Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 12-May-2022 | Report No: PIDA263446

Public Disclosure Authorized

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Program Name	Parent Project ID (if any)
Morocco	P178141	Casablanca Municipal Support Program – Additional Financing	P149995
Region	Estimated Appraisal Date	Estimated Board Date	Practice Area (Lead)
MIDDLE EAST AND NORTH AFRICA	09-May-2022	22-Jun-2022	Urban, Resilience and Land
Financing Instrument	Borrower(s)	Implementing Agency	
Program-for-Results Financing	Municipality of Casablanca	Casa Prestations / UNITE DE GESTION DU PROGRAMME (UGP)	

Program Development Objective(s)

The Program Development Objective (PDO) is to increase the investment capacity of the Municipality of Casablanca, improve the business environment in the Municipality of Casablanca, and enhance access to basic services in the Program Area.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	156.31
Total Operation Cost	156.31
Total Program Cost	156.31
Total Financing	156.31
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	100.00
World Bank Lending	100.00
Total Government Contribution	56.31

B. Introduction and Context

Country Context

1. **While Moroccan cities have been at the core of the country's economic growth witnessed over the past decades, they also encapsulate the country's socio-economic challenges.** With the rapid urbanization of the country, the share of urban population has increased from 30 percent in the 1970s to over 60 percent today and is expected to reach 73.6 percent by 2050[1]. Cities, especially large agglomerations, have become important drivers of the Moroccan economy, where cities are contributing to around 75 percent of the national GDP, 70 percent of investments, and 60 percent of total employment at the national level[2]. On the other hand, Moroccan cities remain plagued by important pockets of poverty, absorbing rural poverty (14.5 percent compared to 4.8 percent in urban areas), namely through in-migration.

2. **As part of the ongoing regionalization process**, **municipalities are at the heart of this dynamic and benefit from increasing autonomy**. Under Organic Law 113-14, municipalities play an important role in promoting the enabling environment for increased competitiveness and productivity. The latter has been reaffirmed in the recent "New Development Model", NMD (2022-2035), a strategic vision document prepared under the leadership of King Mohamed VI.

3. **Municipalities have been hit hard following the outbreak of the covid-19 pandemic with yet, positive signs in 2021 that call for targeted efforts to accelerate the recovery pace.** The pandemic has negatively impacted the country's macroeconomic situation and has considerably curtailed economic growth. At the subnational level, municipal finances suffered from the "scissor effect" marked by a decrease in revenues (14 percent[3] on average - see also Figure 1 below) and a sizable increase in expenditures related to health, sanitation and waste collection. To mitigate this, municipal operating and capital expenditures were contained in 2020, with several restrictions imposed based on the type of expenditures. Municipal capital investments fell by 5 percent in the years 2019 and 2020 while operating expenditures decreased by 1 percent during the same period[4]. However, preliminary signs of recovery are showing in 2021. National GDP is estimated to have rebounded by 6.3 percent in 2021[5]. The recovery is also witnessed at the municipal level, where municipal revenues increased by 12.9 percent in 2021 after dropping by 14 percent in 2020. Such an encouraging performance is a key factor behind the AF as it aims to build on the reform momentum established under the parent Program and to further strengthen both revenue and expenditure management efforts at the local level.

4. **Cities, considered as climate change hotspots, are also expected to further strengthen their climate action to enhance the sustainability and the resilience of their growth path**. Morocco demonstrated a strong

[1] Leveraging urbanization to promote a new growth model while reducing territorial disparities in Morocco, The World Bank, 2018.
[2] Ibid.
[3] Monthly local finances reporting, TGR (2019,2020).
[4] Ibid.
[5] IMF (https://www.imf.org/fr/News/Articles/2021/12/10/pr21370-morocco-imf-staff-completes-2021-article-iv-mission-to-morocco).

leadership on the climate change agenda. Despite being considered as a low contributor to GHG emissions[6], Morocco has developed a strategic vision and an operational framework to fulfil its climate change commitments. At the national level, a strategy for sustainable development and a national climate action plan were developed and materialized in a roadmap to achieve the Nationally Determined Contributions (NDCs). Acknowledging that Moroccan cities are exposed to increasing levels of climate-related vulnerabilities, the government has launched the preparation of Territorial Climate Action Plans (TCAP) at the regional level. Also, sector focused efforts have been made by large municipalities to promote low-carbon investments, namely in urban mobility. However, most Moroccan cities still require the mobilization of the appropriate expertise to develop collaborative and integrated climate action plans.

Sectoral and Institutional Context

5. **Casablanca, the country's economic capital and largest city, embodies both the opportunities and the challenges of Morocco's urbanization**. The region of Casablanca-Settat is one of the engines of national economic growth, contributing to 22.6 percent of the national GDP in 2019[7]. Furthermore, Casablanca being one of Africa's leading financial and services centers is a key driver of Morocco's economic diversification and structural transformation. However, Casablanca faces several challenges that consist of persisting social inequalities and inadequate infrastructure and services in some of its neighborhoods. Casablanca displays persistent poverty pockets with around 150,000 urban poor living in the city.

6. **The municipality is facing considerable financial challenges, limiting its ability to implement significant capital investments and ensure quality and inclusive service delivery.** A financial and debt sustainability analysis of the CC was carried out by the World Bank, including historical performance assessment and simulations of future growth trajectories, based on different scenarios of revenue and expenditure growth trends. The analysis confirmed that the CC's current investment capacity is limited. Additionally, it also highlighted the need for the municipality to achieve a minimum of 10 percent annual increase in its own-source revenues with a maximum 3 percent annual increase in its current expenditures, during the period of 2022 to 2026. The above could be achieved through: (i) the ongoing reforms of local taxes; (ii) the modernization of revenue management tools (namely under DLI#2); and (iii) the effective implementation of a revenue mobilization roadmap established by the CC. The above measures have already been initiated under the Parent Program with some actions completed and others making satisfactory progress. Additional efforts are also supported through other World Bank operations[8].

7. **Casablanca is also impacted by climate change, jeopardizing the sustainability of its growth path.** The city is highly vulnerable to extreme weather events including floods, heatwaves, droughts, as well as sea-level rise and coastal erosion. In the Casablanca-Settat region, average annual temperatures have increased from 1.0 to more than 1.8°C and precipitation has experienced up to 30% decline between 1960 and 2005. Both drought frequency and intensity have increased in recent decades and are projected to worsen further in the future. The drought hazard has also intensified rural to urban migration in the region and increasing urbanization puts additional pressure on water resources. On the other hand, the region is marked by limited green spaces with the average ratio being less han 1sq.m. per inhabitant. This is far from the international standards of 10 to 12

6 Morocco's total emissions represented in 2018, 0.2% of global emissions.

7 Source: HCP, 2019 regional GPD accounts.

8 The local taxes reform is supported through the Morocco Public Sector Performance (ENNAJAA) Program (P169330).

sq.m. per inhabitant as a minimum threshold set by the WHO. Additionally, total GHG emissions in the Casablanca - Settat region are expected to increase by 44% between 2016 and 2030 (from 35,890 Gg.eq CO2 in 2016, to 40,837 Gg.eqCO2 by 2020 and 51,607 Gg.eqCO2 by 2030). However, the climate vision still needs to be downscaled at the city level as several mitigation measures fall within the mandate of municipalities, namely in areas related to urban transport, streetlighting, and solid waste management.

PforR Program Scope

8. **Government Program.** In 2014, the Government of Morocco launched the Greater Casablanca[9] Development Plan (Plan de Développement du Grand Casablanca, PDGC-2015-2020), to unlock a sustainable and inclusive growth dynamic in the Greater Casablanca. With a budget of US$3.5 billion (MAD 33.6 billion), the PDGC sets up a program of investments and integrated strategic reforms that aim to: (i) enhance the city's competitiveness and attractiveness for investors, but also (ii) improve the city's livability with better living conditions, especially in disadvantaged areas. The PGDC gave a central role to the CC to implement a series of reforms, supported through the parent operation. These reforms were aimed at increasing the city's financial viability, its capacity to deliver quality services in an inclusive manner, as well as to attract private investments. The newly elected municipal council reiterated its commitment to the strategic orientations set under the PDGC and its intent to incorporate the reforms pursued into the updated municipal action plan, due in October 2022.

9. **Parent operation.** The proposed AF in the amount of US$100 million will support the ongoing Casablanca Municipal Support Program-for-Results (PACC), a US$200 million subnational loan approved in December 2017. The Program Development Objectives (PDO) of the parent operation consists of increasing the investment capacity and improving the business environment in the Municipality of Casablanca, as well as enhancing the access to basic services of a select number of underserved neighborhoods located in the Program Area.

10. **Over its implementation period, the parent Program has shown a satisfactory performance with tangible results contributing to the achievement of its PDO.** Progress was made under all PDO indicators as indicated in table 1 thanks to substantial results achieved under the Program's 3 results areas. Key results to date are presented below. Additionally, as of March 2022, the cumulative loan disbursement reached US$190.71 million (i.e., 96.72 percent of the loan amount, including the 25 percent advance). Progress toward PDO achievement and implementation progress are yet rated moderately satisfactory since 2020 to factor in the impact of the pandemic as well as municipal elections that took place in September 2021. All other Program performance ratings has been rated satisfactory since effectiveness, except for the one related to DLIs given the delays incurred under DLI#4.

11. **Key results to date under the three results areas (RA) of the parent program include**:

[9] The Greater Casablanca, previously one of the 16 administrative regions of Morocco, was enlarged to include additional provinces in the 2015 administrative reorganization with a newly created region called Casablanca-Settat. The previous region of the Greater Casablanca included the Municipality of Casablanca as well as the provinces of Mohamedia, Mediouna, Nouaceur

a. **RA1: Increasing the investment capacity of the Municipality of Casablanca.** Under DLI1, municipal own-source revenues grew by more than 22 percent between 2015 and 2018. Under DLI#2, a single Addressing System was established and made operational, an inventory of taxpayers and tax items was administered by the CC, an integrated information system for revenue administration (GIR-CT) was made operational, an inventory and valuation of the CC's real estate assets was completed, and a Local Joint Ownership Company (*Société de Développement Local*, SDL) in charge municipal revenue management, named Casa Mawarid, was created. In addition, under DLI#3 more than MAD 900 million have been channeled through private sector participation to support municipal service delivery.
b. **RA2: Improving the urban environment and access to basic services in the Program Area** to make Casablanca a more inclusive and livable city. Under DLI#5, 103 km of roads were upgraded. Under DLI#4 about 5,800 households have been provided with improved access to basic services in disadvantaged neighborhoods.
c. **RA3: Improving the business environment** in the Municipality of Casablanca by simplifying and digitizing procedures for obtaining building permits and business licenses. Under DLI#6 two IT platforms were developed, which have significantly reduced the number of days to issue these permits and licenses — the average number of days required for issuance of a building permit went from 72 to 39.

12. The proposed AF of US$100 million will both deepen and broaden the efforts under the first and second results areas of the parent operation with a closing date of June 30, 2026. Building on both the achievements and tools developed under the parent Program as well as the reform momentum established, an additional financing to the PACC would continue supporting the CC's financial and institutional strengthening efforts. At its core remains the enhancement of the city's investment capacity through diligent and responsible revenue and expenditure management, as well as enhanced private sector participation in service delivery. The AF will focus both on processes and institutional strengthening of the CC as well as expected outcomes. The importance of pursuing those efforts is relevant given the impact of the covid-19 pandemic on municipal revenues as well as the nascent recovery path that needs to be accelerated through targeted efforts.

Proposed changes

13. **The proposed AF, focuses on deepening and broadening the focus on the first 2 results areas (RA), extending the scale and duration of DLIs 1 and 2 and introduces six new DLIs.** Under RA1 (**Increasing municipal investment Capacity)**, the AF will scale up DLI#1, "Percentage Increase in Own Source Revenues from a baseline of 0% in CY 2015", given the pivotal role revenue enhancement plays in improving the municipality's investment capacity, and DLI#2, "Modernization of the CC's revenue management systems", by extending them both in scope and duration. In addition, RA1 will introduce two new DLIs, including DLI#7, "Improving the CC's real estate asset management" and DLI#12, "Enabling the city's access to private capital and financial markets". Under RA2 the AF will restructure the partially achieved DLI#4, "Households in disadvantaged neighborhoods provided with improved access to basic services". Moreover, RA2 (**Improving the urban environment and the quality of public services)** will introduce four new DLIs, including DLI#8, "Strengthening the sustainability of key municipal infrastructure through the ramp up of Operations and Maintenance (O&M)", DLI#9, "Strengthening the climate

action of Casablanca", DLI#10, "Strengthening the CC's governance to improve revenue and expenditure management, service quality and accountability in front of citizens" and DLI#11 "Effective digitalization of the municipal administration for a quality service delivery and improved accountability toward citizen"

Parallel restructuring

14. **A parallel restructuring will capture the proposed changes under existing DLIs and extend the parent program closing DLIs.** As mentioned above, specific changes in scope and / or duration, are expected under DLI #1, #2, #4 and #5. Additionally, the parent program new closing date will become June 30, 2026 (instead of March 31, 2023). This would align the timeframe for both the parent PforR and the related additional financing

C. Program Development Objective(s)

15. **The parent operation PDO will be expanded to include an additional focus on the city's adaptation and mitigation efforts to combat climate change.** The AF would deepen the efforts under the financial capacity and social inclusion pillars of the AF while broadening the PDO to include an additional focus on climate change. The revised PDO would be: *"to increase the investment capacity of the Municipality of Casablanca, improve the business environment in the city, strenghen the city's resilience to Climate change and enhance access to basic services in the Program Area".*

Table 1. PDO indicators

Indicator	**Expansion/revision in AF**
PDO Indicator 1	Percentage increase in municipal revenues, excluding transfers from a baseline of 0% in CY 2015.
PDO Indicator 2:	Private capital mobilized for investments through new or additional value of PPP contracts, from a baseline of 0.
PDO Indicator 3:	Households in disadvantaged neighborhoods provided with improved access to basic services (at least one of the following: water supply, sanitation, or electricity), from a baseline of 0.
PDO Indicator 4:	Reduction in the average number of days required for the issuance of a building permit at the Municipality's one-stop-shop.
PDO indicator 5:	Fresh water savings from watering green spaces through reused wastewater.

D. Environmental and Social Effects

16. **An Addendum to the Environmental and Social Systems Assessment (ESSA) of the parent Program has been prepared by the Bank team in close cooperation with Program counterparts and will be cleared and disclosed by Appraisal.** The Addendum does not constitute a new ESSA and should be considered together with the ESSA of the parent Program. The ESSA of the parent program assessed, against the requirements of Bank Policy/Bank Directive on Program-for-Results Financing, the national and municipal systems with respect to institutional capacity and performance, policy and regulatory bases, consultation mechanisms and GRM to

manage and mitigate impacts. The activities to be undertaken under the AF were analyzed to identify environmental and social effects.

17. **The management of E&S risks and impacts of the parent Program is rated Satisfactory.** The action plan for the environmental and social assessment of the parent project is entirely completed (preparation and dissemination of the environmental and social management guide, training of stakeholders on its provisions and use, designation of focal points at the level of the participating communes, etc.). The original Technical Environmental and Social Guide will be updated to further clarify and optimize the PMU's systems to document mitigation measures.

18. **E&S systems to manage related risks have been set up under the parent Program and will continue to be used, with the required strengthening, under the activities to be supported through the AF.** The original Program Area mentioned in the PDO will be retained in the AF as the current geographic scope remains relevant. No changes in the regulatory and legal framework pertaining to the management of E&S risks have been identified. The proposed new DLIs and adjustments to the results areas under the AF would not require changes in the E&S risk management systems.

19. **The environmental and social (E&S) risks and negative impacts associated with the AF are considered Moderate in their entirety**. In line with the parent program, activities that are likely to have large, adverse E&S impacts will remain excluded. The AF introduces six new DLIs. According to the project description, those DLIs have moderate environmental and social impacts that can be mitigated through simple actions. Expected program impacts will continue to be reversible and easily mitigated with the proposed mitigation measures. They will be easy to identify in advance, to prevent and minimize through effective mitigation measures and will be subject to an environmental and social monitoring and follow-up system that will allow for the identification and management of potential risks.

20. **Consultations and disclosure.** The final version of the ESSA of the parent program was disclosed on December 10, 2017, on the WB website, after a consultation workshop undertaken in September 2017. Additional consultations have been conducted with the civil society during the parent program midterm review. Further consultations have also been conducted (mainly with executing agencies representatives) prior to the completion of the AF appraisal and used remote consultation methodologies as appropriate in the Covid-19 context. Further public consultations will be undertaken before Appraisal on this draft addendum of the ESSA (which will be disclosed on the CC and Bank websites before appraisal), to collect inputs from stakeholders and affected parties on the identified impacts and the proposed mitigation measures as well as on the institutional set-up proposed to monitor the E&S safeguards of the Program's activities. The information collected during the public consultations will be integrated into the final version of the Addendum, which will then be published on the websites of the CC and the Bank.

E. Financing

21. **The proposed Additional Financing will be financed by an IBRD loan in the amount of US$ 100 million.** No other development partner is expected to provide funding as part of the Program.

Program Financing (Template)

Sources	Amount (USD Million)	% of Total
Counterpart Funding	**56.31**	**36**
Borrower/Recipient	56.31	36
International Bank for Reconstruction and Development (IBRD)	**100.00**	**64**
Total Program Financing	**156.31**	

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