jul-2021	The MoI has updated the rules and regulations governing fiscal transfers to municipalities and included the performance grant window as an integral part of the fiscal transfer framework
Reform of local taxes to provide municipalities with improved fiscal revenues	Technical		GoM	Due Date	01-Jul-2021	The GoM has adopted a new fiscal framework for local governments providing municipalities with improved fiscal revenues
Timely initiation of the annual performance assessment	Technical		DGCL	Recurrent	Yearly	Each year starting in CY 2020, DGCL officially launches the annual performance assessment by issuing a circular to all participating municipalities
Implementation of a capacity building program aimed at financial and procurement staff in the participating municipalities	Fiduciary Systems		DGCL	Recurrent	Yearly	Starting in CY 2020, and throughout the Program implementation period, DGCL implements a capacity building program aimed at financial and procurement staff in the participating municipalities.
Development of training modules on environmental and social management targeted at	Environmental and Social Systems		DGCL	Due Date	01-Jul-2020	Training modules on environmental and social management targeted at participating municipalities have been developed and



participating municipalities						training sessions have been programmed
Implementation of a capacity building program on social and environmental management tools	Environmental and Social Systems		DGCL	Recurrent	Semi-Annually	Starting in CY2020 and throughout Program implementation, at least two training sessions are organized each year on the use of social and environmental management tools.
Implementation of improved accounting standards at the municipalities level	Fiduciary Systems		DGCL/TGR	Due Date	31-Dec-2022	Financial statements produced by the participating municipalities established based on the improved accounting standards
Implementation of a capacity building program on inter-municipal cooperation	Technical		DGCL	Due Date	01-Jul-2020	A capacity building program on inter-municipal cooperation (purpose of ECIs, competences, organization, operating modalities and relations with members municipalities) was organized.

**ANNEX 7. IMPLEMENTATION SUPPORT PLAN****COUNTRY : Morocco****Municipal Performance Program**

241. The objectives of the Implementation Support Plan are to (a) monitor implementation progress of the Program (including its PAP) and the implementation of the risk mitigation measures defined in the technical, fiduciary, and safeguards and (b) provide the counterpart with the technical advice necessary to facilitate the achievement of the PDO and contribute to the quality of the capacity building of stakeholders by providing best practices, benchmarks, and training.

242. The World Bank will provide regular implementation support to the Program as appropriate, including for the implementation of the PAP. Formal implementation support missions and field visits will be carried out semiannually. The main focus of the implementation support is summarized in tables A7.1, A7.2, and A7.3.

Table A7.1. Main Focus of Implementation Support

Focus	Skills Needed	Resource Estimate (US\$)
TA for the implementation of the performance framework	Municipal management	150,000
Technical supervision of infrastructure programs	Municipal engineering	
Fiduciary support and monitoring	Procurement and financial management	
M&E support and capacity building	M&E	
Support to the elaboration of a practical guide on environmental and social management, including screening, assessment follow up, and monitoring files and tools	Social, environment	
Capacity building in environmental, gender and social management, of the technical staff of the DGCL, municipalities, and other stakeholders involved in the Program implementation	Social, environment	
Technical support and capacity building	Municipal engineering	

Table A7.2. Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task team leaders	15	0	Based in country office
Urban specialist	8	2	Based in headquarters



Municipal management expert	5	4	International consultant
Financial management specialist	4	—	Based in country office
Procurement specialist	4	—	Based in country office
Social specialist	1	1	Based in headquarters
Social consultant	4	—	Based in country office
Environment specialist	1	1	Based in headquarters
Environment consultant	4	—	Based in country office

Table A7.3. Role of Partners in Program Implementation (Template)

Name	Institution/Country	Role
AFD	AFD country office of Morocco	AFD will participate in the implementation support missions.



ANNEX 8. Indicative list of Minimum Mandatory Conditions and Performance Indicators

COUNTRY: Morocco

Municipal Performance Program

Minimum Mandatory Conditions

Theme	Ref	MMCs
Governance and Transparency	MMC 1	Financial and accounting statements have been published. Statement of revenues, debt, grants, expenditures (recurrent/capital) to be published on the municipality's website.
Expenditure Management	MMC 2	Annual assessment of the execution of the Municipal Action Plan (PAC). The PAC is a three-year plan, whose annual assessment is made mandatory by the applicable regulation.
	MMC 3	The tri-annual budget programming is up-to-date and is attached to the budget. Tri-annual budget programming has been introduced through the organic law on municipalities to encourage municipalities to control the evolution of expenditures, to support planification and to optimize resources.
	MMC 4	The public procurement plan has been published. Publication of the public procurement plan on the national portal of public procurement (<i>Portail National des Marchés Publics</i>).
Environmental and Social Management	MMC 5	The consultative group on equity, equality of opportunities, and gender approach is operational and meets on a regular basis. Creation of the consultative group and organization of at least 3 meetings per year (or 2 meetings, in 2019).



Performance indicators

Theme		Ref	PI	Indicative Weight
Governance and Transparency	20	PI 1.1	Key municipal documents have been made available to the public. Key municipal documents to be made available are: (a) the consolidated financial statements of the current year, (b) the citizen budget (<i>Budget Citoyen</i>), (c) the municipality action plan (<i>Plan d'Action Communal</i>), (d) the general budget execution report for the previous year (<i>Résultat General du Budget de l'année n-1</i>), (e) the minutes of the municipal council's meetings of the previous year.	4
		PI 1.2	Monitoring and supervision of delegated services agreements Creation of a permanent monitoring and supervision entity (<i>Service permanent de contrôle - SPC</i>) and organization of regular meetings of the SPC to check the compliance of contractual provisions.	4
		PI 1.3	Percentage of eligible petitions included in the Municipal Council's agenda The right to petition has been introduced through the 2011 constitution to promote citizens participation in local governance and improve service delivery. The constitution provides that eligible petitions (signed by a minimum number of 100, 200, or 400 citizens, depending on the municipality's size) must be included for discussion in the agenda of the municipal council.	4
		PI 1.4	Auditing and control recommendations have been implemented. Implementation of an action plan to implement audit recommendations (including the designation of the persons in charge and the execution schedule), execution of the action plan in accordance with the schedule, and communication to the board of the annual report on the execution of the action plan.	4
		PI 1.5	Internal auditing function is fully operational. Internal auditing function is considered fully operational on the basis of the annual audit plan and on the percentage of the missions from the internal audit plan which have been executed.	4
Expenditure Management	14	PI 2.1	Mandatory expenditures related to conventions are budgeted and executed. Budgeting of mandatory expenditures of current year and of previous year, and financial execution of more than 50% of the amount due arising from the conventions. Mandatory expenditures are	3



			defined in the organic law on municipalities and include debt repayments, contributions to ECIs, salaries and pensions, utilities' bills, etc.	
		PI 2.2	Percentage of grants allocated to associations on the basis of a call for projects/total amounts of grants allocated to associations. The indicator measures the implementation of a transparent and open system of allocation of grants to community and neighborhood associations as part of a consultative citizen budgeting approach.	3
		PI 2.3	Investment budget commitment rate. This indicator is intended to track the quality and sincerity of the budget projections, the quality of budget management and the progress of investment operations.	4
		PI 2.4	Average lead time for the contract's notification and average lead time for payment. Compliance with the regulatory period between the opening of bids and contract award.	4
Revenues Management	19	PI 3.1	Increase in the municipality's own source revenues. Implementation or actualization of an addressing system and measure of the annual percentage of increase in the municipality's own source revenues.	8
		PI 3.2	Actions have been implemented to improve asset management and valorization. Annual actualization of the asset inventory (<i>sommier de consistance</i>) and implementation of asset registration procedures (<i>démarches d'immatriculation</i>).	5
		PI 3.3	Actions undertaken to close inactive special accounts. Inactive CAS (<i>Compte d'Affectation Spéciale</i>) constitute significant unexploited financial resources, which deprive municipalities of a means to strengthen their own resources.	3
		PI 3.4	Frequency of issuances of municipal tax invoices. This indicator measures the municipality's effort to improve its financial resources by maintaining an up to date database of municipal taxes to be collected.	3
Human Resources	10	PI 4.1	The organization chart has been adopted and key positions have been filled. Key positions to be filled include: general director, technical director, budget and procurement director.	5



		PI 4.2	The municipality's annual capacity strengthening plan has been implemented. Establishment by the municipality of a training plan and TAs related to the list of MMCs and PIs and approval of the training plan and TAs by the DGCL.	5
Environmental and Social Management	16	PI 5.1	An environmental and social management system has been made available to the municipality. Designation of an environmental and social focal point by the municipality, screening of the municipality's projects and monitoring of the projects as applicable.	5
		PI 5.2	The municipality's planning includes gender-oriented objectives and indicators. Inclusion of gender-oriented objectives and indicators in the municipality's action plan (<i>Plan d'Action Communal</i>) and implementation of the advice of the IEECAG.	2
		PI 5.3	All land acquisitions have been made in accordance with the national applicable regulation. This indicator will measure the percentage of land acquisition which have been carried out in accordance with all applicable procedures.	4
		PI 5.4	Actions implemented by the municipality to increase energy efficiency. Inclusion in the municipality action plan (<i>Plan d'Action Communal</i>) of measures aimed at rationalizing energy consumption, especially for buildings, street lighting, vehicles and machinery.	5
Service Delivery	21	PI 6.1	Level of public service delivered to citizens (household waste collection). The indicator measures, the percentage of household waste collected, the introduction of waste separation/ treatment, and leachate treatment.	6
		PI 6.2	Digitalization rate of administrative services. Implementation of digital platforms including Watiqa.ma Rokhas.ma (or other), civil registry management system, etc.	5
		PI 6.3	Actions undertaken by the municipality to measure citizen satisfaction. Measurement of citizen satisfaction following the delivery of an administrative service and actions undertaken to measure the satisfaction of users of public services (survey, study, etc.).	4
		PI 6.4	Response rate to citizen grievances. Deployment of a system for collecting citizen grievances by the municipality (focal point, registry, etc.), measure of the rate of response to grievance in less than 21 days, and digitalization of the citizen grievance management system.	4



		PI 6.5	The municipality's Internet website provides citizens with useful information. Useful information includes: Office addresses, opening hours, updates on municipal projects and works in progress, documents required for administrative procedures, deadlines for payment and declaration of taxes, etc.	2
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ANNEX 9. List of Digital Platforms and ICT tools supported by the Program

COUNTRY : Morocco

Municipal Performance Program

Government to Government Systems

Systems	Objectives
Integrated Revenues Management System	Improve revenues management and collection
Integrated Budget Management System	Improve expenditure management
Integrated Financial Management System	Integrate revenues and budget management systems for greater transparency
HR Management System	Improve HR
Integrated Training System	Strengthen the capacity of the municipal staff by collecting and managing training needs
Assets management systems	Improve assets management
Public Investment Management System	Improve efficiency of public investment projects
Municipalities National Platform	Improve communication between the Mol and the municipalities and among the municipalities.

Government to Citizens and Business systems

Systems	Objectives
Digital platform for the issuance of building permits and commercial licenses	Improve lead time in issuance of building permits and commercial licenses
Single window platform	Improve lead time to produce a set of services to citizens
Complaint management system	Increase processes in the management of complaints from citizens.
Back office system for civil registrar	Improve civil registrar