PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.:
(The report # is automatically generated by IDU and should not be changed)

Program Name	Integrated Risk Management Project
Region	Middle East and North Africa
Country	Morocco
Sector	Flood Protection (50%), General Finance sector (30%), General agriculture, fishing and forestry sector (20%)
Lending Instrument	Program-for-Results
Program ID	P144539
{If Add. Fin.} **Parent Program ID**	N/A
Borrower(s)	The Government of Morocco
Implementing Agency	Ministère des Affaires Générale et de la Gouvernance
Date PID Prepared	07/16/2013
Estimated Date of Appraisal Completion	05/29/2014
Estimated Date of Board Approval	07/22/2014
Concept Review Decision	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.

I. Introduction and Context

A. Country Context

Although Morocco has been performing comparatively well economically over the last decade, it remains confronted with significant medium term human and social development challenges. Morocco made significant economic headway during the decade preceding the Arab Spring. Growth averaged 4.8 percent over 2001-12, compared to 2.8 percent in the 1990s. Inflation was less than 2 percent over the period. Gross domestic product (GDP) per capita doubled to reach US$2,951 in 2012; unemployment declined from 13.6 percent in 2000 to 9 percent in 2012; absolute poverty decreased from 15.3 percent to roughly 8.8 percent between 2001 and 2008. However, since the onset of the global financial crisis, and especially more recently, Morocco's economic management challenges have increased substantially. Developments in the euro area and continued high fuel and food import prices are expected to put sustained pressure on fiscal and external balances. The current account deficit was 9.6 percent of GDP in 2012 and the fiscal deficit deteriorated to 7.6 percent of GDP in 2012. Financing the deficit through classical external borrowing from multilateral and bilateral creditors, along capital grants proved insufficient, which led the Government to raise US$1.5 billion bonds on international financial markets in December 2012. As a result, the central government debt increased by 5.1 percentage points of GDP in 2012 to reach 58.8 percent of GDP. Moreover, economic vulnerability across the country remains widespread – with around 8 million people (a quarter of the population) either in absolute poverty or under constant threat of falling back into poverty. The gap between rural and urban living standards in Morocco is the highest of any Middle East and North Africa (MENA) country with poverty rates in rural areas almost 3 times as high as in urban areas.

Within this socio-economic development context, Morocco also continues to be vulnerable to a varied number of important exogenous hazards and shocks. Key among them are economic shocks due to commodity price volatility (particularly for energy and food products), natural hazards (such as earthquake and associated tsunami, floods, droughts etc.), technological hazards (such as transportation accidents most particularly marine oil spill, etc.) and biological hazards affecting humans, livestock or plants. With regard to macro-economic vulnerabilities related to commodity price fluctuations, risks mainly arise from the heavy dependency on imported energy products, such as oil. Energy imports cover 97 percent of total energy needs, and the energy intensity of fast growing sectors such as transport is on the increase. The country's exposure is additionally compounded by the universal subsidy system currently in place, which shields both the population and economic sectors from price increases by transferring this price fluctuation on the government budget year after year. By taking the role of a de facto insurer against price rises of imports, the subsidy system exposes the government and the state budget to significant commodity price risk.

Natural hazards are an important reality the country is vulnerable to, often exacerbated by urbanization in hazard prone areas and climate change. The Agadir earthquake in 1960 which only lasted for about 10 seconds led to the death of over 15,000 Moroccans and left many others homeless, additional to the loss of property and livelihoods. Also, still fresh in the memory of most Moroccans is the Al-Hoceima earthquake of 2004 which killed over 600 people and injured over 1,000, left many homeless and assets completely destroyed. Similarly, recent floods in Tangier (2008) and Al Gharb (2009) caused significant economic loss and asset destruction. While climate change is predicted to increase both rapid-onset disasters (such as storms or floods) and slow-onset disasters (such as drought and sea-level rise, leading to more coastal floods and salinization), urbanization compounds this vulnerability. For example, Casablanca, home to 3.3 million people, with another 300,000 in the surrounding areas, is expected to grow to 5.1 million by 2030 and the city's vulnerability to flooding, coastal erosion, and marine inundation will become more pronounced in the years leading up to 2030, with sea levels expected to rise by potentially as much as 20 centimeters (upper bound estimates) while the beaches retreat by as much as 15 meters[1].

In light of the importance of the agriculture sector, natural hazards also have deep economic reverberations on the Moroccan economy. The sector contributes to 15 percent of national GDP and 23 percent of Morocco's exports. It provides jobs to about half the national labor force and is responsible for 75 percent of rural employment. The vast majority of the 1.5 million agricultural holdings are semi-subsistence farms that have low productivity and product quality levels and limited market integration. These farms are small (70 percent are less than 5 hectares) and are largely rain-fed, hence vulnerable to recurrent droughts. Compounding the vulnerability is the fact that rainfall amounts registered show a negative trend at national and regional scales (for example, nationally, spring rainfall has declined by over 40 percent since the 1960s)[2].

B. Sectoral and Institutional Context of the Program

Over the past four years the Government of Morocco (GoM), working closely with the World Bank, has carried out comprehensive assessments of some key vulnerability drivers to the economy and society[3]. Towards the goal of strengthening Morocco's resilience to several key hazards, an ambitious initiative started in 2008 through which the GoM aimed at approaching the management of key risks the

[1] WB 2010, Climate Change Adaptation and Disaster Risk Reduction in the Coastal Cities of North Africa
[2] http://www.arabwatercouncil.org/administrator/Modules/Events/IWRA%20Morocco%20Paper.pdf
[3] Financed with the support of support of the World Bank, the Global Facility for Disaster Reduction and Recovery (GFDRR), the Swiss Agency for Development and Cooperation (SDC), the Trust Fund for Environmentally & Socially Sustainable Development (TFESSD) and the FIRST initiative.

country faces in a more holistic manner—rather than looking at risks in "silos" as has traditionally been the case. As a first step, Morocco—supported by the World Bank and some donors, completed risk assessments on the key natural hazards the country is facing, including in the agriculture sector, and on commodity (energy) price volatility. These risks were selected as a result of a preliminary risk assessment by the Government of Morocco which determined that they had high cumulative political, economic and social impacts—although with an explicit understanding that additional risks (such as risks in the financial sector) are equally systemically important but would not be treated in the context of the Morocco-World Bank partnership on risk management. The assessments led to the following summary results (for additional details see annex 3 as well as accompanying report: "Building Morocco's Resilience: Inputs for an Integrated Risk Management Strategy").[4]

Morocco is highly vulnerable to a number of different natural hazards—and its exposure has now been quantified. As part of the Bank-Morocco partnership on risk, a GIS-based analysis tool, *MnhPRA* ("Morocco natural hazards Probabilistic Risk Analysis), was developed to analyze earthquake, flood, tsunami, drought and landslide risk in Morocco. MnhPRA identified that Morocco has very substantial risk due to natural hazards. Morocco's total exposure – measured by assets of the built environment - amounts to MAD 2.7 Trillion[5] (or equivalently about MAD 90,000 per capita) and average annual loss, due to natural hazards, amounts to MAD 5.0 Billion. According to probabilistic risk assessment estimates, over the next 30 years, there is a 95 percent chance of having an earthquake or flood causing losses amounting to MAD 5 Billion, a 90 percent chance of having an event causing losses of MAD 10 Billion and a 65 percent chance of having an event causing losses of about MAD 25 Billion. Moreover, the projected impacts of severe natural hazard events on the budget and economy are significant – a rare but possible 1 in 10,000 year earthquake (like the one in Japan in 2011) would result in direct losses of MAD 41.3 Billion or 18 percent of the Government budget and over 4 percent of GDP (adding indirect losses would increase the impact on the budget to 23 percent and over 6 percent of GDP) while a flood of return period 1000 years would result in a 5 percent hit on the budget and over 1 percent on GDP. However, different hazards affect different parts of the country differently:

- For example, *earthquake* hazard is primarily concentrated in the north of Morocco and, to a lesser extent, on a line running through Fez and Marrakech to Agadir. Five provinces (Nador, Al-Hoceima, Berkane, Taza, Tetouan), representing only 8 percent of the total national building exposure, have an earthquake Average Annual Loss (AAL) of 34 percent of the total national building earthquake AAL. This means that on average, for buildings only, 8 percent of the building exposure contributes 34 percent of the earthquake potential loss. Clearly, if the risk of 8 percent of Morocco's buildings can be reduced, Morocco's overall damage risk to buildings can be significantly lowered.

- Similarly, *floods* are a chronic problem for Morocco and on average cause significantly more damage annually than earthquakes, with a total AAL of MAD 4.2 Billion. Also, flood risk affects many more parts of Morocco (in fact, most provinces) as compared with earthquake risk but it also affects only selected places (i.e., only some parts of each province). MnhPRA identified that four provinces (Kenitra, Tetouan, Casablanca and Sidi Kacem) contribute 60 percent of the total building flood AAL.

- For *droughts*, MnhPRA estimated the AAL on cereal production (which constitutes only a part of total agriculture sector value added) at about MAD 2.7 Billion. Clearly, as 90 percent of Moroccan agriculture is traditional and rain fed based, the sector is highly vulnerable to climatic related risks,

[4] The summary below focuses on natural hazards only as it is the target area of the proposed operation

[5] Buildings of all kinds represent about 70% of the total value at risk (MAD 1.86 trillion), with public buildings being perhaps 10% of this, with various kinds of infrastructure, such as ports, airports, rail and road, and the electrical network, accounting for the other 30% of the total value at risk.

not just droughts but also floods. Other important risks are pest and diseases, and market price volatility. The three regions most exposed are Sousse-Massa-Draa, Meknes, and Marrakech-Tensift. Overall, it is estimated that the total exposure of the agriculture sector to various risks was MAD 75 Billion in 2008, increasing to MAD 185 Billion in 2020. [6]

Morocco Natural Hazards estimated losses, for varying return periods (MAD millions)

Hazard	Exposure*	AAL**	Loss Cost	Return Period (yrs)				
				20	50	100	500	1000
Earthquake	2,700,000	850	0.0003	4,523	9,570	15,417	35,800	48,000
Flood	2,700,000	4,177	0.0016	22,275	26,161	27,556	29,717	34,100
Tsunami	2,700,000	125	0.00005	2	3	404	28,013	58,852
Drought (3 crops only)		2,696	na	15,678	16,638	17,367	18,035	na

* Total Exposure Value Buildings and Infrastructure (Million MAD)
** AAL = Average Annual Loss (Million MAD)

Given these risks, the GoM is investing in a range of risk management initiatives, some of which are already in place. For **natural disaster response,** for example, the GoM has in place good systems for crisis response within the Ministry of Interior--supported by a corresponding legislative framework. As a result of the devastating Al-Hoceima earthquake in 2004, a Royal Commission set up by the King recommended the creation of (i) a National Coordinating Committee to coordinate emergency situations by bringing together different Ministries and technical and scientific committees during the disaster event; and (ii) the Centre de Veille et de Coordination (CVC) to manage the actual emergency situation on the ground, allocating resources (financial and physical), as well as coordinating stakeholders. The CVC also houses a 'Crisis Room', dedicated to coordinating, supporting and assisting those deployed in the field during the emergency. According to the 'ORSEC' Plan (programme d'organisation des secours à l'échelon départemental, en cas de catastrophe) which is triggered at the time of a disaster (Circular no. 25 and 172) empowers the Ministry of Interior, through its walis and governors at the provincial and local levels, to take charge of the response phase. The Plan stipulates that the Central Government intervenes only when the governor seeks support (i.e. when the human and material resources at the local level are inadequate to manage the crisis). Though there is general consensus among the GoM entities and the communities on the efficacy of the CVC, since 2007 no 'major' disaster (of the magnitude of Al-Hoceima for example) has struck Morocco to evaluate the agency's actual efficacy.

On natural hazard prevention and preparedness, a number of initiatives are already in place. For example, from a legal perspective, the Department of Environment has the mandate of prevention of natural disaster risk (according to Decree n°2-99-922 instituted in 2000), as well as managing crisis around marine pollution (according to the National Emergency Plan, applied since 2003), while all other crisis prevention is the responsibility of the Ministry of Interior (Decree from 1997). Scientific agencies like the National Geophysics Institute (ING) conduct research on seismic activity in Morocco as well as map the national seismic hazard zones to design better building codes. Similarly, various national hydrologic basin offices collect data on rainfall and stream flow, and develop maps of flood zones. Specific disaster risk mitigation programs exist for flood protection and preparedness for earthquakes. The Department of Water formulated the National Water Strategy in 2009 which includes setting up early warning systems for floods, weather forecasting, including flood risk plans for urban planning and

[6] Etude sur la gestion des risques et la mise en place d'un systeme d'assurances agricoles au Maroc, MAPM, 2010

watershed management. Morocco also has a National Flood Protection Plan which identifies the specific sites vulnerable to floods and identifies corresponding investment programs. Furthermore, in terms of earthquakes as a consequence of the Al-Hoceima earthquake, the Moroccan building codes were updated in 2011 (RPS 2011) and now set the rules for calculation and design of structures to strengthen them against seismic shocks and enact the technical provisions of civil engineering and architectural design for buildings to withstand earthquakes. In terms of agriculture, the Ministry of Agriculture and Marine Fisheries (MAMF) has recently developed a National Strategy for Agricultural Risk Management (till 2020) in an effort to shift from ex-post crisis management to risk mitigation, ex-ante investments and new insurance products. This strategy aims to reduce the vulnerability of small farmers against agricultural risks; promote and secure agricultural investment and provide direct public support to insurance products for better agricultural risk management.

In the area of risk financing, the GoM is considering the development of a catastrophe risk insurance market and to foster agricultural risk insurance. The Ministry of Finance is preparing a catastrophe insurance law (Law 34-08) that relies on a catastrophe insurance program (where a compulsory catastrophe guarantee is added to any insurance policy) and a social program where a solidarity fund *(le Fonds de solidarité contre les événements catastrophiques – FSEC)* against catastrophic events is created to offer compensation to non-insured victims). The law calls for a greater role of private sector insurance and offers in particular the creation of a reinsurance pool for catastrophic risks, capitalized by private insurers and the state-own *Société Centrale de Réassurance* (SCR) which would reinsure the majority of the exposure at the beginning of the program. The law is expected to increase the number of residential and commercial properties insured against natural disasters and clarify the government's contingent liability for financial support to Morocco's uninsured population. Additionally, it will transition the government and the country to an ex ante approach to financial management of natural disasters with transfer of part of those catastrophe risks to the domestic insurance and international reinsurance markets.[7] An agricultural insurance program also exists which is widely supported by the GoM and distributed by the *Mutuelle Agricole Marocaine d'Assurances* (MAMDA). A comprehensive climate insurance (including drought) was launched in 2013 and 500,000 ha of cereals have been insured for the 2012-2013 crop year. It is expected that this program will insure up to 1 million ha in 2015[8].

However, until now, Morocco's approach to risk management has been highly sectoral. The initiatives listed above are implemented in silos (per ministry, per type of risk) and they suffer from institutional fragmentation. Little coordination exists between the key government agencies involved, i.e. the Ministry of Economy and Finance, Ministry of Interior, Ministry of General Affairs and Governance, Ministry of Agriculture and Marine Fisheries, Ministry of Housing and Urbanism, Ministry of Water and Environment etc. Institutionally, these risks are insufficiently understood, and are managed by different agencies in an uncoordinated manner. Different stages within the risk management cycle – preparedness, mitigation, recovery etc. – as well as different kinds of risks are managed in silos and the required linkages are not consistently made. For example, though the CVC, a department within the Ministry of Interior, is mandated with crisis management, prevention and preparedness of communities and other authorities, lies within different Ministries (Ministry of Housing and Urbanism for compliance of building codes, Departments of Water and Environment for building flood dykes and dams etc.). In addition to this lack of horizontal – as well as vertical - integration, there is significant room for risk management improvements in each sector, such as improving on weak building code compliance or putting in place more comprehensive risk financing framework.

[7] See *Note Technique sur l'analyse du cout du régime de couverture*, World Bank Policy Note, February 2012
[8] Ministry of Agriculture and Marine Fisheries (MAMF) estimates

As a result of the increased awareness of the key risks the country faces, and the fragmented frameworks for risk management, the Government of Morocco has decided to consolidate, modernize and expand existing risk prevention and mitigation initiatives into an integrated risk management strategy and program. The overall objective of the government program is to increase Morocco's risk resilience. As a first step, the GoM has started to develop a National Strategy for Integrated Risk Management – intended to articulate a clear vision of short, medium and long term goals, priorities and investment activities. The World Bank has provided ongoing support to the development of this strategy—as summarized in the accompanying report: "Building Morocco's Resilience: Inputs for an Integrated Risk Management Strategy". An important element to be featured in the strategy is the creation of a special office, the National Office of Risk Management (NORM) to coordinate risk analysis, measurement, decision-making and resource allocation across different ministries and levels of government. Furthermore, the GoM is taking steps to create a government-wide Risk Information and Management System (RIMS) allowing for cross-departmental exchange and management of geo-referenced exposure, hazard and risk data. Both activities are intended to provide the government with the institutional and information system arrangements allowing for a more strategic risk management approach. Through these reforms Morocco aims to establish a more integrated institutional system for risk management, both "vertically" (across layers of government) and "horizontally" (across line ministries). The approach is aligned with emerging international practices on Integrated Risk Management (IRM) which promote horizontal and vertical integration to enable collaboration over the entire risk management cycle and is fully in line with emerging global practices on integrated risk management as well as with the framework outlined in the World Bank's WDR 2014 (see box 1).

Box 1: The World Development Report (WDR) 2014: Managing Risk for Development

The World Development Report (WDR) 2014 will concentrate on the role that risk management plays in development and poverty reduction. It will argue that responsible and efficient risk management is crucial not only to reduce the negative impacts of shocks and hazards but also to enable individuals, households, and enterprises to pursue new opportunities for growth and prosperity. Responsible and efficient risk management requires a systematic approach that combines preparing for (ex ante) and coping with (ex post) risk.

Whether risks are imposed or taken on voluntarily, growth and development can be achieved only by confronting risks responsibly and efficiently. Risk management should, therefore, be a central concern at all levels of society. From both private and public perspectives, the goal of risk management is to mitigate the losses and improve the benefits that people may experience while conducting their lives and pursuing development opportunities.

Whether risks are idiosyncratic or systemic, risk management is a shared responsibility, requiring actions that individuals and social systems must undertake, often in coordination. It is virtually impossible for individuals to handle successfully all of the risks they face on their own. Effective risk management requires the participation of well-functioning social and economic systems—the household, the local community, the enterprise sector, the financial system, the state, and the international community—each providing support to people's risk management in different yet complementary ways.

Looking at risks in an integrated manner helps define priorities, and avoid overspending on managing one risk while others are neglected. Synergies and tradeoffs exist in managing individual risks, and synergies offer opportunities for low-hanging fruits and low-cost actions. A multi-stakeholder approach to national risk management enables these tradeoffs and synergies across risks to be identified and managed. It also makes the process of risk management less prone to political capture, and introduces critical accountability mechanisms.

Sources: WDR team

There are clear benefits that Morocco could reap from a more integrated risk management approach. One key benefit of an integrated approach is that it will ease the implementation of required cross-sectoral linkages. For example, a large flood will impact different ministries differently - Public works to ensure constructions are built outside of a flood zone; Agriculture if the flood affects farmers;

Interior for security/emergency services; Health for the treatment of the victims in hospitals; Finance for compensation of impacted individuals and communities and the financing of reconstruction. Morocco's effort to look at risks in an integrated manner would therefore enable the government to make the necessary linkages and thereby improve future infrastructure and related public investment decisions; better anticipate budget need and prioritize budget allocation; coordinate actions across ministries to improve communication, avoid overlapping actions and benefit from economies of scale; reduce the cost of mismanaged and ignored risks; and improve social resilience by being more proactive before a negative event occurs in order to reduce its the economic and social impact if it does. A government is often considered to be the ultimate risk manager and has a de facto financial liability vis-à-vis major risks the country faces (through ex ante subsidy and ex post compensation, for instance). Managing risks more strategically will also enable the Ministry of Finance to better manage this financial liability after a national crisis, which is often not budgeted for - be it a sharp increase in the price of food or oil, a natural disaster, or major draught. This will also help position a country as being proactive on risk management, which in turn can serve as a strong signal for foreign investors.

C. Relationship to CAS/CPS

The proposed program will directly contribute to two of three pillars of the Country Partnership Strategy (CPS) namely (ii) service delivery to citizens and (iii) sustainable development in changing climate. Within Pillar 2, in particular, it will benefit Program Area 2.4: "Reducing vulnerability and social exclusion" (CPS outcome: better coordination of national policies and institutional mechanisms to reduce vulnerability); Program Area 2.6: 'Agriculture Sector Reform' (CPS outcomes: Improved integration of smallholders into domestic markets; Improved irrigation water management). Under pillar 3, the proposed program would benefit area 3.1. 'Water management' (CPS outcome: Better knowledge of CC impacts on water resources); and program area 3.4 'Climate change' (almost all of the CPS outcomes including: Improved inter-agency coordination and policy coherence on climate change; Defined adaptation and mitigation planning in key sectors; Development of tools and mechanisms to increase resilience and alertness).

II. Program Development Objective(s)

A. Program Development Objective

The proposed Program Development Objective (PDO) is: *"To enhance Morocco's institutional and financial risk management architecture and reinforce national and local capacities to plan, implement, and evaluate risk mitigation projects".*

B. Key Program Results

The key anticipated results associated with the operation are as follows:

- A more integrated risk management system established through creation of National Office of Risk Management (NORM), adoption of an integrated risk management strategy, and creation of Risk Information and Management System (RIMS);

- Increased number of people benefitting from priority infrastructure public works projects, such earthquake retrofitting of public buildings (schools, hospitals etc.) and flood protection works in select provinces;

- Increased number of beneficiaries covered by catastrophe risk insurance (natural hazards, including climate related risks), including a mechanism for the non-insured;

- Direct project beneficiaries, of which female (%) [a core indicator][9].

All the results indicators will be revisited during project preparation and fine tuned in light of the specific sub-sector activities included in the operation.

III. Program Description

The proposed operation aims to support the GoM's objective of progressively introducing a more strategic and integrated approach to risk management and to scale up risk mitigation projects. As mentioned above, the GoM has started to develop a National Strategy for Integrated Risk Management—a process the World Bank has been supporting over the past few years, including by providing analytical inputs into the strategy development process, as summarized in the accompanying report: "Building Morocco's Resilience: Inputs for an Integrated Risk Management Strategy" . An important element to be featured in the strategy is the creation of a special office, the National Office of Risk Management (NORM) to coordinate risk analysis, measurement, decision-making and resource allocation across different ministries and levels of government. Furthermore, the GoM is taking steps to create a government-wide Risk Information and Management System (RIMS) allowing for cross-departmental exchange and management of geo-referenced exposure, hazard and risk data. The GoM is also in the process of scaling up priority risk mitigation projects in the context of the overall integrated risk management strategy.

For the purposes of this operation, Morocco's National Strategy for Integrated Risk Management which is currently under development constitutes the **government program**. The GoM is in the process of developing its strategy, and has asked the Bank to support the process through the preparation of this operation. Establishing a more integrated approach to risk management is a complex and long term objective. The GoM is aware of the long term nature of this undertaking and accordingly intends to progress in different phases. In its first phase (2014-2018), the government program will focus on enhancing the institutional and financial architecture to manage a sub-set of risks only. In its second phase (after 2018), the government aims to scale up risk management activities and firm up the institutional underpinnings to a more fully fledged integrated risk management approach.

The boundaries of the proposed **Program for this PforR** are defined in terms of a) timeframe; and b) activities to be supported. In terms of timeframe a), the Program will support the first phase of the overall government program, particularly its focus on building systems and processes for integrated risk management. The Program will therefore support those critical institutional and financial reforms as well as priority risk mitigation programs which can be implemented over the first five years of the government program. In terms of activities b), the Program will (i) assist the Government in institutionalizing a more integrated approach to risk management (the "soft" institutional agenda); (ii) support existing programs which are crucial to enhancing risk reduction (the "hard" infrastructure agenda); and (iii) scale up risk financing mechanisms (the "financing" agenda). As highlighted above (see paragraph 8 and 9), various risk mitigation activities are already in place in a range of sectors—complemented by emerging activities on improving disaster risk financing. In addition to supporting enhanced coherence and inter-sectoral coordination to these existing activities, the Program will provide support to a subset of these existing activities, both on the infrastructure as well as financial architecture side. Although the precise sub-sector priorities to be supported will be firmed up during preparation, it is envisaged that on the infrastructure

[9] This is a core sector indicator which is required and it partly overlaps with the measurement of beneficiaries of different components of the Program.

side natural hazard management activities such buildings retrofitting and flood protection will feature prominently. Program boundaries will be further determined during preparation.

More specifically, Program activities will fall under three pillars:

A. Support to Institutional Reform and Policy Development:

The objective of this pillar is to support Morocco in building institutions that allow for a more strategic and integrated approach to risk management. Specific objectives to be supported include: i) the creation of National Office of Risk Management (NORM); ii) the implementation of an integrated (cross sector, national and local) risk management strategy (including associated sectoral investment plans); iii) the implementation of risk management data information system (RIMS), based on the application and roll out of MnhPRA; and other priority institutional development reform areas. It is envisaged that associated disbursement linked indicators (DLIs) could include:

- DLI1: Establishment of a National Office of Risk Management (NORM)
- DLI2: Implementation milestone of Integrated Risk Management strategy reached
- DLI3: Operationalization of Risk Information and Management System (RIMS)

B. Support to Priority Risk Mitigation Projects:

The objective of this pillar is to support the implementation of projects that reduce Morocco's risk profile. Extensive modeling work was undertaken through the creation of MnhPRA and specific priority investments areas have been identified (see also section 2 above, Annex 3 and the accompanying document: "Building Morocco's Resilience: Inputs for an Integrated Risk Management Strategy"): i) investments in retrofitting of schools, hospitals etc.; ii) flood protection investments in both rural and/ or urban areas; iii) investments in small scale community-based risk-resilient infrastructure (building embankments, homestead raising, elevation of water sources); iv) creation of flood and tsunamis early warning systems; v) creation and capitalization of guaranteed funds required for the continued evolution of the disaster and risk insurance markets; and other priority risk mitigation projects. Associated disbursement linked indicators (DLIs) could include:

- DLI4: Priority public buildings (number) retrofitted against earthquake in select provinces (i.e., Nador, Al-Hoceima, Berkane, Taza, Tetouan);
- DLI5: Flood protection works completed (km) in select provinces (i.e., Kenitra, Tetouan, Casablanca and Sidi Kacem);

C. Support to Risk Financing Mechanisms:

The objective of this pillar is to support the implementation of programs that improve Morocco's risk financing architecture, including in the agricultural sector. Specific objectives to be supported include: i) the development of an integrated risk financing strategy, including the formulation of catastrophe risk law and supporting information technology (IT) for data management and risk market infrastructure; ii) the development of a parametric insurance in the agriculture sector, including through the creation of improved meteorological data management systems; the iii) creation and capitalization of guaranteed funds required for the continued evolution of the disaster and agricultural risk insurance markets; and other priority risk financing areas. Associated disbursement linked indicators (DLIs) could include:

- DLI6: Establishment of IT infrastructure required for the implementation of the disaster risk financing law (34-08)

- DLI7: Establishment of meteorological data management system to support implementation of parametric insurance in the agriculture sector.

- DIL8: Capitalization of the Fonds de solidarité contre les évènements catastrophiques (FSEC) through direct or contingent credit received.

All DLI indicators will be revisited during project preparation and fine tuned in light of the specific sub-sector activities. An additional DLI to be explored relates to the need to potentially make provisions for contingency funding in case of a disaster event occurs during project implementation.[10] This would be similar as an approach used in SILs where "zero" components are included to allow for reallocation of loan proceeds in case a disaster occurs during project implementation.[11]

In terms of the implementation arrangements, the concerned line ministries will play a key role during, in particular the Ministry of Interior, the Ministry of Agriculture, the Ministry of Urbanism and Ministry of Energy, Mining, Water and Environment. Additionally, because of their critical role as first responders to natural disasters, local governments will also play a key in both Program preparation and implementation. At the present time, the Ministère des Affaires Générale et de la Gouvernance (MAGG) plays the lead role in terms of overall program coordination. The team is in discussion with the GoM to enhance overall project coordination by establishing a dedicated program coordination mechanism through the nomination of a Lead Counterpart for the Bank for program preparation and implementation which could also serve as a precursor for the National Office of Risk Management (NORM). Finally, the Ministry of Finance will also play a lead role in light of the importance of the risk financing issues in the first phase of the program.

IV. Initial Environmental and Social Screening

In terms of environmental and social risk management, the proposed Program is considered adequate for PforR financing. The concept stage examination of potential criticalities based on the PforR E&S screening tool shows that a) the environmental and social risks of the Program are expected to be moderate, b) E&S management capacity is likely to be adequate although risks concerning the institutional complexity of the Program will need to be addressed; c) risks related to the environment and social context of the Program (cultural heritage or natural habitats, etc.) can be managed; and d) reputational risks are low.

In relation to the social and environmental risks of the project (point a), above), in accordance with OP 9.00 the Program will not finance activities expected to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. In fact, the Program is likely to yield important benefits to communities, both through its institutional pillar and the specific activities to be financed. Physical investments in retrofitting are expected to have no negative social impacts in terms of resettlement and land acquisition, while they may yield environmental benefits, particularly if associated to energy efficiency measures. Program activities designed to improve resilience of agriculture and of defences against natural disasters may also have environmental protection co-

[10] This could be captured through a DLI on "specified hazard occurred and GoM prepared adequate response plan".
[11] Fiduciary DLIs could also be included depending on the specific needs of the program identified, including on DLI s on establishing internal audit department in the related ministries with qualified staff and acceptable audit program; and procurement staff in the implementing entities trained on the new public procurement decree.

benefits. However, particular attention will need to be paid to flood protection investments, both in terms of social and environment risks.

In relation to the capacity of Morocco's national systems (point b), above), Morocco has reliable country systems in place to manage the risks associated with the program's activities, although some specific weaknesses do exist; for instance, timely compensation in cases of land acquisition. The need for coordination of safeguards standards and procedures across a number of agencies executing program activities has the potential to be problematic and deserves particular attention. Any specific weaknesses pertaining to the execution of the program's activities will be the subject of corrective actions recommended in the Program Action Plan.

In conjunction with the first preparation mission which will further specify the scope and content of the Program, an Environmental and Social System Assessment (ESSA) will be launched to assess the range of environmental and social impacts that may be associated with the Program as well as the Borrower's organizational capacity for E&S management. The results of the ESSA will inform Program design and key measures to improve E&S risk management will be included in the Program Action Plan or in the results framework. The development of the ESSA will additionally provide a platform to engage Program stakeholders in consultations regarding E&S aspects.

V. Tentative financing

Source:		($m.)
Borrower/Recipient		
IBRD		75.00
IDA		0.00
Others (specify)		0.00
	Total	75.00

VI. Contact point

World Bank

Contact: Mr. Axel Baeumler
Title: Senior Infrastructure Economist
Tel: (202) 458-8038
Email: abaeumler@worldbank.org

Borrower/Client/Recipient

Contact: Government of Morocco
Title:
Tel:
Email:

Implementing Agencies

Contact: Ministère des Affaires Générale et de la Gouvernance- Mme Bencheqroun
Title: Chargée de Mission auprès du Chef du Gouvernement
Tel:
Email: benchekroun@affaires-generales.gov.ma

VII. For more information contact:

The InfoShop
The World Bank

1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop