I. Introduction and Context

Country Context

1. Morocco’s recent economic performance has led to remarkable rates of poverty reduction. Growth rates averaging around 5 percent and sound macroeconomic management allowed for increased social investments contributing to a fall in absolute poverty from 15 percent in 2001 to 9 percent in 2007. At 9.1 percent in 2010, unemployment is at a 30 year low.

2. The country however still lags behind other countries in the region in terms of vulnerability and human development outcomes. About 17.5 percent of Moroccans live just above the poverty line. Expansion in access to basic services has not yet translated in real returns. Despite higher enrollment rates, illiteracy among the 15-24 cohort remains high at 24 percent. 60 percent of rural women cannot read and maternal and infant mortality stand respectively at 132/100,000 and 30.2/1000 (2009 data).

3. Growth has not eradicated entrenched disparities, and failure to broaden the benefits of growth poses challenges to social stability and cohesion. Inequality rates are high relative to regional standards (GINI 0.407) and remain on the increase. Large groups (particularly women and youth) fail to benefit from growth, and the rural urban gap remains large. About 70% of poverty in Morocco is still rural, and, rural absolute and relative poverty rates remain considerably higher (14.5 % and 23.6% respectively) than national averages. Practically all regions still contain pockets of severe poverty in peri-urban areas, old city centers and rural villages.

Sectoral and Institutional Context
4. The disconnect between inputs and results of social investments is due to supply and demand side shortcomings. So far, sustained capital spending on social services and economic infrastructure has led to lower than expected results. Social investments suffer from weak cross sectoral coordination, vertically driven approaches, weak targeting, as well as scarce and misaligned skills. In addition to supply side weaknesses, insufficient voice and accountability mechanisms affect the performance of social expenditure. Strengthening the role of local elected government (communes) and civil society representation at commune level is a key Government goal towards improving access and quality of public services as well as creating economic opportunities.

5. While not experiencing the same levels of political upheaval of other countries in the region, Morocco faces equally compelling demands for increased social and economic inclusion. In March 2011, following the first rounds of demonstrations, the King laid out plans for an ambitious process of constitutional reforms, including a clear road map for decentralization allowing for more power and resources to electorally elected regional councils, the constitutional establishment of institutions in charge of economic and social affairs, corruption and human rights. By calling for a move away from centrally-driven approaches to policy making and implementation, the King stressed the need for increased participation by the population and elected local governments and the reinforcement of accountability and control.

Description of Government program to be supported

6. The launch of the National Initiative for Human Development (INDH) in 2005 aimed to ameliorate the conditions of poor and vulnerable groups by establishing a more inclusive mode of governance. INDH was conceived as a decentralized social inclusion program with important elements of community driven development, namely a) participatory planning; b) increasing levels of resource transfers to communes and associations; c) increasing involvement of communes and associations in project implementation; d) nascent participatory monitoring approaches. Drawing on the design of best practice CDD projects, INDH established a tri-partite planning and decision making system at various levels comprising representatives of elected local governments, sector departments, as well as community associations/civil society organizations (CSOs). The program’s lowest decision making bodies - Comités Locaux de Developpement Humain (CLDH) and the Comités Provinciaux de Developpement Humain (CPDH) are well integrated in the provincial and commune level administration, in order to enhance decentralized service delivery through participation whilst maintaining inter-sector coordination and local government linkages. As one of the few national CDD based programs in MENA, INDH remains a visionary initiative for Morocco and the region.

7. INDH aims to give greater voice to the poor and the excluded, foster bottom up participation by communities and give a more central role to elected local governments and civil society representatives in local decision making. The highly political nature of INDH – a program launched and closely followed by the King, partly to stem any radicalization of disenfranchised groups - contributed to the high levels of ownership by central, regional and provincial governments, a trend which remains confirmed today. Phase 1 was largely financed by domestic resources (82%), with a total envelope of US$ 1.2 bn over five years. The Bank supported the design and the implementation of Phase 1 though a USD 100 mil SWAp based SIL over 4 years. A large number of donors supported Phase 1, with grant financing contributing a total of USD 216 million.

8. INDH accompanied Morocco’s move towards decentralization. When INDH-1 started there was no history of decentralized implementation and decision making with regards to service delivery. INDH pioneered the delegation of decision making down to the provincial level and the implementation of small-scale infrastructure projects at commune level. Decentralization policy was enshrined in recent constitutional changes placing emphasis on strengthening regional governments. INDH’s role will remain relevant in the future decentralization environment given its significance at sub-regional level (provinces and communes).

9. The first phase of INDH focused on building the program’s institutional infrastructure. The launch of the program took place against a backdrop of limited experience with participatory approaches, top down decision making and scant capacities at local level. As it is often the case with large CDD initiatives, the first Phase focused on setting up program systems and capacities, without nevertheless delaying the financing and implementation of subprojects. Despite its geographic reach and complexity, INDH was fully implemented in terms of coverage and disbursement targets. The program financed over 22,000 subprojects, and reached more than 5 million beneficiaries. Key indicators regarding inclusiveness of women and NGOs in governance structure were broadly attained, whilst participatory processes were set up throughout the target areas. Basic mechanisms for accountability and ownership were established, and NGOs and communes have gradually taken up responsibility for most project implementation. A qualitative survey published in 2011 found that 54-58 percent of households in INDH targeted areas participated in the identification of the sub-projects, and 73-78 percent of households claimed increased access to and use of services or infrastructure from INDH sub-projects. The results of the impact evaluation, to be made available before appraisal, will shed further light on INDH’s achievements on the ground.

10. Despite the above achievements, several limitations were noted during various reviews of the program. These included: (a) participatory processes and social accountability (e.g. need to broaden opportunities for direct citizen engagement; decision making and implementation often remaining top-down and still centered on the provincial level rather than commune level; limited role of civil society on governance bodies); (b) income generating activities (e.g. low viability of associations supported, lack of technical and marketing support); (c) use and access of services (e.g. weaknesses in operations and maintenance, lack of linkage with sector departments); (d) limits to the capacity of staff and existing operational systems (e.g. targeting, MIS, complaints handling, operations manuals needing updating). These set of lessons include areas in which GOM is keen to effect improvements and which provide the basis of the Bank’s operation under the second phase of the program.

11. Phase 2 extends INDH’s geographic scope, and moves the focus from building the program’s institutional architecture to delivering actual results. The impact of the Arab Spring on Morocco has made INDH even more relevant to GOM’s social inclusion objectives. Under Phase 2, the program will continue to be the main government instrument ensuring citizen’s participation and targeting resources to disadvantaged groups and areas. The program overall budget has increased from US$ 1.2 bn over five years to US$ 3.1 bn over ten years. This phase includes four subprograms of which three will be implemented in rural areas: The Rural Subprogram (US$ 374 Millions), the Cross-cutting Subprogram (US$ 331 Millions), and the Vulnerability (précarité) Subprogram (US$ 168 Million). The fourth subprogram, the channelling of financial resources to communes and associations (US$ 328 Millions), is designed to support the implementation of the cross-cutting subprogram.
Relationship to CAS

13. The proposed program is one of the main lending vehicles to support the second pillar of the Country Partnership Strategy (CPS) namely “increasing access to and quality of service delivery for all”. The program will contribute directly to the CPS Program Area 2.4: “Reducing vulnerability and social exclusion” and in particular to the following CPS outcomes: a) improved access to basic infrastructure, social services and economic opportunities by poor and vulnerable groups, including women and youth; b) sustainable and improved quality of services to vulnerable groups; c) better coordination of national policies and institutional mechanisms to reduce vulnerability; d) consolidation of participatory approaches to ensure that basic infrastructure and socio economic services meet the basic needs of excluded and vulnerable groups, particularly women and youth. Support to Phase 2 also contributes to the CPS cross-cutting objective to improve governance. With the impact of the Arab Spring, the centrality of Bank support to INDH as part of the CPS engagement is given further importance due to the project’s critical role in promoting voice and participation in development, in reaching out to disenfranchised and marginalized groups and in tackling poverty and vulnerability. These development issues are taking on new relevance in the Bank’s program and will be emphasized in the planned CPS Progress Report due for May 2012.

Expected Bank added-value and rationale for financing instrument choice

14. GOM expects the Bank to continue providing technical support to INDH2 with a view to improving key features of its design. For Phase 2, the Government has asked the Bank to focus on four key thematic areas selected based on a) the lessons learned during phase one; b) renewed social demands faced by GOM; and c) the Bank’s comparative advantage. These are:

1) Enhancing access and quality of service delivery;
2) Improving participatory local governance;
3) Enhancing economic inclusion;
4) Supporting the program’s capacities and systems.

GOM recognizes that the Bank can bring value to the INDH on these specific areas due to its global CDD expertise and knowledge on developing participatory mechanisms and social accountability measures to improve service delivery, as well as its previous work on improving economic inclusion, particularly on turning income generating activities into real drivers of jobs and revenue generation by linking them to value chains.

15. A SWAp based SIL is proposed as lending instrument to support INDH2.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The operation’s development objective is to help INDH target groups gain improved access to, and use of, enhanced participatory local governance mechanisms, basic infrastructure, social services and economic opportunities.

Key Results

17. Tentative key program results areas are:

1) Improved access and utilization of basic infrastructure and social services (e.g. school enrollment and drop-out rates, access to and use of potable water, roads, etc);
2) Better social and economic inclusion of target populations (e.g. number of jobs created through INDH activities); and
3) Enhanced local participation and inclusion of target groups in the INDH program (e.g. percentage of women and youth in local level governance bodies).

Indicators will be disaggregated by type of beneficiary groups (youth, women) when possible.

III. Preliminary Description

Concept Description

Bank support during phase two will focus on a limited set of themes and subprograms. During Phase 1 the Bank supported the program in its entirety. This allowed task teams to work closely with the INDH National Coordination on the overall design and implementation of INDH1, and provide assistance with the setting up of procedures and systems covering the various components. The downside of this comprehensive approach included high supervision costs and relatively less capacity to focus on key issues in need of improvement. The proposed approach for Phase two is to deploy the P4R instrument to encourage program changes in selected areas through the strategic application of DLIs and the provision of dedicated technical assistance.

IV. Safeguard Policies that might apply

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Pest Management OP 4.09  x  
Physical Cultural Resources OP/BP 4.11  x  
Indigenous Peoples OP/BP 4.10  x  
Involuntary Resettlement OP/BP 4.12  
Safety of Dams OP/BP 4.37  x  
Projects on International Waterways OP/BP 7.50  x  
Projects in Disputed Areas OP/BP 7.60  x  

V. Tentative financing

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