I. Introduction and Context
A. Country Context

1. Due to the growth in population and the rapid urbanization in the last decades in Morocco, 20 million inhabitants currently reside in cities, representing 60% of the population of the country as opposed to 5 million in 1970 (35% of the total population). By 2050, it is estimated that 70% of the country’s population will be based in urban areas, which will represent an addition in urban population of 10 million while the rural population will mostly stay flat.

2. In Moroccan cities, more than 900,000 inhabitants (5.3% of the urban population) live below the relative poverty threshold, surviving on less than USD 1.3 of expenditures per day. An additional 13.6% of the urban population (more than 2.3 million citizens) is considered economic vulnerable, with daily expenditures ranging from USD 1.3 to 1.9 per person, having higher probability than average of falling into poverty when exposed to negative personal events.

3. The Arab Spring contributed to underscore the strong demand from citizens for improved public services, especially in urban areas. The results achieved through peaceful political transformation were the adoption of an inclusive program enabling the strengthening of the governance framework in order to foster progressive political, institutional, and social reforms. The Constitution adopted in 2011 explicitly recognized social rights of citizens and provided a framework for improved local governance of public affairs through increased decentralization.

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1 Government data based on World Bank methodology
B. Sectoral and Institutional Context

4. In the last decades, due to rapid urbanization and socio-economic developments, demand for urban mobility in major cities has steadily increased. Available city data shows that the number of journeys has more than doubled in the past 40 years. As opposed to other comparable countries, buses have proved unable to adequately address citizens’ needs, representing only around 14% of journeys in Rabat and Casablanca for instance. As a consequence, private cars, motorcycles and taxis rapidly became the main motorized transport for the population. It is expected that car ownership rate will continue to grow by 3 to 5% annually for the next decade. Despite increasingly longer trips, walking remains the primary mode of transport in the country (more than 50%), especially for the poor.

5. The urban transport sector’s development is constrained by the limited capacity of its actors and deficiency in coordination. As defined by the Communal Charter, the provision of public services, including the maintenance of its infrastructure and equipment, is the responsibility of municipalities, which have very limited human, technical and institutional capability. Due to urban sprawl, inter-municipal cooperation for delivery of services is frequently required but is impeded by the fact that the available institutional structures such as associations of agglomerations (Groupements d’Agglomérations - GA) have not been widely used. The similar situation of limited capacity prevails at the central government which has the responsibility to support and supervise the activities of the local governments in urban transport in addition to the design, implementation and monitoring of specific central level measures to promote the sector. The central management of the sector is fragmented between different directorates at the Ministry of Interior.

6. The sector suffers from the inadequate performance of public transport in the country’s cities, as shown by overall unpredictable service frequency and low commercial speed that drives citizens to rely mostly on walking and private cars for flexibility. There is a widespread shortage of buses due to underinvestment by operators not able to generate sufficient revenue to re-invest. For instance, the fleet of Casablanca’s operator only comprises 175 buses per million citizens as opposed to an average fleet of 1,000 buses in major Latin American cities. This results in users increasingly favoring taxis, often informal, contributing further to congestion, lack of safety and pollution. Moreover, the operational performance of public urban transport is equally impeded by traffic management systems not giving priority to public transportation and a shortage of dedicated infrastructure, such as bus corridors, forcing them to share congested roads with private cars and taxis. As a result, bus commercial speed can falter to as low as 5 kilometers per hour in downtown Casablanca during rush hour, rendering bus schedules useless and contributing even further to the reduction of attractiveness of buses to citizens.

7. Broad consultations have shown that there is a strong need for improved accessibility for users of public urban transport. Users are faced with the absence of intermodal interoperability and fare integration. The consequence is that intermodal connections are mostly unreliable, time-wasting, inefficient and unaffordable requiring users to combine different tickets, passes, and multiple fares for the same journey. For instance, thousands of public sector employees residing in Salé incur a daily cost of USD 2.5 in tramway and bus fares to reach the administrative districts of Rabat. The shortage of user-friendly transfer stations is similarly contributing to
reducing the relative inaccessibility of public transport. The existing capacity in incentive parking facilities or taxi parks adjacent to public transport stations is severely insufficient to serve the needs of users. Public transport commuters usually have no choice other than park their private cars in distant parking spots, use private or collective taxis and/or walk increasingly long distances. Additionally, the physical access to public transport infrastructure and equipment, especially interchange stations, is mostly inadequate for people with limited mobility who represent up to 18% of citizens in major cities. Finally, surveys have shown that more than 50% of women in major cities consider that the situation of public transport, particularly in terms of security, obstructs their access to economic opportunities, limits their labor force participation and potentially reduces their income.

8. The significant underinvestment in the urban transport sector is due to the limited resources of local governments as a large part of their budget still relies on fiscal transfers. As a result, private buses operators are faced with a challenging business model with low fares, commercial risk and responsibility to renew the fleet. Following the financial failures of a number of operators that ended in bankruptcies or cessation of operations, the implementation of a financing mechanism to support the sustainability of public transportation became a priority for the Government. The Fund for Urban Transport Reform (Fonds d'Accompagnement des Réformes du Transport Urbain - FARTU) was created to serve this purpose but is not fully functioning.

9. The financing mechanism is also a tool to encourage reforms at local level. As the responsibility for urban transport has been transferred to local government, the central government cannot mandate reforms but can use the FARTU as an incentive mechanism to encourage the development by local governments of properly planned high-capacity urban transport infrastructure. The Government intends to make FARTU funding conditional to a set of criteria, including (i) the coherence of the project with a local Urban Transport Master Plan (Plan de Déplacements Urbains - PDU), (ii) the inclusion of inter-municipal cooperation mechanisms such as associations of agglomerations (GAs), (iii) the adherence to the governance framework that entails the development of the infrastructure by local government-owned asset companies (Sociétés de Patrimoine - SPs) and the concession of operations to the private sector, and (iv) the level of strategic, technical, financial and socio-economic relevance of the project.

C. Relationship to Country Partnership Strategy

10. The proposed PforR will contribute to the objectives of the 2014-2017 Country Partnership Strategy (CPS) discussed by the Board on April 29, 2014. It would support pillar 1 of the CPS, “Promoting Competitive and Inclusive Growth” by linking people to opportunities in cities, improving road safety and including people with limited mobility. The project would also support pillar 3 of the CPS, “Strengthening Governance and Institutions for Improved Services”, by improving local government capacity to plan and manage the delivery of transportation services and improve access for citizens in urban areas.

II. Program Development Objective(s)

A. Program Development Objective
11. The Program Development Objective (PDO) is to improve coordination, performance and accessibility of urban transport in select cities.

The Program focus will be to support institutional reform and governance of the sector, consisting primarily of the operationalization of the FARTU, and low risk sub-projects at city level. The initial selection of cities, based on size and availability of an urban transport mobility plan, will be Rabat, Casablanca, Agadir, Marrakesh and Tangier.

B. Key Program Results

12. The key results for the proposed operation are envisaged to be the following:

- **Improved coordination of the public urban transport sector** through the institutional strengthening of the sectoral funding mechanism (FARTU) at the central level and the institutional structures favored by the Government (GAs and SPs) at the local level for the urban transport sector, as measured by the number of beneficiaries of capacity-building initiatives and the number of operational GAs and SPs;

- **Improved performance and accessibility of public urban transport** through the support of infrastructure development and systems implementation at the local level, as measured by (a) reduction of average public transport journey time between select origin-destination pairs, (b) qualitative improvement for users in terms of performance and accessibility, and (c) increased use of public transport in select corridors of the poor, women, and people with limited mobility.

III. Program Description

A. Description

13. As the responsibility for urban transport is delegated to local government, the GoM program is the consolidation of the programs and objectives of the cities that hold ultimate accountability in the sector. The Government program was defined for the 5 key cities supported by the proposed operation. The Government intends to address the urban transport priorities in terms of performance and accessibility through a program of activities (detailed in the table below) that covers a scope that comprises the country’s major urban agglomerations (more than 500,000 inhabitants).

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>MEASURE</th>
<th>CITIES</th>
<th>BUDGET (million USD)</th>
<th>TIMELINE</th>
</tr>
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<tbody>
<tr>
<td>Improved Performance of Urban Transport</td>
<td>Implementation of Traffic Management Systems</td>
<td>Casablanca</td>
<td>16</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marrakech</td>
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</tr>
<tr>
<td></td>
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<td>Agadir</td>
<td>2</td>
<td>2017</td>
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<tr>
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<td>Tangier</td>
<td>2</td>
<td>2015</td>
</tr>
<tr>
<td>Improved Performance of Urban Transport</td>
<td>Acquisition of Buses</td>
<td>Rabat-Salé</td>
<td>30</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Casablanca</td>
<td>90</td>
<td>2016</td>
</tr>
<tr>
<td></td>
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<td>Agadir</td>
<td>12</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fés</td>
<td>6</td>
<td>2016</td>
</tr>
<tr>
<td>Improved Performance of Urban Transport</td>
<td>Development of Dedicated Infrastructure for Urban Transport</td>
<td>Rabat-Salé</td>
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<td></td>
<td></td>
<td>Casablanca</td>
<td>1,011</td>
<td>2018</td>
</tr>
<tr>
<td>Improved Accessibility for Users of Urban Transport</td>
<td>Development of User-Friendly Transfer Stations (including Incentive Parking Facilities)</td>
<td>Marrakech</td>
<td>9</td>
<td>2017</td>
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<tr>
<td>Agadir</td>
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<td>Tangier</td>
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<tr>
<td>Fès</td>
<td>20</td>
<td>2016</td>
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<tr>
<td>Improved Accessibility for Users of Urban Transport</td>
<td>Implementation of System Integration for Interoperability</td>
<td>Rabat-Salé</td>
<td>5</td>
<td>2018</td>
</tr>
<tr>
<td>Casablanca</td>
<td>12</td>
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<tr>
<td>Marrakech</td>
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<tr>
<td>Agadir</td>
<td>15</td>
<td>2016</td>
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</tbody>
</table>

14. The proposed PforR operation will focus on improving coordination in the sector at the central and local level and support a subset of GoM program of expenditure in the sector focusing on performance and accessibility of public urban transport (the “Program”). The geographic boundaries of the Program will include cities that prepared an Urban Master Plan (PDU), showing a level of commitment and readiness in terms of sectoral strategic planning. These cities include Rabat, Casablanca, Marrakesh, Agadir, and Tangier.

15. The Government program is expected to fund infrastructure investments (such as tramways or elevated metro in Casablanca) and cover expected operational deficit in the initial three years. The operation will support a subset of the Government program including traffic management systems, intermodal system integration, and transfer stations (including incentive parking) and select bus corridors as well as investments to be determined during preparation based on forecasted socio-economic returns.

16. Progress towards the Program Development Objective will be measured through a set of measurable Performance Indicators on the basis of which disbursements will be made. The following tentative Disbursement Linked-Indicators (DLIs) have been identified with the Government to reflect specific areas of improvement made under the Program:

**Institutional strengthening component (central level):**
- Operationalization of the FARTU (incl. selection criteria, operational manual and availability of funding).

**Institutional strengthening component (local level):**
- Set-up of a central urban transport technical support mechanism to local government.
- Training in planning, contract management and performance monitoring in 5 key cities.

**Urban transport infrastructure development and systems implementation component:**
- Increase of average commercial speed of public urban transport on specific sections;
- Increase of average service frequency of public urban transport on specific sections; and
- Increase in the number of users of public urban transport on specific sections.

**B. Role of Development Partners**

17. The proposed PforR operation is prepared in consultation with donors and IFIs active in Morocco’s Urban Transport sector. There is a wide consensus among donors and development
partners on the importance to provide strong support to the country’s urban transport sector. Discussions were held with representatives of the AFD, AfDB and GIZ to ensure coordination with donor-supported ongoing initiatives. The AFD has particularly been active in the sector in recent years. The French agency provided financing to the tramways of Rabat-Salé (USD 62 million) and Casablanca (USD 32 million) in coordination with EIB (USD 20 million) and organized the well-received National Days of Urban Transport (JNTU) in 2013. GIZ has similarly supported local governments on issues pertaining to the urban transport sector through capacity-building and networking activities structured around the CoMun Urban Cooperation Program which comprises 28 mid-sized and large Moroccan cities. Most donors consulted intend to remain strongly active in the sector. For instance, AFD is currently considering financing the Agadir BRT project and the tramways extension in Casablanca and Rabat (potentially jointly with EIB). AfDB’s financial capacity to intervene in the sector may be limited due to its current country exposure. During preparation, the Bank will continue reaching out to donors and development partners for close coordination and potential collaboration.

IV. Initial Environmental and Social Screening

18. An Environmental and Social System Assessment (ESSA) of the Program will be conducted to identify potential environmental and social impacts to be supported under the proposed project and assess, against the requirements of OP/BP 9.0, the provisions and possible gaps in national program systems with respect to institutional capacity and performance, policy and regulatory bases, consultation mechanisms and grievance redress mechanisms (GRM) to manage and mitigate the impacts. The ESSA will be based on a review of the legal, regulatory and institutional framework related to environmental and social matters, broad consultation of Program stakeholders, and information collected during on-site visits. The assessment will also draw on experience from implementation of safeguard instruments during similar previous Bank projects in Morocco.

19. The activities supported by the Program are expected to generate socio-economic gains and have an overall positive effect, adverse environmental and social impacts which are anticipated to be moderate, will be fully confirmed during ESSA process. Any land requirements (temporary or permanent) as part of the infrastructure component of the Program will likely be met through lands that are under the ownership of the state. The ESSA will evaluate social risk including those related to relocation of households, temporary or permanent land take; impacts on livelihoods and including those that may occur through restriction of access to resources. It, too, will evaluate the capacity of the Moroccan government to manage social risk, identify eligibility criteria, conduct risk screening and develop actions plans. The Program will exclude all activities that pose a risk of potentially significant and irreversible adverse impacts on the environment and/or affected people. Excluded financing would include investments in new or major expansion of large-scale or investment activities that are Category A activities. The technical

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2 Examples of Category A projects include: power plants; transport infrastructure such as highways, expressways, urban metro-systems railways, and ports; investment in extractive industries; commercial logging; commercial lodging; water (surface and groundwater) resource infrastructure, including dams, or projects involving allocation or conveyance of water, including inter-basin water transfers or activities resulting in significant changes to water quality or availability; and construction of manufacturing or industrial processing facilities.
manual will ensure a robust screening process, including exclusionary criteria.

20. To further enhance its environmental and social risk framework, the Program will adopt a technical manual which will establish clear procedures to guide the implementing and executing agencies in assessing, managing, and monitoring environmental and social impacts and resettlement compensation for activities to be financed under this project. The manual will be consistent with all relevant Government of Morocco legislative, regulatory and administrative requirements, and with the core principles of World Bank OP/BP 9.00.

21. Additional measures to increase the performance of the counterpart’s environmental and social management system will be proposed through the ESSA and incorporated in the Program design during preparation. These measures will include the strengthening of capacities of implementing agencies at the central and the local level though capacity-building initiatives carried out by the Bank. It is envisaged that these activities, once clearly defined, may be enforced through disbursement-linked indicators.

V. Tentative financing

<table>
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<th>($m.)</th>
<th></th>
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<td>IBRD</td>
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<tr>
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<tr>
<td>Others (specify)</td>
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<td></td>
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<tr>
<td>Total</td>
<td></td>
<td>200.00</td>
</tr>
</tbody>
</table>

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