



Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 02-Aug-2019 | Report No: PIDA182604



BASIC INFORMATION

A. Basic Program Data

Country Morocco	Project ID P168147	Program Name Municipal Performance Program	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 19-Jul-2019	Estimated Board Date 06-Nov-2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Program-for-Results Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Interior	

Proposed Program Development Objective(s)

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

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)

Total World Bank Group Financing	300.00
World Bank Lending	300.00
Total Government Contribution	346.00
Total Non-World Bank Group and Non-Client Government Financing	114.00



B. Introduction and Context

Country Context

- 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 eradicated. 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.
- 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 urbanize. 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.
- 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). 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 1 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.¹ The recent Morocco Urbanization Review² shows that Moroccan cities have created less agglomeration economies than cities in comparable countries.
- Morocco has maintained political stability since the onset of the 'Arab spring' and in response to popular demands undertook important institutional reforms.** 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

¹ National Employment Survey, *Haut-Commissariat au Plan*, 2013.

² World Bank. 2018. Morocco Urbanization review.



levels of trust in the different levels of administration and high levels of dissatisfaction with the quality of public services.

5. **The Government’s decentralization agenda stems from the recognition of the pivotal role of local governments (LGs) 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.

Sectoral and Institutional Context

6. **Over the past decades, Morocco has engaged in a decentralization process that has been further reinforced with the new 2011 Constitution.** 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 against 1 percent in Tunisia), 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 LGs³ 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 LGs, thus acknowledging the end of the administrative control or ‘*tutelle*’ of the Central Government over LGs. This has been confirmed in the Organic Law No,113-14 of July 15, 2015, pertaining to municipalities, which confirms municipalities’ primary role in local governance and service delivery and reinforces the ‘own mandates’ of municipalities (*compétences propres*), while entrusting them with new ‘shared’ and ‘transferred’ mandates (*compétences partagées* and *compétences transférées*).

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 urban municipalities have increased over the recent years; however, they remain low compared to their potential and municipalities do not have full autonomy in determining the rate and base on which local taxes can be levied. On the technical side, municipal competencies cover a wide range of key municipal services from potable water supply and wastewater

³ LGs include (a) regional councils, (b) provincial councils, and (c) municipalities.



collection and treatment to urban transport, traffic signaling, and parking management,⁴ requiring specific internal skills for selecting, preparing, and executing local investments.

8. **Moroccan cities still face strong 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\$33.6 billion equivalent) over 2017–2027, with an estimated 69 percent of this—or MAD 22.2 billion (US\$2.33 billion equivalent) per year over the 10-year period—to be financed by urban municipalities themselves. In comparison, the total capital expenditure of urban municipalities has stagnated at around MAD 4.5 billion (US\$470 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. 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)⁵ thus, limiting net savings and investment capacities of Moroccan municipalities.

9. **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.⁶ Many municipalities have not yet voted on their five-year municipal action plans (*Plans d'Action Communales*, 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. 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.

10. **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.

⁴ 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.

⁷ World Bank Group. 2018. *Kingdom of Morocco. Governing Towards Efficiency, Equity, Education, and Endurance*. A Systematic Country Diagnostic.

⁷ World Bank Group. 2018. *Kingdom of Morocco. Governing Towards Efficiency, Equity, Education, and Endurance*. A Systematic Country Diagnostic.



11. .

PforR Program Scope

12. **Program boundaries.** As a subset of the Government program, the PforR Program financed through this operation 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 the regions of Tanger-Tétouan-Al Hoceima, l’Oriental, Fès-Meknès, Rabat-Salé-Kénitra, Béni-Mellal-Khénifra, Casablanca-Settat, Marrakech-Safi, Draâ-Tafilalet, and Souss-Massa.
- **Targeted municipalities and ECIs.** The Program will include support under the Government program to the targeted municipalities and ECIs within the program area. The Government 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 targeted ECIs are expected to be in the 10 largest urban agglomerations in the country.
- **Exclusions.** Municipal investments under Subprogram 1 will be excluded from Program financing if 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.

13. Table 1 summarizes the scope of the Government program and the definition of the PforR Program boundaries within the Government program.

Table 1. Government Program and Boundaries for the PforR

Within Program Boundary	Outside Program Boundary
<i>Subprogram 1: Developing and piloting a performance-based grants transfer system on a selected group of municipalities</i>	
Design and operationalization of a performance-based grants transfer system Municipal investments in selected municipalities—low to moderate risk investments in the Program Area	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>	



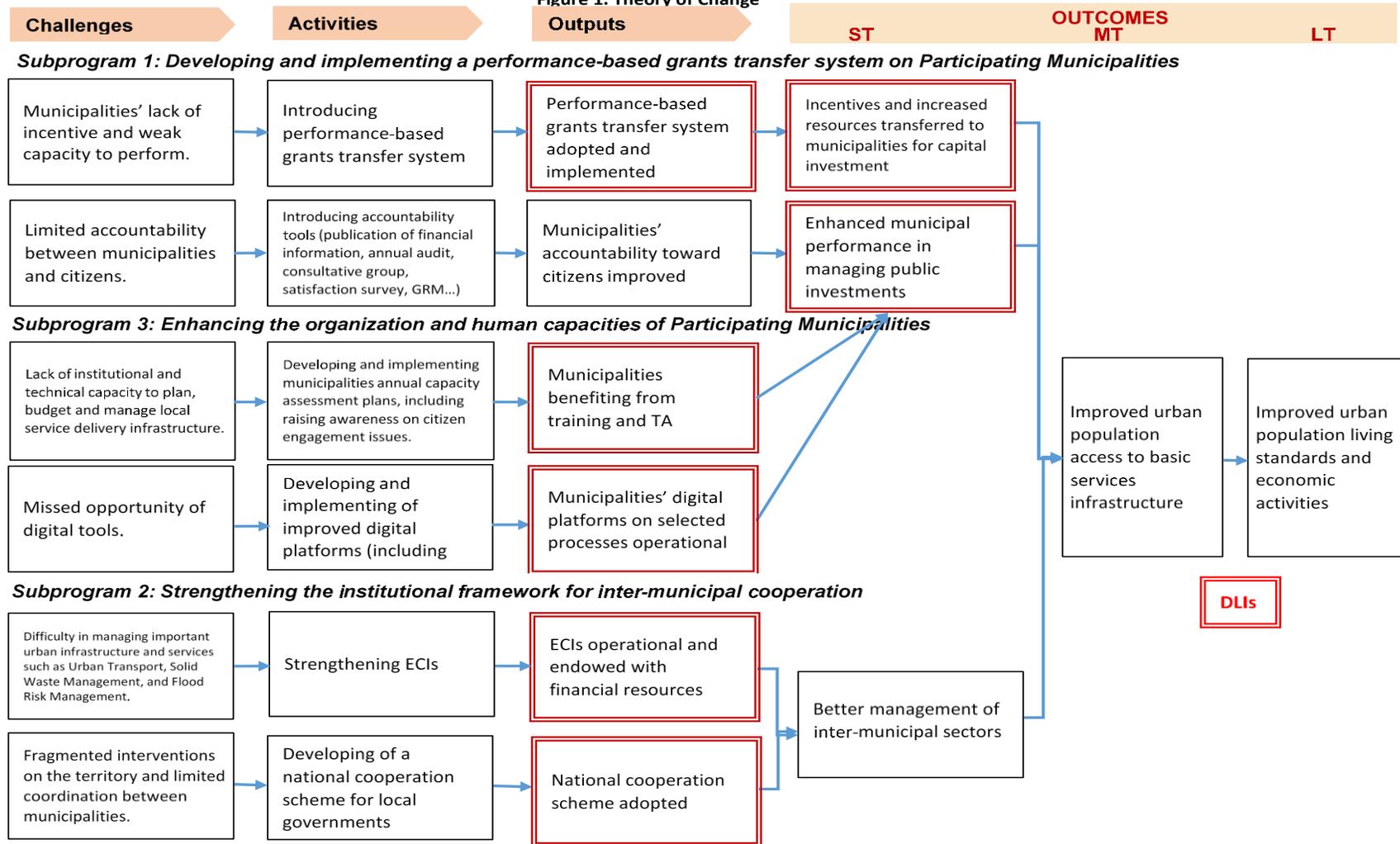
Within Program Boundary	Outside Program Boundary
<p>TA to the ECIs and municipalities to support the development of a national cooperation scheme</p> <p>TA to improve the regulatory and organization framework for the ECIs' sustainability (including the adoption/enforcement of a new financing model and the implementation of the newly adopted organigrams)</p>	<p>Incentive-based grant transfers to the ECIs for operation and/or investments</p>
<i>Subprogram 3: Enhancing the organization and human capacities of municipalities</i>	
<p>Capacity-building and TA activities for municipalities in the Program Area</p> <p>TA to improve the legal and regulatory framework for decentralization</p> <p>Digitalization and simplification of selected administrative processes in line with the Mol's smart city agenda</p> <p>Development and implementation of a training curriculum for municipal employees and elected officials</p>	<p>Capacity-building and TA activities for municipalities outside the Program Area</p>

14. **The operation's overall risk to the program 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 Program addresses these issues using the performance assessment framework and the technical assistance to respectively incentivize the municipalities and strengthen their capacities.

15. Figure 1 summarizes the Program's theory of change and results chain linking the main challenges identified, the activities, results, and tentative disbursement-linked indicators (DLIs) identified for each subprogram. The Program results matrix and DLIs will be further refined and articulated during preparation in line with the results of the Program assessments, with a view to provide incentives to the achievement of priority results and improvements under the Program. 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 1. Theory of Change



Note: ST = Short Term; MT = Medium Term; LT = Long Term.





Link with other Priorities

16. **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.⁷ Therefore, the program will contribute to enhance women's representation in decision making in local governance and promote the design of gender-responsive policies and instruments (strategies, plans, budget, and so on) to ensure concrete benefits for women and men.

17. **Gender-related actions and indicators.** The Program will support the Government to operationalize gender-responsive reforms in municipal governance, including in planning and management of municipal infrastructure and services. Through Subprogram 1, the Program will incentivize municipalities to ensure the operationalization of the Commission of Parity and Equal Opportunities (now IIECAG) 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 IIECAG meeting on a regular basis and provide consultative support to the municipal council. The operationalization of the IIECAG 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. Indicators to evaluate municipalities' performance will cover (a) inclusion of gender-related objectives and indicators within the Municipal Development Plans (now PACs) ; (b) inclusion of sex-disaggregated data by the PAC; and (c) effective contribution of the IIECAG to elaboration of the PAC. Under Subprogram 3, the Program will also provide specific TA and capacity building on gender planning/management/budgeting 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 gender-oriented objectives and indicators in their planning process (PAC) and (b) percentage of participating municipalities that benefitted from capacity building and TA on gender planning/management/budgeting.

18. **Citizen engagement.** Mainstreaming citizen engagement 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 citizen engagement and accountability through several means.

19. Under Subprogram 1, the municipal performance assessment will provide an evaluation and incentive mechanisms to develop and strengthen critical elements of citizen engagement at the municipal level through specific minimum conditions and PIs. These will include the following:

⁷ World Bank Group. 2018. *Kingdom of Morocco. Governing Towards Efficiency, Equity, Education, and Endurance*. A Systematic Country Diagnostic.



- (a) Increased transparency and openness through the publication of key official documents
- (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 constitution
- (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 citizen engagement 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.

20. 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. **Disruptive technologies.** The Program supports the MoI'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. In addition, DLI#7, which includes three DLRs and one PI in the performance assessment framework, was incorporated in the Program to incentivize the MoI and municipalities for the use of digital platforms and ICT tools.

21. **Maximizing Finance for Development.** 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 for infrastructure financing for the municipalities. The International Finance Corporation (IFC) is piloting non-sovereign lending to LGs through a loan to the regional council of Casablanca. The lessons learned from this loan and subsequent similar investments by IFC are expected to help develop the market for commercial lending to Moroccan municipal development. On the other side, this operation will address key binding constraints to the development of commercial lending to municipalities by:

- (a) Strengthening the municipalities' financial information and transparency (Subprogram 1 - the performance assessment framework includes indicators on the publication of the financial statements, and the appointment of the financial officers. 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).

22. 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. In addition, by improving financial information and the revenues collection of targeted urban municipalities, this Program aims at increasing their credit worthiness capacities to leverage private resources and skills for municipal investments.

Climate co-benefits. The Program will increase the resilience of Moroccan cities through performance grants that promote climate adaptation and mitigation investments (DLIs 1–4, US\$180 million), through inter-municipal cooperation for improved management of urban transit systems and solid waste collection and disposal (DLIs 5 and 6, US\$80 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 percent⁸ of performance grants are expected to be channeled into climate-smart infrastructure investments.

Table 2. Program Financing

Source	Amount (US\$, Millions)	% of Total
Counterpart Funding	100.00	20.00
Borrower/Recipient	100.00	45.53
International Bank for Reconstruction and Development (IBRD)	300.00	60.00
Cofinancing - Other Sources (IFIs, Bilaterals, Foundations)	100.00	20.00
FRANCE: French Agency for Development	100.00	20.00
Total Program Financing	760.00	100.00

⁸ Urban Roads (20 percent); Mass transit including bus stations (18 percent); Green spaces (12 percent); and Public lighting, housing, and smart cities (10 percent).



C. Proposed Program Development Objective(s)

23. The PDO is to improve the institutional and service delivery performance of participating municipal governments.

24. PDO-level indicators will measure progress toward the achievement of the PDO. These can include the following:

- **PI 1:** Percentage of participating municipalities that have met the Minimum Mandatory Conditions
- **PI 2:** Percentage of municipalities having achieved a performance⁹ score above the agreed threshold of 70 points out of 100
- **PI 3:** Percentage of participating municipalities that have introduced citizen satisfaction measurement tools and shared the results with citizens
- **PI 4:** Annual increase of municipalities' own revenues
- **PI 5:** Percentage of municipalities that have received at least 70 percent of the capacity building actions they requested in their Annual Capacity Building Plans

D. Environmental and Social Effects

25. **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.

26. **Adverse environmental and social risks stemming from the Program's supported activities are anticipated to be low to moderate.** 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.

27. **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

⁹ Performance areas include (a) governance and transparency including citizen participation, (b) access to public services, (c) fiduciary, (d) human resources, (e) revenues, and (f) safeguards and environment.



be implemented, including planning and sequencing of works, alternative access options, information and consultation of affected people, and easy access to appropriate GRMs.

28. **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.

E. Financing

Program Financing

Source	Amount (US\$, Millions)	% of Total
Counterpart Funding	100.00	20.00
Borrower/Recipient	100.00	45.53
International Bank for Reconstruction and Development (IBRD)	300.00	60.00
Cofinancing - Other Sources (IFIs, Bilaterals, Foundations)	100.00	20.00
FRANCE: French Agency for Development	100.00	20.00
Total Program Financing	760.00	100.00

CONTACT POINT

World Bank

Name :	Augustin Maria		
Designation :	Senior Urban Development Specialist	Role :	Team Leader(ADM Responsible)
Telephone No :	5360+4290 /	Email :	amaria@worldbank.org



Name :	Kolie Ousmane Maurice Megnan		
Designation :	Sr Financial Management Specialist	Role :	Team Leader
Telephone No :	5360+4288 /	Email :	mkolie@worldbank.org

Borrower/Client/Recipient

Borrower :	Ministry of Finance		
Contact :	Maria Oucible	Title :	Chef de Division du Financement Multilatéral
Telephone No :	0537677530	Email :	oucible@db.finances.gov.ma

Implementing Agencies

Implementing Agency :	Ministry of Interior		
Contact :	Khalid Safir	Title :	Wali Directeur General des Collectivites Locales
Telephone No :	0537215806	Email :	ksafir@interieur.gov.ma

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>