I. Project Context

The requirement for adequate sanitation solutions will be captured in the Project Implementation Manual as a pre-requisite to the provision of support for household connections.
Country Context
Morocco has a long history as a nation, and the country has been on a steady path of growth in the past decades, which has proved relatively resilient in the face of the recent global economic slowdown. Growth averaged 4.8 percent over 2001-12, compared to 2.8 percent in the 1990s, as the GDP per capita doubled from 2001 to reach US$2,951 in 2012, unemployment declined from 13.6 percent in 2000 to 9 percent in 2012, and absolute poverty decreased from 15.3 percent to roughly 8.8 percent between 2001 and 2008.

Despite a steadily improving economic situation, Morocco has been affected by the wave of protests that has swept the MENA region since 2011. Morocco had already engaged on a wide-ranging reform program to strengthen the roles of the regions and promote social solidarity and inclusion. In a speech on March 9, 2011, King Mohammed VI launched a process for constitutional reform, appointed a constitutional commission and set a three-month timeframe for the new constitution to be written. He also called members of the commission to be ambitious and innovative in favor of broad and comprehensive political reforms. The new constitution was submitted to a popular referendum on July 1, 2011 and garnered the support of 98.5% of voters. It was then submitted to the vote of the Parliament and promulgated. The new constitution provides mechanisms for the construction of a modern state of law and institutions. It also lays the foundation for extended regionalization as a democratic and decentralized system of governance. In November 2011, parliamentary elections followed the promulgation of the constitution, leading to the formation of a four-party coalition government that has embraced the constitution’s principles and called for more social solidarity and inclusion. This experience has shown that Moroccans are more inclined to seek evolution within the system – gradual change continuous with the country’s history and religious values.

Morocco’s unique experience reflects its political distinctiveness in the region, even though many of the same grievances among the population exist: a quarter of the population is still economically vulnerable (near-poverty), with persistent disparities as 70% of poverty is still rural, and most development indicators in rural areas lag behind urban areas. Moreover, rural poverty exacerbates gender disparity with relatively higher illiteracy and primary school dropout rates for rural women, and higher infant and maternal mortality. Against this background, Morocco has engaged in a dynamic process towards strengthening economic opportunities and social inclusion. Several high profile development programs (e.g. the second phase of the National Human Development Initiative, the INDH) and new sectoral strategies in the areas of education, employment, and youth have been initiated. Nonetheless, additional efforts are needed to support the country-led reforms. The movements associated with the political transition and constitutional changes represent real pressure on the Moroccan State for meaningful and quick change. While the people seem to be willing to support the Government and its mandate, they are expecting and indeed demanding that it break with the past and usher in more credible and faster reforms, notably in the areas of job creation and improvement of the quality of public services delivered.

Sectoral and institutional Context
In Morocco, the urban-rural disparity is evident in the water supply and sanitation sector, as access to potable water in rural areas had long been neglected. Due to the limited financial and technical capacities of the Communes Rurales (CRs, responsible by law for ensuring public services such as water supply and sanitation), the average access rate to potable water supply in rural areas was only 14% in 1995. This meant that more than 8 in 10 rural Moroccans had no access to a safe and
reliable water supply. Instead, they had to rely on alternative resources, often of unregulated quality (groundwater resources of degraded quality), requiring long and frequent trips (a burden most often borne by women and children), or excessively costly (water tankers, informal water providers). Where it existed, access to publicly provided water supply in rural areas was most often granted through public standpipes (SP), and in rarer instances through local distribution systems to house connections.

In 1995, GOM launched a first RWS program known as the Programme d’Approvisionnement Groupé en Eau Potable des Populations Rurales (PAGER). The responsibility for its implementation was shared between the Direction Générale de l’Hydraulique (DGH), and the Office National de l’Eau Potable (ONEP), the former national water supply utility which was recently merged with the national electricity utility. DGH would build standalone groundwater fed systems to be managed by Water Users Associations (WUA), whereas ONEP would lay lateral pipelines to connect villages located along its regional urban potable water trunk pipelines. PAGER successfully raised RWS access rates from 14% in 1995 to 61% by the end of 2004, mostly through installation of SPs in thousands of villages or douars. Since 2004, ONEP has been entrusted with the management of the entire PAGER program. It restructured it into the Programme de Généralisation de l’Eau Potable (GEP), with the objective to expand RWS coverage to 92% access by 2012. To achieve this, ONEP (hereafter be referred to as ONEE) relied mostly on the extension of piped RWS, limiting the supply from groundwater resources to places where they were proven reliable in terms of adequate quality and quantity.

The Bank supported ONEE in this mission. The on-going Rural Water Supply and Sanitation project (RWSSP), approved in 2005 and funded jointly with the AFD, supports the implementation of GOM’s GEP in selected provinces. In 2010, the Bank approved a loan for a Regional Potable Water Supply Systems Project (RPWSSP), aiming at supporting ONEE’s extension of regional trunk pipelines in rural areas. In addition, ONEE and the Bank, with support from the Global Partnership on Output-Based Aid (GPOBA), collaborated since 2005 in the preparation of rural pilots for small-scale delegated management contracts involving Output-Based Aid approaches as an innovative and promising approach for the extension and sustainable management of service delivery through house connection (HC) in rural areas. This combination of efforts enabled a dramatic increase in RWS access rates in the past 15 years, reaching 92% of the rural population in 2012, including 35% through local distribution networks to house connections.

Despite such impressive progress, where widespread deployment of SPs yielded undeniable benefits to rural populations who previously had no access to a safe and reliable water supply, the program faced a number of limitations, including:
- uneven access coverage between provinces, with those on the Atlantic coast, Rif and “pre-Rif” Mediterranean mountainous regions lagging behind the national average.
- very low SP consumption levels as SP uptakes measured on average at 8 liters/hab/day, while the networks were designed to convey 20 liters/hab/day in PAGER and 50 liters/hab/day in more recent GEP projects, in anticipation of HC-service demand flowrates, and very low flows and velocities may create a risk of loss of water quality and of public health impacts;
- strong demand for HCs as the majority of the population in rural communities accept water supply service through SP as a temporary solution and would rather benefit from a HC which would significantly ease the burden of water-intensive non-drinking uses of water (washing, cooking, etc.);
- a limited and inconsistent choice of SP management models, including water users associations (WUA) promoted by DGH, and individual SP caretaker – gardiens-gérants (GG) promoted by
ONEE; and
- insufficient attention to wastewater management (on-site sanitation) and hygiene promotion, a
strong focus for HCs but not as much for centralized SP-service.

Taking these shortcomings into account, GOM is now facing two major challenges. Its main
challenge is to continue increasing the rural access rate to water supply to reach near universal
access. This means replicating ONEE’s current successful approach of constructing a network of
lateral mains from its regional trunk lines to standpipes, in villages not yet served by previous
ONEE projects where access rates are among the lowest in Morocco. As these communities still
rely on high-burden low-quality alternatives to proper water supply, this would provide them with a
significant improvement in safety and reliability of supply. Furthermore, as access rates have
significantly increased everywhere, GOM’s second challenge is to gradually shift its focus to extend
service delivery from existing SPs to HCs, thus addressing increased demand for the perceived
benefits of in-house water delivery, and capitalizing on the initial sizing of conveyance laterals in
anticipation of HC-service.

The GOM set up in 2007 a National Sanitation Program (PNA) for the promotion of wastewater
collection and treatment in urban areas. Building on the early successes of the PNA, the GOM is
currently preparing a Rural National Sanitation Program (PNAR), aiming at promoting improved
sanitation in rural areas. The PNAR design study is expected to be completed by June 2014.
However, the timeframe for its validation, funding allocation and implementation start remain to be
clarified. Consultations and workshops made clear that individual on-site solutions should be the
preferred option and that piped solutions should be limited to areas where environmental or
technical obstacles make them indispensable. The Moroccan regulation imposes that any housing
be equipped with an appropriate sanitation solution. Decree No. 2-05-1533 defines on-site or
autonomous sanitation, states that any discharge from rural housing needs to be equipped with an
on-site sanitation solutions and entrusts the local government with the responsibility of controlling
the conformity and functional status of existing or new sanitation systems and to enforce their
implementation in case the current system is not in conformity with the regulation. Taking this into
consideration, the PNAR will have to clarify the question of the institutional organization for the
promotion, implementation and management of on-site sanitation systems and propose measures to
strengthen the municipalities with insufficient capacities or means to be able to handle this
municipal mandate. The responsibility of the network service providers is limited to reviewing the
evidence, whether provided by the household or the municipality, that an acceptable solution is in
place prior to connecting a house to water supply. In the meantime, for the purpose of this project,
ad hoc funding will be sought from the GOM to pilot the development of adapted sanitation
solutions in the project areas, in an effort not to delay HC-service extensions. In all cases, in line
with Moroccan regulation and ONEE’s procedures, eligibility for house connection under the
proposed Project will require the existence of an adequate sanitation solution to handle the expected
increase in gray water or sewage flows in an environmentally safe manner.

II. Proposed Development Objectives
The project development objective (PDO) is to provide access to safe and reliable drinking water
supply for rural communities in targeted under-served areas in the project area.

III. Project Description
Component Name
Component 1: Extension of access to water supply through standpipes in targeted, under-served provinces.

This component consists of developing infrastructure necessary to extend water supply to selected rural areas in eight provinces in the North, Centre and South of Morocco.

**Component Name**
Component 2: Supporting the shift towards water service delivery through house connections.

**Comments (optional)**
This component aims to respond to the demand of an increasing share of the rural population for HC and will be implemented by ONEE throughout its service area.

**Component Name**
Component 3: Implementation Support and Capacity Building.

**Comments (optional)**
This component will provide Technical assistance (TA) to ONEE’s project implementation and a series of capacity-building studies informing its overall RWS program.

### IV. Financing (in USD Million)

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<th>Amount</th>
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<td>Total Bank Financing:</td>
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### V. Implementation

IBRD will enter into a Loan Agreement with ONEE and the Kingdom of Morocco will guarantee repayment of the loan. ONEE is a new legal entity resulting from the merger (regroupement) of the former Office National de l’Eau Potable (ONEP) with the Office National de l’Electricité (ONE) as provided by Law 40-09, promulgated on September 29, 2011 and made effective on April 24, 2012. After the merger, ONEE kept a Water Department (“ONEE-Branche Eau”) and an Electricity Department (“ONEE- Branche Electricité”). Changes induced by the merger were limited to creating in ONEE four overarching units dealing with transversal activities such as finance or operations. It did not entail any change in the organizational structure or staffing of formerly ONEP and ONE. As a result, this merger will not impact ONEE’s capacity to handle Bank-funded projects, as staff dealing with these projects remain the same.

ONEE is Morocco’s biggest national public utility and remain an autonomous public enterprise. ONEE’s Water Department is the most important actor in the Water and Sanitation Sector. It is responsible for water supply planning, bulk production of potable water, water distribution to over 1 million customers in over 500 medium to small urban centers, and the development of RWS through GEP, which has allowed 93% of the rural population to have access to safe water supply through a standpipe. It is also responsible for the development of sanitation in about 200 urban centers. ONEE already has experience with the Bank-financed RWSS and RPWSS projects, especially in the Central and Northern provinces. Implementation would leverage existing ONEE structures and available staff with the support of the implementation TA consultants. Establishment of a special
implementation unit is therefore not planned, and project implementation will in fact reinforce ONEE’s effective ongoing decentralization and outsourcing of its services.

The implementation arrangements are the same as the on-going RWSS and RPWSS projects. Within ONEE’s Water Department, the Financial Department will be responsible for overall project oversight, and will be the focal point for the World Bank. The Development and Coordination Division of the Department for Access to Potable Water (DEP/D) will be responsible for the overall project coordination and monitoring. ONEE’s provincial and regional directions will be responsible to implement, each one for the activities they are in charge of, the technical, social and environmental studies, community mobilization, and the construction and supervision of works outsourced to consulting firms and other private sector companies. The regional and provincial offices will also be responsible for tendering and managing contracts, with the support of central departments, if and as needed.

The CR will enter into Delegated Management Agreements with ONEE that will define (i) their contribution to the financing of lateral mains construction costs (15 %), (ii) their contribution to the financing of the water distribution networks installation costs where HC-service will be extended (50 %), (iii) an in-principle agreement towards the delegation of the water supply service to ONEE and the responsibilities for infrastructure O&M and service delivery (i.e., Gardien gérant, WUA, private operator, or ONEE directly) as well as tariffs charged to water users. The Ministry of Interior’s Direction Générale des Collectivités Locales (DGCL) will see that relevant CRs respect their commitments towards ONEE under the project as per the terms of the agreements signed by the CRs with ONEE, and validated by the DGCL. DGCL will be asked to review the process by which CR contributions are paid to ONEE, to ensure that these payments take place in due time, consistent with the terms of the agreements.

Where HC-service will be extended, the Delegated Management Agreements will also require that “a suitable household sanitation system should be in place, be it collective or individual, before a HC could be installed”. Standards for acceptable rural sanitation solutions have been adopted by ONEE and the Bank and will be described in detail in the Project Implementation Manual. Because rural sanitation is beyond ONEE’s mandate, potential sources of funding are being explored to fund the development of acceptable sanitation solutions.

In the case of HC-service extension, households requesting a pre-financing from the Infrastructure Development Fund under component 2 to finance a share of up to MAD2,500 of their contribution to the cost of their house connection (full household contribution to its house connection is MAD3,500), ONEE will enter into a specific agreement with these households. This specific agreement will state the amount and condition of the pre-financing, the repayment schedule and the repayment modalities in installments over time through their water bills.

VI. Safeguard Policies (including public consultation)

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<td>Environmental Assessment OP/BP 4.01</td>
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<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
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The Environmental Assessment (EA) and Resettlement Policy Framework (RPF), revised to account for the proposed expansion of the scope of the Project, have been reviewed and cleared by the Bank. For the two intervention areas of Bedouzza and Skhour Rehamna, where initial designs were completed during preparation but RAPs could not be prepared by appraisal, “enhanced RPF” documents were prepared, presenting additional information and results of consultations, and cleared. Cleared “enhanced RPFs” should be disclosed in country and on the World Bank’s Infoshop prior to appraisal. The in country disclosure and publication on the World Bank’s Infoshop of RAPs, acceptable to the Bank, for the two intervention areas of Bedouzza and Skhour Rehamna, was made a condition of effectiveness. All RAPs will also be submitted for safeguards clearance and will be disclosed in country and on the World Bank’s Infoshop prior to the start of the works in each intervention area.

VII. Contact point

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