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I. Country Context

1. **Morocco has been enjoying a comparatively steady political and economic development trajectory in recent years**. In contrast with the historic events that have swept through the Middle East and North Africa region in the wake of the Arab Spring since 2011, Morocco has remained fairly stable. Morocco's economy has also performed relatively well. The average growth rate of its non-agricultural sectors has been 4 percent since 2007, despite successive external shocks, most notably the global financial and subsequent Eurozone crises and, during 2010-14, the high price of oil of which Morocco is a large importer. GDP per capita has doubled in nominal terms over the past ten years, and reached US$3,108 in 2013. Morocco's economic growth has greatly contributed to reducing poverty and boosting shared prosperity. However, poverty, inequality and vulnerability remain widespread and continue to constitute important development challenges. Although extreme poverty has almost been eradicated, nearly 20 percent of the population, or 6.3 million Moroccans, remain vulnerable and are under constant threat of falling back into poverty.[1] The wellbeing of the bottom 40 percent of the population has also improved, but Morocco's Gini coefficient at 0.41 signals a relatively high level of income inequality.

2. **Morocco remains vulnerable to a number of different exogenous hazards and shocks**. Key among them are economic shocks due to commodity price volatility, natural hazards, technological and biological hazards. While managing risk related to economic shocks, technological and biological hazards is strategically important for Morocco, several natural disasters have affected communities throughout the country in recent years which has led to increased social tensions. The 1960 Agadir earthquake, which was only magnitude Mw 5.8 and would have caused few if any fatalities in many developed countries, killed over 15,000 Moroccans. It virtually destroyed the city, and left the population homeless and deprived many of their livelihoods. More recently, the 2004 Al-Hoceima magnitude Mw 6.4 earthquake killed over 600 people and injured over 1,000. A massive earthquake could possibly occur in other cities,

[1] Extreme poverty (measured at US 1 $ PPP per day per person) has been almost eradicated in Morocco and relative poverty (US$ 2.15 PPP per day per person) declined from 15.3 percent in 2001 to 8.9 percent in 2007. The 20 percent vulnerable population refers to those with per capita expenditure between relative poverty at national threshold and 1.5 times this threshold. Vulnerable people are not poor, but at high poverty risk.

for example in Fes or Tangiers. Flooding is a chronic recurrent problem in Morocco and floods in Tangier (2008), Al Gharb (2009), and in Guelmin (2014) also caused deaths, major economic loss and asset destruction. In recognition of these vulnerabilities and social tensions that have and may continue to surface in affected and non-affected areas, the Government has begun to significantly enhance its overall approach to managing risk, starting with risks from natural hazards as a first priority.

3. **Reducing the impact of natural hazards is of central importance for sustained improvements in poverty reduction and shared prosperity.**[2] While growth in recent decades has reduced poverty and boosted shared prosperity in Morocco, shocks such as natural hazards, if not well managed, can threaten progress towards both twin goals. Natural hazards have disproportionate impacts on low-income populations in Morocco, both in terms of impact and the ability to adapt. On impact, for a given hazard, a simple vulnerability[3] analysis suggests that in Morocco, the vulnerability of assets of poor people (defined as the bottom 20%) is 69 percent higher than for the assets of non-poor people. This is in addition to the fact that poor people already have a larger percentage of their assets in material form, and are thus more vulnerable to natural hazards. Poor people are also less able to adapt to shocks through having access to financial resources (savings and borrowing). Only 5 percent of poor people have some form of access to finance, compared to 17 percent for non-poor people. These two findings – of higher vulnerability and less ability to adapt – suggest that when a natural hazard strikes, low-income populations are hit hardest.

4. **The impact of natural hazards is exacerbated by climate change, an area of particular interest for Morocco in light of the CoP22 which will be hosted by Morocco in 2016.** Morocco, similarly to other countries in the region, will be affected by climate change at both 2°C and 4°C warming levels, particularly due to increased projected heat extremes and reduction of water availability. In a plus 2°C world, heat extremes will occur in about 30 percent of summer months almost everywhere in the MENA region and an average 35 cm sea-level rise is projected, for example, for Tangier on Morocco's Atlantic coast.[4] Eighteen million Moroccans out of a total population of 32 million live in urban areas with the urban population projected to increase by over 4 million by 2030. Urbanization is an exacerbating factor for vulnerability and will increase the exposure of people and economic assets to disasters, especially in coastal areas where the largest cities and economic assets are typically located and where 42 percent of the coastline will be at high risk of erosion and floods by 2030. For example, Casablanca, Morocco's largest city, is currently home to 3.3 million people and is expected to grow by more than 50 percent to over 5 million residents by 2030, with some of this urban expansion expected to occur in more risk-prone areas. The city is already highly vulnerable to flooding, coastal erosion, and marine inundation and its vulnerability will only become more pronounced.

II. Sectoral (or multi-sectoral) and Institutional Context

5. **Morocco is exposed to significant recurrent hazards and faces the potential for major catastrophes**. Recognizing that disasters can have severe human and economic impacts and create social instability, Morocco has invested significantly in recent years in order to better understand and quantify its exposure to its most important natural hazards with the objective to better assess and thus manage its risks. As part of its long-standing partnership with the World Bank on integrated risk management (see Box 1), Morocco has developed a state-of-the-art GIS-based catastrophe risk modeling, *Morocco Natural Hazards Probabilistic Risk Assessment (MnhPRA)*. This new capability allows for an analysis for risks of earthquake, flood, tsunami, drought and landslide across Morocco. Morocco has also developed disaster-

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[2] World Bank (2016) Shock Waves: Managing the Impacts of Climate Change on Poverty (forthcoming).
[3] Vulnerability is defined as the potential damage to housing stock due to flood events.
[4] World Bank Group (2014): Turn Down the Heat: Confronting the New Climate Normal.

related macro-economic modeling capability to capture long-term impact of these catastrophes on the national economy and specific sectors, as well as to inform policy options for reducing the effects of disasters. These tools have already been used by the Ministry of Economy and Finance (MEF) in the development of Morocco's draft law on catastrophe risk insurance. As such, Morocco has good analytical tools in place to measure its overall exposure to natural disasters and guide its emerging national risk management and resilience strategy.

Box 1: Morocco's Evolving Approach toward Integrated Risk and Resilience Management

The Government of Morocco and the World Bank have had a long standing partnership on risk management since 2008. Initially, this partnership focused on providing Technical Assistance on inputs for an integrated risk management strategy, covering multiple risks the country is facing including: i) natural disasters, ii) commodity (energy) price volatility risk, and iii) risks in the agricultural sector. The outcome of the Technical Assistance provided is summarized in the 2013 World Bank Publication "Building Morocco's Resilience: Inputs for an Integrated Risk Management Strategy"[5] which highlighted disaster risk as a particular concern and led to the Government officially requesting in 2012 a new lending operation. The choice to focus on disaster risk management was driven by client demand to focus on a sub-set of risks so as to be able to move toward concrete institutional reform changes and risk and vulnerability reduction results on the ground. Since then, the Bank has been working closely with the General Secretary of the Ministry of Interior (MoI) in efforts to redesign the existing *Fonds de Lutte contre les Effets des Catastrophes Naturelles (FLCN)* to become a "national resilience fund". The Bank has also continued to provide Technical Assistance to the Ministry of Economy and Finance (MEF) on disaster risk insurance and finance issues. This more focused engagement aims at providing the basis for a changed operational approach in Morocco to managing risks in a more integrated manner (but starting with a specific sub-set of risks first) in line with the recommendations of the 2014 World Development Report on "Risk and Opportunity". The Government is also continuing to develop its vision for a national risk and resilience management strategy so as to be able to move to a more integrated approach to managing a variety or shocks and vulnerabilities the country is facing.

6. **The impacts of recurrent medium size disasters and rarer but more severe events on Morocco's budget and the economy are sizeable**. As of 2013, Morocco's total built environment exposure amounts to MAD 2.7 trillion (or equivalently about MAD 84,000 per capita). Buildings represent about 70 percent of the total value at risk, with the remaining 30 percent consisting of infrastructure for water and wastewater, ports, airports, rail and roads, and the electrical network. Given this exposure and Morocco's hazard environment, modeling indicates natural hazards losses average a minimum of MAD 7.8 billion per year, with about 60 percent of this due to flooding events. Moreover, annual averages are only one aspect of Morocco's vulnerability, the potential for very severe events being the other. There is a 67 percent probability that over the next 30 years a single event will cause losses of MAD 25 billion or greater.[6] A rare but possible earthquake or tsunami (with likelihood similar to the one in Japan in 2011) could result in losses of up to 20% of GDP. While such probabilities may appear low, recent disasters of similarly low probability (the 2004 Indian Ocean and 2011 Japan tsunamis, for example) illustrate that ignoring the potential for infrequent events can be a costly mistake. Aggravating this situation is the lack of catastrophe risk insurance – except for large private industrial or commercial assets there is currently no insurance against the economic consequences of natural disasters in Morocco. Without more comprehensive and proactive risk reduction measures, this represents a significant de facto government contingent liability and a potential source of economic and social destabilization.

7. **Morocco's population is not sufficiently aware of its risk exposure and sees risk management as the government's responsibility**. The government can only do so much – a key step for reducing disaster risk will be to raise awareness among the population about risk exposure and how to mitigate potential impact. Unless a disaster has recently affected people personally, it is common to underestimate the risk of disasters: "it's not going to happen to us". As a result, local investment in risk reduction measures and risk awareness programs are often not seen as a priority until after a disaster,

[5] World Bank Group (2013). Building Morocco's Resilience: Inputs for an Integrated Risk Management Strategy.
[6] This probability is greater for lower levels of losses: i.e., there is a 95% chance that Morocco will suffer a MAD 5 billion direct earthquake or flood loss and 87% chance of a MAD 10 billion of such events.

when it is too late. This is particularly challenging for the poorest populations with a lower level of education and few means to protect themselves. A recent survey on community-level perception of risks[7] in four urban and rural communes in the provinces of Guelmin, Hoceima, Taounate and Chefchaouen indicates a general awareness of exposure to disaster risks (84% of respondents owned their own home and wished to reduce the potential damage to their property) but hazard-specific knowledge was limited (89% of the respondents considered floods as the main risk, even in highly seismic areas). Although all respondents recognized that they could play a role in the management of natural hazards, including through community action, 81% thought that investing in risk management is a local and national government responsibility. Understanding these perspectives and limitations is important when designing disaster risk mitigation and resilience actions.

Institutional Set-up and Current Weaknesses

8. **Morocco's disaster risk management practices, until recently, were characterized by institutional fragmentation and a predominantly reactive approach**. Like in many middle-income countries, Morocco's approach has been heavily weighted towards crisis response and has remained highly sectoral. Each disaster created duplicative "urgent" new programs in the affected area, resulting in an imbalanced approach nation-wide. Disaster risk management initiatives are often implemented in silos (per ministry, per type of risk) and suffer from institutional fragmentation with little coordination between the relevant government agencies. Institutionally, risks are insufficiently understood, and are managed by different agencies in an uncoordinated manner. Different stages within the risk management cycle (that is, preparedness, mitigation, recovery) are also managed in silos and the required linkages are not consistently made. For example, the Ministry of Interior (MoI), to date, is mandated with overall crisis management, and prevention and preparedness for local governments but other mandates lie with different sectoral Ministries (see Box 2). All these factors combined have been an impediment to Morocco's ability to develop a comprehensive and more effective approach to risk management, covering all its various dimensions, recognizing interdependencies across risks and geographical areas and demonstrating a learning curve based on experiences.

Box 2: Overview of the Institutional Context for Disaster Risk Management in Morocco

The **Ministry of Interior (MoI)** and the **Ministry of Economy and Finance (MEF)** are central players in disaster risk management. The MoI is in charge of crisis prevention (Article 1 from Decree N° 2-97-176/ 1997) and is the lead Ministry also for crisis response (Circular N°23 and 172 Plan ORSEC, *Programme d'organisation des secours à l'échelon départemental, en cas de catastrophe*). At the local level, Governors are in charge of overall interministerial coordination on the ground during a crisis (Article 102 of the Constitution, articles 2 et 3 of the Dahir / 1977); the Center for Control and Coordination (CVC, *Centre de Veille et de Coordination*) in the MoI is in charge of coordinating emergency situations and assisting the local governments during crises. The Civil Protection is in charge of crisis intervention on the ground both at the local and national levels, in full coordination with the Governors and the MoI's CVC; the Secretary General of the MoI who reports directly to the Minister, is in charge ("*ordinateur*") of Morocco's Natural Disaster Risk Management Fund (FLCN, *Fonds de Lutte contre les Effets des Catastrophes Naturelles*) (Law 40-08/ 2009 Budget Law). The MEF has a mandate to finance risk management projects through the annual budget allocation to line ministries and provide appropriations for the FLCN. In addition, within the MEF, the Insurance Supervisory Agency (DAPS, i.e. *Direction des Assurances et de la Prévoyance Sociale*) has been in charge of developing Morocco's catastrophe insurance law and, of course, the MEF bears all fiscal liabilities after a disaster occurs.

Line Ministries have functional risk management responsibilities. The **Department of Environment** has the mandate for elaborating, in collaboration with Ministries, a strategic approach for risk management covering preparedness and response (Decree N° 2-99-922/ 2000). The **Ministry of Urban and Territorial Planning** has the mandate to develop laws and regulations on disaster risk prevention in urban planning, including on land use and building standards (a seismic building code was developed in 2002 (Decree n°2-02-177, February 22, 2002) and updated in 2011. The **Department of Water** has the mandate for flood and drought management and mitigation (Water Law 10-5/1995). The Water Basin Department (ABS, *Agences Hydrauliques de Bassin)* have the mandate to mitigate flooding at the local level. The **Ministry of Transportation and Equipment** and the **Department of Energy** are in charge of protecting respectively the transportation

[7] World Bank Group (2013): Morocco Community Based Disaster Risk Management.

infrastructure (rail, roads, bridges, harbors, airports, etc.) and the energy-related infrastructure (power supply, transmission and distribution). The **Ministry of Agriculture** is in charge of managing all disaster risk-related impacts on the agricultural sectors (droughts, floods, etc.) and developing an agricultural risk management strategy. Within the Ministry of Agriculture its irrigation department is in charge of protecting irrigation infrastructures against floods.

Specialized agencies and research institutes also play key roles. The **National Meteorology Department** leads all activities related to weather and climate information, including research activities (Decree N° 2-94-724/ 1994). The **National Center for Scientific Research** (CNRST, *Centre National pour la Recherche Scientifique et Technique*) conducts research on seismic activity and has produced maps of the national seismic hazard zones. The **Haut Commissariat aux Eaux et Forêts** is in charge of forest fire monitoring.

9. **The Government recognizes that a more proactive, ambitious, transparent and results-based strategy needs to be implemented, so as to increase its resilience to natural disasters**. The Government's efforts need to be better coordinated to assure institutionalization and sustainability of its risk management activities. With increasing visibility of government actions, including in light of increased social media in the aftermaths of disasters, transparency across a wide range of government disaster risk management actions is essential, from risk reduction investment selection, to how projects are implemented and evaluated. Finally, as part of Morocco's ongoing decentralization process, there is the need to assure a territorially more balanced approach of risk management activities in which provinces and communities lead not only risk response but also local risk reduction and mitigation actions, supported by the central government. Within the Government, the MoI plays the central role in disaster risk management through its crisis response functions via the CVC (*Centre de Veille et de Coordination*) and Civil Protection and its central position within the Government, which allows it to coordinate horizontal (across ministries) and vertical (between national and local governments) integration.

III. Program Scope

Government Program

10. Morocco has begun to develop a mutually reinforcing and complementary risk management reform program which combines elements of institutional reform with risk reduction investments and risk insurance to ensure that residual risks that cannot be cost-effectively mitigated are efficiently financed. The Government Program consists of the consolidation and further development of Morocco's risk management activities and specifically aims to: i) improve Morocco's institutional risk management framework and capacity; ii) scale up disaster risk reduction and resilience investments in both structural and non-structural measures[8] and assure such investments are transparently selected, strategic, and cost effective; and iii) protect vulnerable populations and economic assets through creation of catastrophe risk insurance and a financial safety net for the most vulnerable who are oftentimes non-insured. The Government's program focuses on an initial sub-set of risks first, natural hazards, to lay the foundation for a more integrated and cross-sectoral approach to managing a variety of different risks over the medium term.[9]

Sub-program One: Promoting Institutional Reform and Capacity Building

11. The objective of the first Sub-program is to further develop Morocco's existing institutional risk

[8] Disaster risk management distinguishes between structural measures – those that directly reduce damage – and non-structural measures that indirectly will lead to damage reduction. Structural measures are typically engineering projects such as flood protection walls or seismically retrofitting buildings. Non-structural measures are often broader in their nature, such as building codes, hazard mapping and warning systems, and also include activities such as risk awareness campaigns and risk analysis. For further information, see http://www.unisdr.org/we/inform/terminology#letter-s.

[9] Morocco need for a more proactive approach to risk management, the reduction of institutional fragmentation, and development of a risk insurance framework was a key conclusion of the multi-year partnership between the Government of Morocco and the World Bank (see also Box 1).

management structure. As in initial step, the Government has begun to improve its approach to managing disaster risks with a focus on promoting ex-ante mitigation and preparedness, to complement its post-event recovery activities. To that end, the Government has begun to fundamentally reform its *Fonds de Lutte Contre les Effets des Catastrophes Naturelles* (FLCN) so that it can develop into a "national resilience fund". The reform seeks to establish a more systematic process within the Government of Morocco, addressing disaster risk management in an integrated manner covering disaster risk management activities implemented by central government line ministries and other national entities (horizontal integration) and also by provincial and local governments (vertical integration). It thereby aims to improve Morocco's strategic orientation and governance arrangements for disaster risk management around the improved operation of the FLCN, with a focus on ex-ante mitigation and preparedness.

Box 3: Background on the *Fonds de Lutte Contre les Effets des Catastrophes Naturelles* (FLCN)

The FLCN was established by the 2009 Budget Law as a dedicated budget line (CAS, *Compte d'Affection Spéciale*)[10] within the MoI, in response to a series of natural catastrophes in Morocco, specifically the floods in Gharb province in 2008. The total budget of the CAS-FLCN for the period 2009-2012 was MAD 1960 million (USD 228 million), composed of an initial MAD 861 million donation from Saudi Arabia in the immediate aftermath of the 2008 floods, MAD 300 million from the Hassan II Fund for Economic and Social Development and MAD 800 million from the national budget over this four year period (MAD 200 million per year). A total of MAD 830 million or 43% of the funds went to reconstruction and repair of areas affected by the floods (e.g., damaged roads, irrigation infrastructure, emergency program for housing flood victims and housing reconstruction, and support for post-disaster business re-startup). In addition, funds were allocated to pre-disaster risk reduction measures and preparedness, including flood protection works and construction or improvement of weather stations for improved quality and accuracy of weather forecasts. This preventative investment portion represented MAD 800 million or 40% of the FLCN's 2009-2012 budget resources. The remaining MAD 310 million (17%), was spent for emergency response preparedness, including equipment for the Civil Protection.

12. During this initial period (2009-2104) the FLCN mainly played the role of a budgetary intermediary, redistributing funds from donations and governmental budget allocations to central government line Ministries. Moreover, there were no clear selection criteria regarding the type of projects to be financed and most of the selection was done on an ad hoc basis, with no analytical basis for allocating fund proceeds and no systematic evaluation and ongoing monitoring during the implementation phase (beyond the MoI's management of the approval of FLCN allocations). The FLCN was essentially designed as a temporary response to a specific disaster, but continued to receive a MAD 200 million annual allocation from the national budget in 2013, 2014 and 2015. The Government has recognized the need and opportunity to transform the FLCN to improve ex ante risk reduction efforts in high risk areas rather than using it mainly as a vehicle for reactive disaster response. This requires fundamentally restructuring FLCN's goals and mode of operation, as well as increasing its transparency, including through specifying clear eligibility and selection criteria for rule-based selection of projects.[11]

13. In this context, the Government has decided that the newly re-designed FLCN will provide co-financing of, and technical support to, a number of risk reduction and prevention projects each year. It will specifically focus on eligible mitigation activities that measurably reduce disaster losses and protect life and property. It will also provide operational tools, training and capacity building to those who implement programs to make their community safer. As such the emerging "national resilience fund" will complement ongoing risk management activities undertaken by the line Ministries and local governments with a more targeted approach, incentivizing additional risk management activities, focusing on a set of

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[10] A *Compte d'Affection Spéciale* (CAS) in Morocco is a dedicated national budget line overseen by an "*ordinateur*", a person in a Line Ministry who decides budget allocations. For more details see the expenditure framework and fiduciary below.

[11] These goals and some initial reform measures to be undertaken by the Government were identified as part of continued Technical Assistance provided by the World Bank in 2014 and early 2015; see: CAS-FLCN. Eléments d'information pour la définition des axes prioritaires et des critères de sélection des projets soumis à financement, et mise en place opérationnelle.

specific projects selected for their quality and impact and supported by a multi-stakeholder approach.

14. The Government also seeks to institutionalize the improved governance of the redesigned FLCN and has decided to establish a dedicated inter-ministerial Steering Committee comprised of key stakeholders across the Moroccan Government and supported by a small Secretariat housed in the General Secretary's office of the MoI, in charge of not only managing the selection but also the monitoring and evaluation (M&E) process throughout implementation. The selection of disaster risk reduction projects will be conducted by a larger National Selection Commission composed of representatives from different line Ministries and technical experts. The institutional reform agenda for the FLCN is explicitly designed to incorporate lessons of experience into the evolving risk management architecture of Morocco, including in terms of broadening the coverage to include multiple risks Morocco is facing. Over time, this experience can feed into the development of Morocco's emerging national risk and resilience management strategy which aims to articulate the Government's vision on how to manage a variety of risks, not just those related to natural hazards, more proactively and in a manner that overcomes Morocco's traditional vertical (between national and local governments) and horizontal (across ministries) fragmentation. Such a strategy would explicitly outline how Morocco can manage a variety of risks in a more strategic and holistic manner in line with an "Integrated Risk Management Approach" thereby rendering the country more resilient to different shocks and vulnerabilities.[12]

Sub-program Two: Scaling-up Disaster Risk Management Activities

15. The objective of the second Sub-program is to expand the number and range of risk management projects via incentive financing provided by the reformed FLCN for eligible structural and non-structural risk reduction projects. It is expected that the FLCN, given its limited budget compared to the budget resources available to Line Ministries, will focus on relatively small structural and non-structural projects that might not normally be financed if not through a dedicated fund. As such, it will complement much larger government investments in infrastructure projects led and implemented by sectoral ministries.

16. The Government launched a first "Call for Proposals" (CfP) in February 2015 for initial allocation of available FLCN funds, based on an initial set of eligibility and selection criteria, developed with World Bank support[13]. The objective was to establish a "proof of concept", including in terms of demonstrating demand for FLCN funding, with lessons to be incorporated and institutionalized in subsequent CfPs from 2016 onward. The first CfP generated 91 proposals (with a total investment volume in excess of MAD 3 billion) of which 23 were selected with a total co-financing by the FLCN of MAD 251 million and over MAD 1 billion in total investment. An encouraging element lies in the balanced portfolio of selected projects, with a total of 17 from regional and local governments and some non-structural activities. There is also good geographical representation across the country, corresponding to the higher hazard locations as identified through MnhPRA. Finally, the FLCN's encouragement of smaller communities to also apply for funding by providing them a higher level of co-financing (see details in expenditure framework section below) led to nine out of the 17 proposals from regional and local governments selected coming from such smaller communities.

17. Future CfPs will be governed by details specified in the Program Operations Manual (POM), which includes templates for the application form (*Cahier des charges*) with updated eligibility and selection criteria. The *eligibility criteria*, which build on those used in the first CfP, would include the

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[12] Integrated Risk Management (IRM) is a government wide risk management approach that manages a variety of risk in a comprehensive manner recognizing that different shocks and vulnerabilities (whether natural hazards, technological shocks etc.) can have similar impacts on societies and the economy and fiscal balance of countries. IRM builds on general good risk practices in the private sector which are known as "Enterprise Risk Management" (ERM).

[13] The CfP 2015 was for existing FLCN allocation using Morocco's own financial resources.

following: First, the proposal has to demonstrate the local exposure to a specific risk of natural disaster and to focus on one of the two priorities of the FLCN (i.e. the protection and security of the people and/or the protection of physical assets to reduce economic losses). Second, the proposal can be for non-structural activities (e.g. risk assessment, risk awareness campaigns, risk planning) or small structural investments, but cannot be for large structural investments that could have a negative impact on the population and the environment. Third, the proposal can only be submitted by a line ministry, provincial and local government, public agency and/ or State-owned Enterprises.[14] Fourth, the proposal needs to be complete and to demonstrate that the project will reduce exposure to natural disaster risk. Finally, the requested co-financing needs to respect the financing guidelines described in the CfPs.

18. The eligible applications will be ranked by the National Selection Commission according to specific *selection criteria*. Key indicative selection criteria (see Box 4) will include technical and financial feasibility, effectiveness, beneficiary feedback, and implementation capacity along all key dimensions, including environmental, social and fiduciary issues.

Box 4: Indicative Set of Selection Criteria for Co-Financing by the FLCN

Technical and Financial Feasibility of the Project

- Compliance with accepted practices, established codes, standards, modeling techniques, or good practices.
- Solid financing structure, transparent and validated by the partners in the co-financing.

Measures of Effectiveness of the Proposed Actions

For projects aiming at protecting populations (when applicable):

- An estimate of the number of people living in the risk-prone area covered by the project.
- An estimate of the number of people working in the risk-prone area covered by the project.
- An estimate of the number of vulnerable people living and/or working in the risk-prone area covered by the project.
- An estimate of the preparedness and crisis management capacity to handle vulnerable populations during and after a disaster.

For projects aiming at protecting assets (when applicable):

- An estimate of the number of dwellings (houses, buildings) in the risk-prone area covered by the project.
- An estimate of the number of business structures and industrial complexes in the risk-prone area covered by the project and annual income.
- An estimate of the extent and type of public infrastructure in the risk-prone area covered by the project.
- An estimate of the number of farms in the risk-prone area covered by the project and annual income.

Beneficiary Feedback included in the Project

- Inclusion of beneficiary consultations in the development of the project proposal.

Implementation Capacity of Implementing Agency

- Implementing agency capacity to implement projects in line with the required social, environmental and fiduciary requirements.

19. In addition to improving the selection process, the second Sub-program will also include explicit emphasis on ensuring that the selected projects will be implemented so as to achieve the intended results. To that end the MoI together with the MEF will sign a Memorandum of Understanding (MoU) (*Convention Type*) with the implementing agencies which specifies all implementation requirements, including on social, environmental and fiduciary aspects. The MoU will also specify the reporting requirements to the Steering Committee which will form part of the M&E system to be introduced for the reformed FLCN. Beneficiary feedback loops are explicitly incorporated into the reporting requirements (see also Citizen Engagement section for additional details below) and implementation progress as well as results achieved by FLCN funded projects will be published on a dedicated webpage to ensure transparency and increase accountability. This Sub-program will also focus on building capacity throughout the entire process, i.e. from project selection to project monitoring and evaluation. For example, it is anticipated that, in the run up to project selection, capacity building can be provided to

[14] It cannot be led by individuals, NGOs or firms in the private sector. This eligibility criteria was included in the 2015 CfP under the Government program. In future CfPs, the Government may decide to open applications also to non-state actors (NGOs etc.).

develop high quality non-structural project proposals to be funded by the FLCN. After project selection, some projects could receive implementation support, as needed, on a variety of issues, including technical, fiduciary, and social and environmental aspects. A capacity building plan will be developed and agreed on annually which summarizes MoI's capacity building activities in support of the implementation of the Sub-Program.

Sub-program Three: Improving Disaster Risk Financing and Insurance

20. As part of an integrated disaster risk management strategy, residual risks that cannot be cost-effectively mitigated should be efficiently financed. The objectives of the third Sub-program are therefore to: i) design and implement a national insurance program for protection against natural disasters for homeowners and businesses, and ii) design and implement a dedicated Solidarity Fund to compensate uninsured households affected by catastrophic events.

21. The overall Moroccan insurance market is ranked the third largest within the Arab world, but almost no insurance currently exists against catastrophic risk. Large industrial and commercial firms can seek insurance coverage against catastrophe risks from their Moroccan and foreign insurers. Yet there is no systematic market for catastrophe risks insurance for houses and cars since insurers consider such risks uninsurable if they needed to cover them alone. This creates a situation where most people expect the government to intervene or assume they will have to handle their loss by themselves, which can create social tension in the aftermath of a disaster. When the government has provided compensation post disaster, it has typically been done on an ad hoc basis.

22. The Government has contemplated the introduction of a National Catastrophe Risk Insurance Program (*Regime de couverture des consequences d'événements catastrophiques*) to improve the financial resilience of Moroccan citizens at risk. The current draft law, the result of World Bank collaboration with Government, builds on and improves the draft law (*Projet de loi n. 34-08*) first discussed in 2008. The draft law went through an extensive consultation process with the private sector, and especially the domestic insurance industry, led by the insurance supervisor DAPS. The law aims to compensate: (i) the victims who become permanently injured or die because of a catastrophe, and (ii) the destroyed assets, and especially private dwellings. This coverage would be provided through a dual program: i) make mandatory a multi-hazard catastrophe extension of guarantee in property, automobile and third-party liability insurance policies with fixed tariffs; and ii) establish a dedicated Solidarity Fund for catastrophes (FSEC, *Fonds de solidarité contre les événements catastrophique*s) which would compensate uninsured victims, including poor households who cannot afford insurance. The Insurance Supervisory Agency (DAPS, *Direction des Assurances et de la Prévoyance Sociale*) in the MEF is the technical leader for the development and proposal of the draft law to establish this dual protection program. The insurance pillar of the program would follow international good practices and builds extensively on the French model.

Box 5: National Catastrophe Risk Insurance Program

The catastrophe risk insurance law aims to improve the financial resilience of Morocco through a dual scheme founded on market-based insurance and solidarity principles. The law aims to cover: (i) victims with bodily injury resulting in permanent disability or death, and (ii) assets. The draft law modifies the current Insurance Law (n.17-99) and makes mandatory multi-hazard (natural and man-made) catastrophe extension of guarantee in property insurance policies, motor third party liability insurance policies, and third-party liability insurance policies. Through the mandatory extension of the catastrophe guarantee under the motor third party liability insurance that covers the vehicle owner and his/her family, the law will provide coverage for disability/death to more than 6 million people or 20% of the population of Morocco. This compulsory guarantee will be financed through an additional insurance premium, to be fixed by decree. The draft law also establishes *the Fonds de Solidarite Contre les Evenenements Catastrophiques* (FSEC) as a legal entity. FSEC aims to compensate non-insured households against property losses (principal residence), loss of use of the principal property, and personal injuries (bloody injury and fatality) in case of a disaster. The FSEC would be funded through: (i) annual contribution of the insurance and reinsurance companies (as a fraction of the catastrophe risk insurance premium volume, (ii) annual contribution of the insured (based on the non-life premiums); (iii) fraction of the premium tax as set in the budget law; and (iv) initial contribution from the insurance solidarity fund. The FSEC is therefore funded through the policyholders, the insurance industry and the government.

23. The proposed catastrophe risk insurance program would rely on a public-private partnership to effectively share catastrophe risks among public and private stakeholders. The draft law proposes an innovative combination of market-based catastrophe risk insurance (through mandatory guarantee within property insurance, automobile liability insurance, and third party liability insurance policies) and dedicated compensation through the Solidarity Fund FSEC. The catastrophe risk insurance law aims to increase the number of residential, commercial, and industrial properties insured against catastrophes, but this increase would still be limited in the first years as the property insurance penetration is still low in Morocco. In addition, through the mandatory extension of guarantee under motor third party liability insurance, all vehicle owners and their family members would be automatically covered against personal injury (resulting into permanent disability or death), which means that about 6-7 million people would be compensated for disability and death caused by catastrophes. The FSEC would partially compensate non-insured households against property losses (principal residence) and personal injuries in case of a disaster.

'Program for Results' Program

24. The "Program for Results" Program (the "Program") is defined by: (i) the Program duration; (ii) the Program geographic area; and (iii) the Program priorities and activities supported.

25. ***Program duration:*** The Program will be implemented over five years from April 2016 to March 2021.

26. ***Geographic area:*** The Program will include the following geographic areas: the regions of Tanger-Tétouan-Al Hoceima, l'Oriental, Fès-Meknès, Rabat-Salé-Kénitra, Béni-Mellal-Khénifra, Casablanca-Settat, Marrakech-Safi, Draâ-Tafilalet, Souss-Massa, Guelmim-Oued Noun.[15]

27. ***Priorities and activities supported:*** The Government requested support for all three sub-programs of the Government program. Specifically, the Program will support all activities for institutional development and capacity building (Sub-program one) and on disaster risk financing and insurance (Sub-Program three). For Sub-program two, the Program will support all risk reduction and prevention activities co-financed by the FLCN for projects but would exclude reconstruction projects after a disaster, and those that do not meet World Bank policies for eligibility for PforR financing. Specifically, the Program will not include any activities assessed to have a significant adverse impact on the environment and/or affected people, as defined in Operations Policy (OP) 9.00, nor works, goods, and consultancy contracts above the Operations Procurement Review Committee (OPRC) thresholds. As part of the implementation support, the Bank will screen Program execution to ensure that no high-risk activity is included in the Program—and the submission of an annual FLCN investment list is a dated covenant to ensure compliance with the PforR policy requirements. Moreover, the CfP application form (*Cahier des charges*) and the POM will specify that high risk activities are excluded from the Program.

28. The relationship between the Government program and the Program for the operation is shown in Table 1 below with the grey shaded areas highlighting the Program.

Table 1. Government program and the Program

[15] For Guelim-Oued Noun to be confirmed that it does not include any disputed territory (during the appraisal mission).

Government program and the Program (in grey)	
Promoting Institutional Development and Capacity Building	Establishment of an improved governance structure for the FCLN, including the establishment of a Steering Committee, National Selection Committee and Secretariat; Establishment of a transparent and results focused process for the allocation of FCLN resources for the financing of Eligible Sub-projects, as well as of a monitoring and evaluation system for the Eligible Sub-projects funded by FLCN; Enhanced citizen engagement processes for the Eligible Sub-projects funded by FLCN through consultation and a strengthened GRM; Capacity building for an improved risk management for line Ministries, local governments, public agencies, and state owned enterprises; Development of a national integrated risk and resilience management strategy.
Scaling up Disaster Risk Management Activities	Eligible Sub-projects for the financing by FCLN and relevant Ministries, local governments, public agencies or state-owned enterprises, of disaster risk management activities in the Program Area.
	Risk response and reconstruction activities co-financed by the FLCN; FLCN co-financed activities that have a significant adverse impact on the environment and/or affected people, as defined in Operations Policy (OP) 9.00, nor high value contracts.
Improving Disaster Risk Financing and Insurance	Preparation, adoption by the Parliament and implementation of a new catastrophe risk insurance law, and preparation and issuance of the associated implementation decrees; Design and establishment of the solidarity fund, including in terms of public financial contribution, as required by the new catastrophe risk insurance law.

IV. Program Development Objective(s)

29. The Program Development Objective (PDO) is to improve Morocco’s risk management practices and strengthen financial resilience to natural disasters.

V. Environmental and Social Effects

30. An Environmental and Social Systems Assessment (ESSA) has been conducted by the Bank for the proposed PforR. The ESSA has reviewed the capacity of existing national and local environmental and social management systems to implement the Program in a sustainable manner. The draft ESSA report has been shared with counterparts and discussed during a consultation workshop organized on November 5, 2015, before the appraisal mission.

31. Two categories of investment activities are eligible for funding under the Program : (i) those that apply to planning, improved knowledge, or public awareness programs for populations at risk of natural disasters (non-structural activities) ; and (ii) and those that involve public works for protection against natural disasters (small to medium size structural activities).

32. The activities supported by the Program are expected to have an overall positive social and environmental effect and its adverse impacts are anticipated to be moderate. By its very nature, a PforR excludes funding of all projects that involve major environmental and social risks (e.g.: activities that are typically classified as Category A). Therefore, in compliance with OP 9.00, the following will be

excluded from the Program:

33. Any activity that raises potentially significant environmental and social risks and impacts that are multiple, varied, irreversible, and unprecedented;

34. Any activity proposed in the context of a wider program that raises potentially significant environmental and social risks and impacts that are multiple, varied, irreversible, and unprecedented;

35. Any activity : (i) in a Site of Biological and Ecological Value (SIBE) identified within the boundaries of Morocco; (ii) that would significantly transform protected areas or natural habitats or that would substantively modify biodiversity areas; and/or (iii) that would cause irreversible damage to archaeological and historical cultural heritage resources; or

36. Any activity that would require significant displacement of persons, land acquisition, or restriction of access to economic, collective or natural resources.

37. The ESSA has identified a number of shortcomings in the environmental and social legal and institutional systems that apply to the Program. The capacity of the various national and local institutional entities responsible for managing environmental and social aspects related to projects funded by the Program is uneven and requires targeted support under the Program. As part of the assessment, participating cities will apply specific screening tools to evaluate for each project the level of its social and environmental impacts and specific instruments including adequate mitigation measures will be elaborated to comply with the Government and the Bank procedures. Thus, with a view to filling the gaps identified in the ESSA, the Program will support specific measures to strengthen the performance of the Moroccan environmental and social management systems. Different measures are mainly related to the following aspects: (i) environmental and social management systems; (ii) monitoring and evaluation; and (iii) environmental and social management capacities. Specifically, the Program will support the preparation and adoption of an Environmental and Social Technical Manual. Among other things, the manual will establish clear procedures to help the preparation and the submission of eligible structural projects to the FLCN, namely by: (i) presenting a typology of investments that are compatible with OP 9.00; (ii) proposing “screening tools” aimed at identifying the projects’ potential social and environmental risks and impacts; (iii) proposing templates to assess the scale or magnitude of social and environmental risks and impacts; (iv) proposing templates for the preparation of comprehensive reports on the implementation of social and environmental mitigation measures; and (v) presenting the elements allowing project proponents to develop specific instruments which include environmental and social mitigation measures (Environmental and Social Impact Assessments (ESIAs), Environmental and Social Management Plans (ESMPs) and Abbreviated Resettlement Action Plans (ARAPs)) and which comply with the Government and with WB OP 9.00 procedures. The Program will also include activities to strengthen the capacities and awareness of all stakeholders on issues related to sustainable social and environmental management of the Program.

38. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the

World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. Financing

Source	Amount (US$ million)	% of Total
IBRD financing	200	33%
Co-financing	398	67%
Total	598	100%

VII. Program Institutional and Implementation Arrangements

39. The Ministries in charge of Program implementation are the MoI and the MEF. For the improved governance of the FLCN, a **Steering Committee** was established and will be presided over by the General Secretary of the MoI and include the MEF, the Ministry of Government Affairs and Governance, and the Ministry of Urban and Territorial Planning with representatives at the Secretary General or Department Director level. The Steering Committee will set the strategic direction for Morocco's risk management policies as they pertain to the management of the FLCN; defining and reviewing the eligibility and selection criteria for disaster risk reduction activities to be co-financed by the FLCN; monitoring and evaluating the results of FLCN-supported activities; and overseeing and providing direction to both the National Selection Commission and the Secretariat. Over time, the mandate of the Steering Committee will be extended to include the management of other risks, in line with Morocco's emerging national risk and resilience management strategy. A **National Selection Commission** was also established to manage the transparent selection of FLCN co-financed projects. The Commission will operate under the guidance of the Steering Committee and include representatives from the relevant Ministries and Public Agencies. External experts (e.g. structural engineers, flood specialists, economists, etc.) from leading research institutions can also be appointed to this Commission.

40. A **Secretariat** will also be created to support the work of the Steering Committee and the National Selection Commission and will be located in the office of the Secretary General of the MoI. The Secretariat will be responsible for day to day coordination and management of the Program in line with the POM and also serve as the Bank's interface for the Program. The Secretariat will also be in charge of preparing the Annual Program Reports and the Program Financial Statements. The Secretariat will also provide oversight on the FLCN funded projects, particularly at the selection stage, by assessing the capacity of implementing agencies to carry out the project, and by supporting, as needed, implementing agencies during the implementation phase through targeted capacity building. In this process, the Secretariat, will be able to draw on resources from within concerned departments in the MoI and MEF and as needed, supported by qualified consultants to ensure that the Program is implemented in line with the requirements of the POM.

41. **Implementation of activities** that are co-funded by the FLCN will be the responsibility of the concerned line Ministries, provincial and local governments, public agencies and/or State-owned Enterprises. Implementation responsibility will cover all project management dimensions, including mobilizing co-financing, procurement, contract management, management of environmental and social

aspects, and monitoring and reporting on project progress. The *Ordinateur* of the FLCN, the Secretary General of the MoI, together with the MEF, will sign a MoU with the implementing agencies to ensure that projects will be implemented so as to achieve their intended objectives and meet the requirements in the POM. Projects audits, including on technical implementation aspects, will be conducted by General Inspectorate of Territorial Administration (IGAT, *Inspection Générale de l'Administration Territoriale*) in the MoI and the Inspectorate General of Finance (IGF, *Inspection Générale de Finance*) in the MEF.

42. The implementation of Sub-program three (Disaster Risk Financing and Insurance) falls within this overall framework and the MEF is a core member of the Steering Committee. Within MEF, the Insurance Supervisory Agency DAPS is the technical leader in the development and implementation of the draft disaster risk insurance law. The FSEC will be managed by a Board chaired by the Prime Minister, with representatives of public agencies (including DAPS) and the insurance/reinsurance industry.

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