

**PROGRAM INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

November 25, 2014
Report No.: 92816

Operation Name	MA-SOLID WASTE SECTOR DPL4
Region	Middle East and North Africa
Country	Kingdom of Morocco
Sector	Solid waste management (100%)
Operation ID	P148642
Lending Instrument	Development Policy Loan
Borrower(s)	Kingdom of Morocco
Implementing Agency	Ministry of Economy and Finance, Ministry of Interior, and Ministry of Energy, Mines, Water and Environment
Date PID Prepared	5 November 2014
Date of Appraisal	November 24-25, 2014
Estimated Date of Board Approval	February 12, 2015
ROC Decision	Following the ROC meeting on November 20, 2014, the decision was taken to proceed with the appraisal of the operation.

I. Country and Sector Background

Problems associated with municipal solid waste (MSW) have increasingly been recognized as barriers to a more harmonious urbanization and overall socioeconomic development process in Morocco. The growing rate of waste generation is putting significant pressure on municipal services, particularly from financial, managerial, environmental and social perspectives. Currently, the country generates about 5.5 million tons of municipal solid waste per year and is expected to reach 6.2 million by 2021.

With increasing public awareness on quality of life, environmental protection and sustainable development, the municipal solid waste agenda has become a national priority in the Kingdom. Since 2008, a 3-phase 15-year national Municipal Solid waste Program (PNDM) has been implemented aiming at supporting municipalities to cope with the requirements of the 2006 solid waste law including the modernization of their MSW systems.

The reform of the MSW sector, which was triggered by the enactment of the first SWM law 28-00 in December 2006 and the launch of the 15-year PNDM in 2008, has been reconfirmed as a national priority. The PNDM quantitative targets in term of service delivery and environmental performance include: by 2021, 90% of urban population has access to modern MSW collection service; 100% of MSW collected in urban areas are disposed in sanitary landfills, and 20% of MSW collected are recycled.

During the last five years, supported by the Bank and other partners, Morocco has made good progress in providing the necessary framework for establishing the foundation for an integrated and affordable MSW management system. Key results include: a) Morocco is benefiting from a firm legislation to establish integrated solid waste management and support the use of waste as a resource to achieve broader environmental, social and economic benefits; b) more than 15 million people have access to better MSW services; c) more than 100 cities have contracted private operators to provide street cleaning and waste collection services which benefit more than 15 million people today; d) transparency and citizen engagement in the solid waste sector has been enhanced; and e) an effective instrument is in place to

promote waste recycling and improve the socio-economic performance of the sector with a special attention paid to vulnerable groups.

Substantial progress has also been made towards PNDM objectives in terms of sanitary disposal practices and closing/rehabilitation of open dumpsites. More than 37% of MSW collected is being disposed in sanitary landfills compared to less than 10% in 2008; and 32 dumpsites have been closed, out of 220 in operation.

II. Key development issues and rationale for Bank involvement

These are significant results for the first Phase of the PNDM, which is overall on track compared to the set targets, but continued and steady progress needs to be assured to achieve the objectives set for 2021. Key emerging challenges and opportunities include: i) Citizen Engagement and transparency practices are not yet systematic and needs sustained commitment of and support to LGs; ii) Small and medium municipalities are still experiencing weak capacity to plan, develop and supervise private service contracts; iii) Opportunities to improve medium-term sustainability of the MSW services through better management of municipal revenues and fiscal potential exist but not fully tapped; iv) Continued enhancement of mediation and conciliation mechanisms as well as awareness rising of local authorities and private sector service providers are required to further improve mutual trust between the parties and private sector participation contract management; v) Modest progress has been made towards systematic and professional monitoring and control of MSW facilities and their compliance with environmental regulations, standards and norms; vi) The PNDM has set a goal of 20 percent recycling by 2021 but has not yet been able to achieve substantial results towards this goal.

The proposed DPL4 will contribute to the World Bank's vision of Reducing Poverty and Boosting Shared Prosperity. Concretely, the supported policy measures and the PNDM will: i) create opportunities for vulnerable groups (waste pickers), in particular women, to improve their revenues and working conditions; ii) foster job creation through the development of a vibrant solid waste recycling value chains; and iii) control and mitigate adverse environmental impacts of existing dumpsites, thus improving the living conditions of the nearby populations, most of whom are marginalized and poor.

Bank support to the municipal solid waste sector in Morocco is among the core activities of the Bank's FY14-17 Country Partnership Strategy. It will contribute to its Result Area 1 "*Promoting Competitive and Inclusive Growth*" and Result Area 2 "*Building a Green and Resilient Future*". It will also support its Result Area 3: "*Strengthening Governance and Institutions for Improved Service Delivery to All Citizens*".

III. Proposed Objective(s)

The development objective of the second programmatic series (DPL 3 and DPL 4) is to support the Government's efforts to improve the economic, environmental, and social performance of the Municipal Solid Waste sector.

IV. Operation Description

The proposed DPL4, which is the second DPL of a second programmatic series of two DPLs in support of the sector, is able to build on a number of prior achievements. The solid waste sector has benefited from a long history of World Bank -client dialogue on policy reforms and from strong analytical underpinnings. The World Bank worked closely with the Government of Morocco to design a robust phased reform

program fully adaptable to the local context. As an example, an assessment of the cost of environmental degradation in Morocco¹ illustrated that the cost of sub-standard SWM practices was estimated at 0.5 percent of GDP. Such a high cost helped understand the environment, economic and social dynamic of the solid waste sector; it raised the awareness of the Ministry of Finance and turned the sector into a top Government priority.

The support to the Government's program focuses on four areas: (i) strengthening governance, and particularly demand-side governance by improving accountability of service providers, transparency, access to information, and providing citizens and civil society with new and effective opportunities for engagement and voice; (ii) improving institutional and financial sustainability of the sector by professionalizing integrated municipal solid waste planning and service delivery and diversifying municipal sources of revenues; (iii) upgrading the country's environmental monitoring and control system; and (iv) developing financially viable and socially inclusive waste recycling value chains.

V. Financing

The proposed operation is a Development Policy Loan (DPL) in an amount of US\$130 million. The DPL will be disbursed in a single tranche upon effectiveness.

VI. Institutional and Implementation Arrangements

The Ministry of Economy and Finance will be the loan recipient. The same arrangements that have been put in place for the previous three DPL operations will apply for the proposed operation, including the following implementation and coordination mechanisms:

The National Commission of the PNDM will be responsible for the coordination, review, and evaluation of the solid waste sector reform program and the PNDM. The National Commission is led by the Ministry of Environment (MOE) and includes representatives of the Ministry of Economy and Finance, Ministry of Interior (MOI), Ministry of General Affairs and Governance, and the Local Government Fund ("*Fond d'Equipement Communal*"). The National Commission will, in particular, ensure progress reporting and schedule management, action documentation, inter-ministerial coordination, and proactive corrective action on non-progress actions. The National Commission will also be responsible for communication with the World Bank implementation support team.

The Program Management Unit established within the MOI will be in charge of day-to-day management of the PNDM, including the production of bi-annual PNDM progress reports with specific attention to measure achievements and results of the sector and program of reforms. In this context, Key Performance Indicators (KPIs) have been developed. The KPIs 2012 baseline has been determined and posted on the website of the MOE.

VII. Benefits and Risks

Expected benefits and impacts of the DPL program including DPL4 would include:

- Transparency and Citizen engagement: a) improved public access to accurate and reliable information on provision, access to and quality of service; and b) citizen and service users are able to express their opinion on the quality and adequacy of service;

- Service delivery sustainability: a) municipalities continue to benefit from the Government’s support to plan, develop, and manage MSW infrastructures and delegate services to private sector; b) urban population has access to professionalized integrated MSW services; and c) potential local sources of revenues to support the professionalization of MSW systems are mobilized.
- Environmental and social performance of the sector: a) the environmental impacts of MSW facilities are reduced as they are environmentally controlled and inspected regularly according to international good practices; b) new recycling and valorization programs are developed fostering a successful collaboration between producers, informal sector and municipalities; c) sustainable stream of revenues is generated to support recycling activities, social inclusion and formal jobs and SMEs creation.

The overall risk of the proposed operation has been rated as moderate. No major sector related risks has been identified given the strong commitment of the new Government to the second phase of the PNDM.

VIII. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

The DPL program's design will take into account the results of the Poverty and Social Impact Assessments done during the first phase (PSIA 1 and 2) as well as the addendum to the PSIA 2 which assessed the potential impacts of the introduction of the proposed eco-tax on vulnerable groups such as waste pickers who are predominantly women and youth.

Environment Aspects

An assessment of the potential impacts of supported policies on the environment and natural resources was carried out, and concluded that the measures supported by the proposed program are likely to have a significant positive effect on the country’s environment, forests and other natural resources.

The proposed operation (and the Program of DPLs) has been specifically designed to address environmental issues and builds on the progress of the previous two operations to enhance their positive effect on the environment. The implementation of the first phase of the reform program has already allowed significant improvements in the country’s environmental regulatory and institutional framework. The proposed operation aims at enhancing the positive effects on the environment by establishing the existing environmental monitoring and control system which will allow a systematic supervision of the implementation of EIA recommendations and help monitoring compliance of facilities (including, inter alia, in the solid waste sector) with national environmental norms and standards.

IX. Tentative financing

Source	IBRD
Borrower	Kingdom of Morocco
Amount	EUR 100 millions (eq. USD 130 millions)

X. Contact point

Contact: Jaafar Sadok FRIAA
 Title: Lead Urban Specialist
 Tel: +1-202-473-7124
 Email: jfriaa@worldbank.org

XI. 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>