MIDDLE EAST AND NORTH AFRICA TRANSITION FUND

Grant Agreement
(Local Government Support Program)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Implementation Support Agency of the Transition Fund

Dated December 2, 2013
AGREEMENT dated DECEMBER 2, 2013, entered into between: KINGDOM OF MOROCCO ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as Implementation Support Agency (ISA) for the Middle East and North Africa Transition Fund (the "Trust Fund").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Appendix 2 to this Agreement, constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the Ministry of Interior in accordance with the provisions of Article II of the Standard Conditions.

2.02. The Recipient represents, by entering into this Agreement, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

2.03. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million five hundred fifty thousand United States Dollars ($4,550,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the above-mentioned Trust Fund for which the World Bank receives periodic contributions from the Trustee of the Trust Fund, in accordance with the Financial Procedures Arrangement (FPA) between the International Bank for Reconstruction and Development and International Development Association, as Implementation Support Agency (ISA), and the International Bank for Reconstruction and Development, as Trustee, dated November 21, 2012, concerning the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Trustee under the abovementioned Trust Fund, in accordance with the FPA, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.
Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Economy and Finance.

4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministère de l’Économie et des Finances
Avenue Mohammed V
Rabat
Kingdom of Morocco

Cable address: MINFIN Facsimile: 212-537-67-75-30/31

4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development and International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD Telex: 248423 (MCI) or 1-202-477-6391
Washington, D.C. Facsimile: 64145 (MCI)
AGREED at December 2, 2013, as of the day and year first above written.

KINGDOM OF MOROCCO
By

[Signature]
Authorized Representative

Name: Mohamed Bousaid
Title: Minister of Economy and Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION acting as Implementation Support Agency of the Transition Fund
By

[Signature]
Authorized Representative

Name: Simon Gray
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to set up a lasting program to provide Local Governments in the Project Area access to decentralized support services and assistance to institutionalize inter municipal cooperation.

The Project consists of the following parts:

Part 1: Deconcentrated Local Governments Support Centers

Carrying out a program of activities aimed at establishing local single window support centers for LGs in the Project Area; such program to include:

(a) reviewing implementation options and organizing a consultative process to determine the legal form, the resources required, the territorial mapping, and the deployment plan of the local single window support centers, all through the provision of technical assistance;

(b) setting up the establishment of about three local single window support centers on a pilot basis in the Project Area; and

(c) carrying out an inventory of existing resources, making such resources available to LGs in the Project Area, and developing new tools to fill identified gaps as necessary.

Part 2: Inter-Municipal Cooperation and Institutional Reform for Local Service Delivery

Carrying out a program of activities aimed at accelerating the formation of inter-municipal cooperation structures in the Project Area, including the creation on a pilot basis of Public Asset Companies that the inter-municipal cooperation structures would establish for planning and financing their infrastructure investments; such program to include:

(a) providing technical assistance to a limited number of municipalities for the purpose of creating or expanding inter-municipal cooperation structures;

(b) carrying out studies to design new institutional and financial models for the sustainable delivery of the municipal services transferred to the inter-municipal cooperation structures; and providing technical assistance to set up Public Asset Companies; and

(c) funding an incentive mechanism for the formation of new inter-municipal cooperation structures.
Part 3: Program Management

Providing support to the PMU for Project coordination, supervision, financial management, audits, procurement, monitoring and evaluation.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Project Management

1. The Recipient shall maintain throughout the implementation of the Project, the PMU with qualified staff and adequate resources, to be responsible for the day to day implementation and the fiduciary aspects of the Project.

2. Not later than two (2) months after the date of this Agreement, the Recipient shall have recruited a financial management specialist and a procurement specialist for the PMU, all in compliance with the provisions of Section III.C. of Schedule 2 to this Agreement.

3. Without limitation to the provisions of paragraph 1 of this Part A, the PMU shall be managed by the Project Committee which shall ensure the coordination of the implementation of the different components of the Project. The Recipient shall maintain throughout the implementation of the Project, the Project Committee with qualified staff and adequate resources.

B. Project Steering Committee

The Recipient shall maintain, throughout the implementation of the Project, a Steering Committee with qualified staff and adequate resources, satisfactory to the World Bank, to be responsible for providing general guidance to the PMU and the Project Committee regarding the implementation of the Project.

C. Operational Manual

1. The Recipient shall implement the Project in accordance with the Operational Manual ("OM"). The Recipient shall not amend, suspend, abrogate, repeal or waive any provision of the OM without prior approval of the World Bank.

2. Without any limitation to the provisions of Section 3.06 of the Standard Conditions, the Recipient shall take appropriate measures to utilize the Grant funds exclusively for their intended purposes and in a manner that enables the World Bank to fulfill its obligations under the FPA, in particular under Section 4 of the FPA.
D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

E. Safeguards

The Recipient shall ensure that no Grant funds shall be used to finance any studies regarding specific infrastructure investments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
4. The Recipient shall recruit a financial management specialist in compliance with the provisions of Section III.C. of Schedule 2 to this Agreement.

C. Other Reports

Without any limitation to the provisions of Section II.A and Section II.B of this Schedule 2, the Recipient shall, promptly upon request from the World Bank, provide all information and reports relating to the Project and the use of the proceeds of the Grant, in order to enable the World Bank to fulfill its obligations under the FPA.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, non-consulting-services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; and (c) National Competitive Bidding subject to the following additional provisions:

(i) the bidding documents include explicitly the bid evaluation method, award criteria and bidder qualification criteria;

(ii) technical, administrative and financial envelopes are opened immediately after the bid opening session has started and prices are read aloud;

(iii) the bids are evaluated on the basis of the price and any other criteria expressed either in pass/fail terms or in monetary terms and disclosed in the bidding document;

(iv) contracts are awarded to the qualified bidder who has submitted the least-cost evaluated and substantially responsive bid as stipulated in the bidding document; and

(v) standard bidding documents and bid evaluation reports found acceptable by the World Bank are used.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection of consulting firms; (d) Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the World Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Section IV. Withdrawal of Grant Proceedings

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, and consultants’ services, Training and Operating Costs under Part 1, Part 2 (a) and (b), and Part 3 of the Project</td>
<td>4,550,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>4,550,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $200,000 equivalent may be made for payments made prior to this date but on or after November 15, 2013, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is August 31, 2018.
APPENDIX 1


2. “Local Governments” or “LGs” means the Recipient’s local governments (collectivités territoriales) as defined in Title 9 of the Recipient’s Constitution promulgated on July 29, 2011.

3. “Ministry of Interior” means the Recipient’s ministry responsible for interior or any successor thereto.

4. “Operating Costs” means the reasonable costs, which shall have been agreed by the World Bank for the incremental expenses incurred by the Project Management Unit on account of Project implementation, consisting of: vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding regular salaries of officials of the Recipient’s civil service).

5. “Operational Manual” or “OM” means the manual for the implementation of the Project, adopted by the Ministry of Interior pursuant to Decision No. 630 dated November 19, 2013, and referred to in Section I. C.1 of Schedule 2 to this Agreement.

6. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 21, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

7. “Project Area” means the following areas of the Recipient’s territory in which the Project activities will be carried out: the regions of Tanger-Tetouan, Fez-Boulemane, Meknes-Tafilalet, Doukkala-Abda, Rabat-Sale-Zemmour-Zaër, Grand Casablanca, Marrakech-Tensift-El Haouz, Gharb-Chrarda-Beni Hsen, and Souss-Massa-Draâ.

8. “Project Committee” means the committee established within the Ministry of Interior pursuant to a decision from the Minister of Interior dated November 15, 2013, and to be maintained in accordance with Section I.A. of Schedule 2 to this Agreement.
9. "PMU" means the Project Management Unit established within the Ministry of Interior pursuant to a decision from the Minister of Interior dated November 15, 2013, and to be maintained in accordance with Section I.A. of Schedule 2 to this Agreement.

10. "Project Steering Committee" means the committee established pursuant to a decision from the Minister of Interior dated November 15, 2013, and to be maintained in accordance with Section I.B. of Schedule 2 to this Agreement.

11. "Public Asset Companies" means the companies to be set up under the Project to be responsible for planning and financing infrastructure investments and contracting the provision of services to public or private operators.


13. "Steering Committee" or "SC" means the Trust Fund’s decision making body as described in the Transition Fund Operations Manual.

14. "Training" means the reasonable costs which shall have been agreed by the World Bank for the training and workshops, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation.

15. "Transition Fund Operations Manual" means the Manual approved by the Steering Committee, which sets out the detailed procedures applicable to the operation of the Transition Fund, as said Manual may be amended from time to time by the Steering Committee in accordance with procedures set out in the said Manual.

16. "Trustee" means the International Bank for Reconstruction and Development in its capacity as trustee of the Trust Fund.
APPENDIX 2
Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

The first sentence of Section 4.05(a) of the Standard Conditions has been revised as follows: “If the World Bank or the SC (as defined in the Grant Agreement) determines or an audit conducted under the FPA (as defined in the Grant Agreement) indicates that an amount of the Grant has been used in a manner inconsistent with any provision of the Grant Agreement, the Standard Conditions, or the FPA, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank.”