

**Document of
The World Bank**

FOR OFFICIAL USE ONLY

Report No. 91846-MA

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT

FOR A PROPOSED LOAN
IN THE AMOUNT OF EURO 104.3 MILLION
(US\$ 130 million equivalent)

TO

THE KINGDOM OF MOROCCO

FOR

A FOURTH MUNICIPAL SOLID WASTE SECTOR DEVELOPMENT POLICY LOAN

January 15, 2015

Social, Urban, Rural and Resilience Global Practice
Middle East and North Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

KINGDOM OF MOROCCO - GOVERNMENT FISCAL YEAR

January 1st – December 31st

CURRENCY EQUIVALENTS

(Exchange Rate Effective as November 30, 2014)

Currency Unit = Moroccan Dirham

US\$1.00 = MAD 8.33

ABBREVIATIONS AND ACRONYMS

BAM	<i>Banque Al-Maghrib</i> (Morocco Central Bank)
BOCT	Local Government Official Bulletin (<i>Bulletin Officiel des Collectivités Territoriales</i>)
CNCP	National procurement regulatory body (<i>Commission des Marchés Publics</i>)
CPS	Country Partnership Strategy
CRCs	Citizens' Report Cards
DEA	<i>Direction de l'Eau et de l'Assainissement</i> (Water and Sanitation Directorate)
DPL	Development Policy Loan
EIA	Environmental Impact Assessment
EU	European Union
ESW	Economic and Sector Work
FDI	Foreign Direct Investment
FNE	National Environmental Fund (<i>Fond National pour l'Environnement</i>)
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GIZ	German Development Agency (<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>)
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
ICR	Implementation Completion and Results Report
IFC	International Finance Corporation
IMF	International Monetary Fund
ISWM	Integrated Solid Waste Management
KPIs	Key Performance Indicators
LG	Local Government
MEMEE	Ministry of Energy, Water, Mines and Environment (<i>Ministère de l'Energie, de l'Eau, des Mines et de l'Environnement</i>)
MENA	Middle East and North Africa
MOE	Ministry in charge of Environment
MOI	Ministry of Interior
MSW	Municipal Solid Waste
NMSWMP	National Municipal Solid Waste Management Program
OREDD	Observatories for Environment and Sustainable Development (<i>Observatoires Régionaux de l'Environnement et du Développement Durable</i>)
PACT	Local Governments Support Program (<i>Programme d'Appui aux Collectivités Territoriales</i>)
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PLL	Precautionary and Liquidity Line

PNDM	National Municipal Solid Waste Program (<i>Programme National des Déchets Ménagers</i>)
PSIA	Poverty and Social Impact Analysis
SGG	General Secretariat of the Government (<i>Secrétariat Général du Gouvernement</i>)
PSP	Private Sector Participation
SMEs	Small and medium enterprises
SWM	Solid Waste Management
TFP	Total Factor Productivity
TGR	Kingdom's General Treasury (<i>Trésorerie Générale du Royaume</i>)

Acting Regional Vice President:	Gerard Byam
Country Director:	Simon Gray
Senior Practice Director:	Ede Jorge Ijjasz-Vasquez
Acting Practice Manager:	Nina Bhatt
Task Team Leaders:	Jaafar Sadok Friaa / Maria Sarraf

**KINGDOM OF MOROCCO
FOURTH MUNICIPAL SOLID WASTE SECTOR DEVELOPMENT POLICY
POLICY LOAN**

TABLE OF CONTENTS

LOAN AND PROGRAM SUMMARY	I
1. INTRODUCTION AND COUNTRY CONTEXT.....	1
2. MACROECONOMIC POLICY FRAMEWORK.....	2
2.1. RECENT ECONOMIC DEVELOPMENTS.....	2
2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY	4
2.3 RELATIONS WITH THE IMF.....	9
3. THE GOVERNMENT’S PROGRAM	9
4. THE PROPOSED OPERATION.....	11
4.1 LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION.....	11
4.2 PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS	14
4.3 LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY	26
4.4 CONSULTATIONS, COLLABORATION WITH DEVELOPMENT PARTNERS	27
5. OTHER DESIGN AND APPRAISAL ISSUES.....	29
5.1 POVERTY AND SOCIAL IMPACT	29
5.2 ENVIRONMENTAL ASPECTS	31
5.3 PFM, DISBURSEMENT AND AUDITING ASPECTS	31
5.4 MONITORING AND EVALUATION	33
6. SUMMARY OF RISKS AND MITIGATION	33
ANNEX 1 – LETTER OF DEVELOPMENT POLICY	35
ANNEX 2 – POLICY AND RESULTS MATRIX OF SECOND PROGRAMMATIC SERIES (DPL 3 AND	
4)	50
ANNEX 3: FUND RELATIONS NOTE	53

This Program Document was prepared by a World Bank team consisting of Jaafar Sadok Friaa (Task Team Leader and Lead Urban Specialist), Maria Sarraf (Co-Task Team Leader and Lead Environment Specialist), Farouk Banna (Environmental Engineer), Mohammed Bekhechi (Lead Legal Environmental Consultant), Jean-Charles Marie De Daruvar (Senior Lawyer), Khalid El Massnaoui (Senior Economist), Franck Bessette (Senior Finance Management Specialist), Laila Moudden (Operations Officer), Abdoulaye Keita (Senior Procurement Specialist), Fadhel Ghariani (Solid Waste and Public Institutions Consultant), Raphael Kaminsky (International Arbitration and Conciliation Consultant), Bruce MacPhail (Social Development Consultant), Charles Malecot (Financial Consultant), Christina Jutta Paul (Lawyer PPP CCCSA), Najat Yamouri (Senior Social Development Specialist), Lamia Zaki (Urban Specialist), Charlene d’Almeida, Soumia Driouch, Sophie Hans-Moevi and Sylvie Pittman (Program Assistants).

**LOAN AND PROGRAM SUMMARY
KINGDOM OF MOROCCO
FOURTH MUNICIPAL SOLID WASTE SECTOR DEVELOPMENT POLICY
POLICY LOAN**

Borrower	Kingdom of Morocco
Implementation Agency	Ministry of Economy and Finance, Ministry of Interior and Ministry of Environment
Financing Data	IBRD loan: Euro 104.3 million (US\$ 130 million equivalent). The proposed loan would be disbursed in one installment upon loan effectiveness.
Operation Type	The proposed loan is the second and last DPL in a programmatic series of two single-tranche DPLs.
Pillars of the Operation And Program Development Objective(s)	<p>The Program Development Objective is to support the Government’s efforts to improve the economic, environmental, and social performance of the Municipal Solid Waste sector.</p> <p>The four policy areas supported by this operation are: (A) governance of the municipal solid waste sector; (B) institutional and financial sustainability of municipal solid waste services; (C) environmental monitoring and control; and (D) development of recycling value chains.</p>
Result Indicators	<p>Governance of the Municipal Solid Waste Sector:</p> <ul style="list-style-type: none"> • Number of municipalities implementing Citizens’ Report Cards on MSW services <u>Baseline (2012):</u> 0 <u>Target (2015):</u> 5 • Percentage of contracts signed (after the issuance of Circular No. 8029) with an extract disclosed on BOCT web platform <u>Baseline (2012):</u> 0 % <u>Target (2015):</u> 100 % <p>Institutional and Financial Sustainability of Municipal Solid Waste Services:</p> <ul style="list-style-type: none"> • Percentage of MSW collected professionally and disposed of in sanitary landfills <u>Baseline (2012):</u> 32 % <u>Target (2015):</u> 55 % • Number of inter-municipal/regional institutions (“<i>Groupements d’Agglomération et groupements de communes</i>”) established <u>Baseline (2012):</u> 7 <u>Target (2015):</u> 15 • Percentage increase in aggregated municipal revenues compared to 2012 <u>Baseline (2012):</u> 0 %

	<p><u>Target (2015):</u>+20 %</p> <ul style="list-style-type: none"> • Decrease in the percentage of total volume of arrears (as declared by private operators and verified by DEA) compared to the original annual total amount of Municipal Solid Waste contracts <p><u>Baseline (2012):</u> 70%</p> <p><u>Target (2015):</u> 30%</p> <p>Environmental Monitoring and Control:</p> <ul style="list-style-type: none"> • Percentage of MSW sanitary landfills regularly inspected <p><u>Baseline</u> :(2012): 8 %</p> <p><u>Target:</u> (2015): 100 %</p> <p>Development of Recycling Value Chains:</p> <ul style="list-style-type: none"> • Total amount of eco-taxes collected and allocated to the National Environmental Fund <p><u>Baseline:</u> (2012): 0</p> <p><u>Target:</u> (2015): MAD 230 million</p> <ul style="list-style-type: none"> • Number of recycling projects supported through eco-tax revenues <p><u>Baseline(2012):</u> 0</p> <p><u>Target:</u> (2015): 10</p> <ul style="list-style-type: none"> • Number of income generating opportunities in the recycling sector for waste-pickers (disaggregated by gender) <p><u>Baseline:</u> (2012): 150 (of which 20 women)</p> <p><u>Target</u> (2015): 500</p>
Overall risk rating	Moderate
Operation ID	P148642

1. INTRODUCTION AND COUNTRY CONTEXT

1. **This Program Document proposes a Fourth Municipal Solid Waste Sector Reform Loan (Development Policy Loan, DPL4) to the Kingdom of Morocco in the amount of Euro 104.3 million (US\$ 130 million equivalent).** This is the second and last operation of a programmatic series of two single-tranche DPLs (the Program)¹. The first operation of this series (DPL3) was approved in February 2013 for Euro 100 million and closed in December 2013. In accordance with the agreed reform program, DPL4 continues supporting the Government's efforts towards an Integrated Solid Waste Management (ISWM) system; while taking advantage of the momentum gained during the previous operations with special attention to institutional development, governance, social and environmental performances of the sector.

2. **Morocco continues to face the challenge of leveraging its political stability, proximity to Europe, and relative investment attractiveness into a decisive edge for rapid economic development.** Morocco's drive for reform has scaled up with the implementation of key reforms allowing the consolidation of the macroeconomic framework. Public finances stance has continued to improve in 2014 thanks to the implementation of the fuel subsidy reform and to introducing measures that rein in recurrent expenditures. Morocco's external position also strengthened this year with a reduction in current account deficit and the consolidation of foreign reserves. Morocco's medium-term prospects will continue to depend on the pursuit of sound macroeconomic policies, including a robust fiscal consolidation, and an acceleration of structural reforms, including the pension and tax reforms.

3. **With sixty percent of Morocco's population living in cities, improving municipal service delivery, including municipal solid waste (MSW) service, is a key priority for the Government.** Urban and peri-urban centers face uneven access to city services (such as solid waste management, public transportation, water, sanitation, and sewerage infrastructure) highlighting the need for improved programs to upgrade services. For instance, Morocco is experiencing a fast increase in the quantity of municipal solid waste generation as a result of rapid growth and urbanization. With a total population of about 33 million, out of which 20 million live in urban areas, Morocco generates approximately 5.5 million tons of MSW per year, and is expected to produce 6.2 million tons of MSW by 2020. If not managed properly, municipal solid waste can have negative impacts on the quality of life, natural resources, the environment and tourism. However, a proper integrated municipal solid waste system can offer real opportunities for job creation and for boosting income generating activities through recycling activities and collection service.

4. **In this context, the Government is pursuing sector reforms with special focus on the delivery of MSW services, access to information, public consultation, and decentralization.** A common goal of these reforms is to improve the effectiveness of public policies and the delivery of public services to all citizens. The ongoing 15-year National Solid Waste Program (*Programme National des Déchets Ménagers*, PNDM) is one of the Government top priorities. It has been designed to tackle the structural problems and challenges of the sector. The PNDM is now entering its second phase where higher expectations on governance and a stronger decentralization agenda are setting the new context for municipal service delivery.

5. **The proposed operation is fully aligned with the World Bank's framework for engagement in Middle East and North Africa (MENA).** Along with the previous operation of this programmatic series, DPL4 contributes to: (i) strengthening demand-side governance by increasing transparency, accountability and citizens' engagement (through the introduction or rigorous social accountability tools such as the Citizens' Report Card (CRC)); (ii) improving social and economic equity by providing equal access to services in urban areas (particularly in low income and informal neighborhoods), and ensuring that the new eco-tax provides resources for waste pickers inclusion programs; and (iii) creating equitable income-generating opportunities through the development of a financially viable waste recycling sector (about

¹First Programmatic Series: DPL 1 (delivered in 2009) and DPL 2 (delivered in 2010); and Second Programmatic Series: DPL 3 (delivered in 2013) and DPL 4 (the proposed operation).

50,000 – 70,000 jobs are expected to be created over the time span of the PNDM). Additionally, the supported program will contribute to (i) reducing negative impacts on air, water resources and soil degradation thus creating a conducive environment for economic activities like tourism, and (ii) reducing gender disparities in terms of access to business opportunities and income generation in recycling activities, as well as fostering women’s voice on MSW services through CRCs. Improving access to basic public services, such as MSW, in low and middle income communities is central to sustain poverty reduction and to promote shared prosperity.

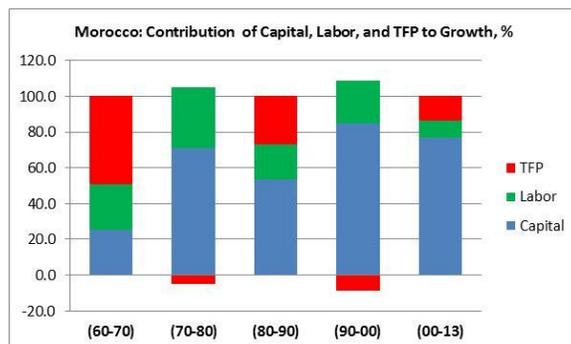
2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

6. **Morocco has made a major economic and social leap forward during the last 15 years.** While many countries in the region have witnessed stagnating economic growth, and indeed are currently under enormous economic turmoil, Morocco has been able to achieve respectable per-capita income growth and preserve political stability, which in turn allowed for significant improvement in many social indicators. Morocco’s real per capita income almost doubled since the stagnating situation of the 1990s; the poverty rate was halved during the period; average literacy rate among adults more than doubled; and Moroccans’ life expectancy at birth soared to exceed 70 years. This performance was mainly due to the implementation of sound macroeconomic policies and structural reforms.

7. **Notwithstanding this performance, the Moroccan economy has remained structurally oriented toward non-tradable activities (such as construction, public works, and low value-added services) and a volatile, weakly productive agriculture.** Given this orientation, Morocco has made little productivity gains over the past two decades despite high levels of investment.² Investment efforts—dominated by publicly funded large infrastructure projects—have not triggered a growth take-off through higher total factor productivity (TFP) (Figure 1). Some positive effects may still occur in coming years as the TFP gains from government expenditures on infrastructure (energy, highways, ports, airports, industrial zones) materialize. However, Morocco has yet to guarantee the productivity gains needed to support the emergence of a larger middle class. The challenge of increasing and further sharing prosperity remains paramount.

Figure 1: Growth has mainly been driven by capital accumulation



8. **One important explanatory factor behind Morocco’s weak productivity gains can be traced to its difficulty in benefitting from the current wave of globalization.** Morocco’s share of global exports has hovered around 0.15 percent since the mid-1970s, while most emerging countries have seen substantial increases in their shares. The price of the national export basket has generally been higher than that of key competitors and this gap has widened since the 2008 global financial crisis. High and rising export prices are symptomatic of persistent weaknesses in the competitiveness of Moroccan enterprises on the global market. Moroccan firms strive to improve the sophistication and quality of their export products. While existing firms have increased their market share for existing products in existing destinations, the renewal of the exporter base with entry and exit of firms is limited, and existing firms exhibit little product and market innovation.

² Morocco has consistently invested 5 to 10 percentage points of GDP more than peer countries and its total investment as a share of GDP has increased from 25 percent of GDP in the 1990s to an average 35 percent currently.

9. **The competitiveness challenge faced by Moroccan firms has been compounded by a series of recent adverse external shocks.** While the 2008 financial crisis has had limited direct effects on Morocco's economy, the subsequent food and fuel price crises and Eurozone crisis have had more serious repercussions. Morocco suffered a major deterioration of its terms of trade since 2008, combined with a significant increase in its food import bill (18 percent per year on average). With a strong trade exposure to the European Union (EU), Morocco has been adversely affected by the sovereign debt crises in neighboring Southern European countries and the subsequent slowdown of economic growth in Europe. As a result, economic growth beyond the agricultural sector has decelerated to an average of 3.5 percent since 2009, compared to 4.7 percent during 2000-2008. Growth has been driven mostly by debt-creating domestic demand, most notably by growing public expenditures. On the upside, the emergence of new growth drivers in higher value-added industries (such as car manufacturing and aeronautics) and the expansion of Moroccan companies in Western Africa are potentially creating the conditions for Morocco to become a regional hub for investments between Europe and Sub-Saharan Africa.

10. **In response to deteriorating fiscal trends, the Government initiated the reform of the subsidy system and began to rein in other recurrent expenditures, while consolidating tax revenues.** Morocco's fiscal balance swung from a surplus of 0.4 percent of GDP in 2008 to the highest deficit in two decades, at 7.4 percent of GDP in 2012. However, the activation of a price indexation mechanism for fuel products helped cut subsidies by an impressive 24 percent (or almost 2 percentage points of GDP) in 2013. The full implementation of the fuel price-indexation mechanism helped cut further subsidies by 19.6 percent (or 1 percentage point of GDP) over the first 9 months of 2014. The fiscal consolidation measures also included limiting the rise of the wage bill by 2.2 percent through freezing of higher wages and limiting new hiring of civil servants.³ The consolidation also entailed improving tax collection through the extension of the tax base, harmonization of tax rates and fighting tax evasion. As a result, it is expected that Morocco will reach the budget deficit target of less than 5 percent of GDP set in the 2014 Budget Law. In this context, and also thanks to increasing capital grants from the Gulf Cooperation Council (GCC), which reached more than US\$1.1 billion by end-September 2014, the government's financing requirements have significantly decreased compared to the period 2012-2013. The pressure on domestic liquidity was further eased by the successful issuance of 1 billion Eurobonds in international financial markets under relatively favorable terms (3.5 percent interest rate and 10-year maturity). As a result, the Central government debt stock increased over January-September 2014 period, but at a slower pace than in earlier years, and is projected to reach 66.4 percent of GDP by end 2014 (compared to 63.9 percent of GDP in 2013).

11. **Consistent with the fiscal tightening, the balance of payments indicators improved in 2013 and during the first 10 months of 2014.** After widening steadily since 2007 to reach its highest level at 9.7 percent of GDP in 2012, the current account deficit shrunk to 7.6 percent of GDP in 2013. Foreign trade indicators continued to improve during January-October 2014, with exports of goods growing faster than imports at 8.3 percent and 1 percent (y/y), respectively. Tourism and remittances also performed well over the period (growing by 1 and 0.7 percent, respectively). Overall, the current account deficit is projected to improve by an additional one percentage point of GDP in 2014 to 6.5 percent. The capital account has also improved with the above mentioned Eurobonds issuance and the US\$1.85 billion raised by State owned phosphate company (*Office Cherifien des Phosphates*). Net FDI inflows declined by 5.7 percent but from an exceptional performance in 2013. Consequently, net foreign reserves increased by more than US\$2.4 billion so far this year (y/y), reaching US\$20 billion at end October 2014 or the equivalent of 4.8 months of imports.

12. **Given Morocco's exchange rate regime and track record of low inflation, the stance of monetary policy mainly aims at accommodating the economy's liquidity needs subject to a foreign exchange reserve target.** In 2012, Bank Al-Maghrib (BAM) cut its policy rate from 3.25 to 3 percent, lowered the commercial banks' reserve requirement from 6 to 4 percent, and increased liquidity injections. To contain the adverse effects of looser monetary--and fiscal--conditions on foreign exchange reserves, the

³ The decision to increase minimum wages early this year is expected to have marginal impact on the public sector wage bill, as almost all civil servants have wages higher than the minimum wage.

BAM tightened monetary conditions in 2013 and limited the growth of money supply to 3.1 percent (compared to 4.5 percent in 2012). As foreign exchange constraints have begun easing again since the beginning of 2014, BAM further reduced the banks' reserve requirement to 2 percent in March 2014 and cut its policy rate from 3 to 2.75 percent in September 2014—the lowest rate on record. However, despite easing monetary conditions, banks' credit to the economy is increasing only moderately so far this year (4.6 percent year-over-year by end October 2014). This could reflect the continued accumulation of non-performing loans (NPLs), which reached the equivalent of 6.8 percent of bank credit to the private sector at end-October 2014.⁴ With the loan-to-deposit ratio exceeding 100 percent in most domestic banks, the scope for extending credits to the private sector is increasingly constrained. The implementation of the Basel III accords, which came into force in 2014, is expected to put further pressure on credit extension, especially longer terms and to larger borrowers.

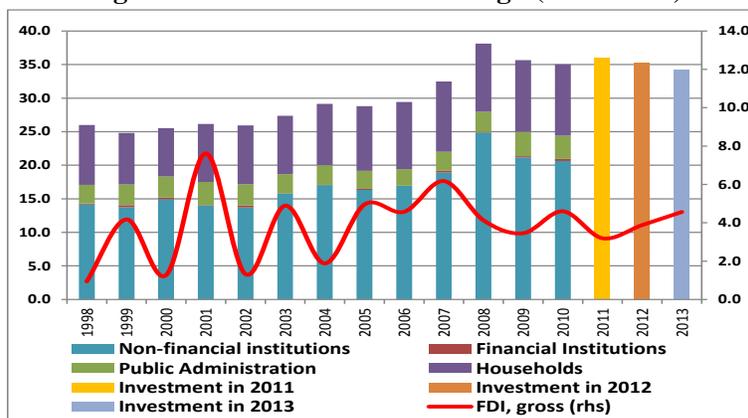
2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

13. **In the short term, domestic demand, both consumption and investment, will remain the main drivers of growth but with a growing contribution from net exports (Table 1).** As a result of crowding in effects stemming from fiscal consolidation and the policy of liquidity accommodation of the Central bank, in addition to improvements in access to finance, domestic private consumption is expected to contribute the most to growth in the near future, but with declining shares to the benefit of investment and net exports. Helped by relatively high output gap, underlined by low capacity utilization and an unemployment rate currently close to 10 percent, the supply side of the economy would be able to scale up its output to meet the extra demand without much pressure on production factors.

14. **Over the medium to longer term, Morocco's macroeconomic prospects are essentially linked to the country's capacity to generate productivity gains.** With an investment rate hovering around 35 percent of GDP since 2008, Morocco has little room for further accumulation-led growth (Figure 2). Future economic growth would therefore need to come from increased total factor productivity, which in turn requires increased efforts to improve the business environment and enhance the competitiveness of the economy. Along with the sector strategies already under implementation, these efforts would involve in the first instance improving the quality of domestic investments and continuing to attract large flows of FDIs, and over the longer run building the soft infrastructure associated with less tangible—but not less important—assets related to the accumulation of human capital, institutional capital and social capital. This would lead to more opportunities and economic freedom for all Moroccans, to compete, produce and participate in the economy, including with a greater role for the private sector.

⁴ The increase in the NPLs is explained by two main factors: first, the pre-crisis banking sector exposure to real estate, mainly tourism projects but also high-standing residential projects. These sectors were hard hit by the 2008-2010 crisis, which resulted in increasing NPLs. Second, the central bank has conducted a comprehensive assessment of assets quality of the banking sector and related NPLs. Furthermore, following the increase in 2013 of the minimum capital adequacy ratio to 12 percent and the introduction of a minimum Tier 1 ratio of 9 percent, the central bank has ensured compliance with the new banking prudential requirements.

Figure 2- Investment rates are high (% of GDP)



Source: Government of Morocco

15. **Both short and medium term prospects will continue to depend on the pursuit of sound macroeconomic policies, including a robust fiscal consolidation, a prudent monetary policy and greater flexibility in exchange rate management.** In line with the new constitutional requirement, the Government is committed to fiscal stability and to progressively reduce the budget deficit to the medium term target of 3 percent of GDP by 2017 through the implementation of a set of reforms. The key measures include: (i) continuing the reform of the universal subsidy system; (ii) implementing civil service reform, notably by introducing a ceiling on wage expenditures and a new remuneration system; (iii) accelerating the fiscal and pension reform agenda; and (iv) enhancing the efficiency of public investments. Progress was made on several fronts in 2013: the authorities reduced the quota and the per-unit subsidy on wheat harvesting in May. In July, they adopted a circular to make wage bill appropriations binding and limit the rollover of unspent investment appropriations; and in September, they started implementing the indexation of domestic prices of industrial fuel oil, gasoline, and diesel on world prices. These actions helped keep the 2013 subsidy bill closer to its budget target, while reducing the vulnerability of the budget to international commodity price movements.

16. **The 2015 Budget Law confirmed the Government’s strategy launched in 2014 and planned to continue reforming the subsidy system and launch the reforms of the pension and fiscal systems this year.** In January 2014, the Government stopped supporting prices of gasoline and industrial fuel oil and implemented a plan to phase out most of the subsidies on diesel by the end of the year. As of January 2015 all liquid petroleum products including diesel, are now longer subsidized. These steps constituted major milestones toward a comprehensive subsidy reform. The Government also adopted the draft Organic Budget Law to enhance central and local governments’ budget design and implementation for better public service delivery and efficiency. To improve further the investment climate, the Government announced its intention to proceed with justice reform, improve access to financing, especially for the SMEs, address access to land constraints, develop logistics services, and reinforce technical training. Assuming these reforms take place, growth in the non-agriculture economy could pick up to around 5.5 percent over the medium term, with inflation kept below 2.5 percent and the budget deficit at 3 percent of GDP (Table 1 and Table 2).

17. **The Central Bank also announced in 2013 its objective to move towards a more flexible exchange rate mechanism over the next three years.** In doing so, Morocco wants to keep its monetary autonomy while strengthening its competitiveness. The Central Bank has been preparing for a number of years to manage the transition to a more active management of the exchange rate. To this end, encouraging progress has been achieved, including the development of a new framework for monetary policy to target inflation directly, the strengthening of the central bank’s capacity to safely operate in a more flexible exchange rate environment, and the gradual rebuild-up of foreign exchange reserves. Morocco has also maintained a favorable access to capital markets and Moroccan banks have continued to strengthen their capital base and management of exchange risks. The IMF has been providing technical assistance in support of the Central Bank’s plan to move towards a more flexible exchange regime.

Table 1: Key Macroeconomic Indicators

	Actual			Est.	Proj.			
	2011	2012	2013	2014	2015	2016	2017	2018
Real economy	Annual percentage change, unless otherwise indicated							
GDP (nominal--local currency)	5.0	3.1	5.5	3.8	6.3	7.1	7.2	7.3
Real GDP	5.0	2.7	4.4	2.6	4.2	4.9	5.0	5.1
Per Capita GDP	3.8	1.6	3.3	1.6	3.1	3.8	4.0	4.1
Contributions:								
Consumption	5.0	3.6	2.9	2.1	2.5	2.9	2.8	2.8
Investment	1.4	-1.1	-0.1	0.3	1.2	1.5	1.6	1.7
Net exports	-1.5	0.1	1.6	0.2	0.5	0.4	0.6	0.6
Imports	5.0	1.7	-1.5	3.0	4.7	5.1	5.3	5.3
Exports	2.1	2.6	2.4	4.8	8.1	8.0	8.7	8.5
Unemployment rate (ILO definition)	8.9	9.0	9.2	10.0	...	...	...	...
GDP deflator	0.1	0.4	1.0	1.1	2.0	2.2	2.1	2.1
CPI (pa)	0.9	1.3	1.9	0.5	2.3	2.0	2.2	2.2
Fiscal Accounts	Percent of GDP, unless otherwise indicated							
Expenditures	33.1	35.0	32.1	31.7	31.0	30.1	29.4	29.1
Revenues, including all grants	26.4	27.6	26.6	26.8	26.7	26.6	26.4	26.2
Budget Balance	-6.7	-7.4	-5.5	-4.9	-4.3	-3.5	-3.0	-2.9
Central Government Debt	54.4	60.4	63.9	66.4	66.8	65.9	64.5	63.1
Selected Monetary Accounts	Annual percentage change, unless otherwise indicated							
Base Money	6.4	4.5	3.1	5.4	6.8	7.2	7.3	7.4
Credit to non-government	10.4	5.1	3.5	2.5	5.3	6.0	6.6	6.9
Interest (key policy interest rate)	3.25	3.25	3.00	2.75	...	...	...	...
Balance of payments	Percent of GDP, unless otherwise indicated							
Current Account Balance	-8.0	-9.7	-7.6	-6.5	-6.0	-5.3	-4.6	-3.8
Imports	49.9	51.5	48.1	45.7	45.8	45.6	45.5	45.4
Exports	35.8	36.1	33.8	32.8	33.7	34.6	35.6	36.5
Foreign Direct Investment, net	2.4	2.8	2.9	2.7	2.7	2.7	2.6	2.6
Net reserves in US\$, bln (eop)	20.3	17.2	18.4	20.1	20.9	22.2	23.3	24.9
In months of next year's imports	4.9	4.1	4.4	4.5	4.5	4.4	4.4	4.4
As % of short-term external debt	2.4	2.0	2.1	2.3	2.4	2.6	2.7	2.9
External Debt	25.4	30.0	31.8	33.6	35.1	35.6	35.2	35.1
Terms of Trade, change in %	4.1	-13.1	-15.8	-0.3	-1.0	-0.2	-0.5	-0.5
Exchange rate (average)	8.09	8.628	8.40	8.15	...	...	...	...
Other memo items								
GDP, nominal MAD, bln	802.6	827.5	872.8	905.9	963.0	1,031.6	1,106.2	1,187.0
GDP, nominal US\$, bln	99.2	95.9	103.9	111.2	...	...	...	...

Source : Morocco's Government and staff estimates and projections

18. **The external position is expected to remain sustainable over the medium term provided that key critical reforms under implementation continue to take hold.** The current account deficit is projected to gradually decline to less than 5 percent of GDP in 2017 benefiting from improved export potentials and a recovery of tourism activities and workers' remittances. The latter would benefit from the anticipated progressive recovery in Europe, the main source of remittances flow to Morocco. The acceleration of exports assumes that the on-going reforms to improve the business and investment climate, enhance the productivity of public investment, encourage exports, further promote tourism activities, would bear fruit. In addition, the development of new high-tech industries, such as automobile, aeronautics, and electronic industries are expected to contribute to the rise in exports. These high-tech activities improved substantially their share in total exports to reach more than 25 percent by mid 2014. The recent "Acceleration du Plan Emergence", the industrial strategy of Morocco, has ambitious objectives, including increasing the share of manufacturing to 23 percent of GDP by 2020. The expected growth rates of exports would translate into slightly positive contributions of net exports to growth, after their long-term negative contribution (-0.4 percentage points over 2001-2013). However, the contribution of net exports will remain modest, 0.5 percentage points in average over 2015-2018. This scenario also assumes that Morocco would benefit from its continued reform efforts supported by a number of Bank-financed DPLs. These reforms, along with sector strategies already

under implementation, would translate into higher productive private investments, including FDIs, and progressive gains in competitiveness of its exports, including tourism. Exports should also benefit from some diversification toward the BRICS (Brazil, Russia, India, China, and South Africa) and other major developing countries, including in sub-Saharan Africa.

19. **External debt is expected to peak at around 35.6 percent of GDP in 2016 before declining thereafter.** Foreign reserves would remain above four months of imports, assuming foreign investors retain confidence and GCC financial support continues. External financing requirements constitute a moderate concern in the medium term, given the still low external debt, financial support from the GCC, access to international markets, and still adequate foreign reserves. Current account deficits are projected to narrow steadily in the medium term, and financing them should not be a constraint. Any remaining financing gap could be filled by tapping international markets.

Table 2: Fiscal Indicators of the Central Government (in % of GDP)

	Actual			Est. 2014	Proj.			
	2011	2012	2013		2015	2016	2017	2018
Overall Balance, including all grants	-6.7	-7.4	-5.5	-4.9	-4.3	-3.5	-3.0	-2.9
Primary balance	-4.3	-4.9	-2.2	-0.9	-0.4	0.3	0.6	-0.1
Total revenues	26.4	27.6	26.6	26.8	26.7	26.6	26.4	26.2
Tax revenues	23.7	25.3	23.3	23.0	23.1	23.1	23.1	23.7
Taxes on goods and services	11.6	11.8	11.2	11.4	11.4	11.4	11.3	11.6
Direct taxes	8.8	9.5	8.8	8.6	8.7	8.7	8.8	9.1
Taxes on international trade	1.3	1.1	0.9	1.0	1.0	1.0	1.0	1.0
Other taxes	1.7	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Special accounts, balance	0.3	1.0	0.5	0.2	0.2	0.2	0.2	0.2
Non-tax revenues	2.4	2.1	2.5	2.3	2.4	2.4	2.2	2.2
Grants, all	0.3	0.2	0.8	1.5	1.2	1.1	1.0	0.3
Expenditures	33.1	35.0	32.1	31.7	31.0	30.1	29.4	29.1
Current expenditures	26.9	28.8	26.5	26.0	25.2	24.3	23.6	23.3
Wages and compensation	11.1	11.7	11.3	11.0	10.7	10.5	10.4	10.2
Goods and services	4.8	5.3	5.3	5.3	5.5	5.6	5.6	5.6
Interest payments	2.3	2.4	2.6	2.6	2.7	2.7	2.7	2.6
Subsidies	6.1	6.6	4.8	4.4	3.6	2.8	2.3	2.2
Current transfers to Local Gov.	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.7
Capital expenditures	6.2	6.2	5.5	5.8	5.8	5.8	5.8	5.9
Central Government financing	6.7	7.4	5.5	4.9	4.3	3.5	3.0	2.9
External (net)	0.7	1.8	1.7	2.5	1.8	1.5	1.3	1.5
Domestic (net)	6.0	5.6	3.8	2.5	2.5	2.0	1.7	1.4
of which privatization	0.7	0.4	0.0	0.2	0.0	0.0	0.0	0.0

Source: Morocco's Government and staff estimates and projections

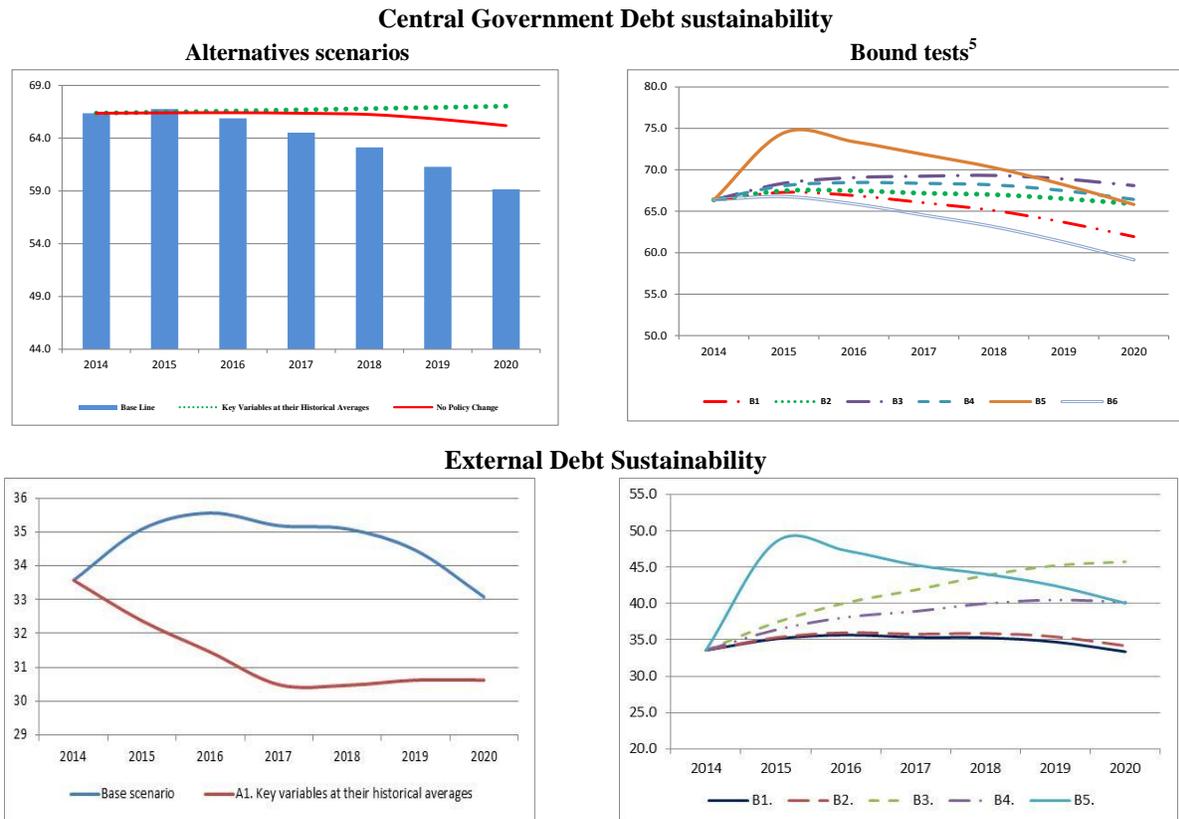
Table 3: BOP Financing Requirements and Sources (in US\$ million)

	Actual			Est. 2014	Proj.			
	2011	2012	2013		2015	2016	2017	2018
Financing Requirements	11,300	13,140	11,609	10,977	10,784	10,497	10,753	9,414
Current accounts deficit	7,986	9,347	7,878	7,247	6,920	6,591	6,021	5,401
Long term debt amortization (exl. IMF)	2,436	2,769	3,998	2,887	2,826	2,918	3,830	3,202
Other short term capital outflows	879	1,024	-267	844	1,038	989	903	810
Financing Sources	11,300	13,140	11,609	10,977	10,784	10,497	10,753	9,414
FDI and portfolio investments (net)	2,156	2,720	3,249	3,100	3,300	3,508	3,673	3,847
Capital grants	10	174	60	749	1,267	1,258	1,250	260
Long term debt disbursements (exl. IMF)	4,506	6,122	7,504	7,176	6,269	6,113	6,195	6,138
Other short term capital inflows	1,609	1,018	2,071	1,570	938	888	803	710
Change in reserves (=-increase in reserves)	3,019	3,106	-1,274	-1,617	-990	-1,269	-1,167	-1,542
IMF credit (net)	0	0	0	0	0	0	0	0

Source: Morocco's Government and staff estimates and projections

20. The public debt and external debt sustainability analysis indicates that the framework remains sustainable although it would weaken under scenarios of medium term downside risks (Figure 3). Indeed, when the debt sustainability analysis is based on alternative scenarios, the debt stock remained high over the period 2014-2020. All the six bound tests proved sustainable for the Central Government debt over the medium term, as well as the five external debt tests. While sustainable, debt-to-GDP ratios remain nevertheless relatively high in a number of less-favorable scenarios.

Figure 3: Central Government and External Debt Sustainability (in % of GDP)



Source: Government and World Bank staff calculation

21. In August 2012, the IMF and the Government agreed on an SDR 4.12 billion (approximately US\$6.2 billion) Precautionary and Liquidity Line (PLL). When completing the third and last review of the PLL in January 2014, the IMF found that, notwithstanding the continued unfavorable external environment and challenging domestic conditions, Morocco’s macroeconomic performance improved in 2013, supported by strong policy commitments and implementation, as well as the insurance provided by the PLL. In a subsequent visit in May 2014, the IMF Managing Director encouraged the Moroccan authorities to take further measures to push ahead with difficult fiscal reforms and implementing a structural reform agenda in support of competitiveness, a strengthened business environment and higher job creation. The PLL continued to provide a potential line of credit until August 2, 2014 when it closed without Morocco drawing on the resources.⁶ On July 28, 2014, the IMF approved a new 24-month arrangement for Morocco under the PLL in an amount equivalent to SDR 3.2 billion (about US\$5 billion). The IMF conducted a first review of

⁵ B1: Real interest rate is at baseline plus one standard deviations; B2: Real GDP growth is at baseline minus one-half standard deviation; B3: Primary balance is at baseline minus one-half standard deviation; B4: Combination of B1-B3 using one-quarter standard deviation shocks; B5: One time 30 percent real depreciation in 2015; and B6: 10 percent of GDP increase in other debt-creating flows in 2014.

⁶ See Annex 3 and “Morocco: Third Review Under the Two-Year Precautionary and Liquidity Line,” Country Report No. 14/66 March 6, 2014 at www.imf.org.

the second PLL over November 5-17, 2014 together with the annual Article IV consultations. The IMF found that Morocco managed to stabilize the economy and improve the main macroeconomic and fiscal indicators thanks to “sound economic fundamentals and strong policy implementation”.

22. **In sum, progress toward fiscal consolidation and improvement in external indicators underscore that the Government’s macroeconomic policy framework remains adequate.** Nevertheless, difficult conditions in the global and regional environment and the slow pace of some key reforms entail significant downside risks. Slower recovery of the global economy, especially in Europe, would limit Morocco’s export potential and would require additional macroeconomic adjustments. Greater volatility of the world financial markets is also a source of risk. In addition, the four debt sustainability analysis tests that put the medium-term public debt-to-GDP ratio in the 65-68 percent range highlight the risks posed by a limited reform scenario. Yet, Morocco has also demonstrated its willingness and capability to adjust policies and introduce corrective measures to overcome the adverse effects of shocks. Morocco managed to keep its investment grade rating and its access to international financial markets with relatively favorable conditions. The successful implementation of the Government’s revamped development strategy would ensure that the negative effects of most of the anticipated risks discussed above are weathered successfully.

2.3 RELATIONS WITH THE IMF

23. **The World Bank and the IMF maintain a close collaboration in Morocco.** Fund and Bank teams have regular exchanges on macro-financial issues with a common understanding on the division of labor and a shared assessment of the critical macroeconomic challenges facing the country. Discussions focus on the respective work programs and recent macro-financial developments and prospects. Bank-Fund collaboration reflects the importance of transversal DPLs in the Bank’s portfolio. Fund staff participate in Bank project reviews, while Bank staff are consulted in the preparation of IMF missions and contribute to the Fund’s Article IV consultation missions to Morocco. The World Bank staff has also been consulted in the context of the IMF preparation of the last two PLLs and their respective reviews. The ongoing analytical work being carried out by the Fund team focuses on (i) the medium-term outlook for public finances; (ii) an analysis of the real exchange rate; and (iii) the macroeconomic implications for Morocco of the global financial crisis and its aftermath in Europe.

3. THE GOVERNMENT’S PROGRAM

24. **Since 2008, the problems associated with municipal solid waste management have increasingly been recognized by all stakeholders as barriers to a harmonious urbanization and socioeconomic development in Morocco.** In this context, Morocco initiated ambitious reforms towards integrated and affordable municipal solid waste management in compliance with its first Solid Waste Law 28-00 (hereafter referred to as Law 28-00) and Law 54-05 governing the delegation to private sector of public services management (*gestion déléguée des services publics*). Law 28-00, enacted in 2006, established the fundamental principles and rules that govern the management of solid waste in Morocco. It also formed the foundation for Moroccan policy for the sector with two key objectives: to establish integrated and affordable solid waste management systems and to mitigate negative impacts on public health and the environment. More specifically, Law 28-00 (i) establishes the institutional framework for Solid Waste Management (SWM); (ii) requires the development of solid waste master plans at the national, regional, and municipal level; (iii) establishes cost recovery principles, including the “polluter pays” principle and the possibility of user fees (*redevances*); (iv) introduces sanitary landfills, with proper norms, as the standard for final waste disposal; (v) introduces regulations for hazardous waste management; and (vi) establishes a system to monitor compliance with the law.

25. **The Framework Law on Environment and Sustainable Development (The Charter⁷) introduces new principles and instruments to support the transformation and the sustainability of the sector.** The Charter was formally adopted in 2012 and a Framework Law 99-12 (hereafter referred to as Law 99-12) was enacted in 2014 to help its operationalization. The Charter defines the rights and obligations of citizens for the protection of the environment and sustainable development and it acts as a reference framework to unify all related policy actions and fill in existing gaps. Law 99-12 introduces new principles and tools that support the reforms of the MSW sector. More specifically, it enforces the principle of citizens' right of access to environmental information; establishes the "*Police de l'Environnement*" to reinforce authorities in charge of environmental control and inspection; introduces the Extended Producer's Responsibility principle, the "*fiscalité verte*", and promotes waste reduction, reuse and recycling.

26. **The reform of the MSW sector, which was triggered by the enactment of Law 28-00 and the launch of the 15-year PNDM, has been reconfirmed as a national priority.** The MSW sector reform continues to be a core component of Morocco's national sustainable development agenda and a key driver for improving the urban environment and municipal service delivery. The three-phase 15-year PNDM⁸ supports municipalities to promote integrated municipal solid waste management and improve access to and quality of MSW service. The total cost of the PNDM is estimated at MAD 40 billion with about 80 percent covered from the Local Governments (LGs) budget. The growing and substantial commitment of the Government to support the sector is evidenced by the financial and technical support provided to LGs. At the end of 2013, the financial support to LGs amounted to MAD 2.7 billion. This contributed to about 10 percent of the cost of upgrading collection services, 28 percent of landfill investment costs and 76 percent of cost of dumps rehabilitation. In addition, special attention and resources are being paid to just-in time technical assistance, capacity building, citizen engagement and public awareness and communication.

27. **The objectives of the Government program.** The full scope of the Government program was presented in detail in the program document of DPL 3 and is summarized in the Letter of Development Policy (Annex 1). The overall reform program is in line with the country local governance agenda and its sustainable development strategy. It focuses on the following four policy areas:

- i. Strengthening governance of the sector, and particularly **demand-side governance**, by improving accountability of service providers, increasing sector transparency, ensuring open access to information, and providing citizens and civil society with new and effective opportunities for engagement and "voice".
- ii. Enhancing **institutional and financial sustainability of MSW services**, by supporting LG in professionalizing their integrated municipal solid waste systems, augmenting their fiscal potential, introducing waste fees (*redevances*) on large producers and Eco-tax as a complement to MSW services funding, and enhancing the environment for private sector participation.
- iii. Upgrading the country's **environmental monitoring and control system** through the development of the legal, institutional and regulatory frameworks; capacity building within the Ministry in charge of Environment (MOE), and inter-agencies coordination to ensure regular inspection and control of MSW facilities.
- iv. Developing financially viable and socially inclusive **recycling value chains** through transparent and efficient use of the recently introduced eco-taxes on plastic packaging, establishment of a well governed system to manage eco-tax revenues, development and support to recycling/income generating activities, and social integration of vulnerable groups (specifically waste pickers) in the sector with attention being paid to women.

⁷ http://www.environnement.gov.ma/PDFs/CNE_charte_VF.pdf

⁸ PNDM was launched in 2008 and includes 3 phases: Phase I: 2008-2012; Phase II: 2013-2017 and Phase III 2018-2022.

28. **The expected long term outcomes of the Government program** are:

- i. *Governance of the Municipal Solid Waste Sector*: Improved access to information, transparency in use of public money, and accountability of service providers toward improved MSW service delivery efficiency.
- ii. *Institutional and Financial Sustainability of MSW Management Services*: (a) Financial capacities of municipalities improved to cover the costs of MSW system modernization; (b) Service users and public benefiting from improved and integrated municipal solid waste services with near-universal municipal waste collection services in urban areas, and 100 percent of municipal solid waste collected is disposed of in acceptable social and environmental conditions; and (c) Effective inter-municipal cooperation towards better economic and environmental performance of the sector.
- iii. *Environmental Monitoring and Control*: (a) Higher transparency on the environmental control with all sanitary landfills controlled on a regular basis and (b) Better application of environmental laws, regulations, norms and standards, and a sanction for non-compliance.
- iv. *Development of Recycling Value Chains*: (a) Economic and social performances of the sector improved through the creation of 50,000 - 70,000 green jobs in the recycling sector by 2022 and (b) 20 percent of municipal solid waste collected is recycled.

4. THE PROPOSED OPERATION

4.1 LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

29. **The proposed DPL4 will continue to support the Second Phase of PNDM under implementation by the Government.** DPL4 supports the second phase of the Government's reform program in its transitioning to full implementation (for achievements to date see Box 1). Importance will be laid on the overall coherence of sector reforms with a focus on the decentralization and local governance agenda resulting from the constitutional reform initiated in July 2011.

30. **The proposed DPL4 builds 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 Morocco⁹ 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 Economy and Finance and turned the sector into a top Government priority.

⁹ World Bank. 2003. "Royaume du Maroc: Évaluation du Coût de la Dégradation de l'Environnement" Sector Note No. 25992-MOR. Washington, D.C. English and French. Study financed through the Mediterranean Environmental Technical Assistance Program (METAP).

Box1: Achievements of the PNDM Program to date. Since its inception, the PNDM with the support of Bank previous DPLs has achieved tangible in the solid waste sector in Morocco, including:

- ✓ **An enhanced legal framework** with the enactment of the Solid Waste Law (Law 28-00) and the Framework Law on Environment and Sustainable Development (Law 99-12), Morocco is benefiting from a comprehensive legislation for an integrated solid waste management system that supports the use of waste as a resource to achieve broader environmental, social and economic benefits.
- ✓ **More than 80 percent of urban waste is collected.** Today more than 80 percent of the urban waste is collected compared to about 45 percent in 2007 (*Rapport d'Avancement, PNDM, September 29, 2014*) and more than 37 percent of waste collected is disposed of in sanitary landfills compared to less than 5 percent in 2007.
- ✓ **Private sector participation in the solid waste sector benefits from strong and continuous local and central Government commitment.** For the last five years, the role of the private sector has continuously grown. More than 100 cities have contracted private operators to provide street cleaning and waste collection services which benefit more 15 million people today. More than 78.3 percent of the waste collected from urban areas is being collected through private sector contracts as of 2012 against 45 percent in 2007. In addition, the operation of all sanitary landfills has been contracted to private operators.
- ✓ **Transparency and citizen engagement in the solid waste sector has been enhanced.** *First*, with the progressive introduction of rigorous social accountability tools such as Citizens Report Cards. *Second*, by ensuring that public service contracts are publicly accessible online (all MSW contracts signed after the issuance of the Circular on 2012 have been made publicly available through the BOCT). *Third*, by institutionalizing the right of citizens to access environmental information including those related to MSW services. *Forth*, through the establishment of Regional Environmental Observatories for Environment and Sustainable Development (OREDD) throughout the country.
- ✓ **Good progress on the institutional and financial sustainability of MSW services.** The institutional reforms have clearly delineated the mandates and responsibilities between the national government, municipalities and the private sector. The financial situation of the sector is also benefiting from (i) the improved fiscal and financial situation at municipal level (increase in local revenues by more than 50 percent during the last 5 years) and (ii) the Government's initiatives to increase the collection of local fiscal revenue, diversify local sources of revenues including the phased introduction of eco-tax to support the modernization of the sector and improve its social benefits.
- ✓ **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.** A para fiscal instrument named eco-tax was introduced in the Budget Law of 2013 and became effective in 2014. This instrument has already mobilized approximately MAD 148 million. In this context a Framework Convention for sorting and recycling plastics in Casablanca, which targets 10,000 waste pickers, was signed in June 2014. In addition, partnership agreements involving private sector and investors have been signed to develop recycling value chains for used batteries, waste oil and used tires.
- ✓ **A decentralized Environmental Impact Assessment (EIA) system** consistent with international good practices is now fully operational, at the national and regional levels and a National Environmental Control and Inspection System is being developed.

31. **The development objective** of this second programmatic series (DPL 3 and 4) is to support the Government's efforts **to improve the economic, environmental, and social performance of the Municipal Solid Waste sector**. Specific results under each policy reform areas have been identified for easy track and monitoring (see Policy Matrix and Results in Annex 2).

32. **Reform areas.** 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.

33. **The proposed DPL4 will contribute to the World Bank Group’s strategic goals of ending extreme poverty and promoting shared prosperity in a sustainable manner.** Concretely, the supported policies under 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 residing population, most of whom are marginalized and poor.

34. **Lessons Learned:** The design of the proposed DPL4 has been prepared taking into consideration the lessons learned in previous operations in Morocco (drawn particularly from the Implementation Completion and Results Report (ICR) of DPL1 and DPL2; and the implementation of DPL3:

35. **Traditional approaches to capacity building have only been moderately effective.** Training and advisory services have contributed to the success obtained so far in the sector, but local governments still lack skilled human resources which limit the long term success. Focusing more on improving “systems” rather than “training” could be more effective and will ensure more sustainability. In addition, outsourcing activities to the private sector where feasible should be considered where the capacity of the local government is weak. Indeed, despite intense capacity-building support provided by the Ministry of Interior in collaboration with donors (notably the German Development Agency (GIZ)) during the first phase of the PNDM, the capacity of municipalities remains below what is needed to foster municipal solid waste management cost-effectiveness, improve and consolidate market competitiveness and develop inter-municipal arrangements to concentrate skills and benefit from economies of scale. The proposed DPL4 aims at significantly strengthening municipal capacity in the short and medium term through on-call technical assistance to improve the quality and management of Private Sector Participation (PSP) contracts.

36. **Inter-ministerial coordination for the implementation of sector policy reforms is key but involving non-governmental and local stakeholders should also be considered.** Continued coordination among ministries, national entities and municipalities is needed to sustain the results obtained so far. The previous operations confirmed that the National Commission of the PNDM brings together multiple ministries around a common reform agenda for the sector. However, on complex topics like waste recycling and waste valorization, it is necessary to involve non-governmental stakeholders including corporations, eco-tax payers, the informal sector and LGs. This aspect is being considered in the preparation of the governance structure for the new recycling and valorization value chains (“*gestion des filières*”).

37. **There is a need to increase the focus on systematic monitoring and evaluation and on results reporting from the beginning of projects.** Data on the results indicators are generally collected at project completion, which does not provide the opportunity for mid-term evaluation and adjustment. Regular program monitoring should build on a functional and fully integrated national system.

38. **MSW management yield optimum results when municipalities are made responsible for the management across the entire MSW chain.** This requires adequate capacity building and financial assistance for a successful waste management. Indeed, the various activities along the value chain are interrelated. There is a tradeoff between increasing recovery and valorization which increases the collection cost but extends the life of the landfill. Thus, an integrated management system avoids competing interest between the entity in charge of waste collection and transport and the one in charge of landfill management. In this context, the ongoing technical support to LGs (*Programme d'Appui aux Collectivités Territoriales* or PACT) funded through the MENA Transition Fund offers opportunities to work directly with municipalities and provinces to support local institutional development

39. **Integrating the informal sector supports the move towards an affordable and inclusive waste management system.** In line with this objective, the Government of Morocco has elected in the second phase of the PNDM to increase the focus on social inclusiveness and job creation. The program of the Government intends to increase the rate of material collected and recycled from 5 percent today to an

objective of 20 percent by 2022 while improving the conditions of vulnerable groups living from waste-picking. To support this transformation, the Government introduced the eco-tax in the 2013 budget law to finance the development of recycling value chains, starting with the plastic packaging segment. Eco-tax revenues will be used as an incentive to support LGs in financing recycling activities and implementing social inclusion programs for informal waste pickers.

4.2 PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

40. This section presents the eight prior actions retained for the proposed DPL4 operation; their link to economic development and poverty reduction and their role in the overall reform program. It also provides the results indicators, as well as key analytical underpinnings for each prior action. Revisions to the DPL4 indicative triggers, which now became prior actions, are reflected in Table 4. Any revisions to the result indicators are also detailed below.

POLICY AREA A – Governance of the Municipal Solid Waste Sector

41. Morocco's constitutional reform carried out in 2011 transferred significant legislative and executive powers to the parliament and government. This new constitution includes, as a cornerstone of the reforms, the principles of participatory democracy, the right of citizens to information, and the responsibility of public authorities to ensure and respect citizens' rights to engage in the development process. Article 12 of the constitution specifically provides for groups, associations and non-government organizations to contribute to the elaboration, implementation and assessment of decisions and projects of elected institutions and public authorities. The constitution also specifically promotes the inclusion of traditionally underrepresented groups in governance, most particularly women.

42. This constitutional focus is further underpinned by the recent Framework Law on Environment and Sustainable Development (Law 99-12) introducing the right of any person to access environmental information, as well as by the upcoming Organic Law on local governments, which contains significant new measures to establish more and deeper engagement between municipal authorities and residents.

43. In this context, **this first policy area** focuses on enhancing demand-side governance in the MSW sector by (i) promoting access to information; (ii) fostering greater transparency; and (iii) improving accountability of service providers to citizens.

44. **Access to information:** By promoting access to environmental information, the Government breaks with the past practices and commits to address requests from civil society and citizens to access environmental information including on solid waste. Previous DPLs have supported the MOE's efforts in improving access to environmental information through the preparation of the PNDM *Communication Strategy and Action Plan* which ensures full transparency of the program's activities. For instance, a dedicated publicly accessible website¹⁰ for the PNDM has been established and includes details on the program's funding, eligibility criteria and performance indicators. The *Action Plan* also supports capacity building and training by the MOE for municipalities to strengthen existing municipal level Grievance Redress Mechanisms (GRM) and organize open town hall meetings between municipalities and residents on service performance. In complementarity with the municipalities' GRM system, each service provider has established an accessible hotline for citizens to voice their concerns, lodge their complaints or request information on the quality or the delivery of the service.

45. **Fostering greater transparency by broadening public access to SWM contracts.** In accordance with the *Communal Charter* and Article 14 of Law 54-05; the Ministry of Interior's Circular no. 8029 of 2012 instructs municipalities to publish contracts information, including extracts of MSW contracts with

¹⁰ <http://pndm.environnement.gov.ma>

private operators, in the Local Government Official Bulletin (BOCT). As a result, extracts¹¹ of all MSW contracts signed after the issuance of the Circular have been published on the BOCT web platform. The adoption of this policy contributes to increasing citizens' confidence in private providers and enables a more informed debate on private sector providers' performance in this sector. It also sets a good benchmark among municipalities and private operators towards more transparency and accountability in the use of public funds.

46. **Accountability of service providers to citizens:** DPL3 has supported the introduction of the CRC - the first Citizen feedback mechanism used in municipal services in Morocco- as a rigorous approach to enhance the accountability of service providers and municipal authorities. This mechanism provides citizens and civil society organizations with opportunities for engagement in order to enhance the quality of service delivery. The CRC consists of (i) carrying out a household survey for residents to provide both factual and perception-based information on the municipality's service coverage and quality to municipal authorities and service providers and (ii) organizing a series of town hall consultations to discuss improving service delivery based on the survey findings and establishing a service improvement 'compact' to identify areas where stakeholders (service providers, municipal officials and residents) can commit to a set of short and medium term actions to improve solid waste collection services in their municipality. CRCs are repeated periodically, following standard terms of reference provided by the MOE to municipalities, in order to assess progress against the baseline and form the basis of an ongoing evidence-based dialogue. The CRC both inform the "compact" aiming to improve the quality of the services as well as the future contracts with private sector providers. This process helps municipalities ensure that the evidence based dialogue with citizens is integrated into better formulated future contracts with the service providers.

- **Prior Action 1: Fourteen (14) Regional Observatories for Environment and Sustainable Development have been established in 2011-2014 to monitor environmental indicators, including those related to solid waste management.**

47. This action confirms the Government's commitment to support decentralized and participatory management of environmental information and to promote public access to information. The MOE, in partnership with the Regional Councils and Municipalities, have successfully established 14 Regional Observatories for Environment and Sustainable Development (OREDD) covering almost the entire country. These Observatories are tasked with monitoring the status of environment in the region by collecting and publishing core data and performance indicators in the environmental sector. The Observatories work in participatory manner as they rely on a large network of local partners to collect and monitor information. The information, collected at the source, makes it more reliable and enables a greater sense of ownership at the local level. Over two hundred data entries have been collected covering all environmental, economic and social aspects including solid waste¹². This wealth of information enables the preparation of analysis on the state of the environment in each region and identifies the main pressures as well as strategies and action plan for interventions. Information collected is included in a user friendly web-based platform which will become publically accessible. The robust information system developed through these Observatories has put the Regions in the driver seat in collecting and monitoring the state of the environment.

- **Prior Action 2: The National Commission for the National Municipal Solid Waste Management Program (NMSWMP) has adopted on October 29, 2014, the use of the citizen feedback tool on quality and adequacy of municipal waste services ("Citizens Report Cards") as an eligibility criterion for NMSWMP financial support.**

¹¹ An extract is part of a contract that explains the scope of work and the price.

¹² Waste information collected include: waste characteristics (amount collected, recycled and landfilled, waste type), landfill information (location, size, etc.); leachate (amount generated, type of treatment, etc.).

48. An initial demonstrative CRC initiative carried out in Témara in 2012, supported by the World Bank, has shown tangible results in improving service delivery¹³. In addition, the dialogue initiated with residents and civil society organizations allowed the municipality to better prepare future service provider's contracts. For example all new contracts currently take into consideration: (i) the funding of bi-annual awareness campaigns in collaboration with civil society organizations, (ii) increased and more equitable service coverage targeting slum neighborhoods and informal markets through revised service maps; and (iii) the introduction of new waste collection methods (small pickups) better adapted to peri-urban and informal neighborhoods which the CRC had identified as low coverage areas. Building on this successful experience, CRCs have been initiated by the PNDM in Rabat, Mohammedia, Tangiers and Agadir.. By the time those are completed in mid-2015, the CRC process will have **covered 25 percent of Morocco's urban population.**

49. Through this prior action, the Government confirms its decision to systematize this citizen feedback instrument by including the CRC approach as one of the eligibility criteria for PNDM financial support for solid waste collection services. CRCs will be carried out by municipalities within the first year of PNDM support and will be re-conducted in a timed manner with the mid-term and end of the service provider's contract, in order to inform the supervision of the service and the preparation of the next contract. These actions will be assessed through the monitoring of the compacts that will reflect how the results of the CRCs are integrated to address citizens' concerns as well as the improvement of subsequent private providers contracts building in the results of rigorous CRCs. The CRC findings will be disseminated widely locally during the preparation of subsequent 'compact' and nationally through the PNDM website¹⁴ (mentioned above) to enable citizens' access to the findings and thus enhancing transparency. The MOI has expressed interest in including the information generated by the CRCs into the national local government monitoring and evaluation platform currently being established. This will facilitate a better monitoring of the CRC implementation as well as the services and at the same time will provide a basis to benchmark municipal performance. As municipalities are supported by the PNDM on a demand basis, this will enable a progressive roll-out of the CRC over the second and third phases of the PNDM (2013-2022).

50. **Expected Results for Policy Area A:** The two results for this reform area are: (i) Public and private MSW service providers are more accountable to informed citizens; and (ii) Transparent use of public funds in private MSW delivery.

51. **Indicators:** Two indicators have been identified for this policy area:

Number of municipalities implementing Citizens Report Cards on MSW services

Baseline (2012): 0

Progress to date¹⁵: 1 completed and 4 initiated.

Target (2015)¹⁶: 5

Percentage of contracts signed (after the issuance of Circular No. 8029) with an extract disclosed on BOCT web platform¹⁷

Baseline (2012): 0 %

Progress to date: 100 %

Target (2015): 100%

¹³ The Temara CRC gathered a wealth of data and information on service coverage and quality, on the importance of the service to residents, on residents' knowledge of waste related pollution and health issues, and on residents' interest in and receptiveness to new SWM approaches such as recycling. The pilot was deemed highly effective as a transparency and good governance tool.

¹⁴ <http://pndm.environnement.gov.ma>

¹⁵ Once all 5 CRCs are completed they would have covered 25percent of Morocco's urban population

¹⁶ The target has been revised from 4 to 5.

¹⁷ Clarification has been added to this indicator to indicate that all contracts signed after the issuance of the Circular will be disclosed on BOCT website.

POLICY AREA B – Institutional and Financial Sustainability of Municipal Solid Waste Management Services

52. With the support of the previous programmatic series, good progress has been made to ensure the short and medium term sustainability of the MSW service in urban areas. The reform initiated in 2009 has clearly delineated the mandates and responsibilities between the national government, municipalities and the private sector and a special attention has been made to municipal finance and technical capacities. In line with the *Communal Charter* and the Law 28-00 and through the PNDM, the Government i) gives the full responsibility for integrated solid waste management to municipalities; ii) states that line ministries will support LGs in modernizing their MSW systems; and iii) strengthens the enabling environment for cost-effective and sustained private sector participation in the sector.

53. Drawing on the lessons learned during the implementation of the first phase of PNDM, the second phase introduces a new approach for municipal capacity building. The approach helped switch from the conventional supply driven training activities to a demand based just-in time technical assistance to LGs. Most of the country provinces have already benefited from a PNDM funded umbrella/framework technical assistance with focus on MSW planning, project development, and quality control of private service contracts.

54. The financial sustainability of the sector in the short and medium term continues to be on track. Contributing factors include: (i) the improved fiscal and financial situation at municipal level (increase in local revenues by 52 percent during the last 5 years reaching MAD 2.7 billion in 2013 compared to MAD 17.8 million in 2008); (ii) sustained and substantial financial resources mobilized through the PNDM to support municipalities in upgrading their MSW systems; and (iii) the Government's initiatives to diversify local sources of revenues by introducing the eco-tax and the progressive introduction of waste fees "*redevances*" on large producers of waste in major cities. Overall, the current increase of local revenues is substantial enough to largely offset the cost increase resulting from the modernization of the MSW (approximately 10-15 percent of the municipal operational revenues). Another good indicator is the significant decrease in the accumulated arrears owed by municipalities to private operators (which has passed from 70 percent of the turnovers of private companies in 2012 to 32 percent in 2014).

55. Moving forward, the long term sustainability of the sector remains one of the priorities of the reform program and the Government intends to: i) further strengthen municipal technical and financial capacity and local governance through decentralized support and advisory services; ii) build a credible, transparent and effective eco-tax allocation system to support the modernization of MSW services including development of the recycling value chains; and iii) enhance the enabling environment for private sector participation.

56. In line with the constitutional reform, the Government is working on the draft *Organic Law* on the responsibilities of local governments. The proposed *Organic Law* will frame the new territorial organization structure for the Kingdom, and defines the responsibilities and missions of subnational entities (including municipalities and regions) with regard to service delivery. Furthermore, the Government has confirmed that the ongoing constitutional reform on decentralization will preserve (a) the principles of an integrated solid waste management, (b) the provisions of the existing *Communal Charter* and Law 28-00, and (c) the responsibility of municipalities for managing MSW along the entire value chain from collection to disposal. Through the *Organic Law*, the Government also intends to promote inter-municipal cooperation to deliver urban infrastructure and municipal service in sectors that have potential economy of scale such as urban transport and solid waste. Under the new law, municipalities will be financially and technically supported to jointly create regional/local development entities and develop inter-municipal/regional infrastructures with possible participation of private investors. The Government has confirmed this provision in its Letter of Development Policy (Annex 1).

57. In this context, **the second policy area** focuses on: (i) Improving integrated solid waste management through support to the professionalization of MSW systems in harmony with the decentralization agenda, (ii)

Securing mid-term funding to cover the costs of MSW services; and (iii) Improving and consolidating market competitiveness for MSW service delivery through mitigation of risks related to private sector participation (PSP) contract management.

- **Prior Action 3: The Ministry of Interior has adopted a multi-year assistance program to support local governments and to create inter-municipal/regional institutions for local public services including municipal solid waste services, and secured on December 2, 2013, the financing for the implementation of such program.**

58. This measure is a concrete step towards the development of a new approach for capacity building and institutional development. In 2014, the Government, with the support of the MENA Transition Fund, launched the implementation of a 5-year TA program to provide LGs with access to decentralized technical assistance and on demand advisory service. More specifically, the program will (i) address the lack of technical, managerial and financial capacity at local level through the creation and operationalization of sub-nation centers of expertise; and (ii) provide technical and legal advisory services to assist LGs in promoting inter-municipal cooperation structures and creating Public Asset Companies to implement urban infrastructure projects. This TA program is being implemented in parallel to the ongoing training program managed by MOI and supported by various donors (such as GIZ).

- **Prior Action 4: The Chief Treasurer (*Trésorier Général*) has issued Decision No. 0188 dated July 16, 2014 regarding the General Treasury's (*Trésorerie Générale*) advisory services to local governments to improve the management of their revenues.**

59. This policy measure will enable effective partnership between center and local governments for better use of domestic expertise and knowhow to help improve the collection of local fiscal revenues. Untapped revenue at municipal level varies between 50 and 100 percent of fiscal potential depending on the size of cities. TGR – the most staffed and experienced public entities- is launching an important initiative to support municipalities better mobilize their fiscal potential. Potential untapped revenues come from municipal services tax, property tax, and business tax. Rabat and Casablanca, the two largest cities, are scheduled to sign their partnership agreement early 2015. This experience will be replicated in 14 large cities.

- **Prior Action 5: The Minister of Interior has issued Circular No. 17495 dated October 28, 2014, which defines the modalities for a third party conciliation mechanism for disputes, and requires the inclusion of such mechanism in all delegated management contracts between municipalities and private operators for municipal solid waste services.**

60. Private sector participation in the solid waste sector has been facing two emerging issues, namely: (a) the large amount of existing unpaid debt owed by LGs to private operators and (b) the lack of a well-functioning mediation/conciliation mechanism¹⁸ to settle disputes between the contracting parties.

61. Government actions undertaken under DPL3 have already shown tangible results in reducing the accumulated arrears owed by municipalities to private operators, which have decreased from 70 percent in 2012 to 32 percent in 2014, therefore surpassing their target of 50 percent set for 2015. With regards to the second issue related to private contract management: neither the currently existing instruments under Moroccan Law nor the currently utilized delegated management contracts seemed to provide an adequate and operational mediation/conciliation mechanism despite a corresponding requirement stipulated in the Law 54-05 (*“relative à la gestion déléguée des services publics”*). In order to address this deficit in market attractiveness for private sector participation, Prior Action 5 is directed at the operationalization of the conciliation mechanism as foreseen under Law 54-05 as well as its anchoring in all contracts between municipalities and private operators.

¹⁸ See MSW PSP Study, 2010 and 2012 (MOI, PPIAF) as listed under Table 5.

62. To that end, a detailed conciliation clause developed with the help of the World Bank has been incorporated in a recent Circular issued by MOI. The Circular instructs municipalities to include a conciliation provision in current and future delegated management contracts within the solid waste sector. It presents a crucial measure in improving and consolidating market competitiveness for municipal solid waste service delivery by mitigating risks related to contract management.

63. **Expected Results for Policy Area B:** Three program's outcomes are defined for this reform area: (i) Improved operational and environmental performance of the PNDM; (ii) Local Governments financial capacity improved to sustain MSW services; and (iii) Better environment for PSP in the sector.

64. **Indicators:** Four indicators have been identified for this policy area:

Percentage of MSW collected professionally and disposed of in sanitary landfills

Baseline (2012): 32 %

Progress to date: 37 %

Target¹⁹ (2015): 55%

Number of inter-municipal/regional institutions ("Groupements d'Agglomération et groupements de communes") established

Baseline (2012): 7

Progress to date: 13²⁰

Target (2015): 15

Percentage increase in aggregated municipal revenues compared to 2012

Baseline (2012): 0

Progress to date: +8% (2012/2013)

Target²¹ (2015): +20%

Decrease in the percentage of total volume of arrears²² (as declared by private operators and verified by DEA) compared to the original annual total amount of MSW contracts

Baseline (2012): 70 %

Progress to date: 32 %

Target²³ (2015): 30%

POLICY AREA C – Environmental Monitoring and Control

65. The **third policy reform area** focuses on upgrading the country's **environmental monitoring and control system** through the development of the legal, institutional and regulatory frameworks, capacity building within the MOE and inter-agencies coordination to ensure regular inspection of MSW facilities.

66. Since its inception, the PNDM was designed to mainstream environmental considerations into the planning, implementation, and operations of solid waste services. Given the potential negative environmental impacts linked with final waste disposal, the Government committed to promoting environmentally and socially sound disposal facilities. The policy actions undertaken under previous programmatic series included: (i) enactment of Environmental Impact Assessment (EIA)-related regulations and guidelines to implement the EIA Law; and (ii) adoption of policies and implementation manual for EIA of solid waste-related facilities.

¹⁹ This target has been revised from 66 percent to 55 percent due to delays in implementation of sanitary landfills projects, which will not be completed by 2015.

²⁰ This means that almost all sanitary landfills supported by the PNDM cover more than one municipality and are managed by inter-municipal institutions (Groupements de Communes).

²¹ This target has been revised from 10 percent to 20 percent.

²² Defined as a payment delayed from the date of payment specified in the contract.

²³ This target has been revised from 50 percent to 30 percent.

67. While the EIA procedures were greatly improved during the first phase of the PNDM, the second phase aims at creating an effective operating condition for institutions in charge of monitoring and sanctioning violators of the environmental regulations.

68. The general mandate to monitor compliance and enforce environmental laws, regulations and standards lies with the competences of several different public entities at the national and local levels, with no effective coordination mechanism. A part of the environmental control mandate falls within the responsibility of the MOE, which has the regulatory mandate for enforcing the implementation of mitigation measures and environmental management plans related to the impacts of solid waste facilities and more generally, of solid waste management. In addition, MOE is also responsible for the coordination and harmonization of environmental control.

69. Given the above, upgrading the monitoring and control system is required to: (i) provide harmonized procedures for environmental monitoring by all government bodies that have a legal mandate for environmental control, (ii) adopt and implement effective monitoring procedures and tools and coordinate all bodies that have an environmental mandate, and (iii) develop and use an accessible and transparent system for communication on all control processes and outcomes.

- **Prior Action 6: The Cabinet Council (*Conseil de Gouvernement*) has adopted on January 8, 2015 a draft decree establishing an environmental control body (*Police de l'Environnement*) in accordance with the provisions of Law (*loi-cadre*) No. 99-12 on environment and sustainable development as promulgated on March 6, 2014.**

70. The adoption of this decree formalizes the commitment of the Government towards the establishment of effective environmental control and monitoring system aiming at regular inspection and monitoring of environmental pollution including projects subject to EIA (such as MSW treatment/disposal facilities).

71. The decree establishing the Environmental Police reflects good international standards applicable to environmental monitoring and enforcement and considered appropriate both in substance and form against the objectives defined for this prior action. The decree describes the responsibilities of the Environmental Police, its organizational set up and its mode of operation. To further achieve the effective implementation of the overall environmental police mandate and ensure effective coordination, the decree also foresees coordination mechanisms and information sharing among all agencies involved in the implementation of the environmental control mandate environmental management, monitoring and enforcement.

72. In anticipation of the decree, the MOE has been strengthening its core staff of inspection and control agents. It has already accredited 25 agents and another 50 have been trained and are in the process of getting accredited. These agents are in charge, among other things, to inspect sanitary landfills according to specific guidelines under development by the MOE²⁴. A national information system on environmental offenses is being put in place as a tracking tool to enhance the monitoring and control.

73. **Expected Results for Policy Area C:** All solid waste sanitary landfills are monitored and inspected on a regular basis.

74. **Indicator:**
Percentage of MSW sanitary landfills regularly inspected

²⁴ MEMEE: *Manuel de Control des Décharges* includes *l'Elaboration des Lignes Directrices de Contrôle de Gestion Environnementale des Décharges Contrôlées* under review and finalization.

Baseline (2012): 8 %
Progress to date: 50 %
Target (2015):100 %

POLICY AREA D – Development of Recycling Value Chains

75. ***From Waste to Resources: an Opportunity for Development is the new paradigm of the Government who intends to turn waste challenges into economic opportunities.*** Following the evaluation of the first phase of the PNDM and after tangible results have been achieved in terms of waste collection²⁵ and landfilling in urban areas, Government's priorities are now shifting from a waste management system that primarily relies on the systematic disposal of waste into landfills towards a resource management system focusing on material recovery, reuse and recycling. This paradigm shift fosters the development of a **circular economy** focused around the creation of recycling chain values.

76. ***Recycling helps minimize environmental impacts*** by reducing the amount of waste disposed into landfills and reducing the use of virgin materials in the production of goods. As the sector relies mostly on informal waste-pickers, of which women represent 10 to 20 percent depending on the regions and municipalities, and are working typically in highly degraded health and social conditions. The waste-pickers **social integration** yield substantial benefits as demonstrated by the Oum Azza experience (see box 2). Building on this successful experience, a focus will also be put on targeting women waste collectors, analyzing their specific challenges and ensuring that they are fully integrated in the a social action plan that will be implemented by the private sector provider to address the waste pickers' needs. This experience showed the need to strengthen the financial viability and support the preparation of such socially inclusive initiatives which can help develop economic and job opportunities.

77. Whilst MSW in Morocco contains a large percentage of recyclable material estimated at more than 1 million tons, Morocco's recycling sector stagnated for the past years with a rate of only about 5 percent of collected waste being recycled. Accordingly, the strategic goal to upgrade MSWM management in Morocco and to reach a 20 percent recycling rate by 2022 was set. As such, Government acknowledged the need to transform the sector through the development of recycling value chains and committed to a set of reforms, aimed at (i) promoting integrated and sustainable SWM; (ii) organizing recycling/reuse value chains; (iii) reducing wasted raw material, (iv) mitigating impacts resulting from industrial activities, (v) developing investment and income-generating opportunities, and (vi) extending sanitary landfill life span.

Box 2: A successful model to integrate informal waste pickers into the recycling value chain: the case of the Oum Azza (Rabat)

The Oum Azza sanitary landfill established a successful model for the integration of informal waste pickers into the recycling value chain. Established in 2011, the private operator was required to establish a diagnostic of waste collectors on the incumbent unsanitary landfill and implement a social action plan to address their needs. This resulted in the integration of a sorting platform in the new sanitary landfill to be operated by a waste pickers cooperative. The cooperative was organized through the facilitation of an NGO (CARE). The cooperative aims to i) improve living and working conditions of waste pickers, ii) recognize waste picking/sorting as a formal occupation, iii) improve environmental conditions, iv) reduce the amount of waste going into landfills and v) provide cooperative members with modern sorting and weighing equipment.

After three years of operation, the cooperative at the Oum Azza is demonstrating the success of this model by providing social, economic and environmental benefits. The cooperative consists of 167 active members (of which 20 are women) who were all previously informal waste pickers and are now working in sanitary conditions with the multiple benefits (incl. social security, monthly pay). The cooperative, which has been keeping and publishing its financial accounts, has generated an income of MAD 3.6 million in 2012 and has extracted 3-4 percent of waste for recycling including plastics, ferrous and non-ferrous materials.

²⁵ 80 percent of urban waste was collected in 2013 compared to 45 percent in 2007 *Rapport d'Avancement, PNDM, September 29, 2014.*

78. In this context, the **value chain for plastics** packaging has been identified as the first priority and will be followed by other value chains, according to environmental priorities. The MOE is presently working on the development of value chains related to old batteries, waste oil and tires.

79. To support the Government in its reform program, this policy area was introduced. The **focus of this fourth policy area** is (i) to develop waste recycling value chains and secure viable sources of funding and (ii) integrate informal waste-pickers in the sector.

80. This policy area aims at the improvement of recycling value chains through the introduction of an eco-tax on plastic packaging, the establishment of a well governed system to manage eco-tax revenues, the development of recycling/income generating activities, and the social integration of vulnerable groups (specifically waste pickers) in the sector with attention being paid to women.

81. In compliance with the Law 99-12, the Budget Law of 2013 and with the concept of “Extended Producer Responsibility”; the Government introduced an eco-tax as a para-fiscal instrument to finance the development of recycling value chains, starting with plastics packaging. Whilst it became effective in January 2014, revenues of this eco-tax have reached MAD 148 million for 2014 on the basis of 1.5 percent ad valorem. All revenues generated are transferred to the National Environmental Fund (FNE).

- **Prior Action 7: The Cabinet Council (*Conseil de Gouvernement*) has adopted on December 4, 2014 a draft decree concerning the reorganization of the Ministry in charge of Environment, under the Minister of Energy, Mines, Water and Environment (*Ministère délégué auprès du Ministre de l’Energie, des Mines, de l’Eau et de l’Environnement, Chargé de l’Environnement*), including the creation of a unit in charge of developing the recycling value chains, and the Minister in charge of Environment, under the Minister of Energy, Mines, Water and Environment, has issued Circular No. 209 dated November 11, 2014, establishing a strategic committee for recycling value chains with the participation of key actors (local governments, eco-tax payers, recycling industry, civil society organizations).**

82. A dedicated entity for the day to day management of the recycling value chains (“*gestion des filières*”) is being established within the Ministry of Environment as part of its ongoing reorganization. This entity will be in charge of (i) policy and planning for the development of the recycling value chains; (ii) developing the eco tax allocation system and overseeing eligible activities, and (iii) monitoring and reporting on the environmental, economic and social performance of the value chain systems. A comprehensive study on the governance structure of the recycling value chain has been completed and has informed the design of the above entity. To ensure a transparent and participatory mode of governance and management of the recycling sector, in particular, managing the revenues generated by the eco-tax, the Government has established a *Strategic Committee for the Development of Recycling Value Chains*. This committee will involve representatives from concerned ministries, local government association, eco-tax payers, private operators and informal sector.

- **Prior Action 8: The Minister in charge of Environment, under the Minister of Energy, Mines, Water and Environment, has issued Circular No. 208 dated November 11, 2014, (i) setting forth the modalities for the allocation of eco-tax revenues; and (ii) providing that at least 20 percent of eco-tax revenues shall be allocated to support recycling activities targeting waste-pickers with specific focus on the gender dimension until the completion of the National Municipal Solid Waste Program.**

83. The informal sector is very active in the recycling value chain. It comprises around 7,000 people²⁶ out of which $\frac{3}{4}$ are street pickers and $\frac{1}{4}$ operate at the disposal facility²⁷. There are also nearly 500 brokers

²⁶ Women represent about 15-20 percent of waste picker population.

²⁷ PSIA II: Poverty and Social Impact Analysis of the Solid Waste Management Sector Reform in Morocco, 2010

and haulers. Properly considering this social dimension is critical for the success and sustainability of the recycling value chain. The Government has confirmed its willingness to allocate a significant part of the eco-tax revenues to the development and implementation of a social program focused on integrating waste-pickers in the recycling sector. The social program will help develop and implement recycling programs/business targeting waste-pickers, with particular focus on women.

84. Funds will support the design and implementation of targeted training initiatives to build waste-pickers', particularly women's, capacities and competitive advantage in the sector. Training programs will include basic business management, the organization and operation of co-operatives, principals of separation and recycling, health practices, etc. It is estimated that recycling activities, which are labor intensive, can generate between 50,000 to 70,000 jobs by end of PNDM²⁸, replacing partially the existing informal jobs.

85. The eco-tax has been introduced under the 2013 budget law and became effective in January 2014. As of September 2014, a total of MAD 148 million has been generated. These revenues will be used to support local government to integrate recycling activities in the MSW management system while paying attention to the social dimensions including the inclusion and livelihood improvement of waste pickers. A minimum of 20 percent of the eco-tax revenues will be targeting waste pickers. A flagship operation has been already identified in Casablanca which targets the improvement of the livelihood for about 4,000 waste pickers²⁹. In parallel, the bidding documents and contract models for MSW service delivery are being amended to include specific provisions for mandatory waste sorting and explicit waste recycling targets.

86. Through this prior action, the Government intends to establish a transparent, objective, and predictable model for the operationalization of the eco-tax. A Circular defining the eligibility criteria, funding windows (investment in sorting and recycling, pilot actions and technical assistance), as well as the methodology for revenue allocation has been developed. The system for allocating the eco-tax revenues will abide to principles of transparency, equity, efficiency and social and environmental responsibility while ensuring accountability through the publication and dissemination of reports monitoring and evaluating results.

87. **Expected Results for Policy Area D:** Two program outcomes are defined for this reform area: (i) Financial resources available to promote recycling activities and (ii) Improved social and environmental performance of the sector.

88. **Indicators:** Three indicators have been identified for this policy area:

Total amount of eco-taxes collected and allocated to the National Environmental Fund

Baseline (2012): 0

Progress to Date: MAD 148 million³⁰

Target (2015): MAD 230 million

Number of recycling projects³¹ supported through eco-tax revenues

Baseline (2012): 0

Progress to Date: 0

Target (2015): 10

Number of income generating opportunities in the recycling sector for waste pickers (disaggregated by gender)

Baseline (2012): 150 (of which 20 women)

²⁸ Estimate made by the Bank team during the preparation of the *Recycling Value Chain Concept Note*, 2012. These estimates are based on a similar experience in Tunisia.

²⁹ The 4,000 include an estimated 3,327 street pickers (Study on Waste Collectors in Casablanca and Scenarios for their Integration in a Segregated Collection System; IMPACT + September, 2014) and 500 waste pickers at the landfill site (PSIA II).

³⁰ Data as of September 30, 2014 provided by the *Administration des Douanes et Impôts Directs* through MOE.

³¹ Recycling Projects include waste sorting plans (with a capacity of 200-400 t/ day); projects to encourage segregation at source; collection systems for large producers of waste, etc.

Progress to Date: 220 (of which 20 women)
Target³² (2015): 500

89. Any changes to the indicative triggers, which now became the above-mentioned prior actions, are explained in the below Table.

Table 4: Comparison between indicative triggers and prior actions

Indicative Triggers for DPL4	Prior Actions for DPL4	Status & Explanation if there is material change
At least 12 Regional Environment observatories are in place to monitor environmental indicators, including those related to solid waste management.	Fourteen (14) Regional Observatories for Environment and Sustainable Development have been established in 2011-2014 to monitor environmental indicators, including those related to solid waste management.	Status: Met Material change: Increase the number of Observatory from 12 to 14.
Adoption by the CN-PNDM of the use of Citizens Report Cards as an eligibility criterion for PNDM financial support	The National Commission for the National Municipal Solid Waste Management Program (NMSWMP) has adopted on October 29, 2014, the use of the citizen feedback tool on quality and adequacy of municipal waste services (“Citizens Report Cards”) as an eligibility criterion for NMSWMP financial support.	Status: Met Material change: The prior action has been rephrased to better reflect its scope.
The Cabinet Council (“ <i>Conseil de Gouvernement</i> ”) has approved the draft fundamental law “ <i>loi-organique</i> ” on the reorganization of local and regional governments, confirming the full responsibility of the municipality on ISWM and instituting inter-municipal/regional entities which are able to improve MSW service planning, development and delivery.	Status: Dropped. This indicative trigger has been introduced at approval of DPL3 to mitigate the risk related to possible fragmentation of the responsibility of MSWM that emerged during the discussion of the regionalization agenda. During the preparation of DPL4 such risk has been assessed and found no longer relevant. Indeed a large consensus among key stakeholders has been reached to preserve the principle of an IMSWM, including the full responsibility of municipalities on the entire MSW chain. This confirms the related provisions of Law 28-00 and the <i>Charte Communale</i> . The Government has explicitly reconfirmed such provision in their Letter of Development Policy (Annex 1).	
The Ministry of Interior has launched a multi-year technical assistance program to support LGs in establishing inter-municipal/regional institutions for the professionalization of Municipal Solid Waste management.	The Ministry of Interior has adopted a multi-year assistance program to support local governments and to create inter-municipal/regional institutions for local public services including municipal solid waste services, and secured on December 2, 2013, the financing for the implementation of such program.	Status: Met Material change: No (minor editorial changes to capture the essence of the action)
The “ <i>Trésorier Général</i> ” issues a Decision organizing TGR advisory services to LGs to improve the management of their fiscal potential and local source of revenues.	The Chief Treasurer (<i>Trésorier Général</i>) has issued Decision No. 0188 dated July 16, 2014, regarding the General Treasury’s (<i>Trésorerie Générale</i>) advisory services to local governments to improve the management of their revenues.	Status: Met Material change: No (minor editorial change)
Establishment of a third party conciliation mechanism for delegated municipal services	The Minister of Interior has issued Circular No. 17495 dated October 28, 2014, which defines the modalities for a third party conciliation mechanism for disputes, and requires the	Status: Met Material change: No (minor editorial change)

³² The original target of 1,000 has been revised to 500 because of a **one-year grace period** for the application of the eco-tax, which had not been envisaged during the preparation of DPL3. This has resulted in a one-year delay in the mobilization of eco-tax funds, which will now support the recycling value chain from January 2015. The new target for income-generating opportunities for waste pickers in the sector by the end December 2015 is 500.

	inclusion of such mechanism in all delegated management contracts between municipalities and private operators for municipal solid waste services.	to better reflect the scope of the prior action)
Issuance of a decree for the establishment of “ <i>Police de l’Environnement</i> ” consistent with the <i>Loi cadre</i> on environment and sustainable development	The Cabinet Council (<i>Conseil de Gouvernement</i>) has adopted on January 8, 2015 a draft decree establishing an environmental control body (<i>Police de l’Environnement</i>) in accordance with the provisions of Law (<i>loi-cadre</i>) No. 99-12 on environment and sustainable development as promulgated on March 6, 2014.	Status: Met. Material change: Change from issuance of a decree (i.e. signature) to adoption by Cabinet Council.
Entity for the management of recycling value chains established and operational with effective participation of key actors (LG, eco-tax payers, recycling industry, informal sector)	The Cabinet Council (<i>Conseil de Gouvernement</i>) has adopted on December 4, 2014 a draft decree concerning the reorganization of the Ministry in charge of Environment, under the Minister of Energy, Mines, Water and Environment (<i>Ministère délégué auprès du Ministre de l’Energie, des Mines, de l’Eau et de l’Environnement, Chargé de l’Environnement</i>), including the creation of a unit in charge of developing the recycling value chains, and the Minister in charge of Environment, under the Minister of Energy, Mines, Water and Environment, has issued Circular No. 209 dated November 11, 2014, establishing a strategic committee for recycling value chains with the participation of key actors (local governments, eco-tax payers, recycling industry, civil society organizations).	Status: Met. Material change: Revised to focus on the establishment of a good governance structure for the eco-tax allocation.
At least 20 percent of “eco-tax” revenues are allocated to support recycling programs/ activities targeting waste-pickers with specific focus on the gender dimension.	The Minister in charge of Environment, under the Minister of Energy, Mines, Water and Environment, has issued Circular No. 208 dated November 11, 2014, (i) setting forth the modalities for the allocation of eco-tax revenues; and (ii) providing that at least 20 percent of eco-tax revenues shall be allocated to support recycling activities targeting waste-pickers with specific focus on the gender dimension until the completion of the National Municipal Solid Waste Program.	Status: Met. Material change: Revised to highlight the operationalization of the eco tax instrument.

90. **The design of this operation has benefitted from a wealth of knowledge anchored in significant analytical and technical work initiated under previous operations** as well as a set of reports recently prepared to address emerging challenges and issues. Table 5 summarizes the key recent analytical underpinnings.

Table 5: Prior actions and recent key analytical underpinnings

Prior Actions	Analytical Underpinnings
Policy Area A: Governance of the Municipal Solid Waste sector	
Prior Actions 1 and 2	<ul style="list-style-type: none"> • Communication Strategy for PNDM, 2011 (MEMEE)
Prior Action 2	<ul style="list-style-type: none"> • First Citizen Report Card – MSW, Témará Municipality, 2012 (World Bank):

Policy Area B: Institutional and Financial Sustainability of Municipal Solid Waste Management Service	
Prior Actions 3, 4 and 5	<ul style="list-style-type: none"> • Working paper on MSW institutional options, 2012 (World Bank) • MSW Institutional and financial framework, 2011 (MOI, KfW) • MSW PSP Study, 2010 and 2012 (MOI, PPIAF) • Working paper on MSW fees (<i>Redevance</i>), 2012 (World Bank)
Prior Action 6	<ul style="list-style-type: none"> • MSW PSP Study, 2010 and 2012 (MOI, PPIAF) • Note on Mediation/Conciliation Mechanism in Morocco, 2014 (World Bank)
Policy Area C: Environmental Monitoring and Control	
Prior Action 7	<ul style="list-style-type: none"> • Environmental control and monitoring study, 2011 (MEMEE) • Safeguards Diagnostic Report, 2011 (World Bank) • Study for the establishment of national police for environment, 2012 (MEMEE) • Note on Environmental Control, 2014 (World Bank)
Policy Area D: Development of Recycling Value Chains	
Prior Actions 8 and 9	<ul style="list-style-type: none"> • Working paper on MSW recycling sector, 2012 (World Bank) • Business plan for plastic packaging waste, 2012 (MEMEE, GIZ) • Feasibility study for Eco-tax on plastic raw materials, 2012 (MEMEE) • Studies on the Governance of the Recycling Value Chains, Final Draft August 2014 and on Eligibility Criteria for Eco Tax Revenues, Preliminary Draft September 2014 (GIZ)
Cross-cutting All Prior Actions	
<ul style="list-style-type: none"> • Poverty and Social Impact Analysis (PSIA) phase1 (2008), phase2 (2011) and addendum (2012) (World Bank) • DPL 1 and 2 Implementation Completion and Results Report, 2012 (World Bank) • Morocco CPS- Progress Report, 2012 (World Bank) 	

4.3 LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

91. **The proposed DPL is a key component of the World Bank Group’s Country Partnership Strategy (CPS) for the period of the fiscal years 2014-17 in support of its three Results Areas.** It will contribute to Result Area 1 “*Promoting Competitive and Inclusive Growth*” through the development of a financially viable waste recycling sector (which should improve the living and working conditions of informal waste pickers and lead to the creation of small enterprises. This is expected to create 500 jobs by 2016 (from 150 in 2012)³³. The proposed operation will also contribute to Result Area 2 “*Building a Green and Resilient Future*” by reducing environmental degradation due to improper waste management and by sustaining the growth of new business linked to recycling. The proposed DPL will also support Result Area 3 “*Strengthening Governance and Institutions for Improved Service Delivery to All Citizens*” by strengthening municipal finance and strengthening demand-side governance through increasing transparency, accountability and citizens’ engagement in the sector (through systematizing the use of social accountability tools such as Citizens Report Cards). In addition, the supported program will contribute to reducing gender disparities in terms of access to business opportunities and income-generation in recycling activities, as well as fostering women’s voice on municipal solid waste services through CRCs (supporting two cross-cutting themes of the CPS, namely gender and voice and participation).

92. **The proposed fourth DPL in this programmatic series is complemented by three parallel lending operations,** which support improved environmental sustainability and address weaknesses in the governance sector as well as social inclusion.

93. **The Transparency and Accountability (Hakama) DPL seeks to support the concretization of key new constitutional governance principles and rights,** aimed at increasing transparency and

³³ World Bank Aide memoire (Mission: June 18-27, 2014)

accountability and enhancing citizen engagement and access to information. This operation supports the Government's policy reforms through two components: (i) strengthening transparency and accountability in the management of public resources and (ii) fostering open governance. Both components offer important synergies with the first and second pillar of the proposed MSW Sector DP4. Reforms on transparency and access to information, local governance, and service delivery are mutually reinforcing and should continue to be closely coordinated.

94. **The proposed operation complements the Inclusive Green Growth Programmatic DPL** in achieving a key pillar of the Country Partnership Strategy for Morocco (2012-2017), i.e. building a green and resilient future in Morocco. Both operations support policies and measures that enhance the management of natural assets to sustain the growth of key sectors. The proposed operation does so in an upstream manner by strengthening the environmental planning, monitoring and control systems within the ministry of environment; while the Inclusive Green Growth DPL is concerned with downstream activities by improving the management of natural capital such as coastal, marine and groundwater assets. In addition, both operations support the introduction of green taxes (starting with the plastic production and sand extraction). This green fiscal framework is supported both by the Law 99-12 and the Finance Law and it intends to develop gradually into a more comprehensive approach allowing the extension of green taxes to other environmentally damaging activities.

95. **Finally, the INDH³⁴ Program for Results operation further strengthens the capacity of LGs, civil society actors, and marginalized groups**, to effectively participate in decision-making processes concerning local development planning. This operation offers an excellent platform for developing socially inclusive and income generating recycling activities funded with the proposed eco-tax instrument, and targeting vulnerable groups (waste-pickers).

4.4 CONSULTATIONS, COLLABORATION WITH DEVELOPMENT PARTNERS

96. The formulation of reform strategies in the solid waste sector benefited from extensive discussion, consultation and participation of key stakeholders in Morocco. Below is a brief description of the arrangement process and outcomes of various consultations carried out by the Government.

97. **Consultation over the midterm review of the reform program: the International Forum on Integrated Solid Waste Management** organized in Skhirat³⁵ provided a key opportunity to exchange and get feedback from governmental and non-governmental stakeholders involved in municipal solid waste management. Organized jointly by the Ministry of Interior and MOE, in partnership with the World Bank and the GIZ, this event convened more than 300 participants and included ministers from African countries, high national and local authorities, private sectors, civil society, and academia. The Forum coincided with the midterm of the PNDM and aimed to: (i) share and disseminate the achievements of the Program; (ii) collect feedback on the main outstanding challenges and the way to address them; and (iii) reinforce the partnership with the private sector. The Forum illustrated the **inclusive and participatory approach** adopted by the Government in the implementation of the PNDM. The main discussion and outcomes of the forum included: (i) confirmation of the role of municipalities as the public entity in charge of waste management across the entire value chain; (ii) discussion on the financial and technical capacity needs for municipalities to be able to provide sound MSW management as well as opportunities for partnerships between the public and the private sector; and (iii) initiation of partnerships for creation of new recycling value chains with a special focus on the social integration of waste pickers³⁶.

³⁴ INDH: Initiative Nationale pour le Développement Humain

³⁵ Organized on June 20, 2014

³⁶ During the Forum, **three partnership agreements** were reached: an agreement on waste recovery/disposal; an agreement for the establishment of a value chain for recycling of used tires; and an agreement on municipal solid waste sorting and recovery in Casablanca.

98. **Consultation over the preparation of the Decree on the Environmental Police.** Law 99-12 includes a provision on the establishment of an Environmental Police. The preparation, discussion and drafting of the decree governing the Environmental Police were done using a participatory process. The Directorate of Regulations and Control of the MOE held consultations³⁷ attended by officers in charge of environmental monitoring and enforcement from sectorial ministries, public agencies including the Ministry of Economy and Finance; the General Secretary of the Government and national enforcement institutions as well as experts from private sector and representatives of non-governmental organizations. A major outcome of the consultation process is the strengthening of the consensus to build a strong environmental monitoring and enforcement system which extends beyond the solid waste sector to ensure that Moroccan environmental principles, rules, norms and standards are implemented and enforced during the planning, construction and operation of infrastructure. Once signed, it is expected that the *Decree on Environmental Police* will strengthen (i) the office of environmental enforcement within the MOE, (ii) establish an effective environmental enforcement network involving all monitoring and enforcement units of sectorial ministries, and (iii) develop stronger relationships between all government agencies and institutions to effectively enforce environmental laws and regulations. The solid waste sector will be one of the major beneficiaries of this strengthening.

99. **Enhanced dialogue over the legal framework in terms of enhancing mediation/conciliation mechanisms.** Since the implementation of the second phase of the PNDM, the dialogue between the Government, local authorities and the representatives of private companies in charge of delegated management of municipal waste collection and disposal has been reinforced. Several rounds of discussions were held among involved stakeholders to clarify and enhance the legal framework for mediation/conciliation mechanisms to avoid and resolve disputes between local authorities and private companies. The significant decrease in arrears of municipalities towards private sector service and disputes resulting thereof is a sign of the mutual trust established. This series of meetings and discussion also contributed to inform the modalities to operationalize the mediation/conciliation mechanisms.

100. **Consultations to facilitate the implementation of the eco-tax for plastic packaging industry.** The Government held various consultations over the implementation of the Eco-tax and will continue this process for the emerging recycling value chains. These meetings involved both public authorities and representatives from stakeholder groups such as: the General Confederation of Enterprises of Morocco (CGEM), the Moroccan Federation of the Plastics Industry (FMP) and the National Federation of Food (FINAGRI). These consultations focused on the following aspects: principle and objective of introducing an environmental tax; establishment of consultation structures; list of goods and materials subject to environmental taxes; awareness raising; distortion with imported goods; and business plan for the proper management of the packaging industry sector.

101. **This operation is prepared in collaboration with the key development partner active in Morocco's environmental and solid waste agenda.** Since 2006, the GIZ has been funding a program that supports Morocco's environmental protection agenda. Their support include the following activities that are directly relevant to this DPL: technical assistance to key national agencies and local governments on strengthening environmental control and monitoring; solid waste institutional capacity development and planning, regional observatories on environmental and sustainable development, green fiscal areas, and social inclusion and recycling activities. DPL4 expands on GIZ activities by supporting the development of local capacity under the decentralization agenda and assisting the MOE and local governments in strengthening the solid waste legal, institutional and financial framework. GIZ is also funding a study on governance of new recycling value chains. This study will assess and propose governance mechanism to ensure a successful implementation of the waste separation, recycling and valorization.

³⁷ A first consultation over the preliminary version of the Decree was held on May 17, 2014. A second presentation of the Final Draft of the Decree was organized on 17 October 2014.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1 POVERTY AND SOCIAL IMPACT

102. **The poverty and social impacts of the policies supported by the ongoing programmatic series are expected to be positive.** Citizens at large, especially vulnerable groups such as waste pickers (of whom women represent 20 percent in landfills), are likely to benefit from the policy measures supported through the implemented DPL3 and the proposed DPL4. Waste collection and disposal systems will become increasingly efficient, resulting in significant improvements -- in terms of hygiene, health, reduced pollution and scenic benefits -- for all citizens. The pilot CRC undertaken revealed that citizens are widely concerned about the health and pollution effects of sub-standard waste collection; the policy reforms and program actions by supporting the modernization of MSW systems, will be directly responding to these concerns.

103. DPL4 is expected to have positive benefits for vulnerable groups. Residents of the very high density slum neighborhoods will benefit significantly from improved waste collection and disposal practices. And, importantly, the vulnerable who work as informal waste pickers (of whom women are a significant proportion) will benefit from the provision of basic equipment for, and training on, safe waste-picking and sorting practices. They will also benefit from the expanded and improved income-generating opportunities resulting from the introduction of the Eco tax instrument to recycling across the sector. The Poverty and Social Impact Analysis (PSIA) undertaken during the design/preparation of the present programmatic series (DPL3 and 4) projects that these benefits will be substantial, both in terms of increased job opportunities and in terms of increased earnings. Waste pickers will also benefit from improved waste sorting infrastructure. Female waste pickers are likely to derive significant benefits given that the Eco tax will finance targeted training, public awareness, and capacity building to strengthen their comparative advantage in the MSW sector.

104. In addition, an addendum to the PSIA undertaken in end 2012 shows that the introduction of the eco-tax which will fund sustainable recycling is likely to have a largely positive socio-economic impact, including on vulnerable groups associated with the sector. The eco-tax introduced in 2013 and implemented early 2014 is levied on commercial entities that manufacture recyclable products in the country, import finished recyclable products, and/or import raw materials used in producing the recyclable products. Initially, the eco-tax is applied only to plastic products (plastic bottles, bags, plastic wrapping, etc.) and is levied at a rate of 1.5 percent.

105. The PSIA addendum estimates that the eco-tax is likely to have a limited impact on the import of raw materials and on the import of finished and semi-finished goods (in the range of -2.2 percent). The eco-tax is expected to lead to a slight (0.10 percent) increase in local production of these materials and to a very limited (0.017 percent) reduction in local consumption of these products. The estimated impact on revenues of local producers of plastic is +2.6 percent. A considerably larger increase in revenues is estimated for the sector actually using the recycled goods, amounting to around 6.5 percent in 2013-2016 and 6.9 percent in 2016-2023. The impact on public finances resulting from the loss of VAT from reduced imports of finished and raw products will be an initial dip in the first period followed by a rise in the second period.

106. The eco-tax is expected to have only a very small and indirect impact on individuals and small service providers by way of passed-on costs from larger plastic producers. However, these very small and indirect impacts are expected to be fully mitigated through the recycling of plastic products and the consequent economic returns. Moreover, it is planned that the eco-tax will finance infrastructure for sorting of recyclables, thus avoiding any additional pressures on existing municipal budgets.

107. The PSIA addendum notes that the benefits to citizens and small service providers will be in the form of a cleaner, more hygienic, and visually attractive environment with reduced pollution. These issues are, according to the findings of the CRC on household SWM, accorded a very high level of importance by citizens. Indeed, residents even of slum neighborhoods express a strong interest in, and support for,

recycling and a significant percentage (27 percent) say they personally would be willing to pay a tax to support recycling.

108. **The eco-tax will also have crucial positive socio-economic benefits for vulnerable groups associated with the sector, such as informal waste pickers, of whom a sizeable percentage are women.** Tax revenues used to establish appropriate sorting and recycling facilities will improve the working condition of the waste pickers considerably. Productivity gains made in the recycling sector will lead to increased and higher income generating opportunities for the waste pickers. The PSIA estimates that the earnings of waste pickers would increase by around 11 percent each year, to about MAD 225 per day in 2023 as a result of the changes and programs introduced with the eco-tax.

109. The PSIA addendum also considers the impact of user fees which were introduced under Law 28-00. The PNDM had planned for a gradual introduction of user fees to contribute to MSW cost recovery. The user fees are gradually introduced and should contribute to 2 percent of the total cost of the PNDM between 2008-2012, rising to 9 percent between 2012-2017, and further increasing to 18 percent between 2018-2023. However, the user fees for the 2008-2012 phase of PNDM amounted to only 0.5 percent and Casablanca was the only municipality to introduce them, which it did in the industrial, tourism, commercial and service sectors. User fees were not applied to households.

110. **The PSIA addendum reports that the introduction of user fees for commercial and service entities will have important, and positive, equity implications.** This is because the non-payment of user fees by commercial and service entities results in a distributional distortion, in the sense that large waste generators are, in effect, subsidized by households, including poorer households. Hence, the implementation of user fees on commercial and service entities will have important redistributive effects, particularly when the revenues garnered are used to support other municipal services, including social services.

Gender aspects

111. **The PSIA addendum gathered and analyzed the impacts, fairly positive, of the program of reform supported by the proposed programmatic series on gender issues.** The program of reform is expected to contribute to (i) foster women's voice through CRCs and their gender disaggregated questionnaire analysis; and (ii) reduce gender disparities in income-generation in recycling activities:

- ✓ **Strengthening women's "voice" and addressing their concerns about MSW services.** The key demand-side governance mechanism – the CRC – which is being introduced under the PNDM and which will be progressively rolled out under the DPL will help ensure better consideration of gender issues in the sector. The statistically representative surveys, which form the base of the CRCs, will gather gender disaggregated data and ensure there is good representation of women's opinions and concerns. The measures used in publicly disseminating the CRC findings will also be designed to ensure women's participation and interest. It is, however, notable that the pilot CRC conducted in one municipality (Témara) showed little difference of opinion and viewpoints on SWM issues between the genders.
- ✓ **Enhancing women waste-pickers' working conditions and building women's comparative advantage in the recycling sector.** Women's engagement in the MSW sector is of particular concern in the informal sector. About 15 to 20 percent of informal waste pickers are women who, together with other waste pickers, have long been working in unsanitary and unhealthy conditions. They are vulnerable, earn less than their male counterparts, and their livelihoods are very tenuous. Some efforts have been made to improve the waste pickers' working conditions but these have been limited and, to date, confined to just two municipalities. Under the new programmatic loan, twenty percent of the eco-tax will be earmarked to support initiatives to systematize and improve waste pickers' working conditions. Starting in 2015, it is estimated that more than MAD 40 million will be allocated annually to these initiatives, with these revenues being used for, amongst other things, establishing improved

sorting and recycling facilities. Such improvements in income-generating equality and working conditions, including better hygienic and safer working surrounds, will have particular benefits for pregnant women and mothers who are vulnerable to infections and disease from waste. These revenues will also support targeted training for female waste pickers to build their comparative advantage as waste pickers. Training will be provided in areas such as the establishment and operation of cooperatives, good separation and recycling practices of different materials, preventive health and hygiene practices, good work practices, etc. Monitoring of the application of the earmarked eco-taxes will be gender disaggregated to ensure that women are significant beneficiaries of these programs.

5.2 ENVIRONMENTAL ASPECTS

112. **Prior actions supported by the previous programmatic series (DPL1 and 2) and the first DPL of the current programmatic series (DPL3) are having significant positive impacts on the environment, forests and natural resources.** They play an important role in improving governance, ensuring the institutional and financial sustainability, strengthening monitoring and control mechanisms, and introducing recycling activities in the MSW sector. The current programmatic series including the proposed DPL3 operation have been specifically designed to address environmental issues and builds on the progress of the PNDM-Phase 2 to enhance their positive effect on the environment. Indeed, no supported prior action has a significant adverse effect on the environment, forests, or natural resources. The implementation of the first phase of the reform program has already allowed significant improvements in the country's environmental regulatory and institutional framework including the enhancement and strengthening of the solid waste legal, regulatory and institutional framework. In addition, the EIA system has been strengthened and is fully operational at both national and regional levels and was duly implemented during the planning, implementation and operation phases of the newly built or upgraded municipal waste landfills. The increasing complexity of the waste management systems and ever-higher environmental protection targets, however, increase the challenge of a continuing enhancement and updating of the solid waste management strategies and policies.

113. In the context of the proposed operation, strengthening the monitoring and control system will ensure the compliance of the SWM facilities with the applicable environmental laws and legislation, which should lead to improved economic and environmental performance of MSW facilities. Waste valorization and recycling activities will also have several positive environmental implications including reducing solid waste content, improving the life of MSW facilities, and lowering energy consumption and associated greenhouse gas emissions related to processing of raw materials. A potential adverse impact could be the establishment of large recycling enterprises. This can be addressed by preparing an EIA and developing appropriate mitigating measures for the health and safety of the workers.

114. **Morocco has the appropriate environmental management capacity to address the potential adverse effects in the solid waste sector.** A Safeguards Diagnostic Review for the solid waste sector was conducted in 2011 in the context of the preparation of Morocco's MSW carbon finance operation. The review concluded that the laws, regulations and governing institutions in the solid waste sector in Morocco are generally consistent with international good practices related to environmental assessment and management. Morocco's guidelines, standards and monitoring processes including existing human and technical resources were found to be generally acceptable provided the gap filling measures are implemented. These gaps filling measures call for the disclosure of the environment assessment studies and the strengthening of the monitoring and enforcement systems through the formal adoption of the procedures for monitoring and control and the provision of additional staff for inspection. These measures have been addressed in the third reform area related to monitoring and control (policy area C of DPL3 and DPL4) and will benefit from the adoption of the Decree on Environmental Police.

5.3 PFM, DISBURSEMENT AND AUDITING ASPECTS

115. **Foreign Exchange.** The IMF's safeguards assessment of BAM of February 2013 found a robust framework with strong internal and external controls, supported by several good governance practices. The assessment highlighted that existing safeguards and governance practices should be complemented by stronger legal and financial reporting frameworks which are needed to enhance the legal autonomy of the BAM and strengthen the timely publication of audited financial statements. Since then, BAM has implemented recommendations from the assessment, including publication of audited financial statements. Existing governance practices and safeguards will be enshrined in the new central bank law currently awaiting adoption by the Council of Government. As with recently approved DPLs, a dedicated account will be used for this operation.

116. **In 2009, the World Bank and the EU carried out a joint Public Expenditure and Financial Accountability (PEFA) assessment.** The PEFA report confirmed substantial progress in Public Finance Management (PFM) reforms in Morocco. The results based on the PEFA ratings indicate, in particular, that Morocco has an overall credible, comprehensive, and transparent budget. The PFM system also supports the achievement of aggregate fiscal discipline, strategic allocation of resources and efficient service delivery. The main strengths of the Moroccan PFM are the following: (i) credible and transparent budget (since the Ministry of Economy and Finance publishes the annual budget on its website in a timely fashion); (ii) transparency of taxpayer obligations and liabilities; (iii) timeliness and regularity of Government bank account reconciliation; (iv) accurate and timely in-year budget reports covering expenditures at both commitment and payment stages; and (v) strong cash and debt management. The main challenges of the Morocco PFM relate to: (a) the budget classification, since despite the level of detail accuracy and reliability, it does not yet allow for reliable direct tracking of program-related spending being financed under priority programs; (b) timeliness of annual statements which are submitted for external audit 15 months after the end of the fiscal year; (c) the limited extent of legislative scrutiny of external audit reports; and (d) the insufficient frequency, scope, and follow-up of audits. Regarding public procurement systems, the PEFA report highlighted the need of strengthening the procurement complaints mechanisms through a systematic and timely recording and follow-up of complaints. The Government is committed to address these challenges and, in order to do so, has introduced measures to: (i) move to a performance-based budgeting framework; (ii) develop a medium-term expenditure framework to assist in fiscal sustainability; (iii) modernize its accounting and internal audit framework; and (iv) improve revenue management. In conclusion, the strength of Morocco's PFM system and the Government's commitment to reform, taken together, are, in the World Bank's view, adequate to support the proposed operation. In addition, the Kingdom of Morocco timely publishes its annual budget on the ministry's website as well as in the official gazette, following adoption by Parliament. In conclusion, the strength of Morocco's PFM system and the government's commitment to reform taken together are, in the World Bank's view, adequate to support this DPL.

117. **Disbursement and Auditing.** With reference to the flow of funds, the proposed loan will follow the World Bank's disbursement procedures for development policy lending. Once the loan becomes effective, the proceeds of the loan will be disbursed in a single withdrawal tranche. Specifically, disbursements will be made, provided that the Bank is satisfied with the program being carried out by the Borrower, and with the appropriateness of the Borrower's macroeconomic policy framework. The account into which the loan proceeds will be deposited forms part of the country's official foreign exchange reserves. Flow of funds (including foreign currency exchange) is subject to standard public financial management processes. The government budget is comprehensive, unified and subject to centralized treasury account.

118. **The loan proceeds will be deposited by the International Bank of Reconstruction and Development (IBRD) in a dedicated account opened for this DPL by the Borrower and acceptable to the World Bank at the BAM, upon submission of a signed withdrawal application.** The Borrower should ensure that upon the deposit of loan proceeds into said account, an equivalent amount, in the local currency, is credited to the Treasury current account at the BAM. The Borrower will report to the World Bank within 30 days of disbursement on the amounts deposited in the dedicated account and credited to the budget management system providing the exchange rate applied and the date of the transfer. If the proceeds of the loan are used for ineligible purposes as defined in the Loan Agreement, IBRD will require the

Borrower to promptly upon notice refund an amount equal to the amount of said payment to IBRD. Amounts refunded to the Bank upon such request shall be cancelled. The loan proceeds will be administered by the Ministry of Economy and Finance. The closing date of the loan is set to December 31, 2015.

119. **Although an audit of the use of the funds may not be required, the World Bank reserves the right to ask for a transaction audit of the dedicated account.** This audit, when asked for, will cover the accuracy of the transactions, i.e. debits and credits of the dedicated account, including accuracy of exchange rate conversions; confirming that the loan proceeds disbursed to the dedicated account were used only for the purposes specified in the Loan Agreement. In addition, the auditor will have to obtain confirmation from corresponding bank(s) involved in the funds flow regarding the transaction. The time period for submission of the audit report to the Bank is not later than four months from the date a request for such audit is issued.

5.4 MONITORING AND EVALUATION

120. **Implementation and coordination responsibilities:** 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:

121. 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 MOE and includes representatives of the Ministry of Economy and Finance, 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 informed by the recently established *Strategic Committee on Recycling Value Chains* particularly for Policy Area D.

122. 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.

123. **Monitoring and Evaluation:** The monitoring and evaluation of the program and its expected results will be based on the government’s regular monitoring and evaluation activities. An M&E system will be put in place by the Program Management to track and document progress made towards the implementation of each Policy Area and their associated results.

6. SUMMARY OF RISKS AND MITIGATION

124. The overall risk 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 reform. The most relevant risks identified are described below:

125. **Macroeconomic and Fiscal (Moderate).** Morocco faces four major macroeconomic risks: (i) the slow and erratic implementation of key fiscal and structural reforms; (ii) limited capacity to resist strong social demands for public sector employment, subsidies and transfers; (iii) unfavorable external conditions in its main trading partners; and (iv) geopolitical risks related the Middle East that could trigger rises in oil prices and have an adverse effect on Morocco’s current account and fiscal deficit, in addition to a surge in interest rates, related to the exit from unconventional monetary policies in the US that could have an adverse impact on financing costs. The combination of strong social demands, high oil prices, and a sluggish European economy has put government finance under stress. After years of large budget deficits, Morocco’s

fiscal space has been exhausted. To mitigate these risks, Morocco needs deeper structural reforms to improve the competitiveness of the economy, including a more flexible exchange regime, in addition to the subsidy, pension and other fiscal reforms aimed at maintaining Morocco’s macroeconomic sustainability.

126. **Institutional Capacity for Implementation and Sustainability (Moderate).** While the government departments (Economy and finance, environment, interior) at the central level have good capacity in administration and oversight, the success of implementing some of the policy measures will rest with local governments (municipalities). These entities vary in their implementation capacity, but all will require just-in time technical assistance and advisory services to effectively implement some of policy measures and actions such as establishment of fees for large producers of waste, effective recovery of the fiscal and local revenues potential, plan for and contract private sectors, and to tap economic and financial opportunities offered through effective inter-municipal cooperation. Three initiatives have developed to mitigate such risks including: (i) The ongoing technical assistance contracts funded through PNDM and jointly managed by MOI and MOE been strengthening the capacity of LGs in assessing the feasibility, preparing and supervising PS contract; (ii) The recently launched TGR advisory services program to support LG in improving the management of local revenues; and (iii) the ongoing PACT program funded through MENA Transition Fund. In parallel GIZ and other donors are funded capacity building and technical assistance initiatives to support LGs in this area.

127. **Fiduciary (Moderate).** The country has taken a number of measures to promote ethics and fight against fraud and corruption including the creation of the Probity and Anti-corruption Instance (*Instance de Probité et de Lutte contre la Corruption, ICPC*) and an agency to fight money laundering. The ICPC has established an electronic system enabling citizens to anonymously report corruption and fraud, although no mechanism of investigation or sanction, other than judicial, is in place. In the spirit of the new constitutional reform, the ICPC should see an evolution of its independence and be in charge of new missions to enhance the fight against these scourges (investigations, sanctions, etc.) with new powers which will be enforceable once the set of corresponding law/decrees is enacted.

128. **Stakeholders (Substantial).** The possible opposition from key stakeholders such as plastic industry representatives to some reforms related to the operationalization of the Extended Producer Responsibility principle and the development of the recycling sector has been identified as substantial risk. It has been mitigated through the various consultations that took place for the preparation of the related specific measures and the proposed inclusive and participatory governance structure that will guide and oversee the use of eco-tax revenues, including clear decision making process involving representative of eco-tax payers, local government, and private operators.

Table 6: Risk Ratings

Risk Categories	Rating (H, S, M or L)
1. Political and governance	M
2. Macroeconomic	M
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	M
6. Fiduciary	M
7. Environmental and social	M
8. Stakeholders	S
Overall	M

ANNEX 1 – LETTER OF DEVELOPMENT POLICY

Royaume du Maroc

Chef du Gouvernement

Ministère Délégué auprès du Chef du Gouvernement
Chargé des Affaires Générales et de la Gouvernance

المملكة المغربية
رئيس الحكومة



الوزارة المنتدبة لدى رئيس الحكومة
المكلفة بالشؤون العامة والحكامة

ⵜⴰⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ

ⴰⵎⴳⴷⴰⵢ ⵜⴰⵎⴳⴷⴰⵢⵜ

ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ
ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ ⵜⴰⵎⴳⴷⴰⵢⵜ

19 DEC 2014

Monsieur JIM YONG KIM
PRESIDENT DE LA BANQUE MONDIALE
1818 H Street N.W Washington
-U.S.A-

OBJET / LETTRE DE POLITIQUE DE DEVELOPPEMENT DU SECTEUR DES DECHETS
MENAGERS ET ASSIMILES AU MAROC

Monsieur le Président,

J'ai l'honneur de vous réitérer par la présente les termes de ma lettre en date du 31 Décembre 2012, par laquelle je vous ai communiqué les réformes engagées dans le secteur de la gestion des déchets ménagers et assimilés au Maroc et les mesures innovantes introduites par le Gouvernement pour la mise en œuvre du Programme National des Déchets Ménagers (PNDM).

Ce Programme, qui s'étale sur une période de 15 ans (2008-2022), vise à appuyer les communes, qui demeurent responsables de la gestion du secteur des déchets ménagers dans leur territoire, dans la mise à niveau du secteur des déchets en vue d'assurer une meilleure performance économique, environnementale et sociale.

Le PNDM est considéré comme l'une des priorités nationales du Gouvernement inscrites dans son programme (2012-2016), et il s'inscrit d'ores et déjà dans le cadre de la Stratégie Nationale de Développement Durable (SNDD) en cours de finalisation.

La mise en œuvre du PNDM a été renforcée par son ancrage dans la réforme constitutionnelle de Juillet 2011 en tant que partie intégrante des politiques du Maroc en matière de décentralisation et du développement durable.

Ce Programme a bénéficié de l'appui de la Banque Mondiale pour sa mise en œuvre à travers deux Prêts de Politique de Développement. Les deux opérations PPD1 et PPD2, ont permis durant la première phase (2008-2012) la mise en place des principaux fondements du programme de réforme en vue de bâtir un cadre approprié pour la gestion intégrée des déchets ménagers aussi bien au niveau central qu'au niveau local.

Ainsi, des résultats tangibles ont été réalisés dans le secteur des déchets ménagers à ce stade, il s'agit notamment de :

- ✓ l'amélioration de la planification sectorielle et la coordination des réformes ainsi que le suivi, l'évaluation et la divulgation de l'état d'exécution et des résultats du programme de réforme, à travers la mise en place de la Commission Nationale du Programme National des Déchets Ménagers (CN-PNDM);
- ✓ l'introduction d'un mécanisme d'appui financier aux Collectivités Territoriales favorisant la gestion intégrée et modernisée des déchets ménagers et assimilés, et l'adoption des allocations budgétaires au profit du Programme au niveau des lois de finances depuis 2008;
- ✓ la professionnalisation et l'amélioration des services de collecte –nettoisement et la mise en décharge. Le taux de « collecte professionnalisée » est actuellement de 80,5%, contre 44 % en 2007 ; 15 décharges contrôlées ont été réalisées et 26 décharges spontanées ont déjà été réhabilitées ;
- ✓ le renforcement des capacités en la matière aussi bien au niveau central qu'au niveau régional ;
- ✓ le montage d'un programme de communication et de sensibilisation idoine pour le programme tout en lui affectant des allocations budgétaires appropriées.

Dans le cadre de sa deuxième phase(2013-2017), Le PNDM a bénéficié également d'un troisième Prêt de Politique de Développement ; le gouvernement est engagé à prendre toutes les mesures nécessaires pour l'approfondissement des réformes nécessaires à la mise en œuvre et l'amélioration continue des performances du PNDM, et à ce titre il sollicite la poursuite de l'appui de la Banque Mondiale à ce programme.

Il est à signaler que les mesures de mise en œuvre de cette deuxième phase du Programme sont en grande cohérence avec les principes de base de la réforme constitutionnelle de juillet 2011 qui portent notamment sur la protection de l'environnement et le développement durable, la décentralisation et régionalisation avancée, la bonne gouvernance et le droit d'accès à l'information. Ces axes constituent ainsi, les principaux piliers pour l'accès aux services de base en général, et aux services de gestion des déchets ménagers en particulier.

Les axes prioritaires de cette réforme portent sur :

1. **Le renforcement de la gouvernance du secteur des déchets ménagers et en particulier l'aspect de demande de gouvernance**, en vue de promouvoir l'accès à l'information, renforcer la transparence et améliorer la redevabilité des fournisseurs de service envers les citoyens ;
2. **L'amélioration de la soutenabilité des services de gestion des déchets ménagers**, afin d'améliorer la professionnalisation des systèmes de déchets ménagers et assimilés en harmonie avec l'agenda de la décentralisation, d'assurer le financement à moyen terme pour couvrir les coûts de gestion des déchets ménagers, et d'améliorer et

consolider l'attractivité du marché de la fourniture des services de déchets ménagers et assimilés en réduisant les risques liés à la gestion des contrats de gestion déléguée ;

3. **La mise à niveau du système de Contrôle et de suivi environnementaux** pour réduire les impacts sociaux et environnementaux dans les investissements et l'exploitation des services de gestion des déchets ménagers et assimilés (GDMA) , et mettre en place des pratiques d'enfouissement des déchets acceptables sur le plan environnemental et responsables sur le plan social au niveau des communes soutenues par le PNDM ;
4. **le Développement des filières de valorisation**, en vue d'assurer des sources de financement pérennes pour le secteur, et l'intégration des chiffonniers dans le secteur de recyclage.

Plusieurs actions ont été engagées par le Gouvernement pour la réalisation des objectifs attendus de cette deuxième phase du PNDM :

1. l'amélioration de la gouvernance du secteur des déchets ménagers et assimilés

Le secteur a été caractérisé par l'introduction de mesures importantes relatives aussi bien à l'offre qu'à la demande de bonne gouvernance

Au cours de la deuxième phase du programme, les efforts du gouvernement se sont portés sur diverses mesures au niveau des domaines prioritaires à savoir :

- ✓ l'accès à l'information ainsi que la transparence dans la fourniture du service;
- ✓ le suivi et l'évaluation.

Pour ce qui est de l'accès à l'information et transparence dans la fourniture du service, la loi cadre 99-12 sur l'Environnement et le Développement Durable a été adoptée par le Parlement en janvier 2014 et publiée au Bulletin Officiel en mars 2014. Cette loi introduit ainsi le droit des citoyens d'accéder à l'information environnementale, y compris l'information relative aux déchets ménagers et assimilés, les arrangements institutionnels pour le contrôle environnemental, et le principe de "responsabilité élargie du producteur".

Le Ministère délégué chargé de l'Environnement a adopté et mis en œuvre une stratégie et un plan de communication du PNDM. Ce plan de communication inclut notamment des mesures visant à promouvoir les mécanismes de redevabilité des parties prenantes au niveau communal.

Dans ce cadre également, le Ministère de l'Intérieur avait déjà émis, en mai 2012, une circulaire (No. 8029) exigeant des communes la publication des extraits des contrats signés entre les communes et les délégataires de service de déchets ménagers et assimilés au Bulletin Officiel des Collectivités Territoriales (BOCT).

La publication d'extraits de ces contrats sur le site web du BOCT sert comme référence (benchmarking) aux communes et aux opérateurs privés et renforcera la transparence dans l'utilisation des deniers publics.

Actuellement, 20% des contrats de gestion déléguée du service déchets ménagers sont publiés sur le BOCT.

En ce qui concerne le volet suivi et évaluation transparents et participatifs, 14 observatoires régionaux de l'Environnement et de Développement Durable (OREDD) ont été établis par voie conventionnelle entre les régions et le Ministère délégué chargé de l'environnement et sont d'ores et déjà fonctionnels, en vue de mettre en place un suivi participatif et de proximité de la performance du secteur des déchets ménagers.

Les Observatoires sont conçus en partenariat entre les autorités locales et régionales, les universités et la société civile.

Les OREDD préparent actuellement un rapport de l'état de l'environnement pour chaque région et procèdent à la mise en place d'un système d'information géographique qui sera mis en ligne, permettant ainsi l'accès public à l'information.

En terme d'amélioration de la redevabilité des fournisseurs de service envers les citoyens, la Commission Nationale du Programme National des Déchets Ménagers (PNDM) a approuvé en octobre 2012 l'introduction d'un outil d'évaluation citoyenne sur la qualité et l'adéquation du service de déchets ménagers et assimilés (rapports d'évaluation citoyenne), en tant que composante clé du PNDM en vue d'appuyer les collectivités territoriales à améliorer l'aspect demande de gouvernance dans la fourniture des services de déchets ménagers et assimilés. Elle constitue en effet une approche nouvelle et innovante dans le secteur des déchets ménagers au Maroc.

Une évaluation citoyenne pilote a été réalisée au niveau de la Commune de Témara, et quatre autres sont en cours de réalisation pour les villes de Tanger, Agadir, Rabat et de Mohammedia, soit une population couverte par ces évaluations citoyennes de plus de trois millions de personnes.

2. L'amélioration de la soutenabilité financière et institutionnelle des services de gestion des déchets ménagers

Le Gouvernement fait de la soutenabilité du service de gestion des déchets ménagers et assimilés (GDMA) un objectif essentiel de la politique de réforme du secteur. Cette soutenabilité s'applique aussi bien aux aspects financier qu'institutionnel du secteur des déchets qui est intimement liée à la politique du gouvernement en matière de décentralisation, de renforcement des collectivités locales et de promotion d'une meilleure gouvernance locale.

Sur le Plan financier

Dans une optique de mobiliser de nouvelles sources de recettes locales et de contribuer à la viabilité à long terme des réformes de gestion des déchets ménagers solides, le Ministère de l'Intérieur avait émis, en décembre 2012, la circulaire No. 8029 relative à la mise en œuvre de la redevance des déchets ménagers et assimilés sur les gros producteurs de déchets, conformément aux dispositions de l'article 23 de la loi 28-00 relative à la gestion des déchets solides au Maroc.

Ainsi, la taxe sur les services communaux, perçue, concernant des services publics relevant de la responsabilité communale dont celui du ramassage et de traitement des ordures ménagères, est passée d'environ 2.1 milliards de DH en 2008 à 3.2 milliards de DH en 2013, soit une augmentation de plus de 52%.

Bien que le programme ne connaisse pas de problème de financement à court et à moyen terme, la soutenabilité constitue un défi pour le long terme.

A ce titre et parmi les actions entreprises, le Gouvernement a engagé une action volontariste relative au lancement, par le Trésorier Général du Royaume dans un cadre conventionnel, d'une initiative nationale pour la fourniture d'appui technique et de conseils aux collectivités locales afin de les aider à améliorer la mobilisation de leur potentiel fiscal local. Cette initiative lancée dans un cadre conventionnel cible 14 villes représentant 80 % des recettes fiscales des communes pour lesquelles des plans d'action concrets seront mis en place commune par commune, et évalués régulièrement.

Le Ministère de l'Intérieur avait déjà émis la circulaire No. 17887 le 11 décembre 2012 concernant la préparation des budgets des collectivités territoriales et traitant la question des arriérés de paiement dus par les collectivités territoriales en vertu des contrats de gestion déléguée du service de déchets ménagers et assimilés, en incluant des instructions spécifiques et des explications pour assurer une estimation fidèle des coûts du service, l'inscription des montants liés à la révision des prix, et la budgétisation des accords de rééchelonnement, et ce en vue de consolider l'attractivité du marché de la fourniture des services de déchets ménagers et assimilés en réduisant les risques liés à la gestion des contrats de gestion déléguée.

A cet effet, les arriérés de paiement ont fortement baissé en 2013, et sont passés de 82,5% du chiffre d'affaires des entreprises privées du secteur en 2010 à 51,2% en 2013.

Le Ministère de l'Intérieur a également adressé en date du 28 octobre 2014 à toutes les préfectures et provinces une circulaire définissant les mécanismes de conciliation et de médiation pour les différends entre les délégants et les délégataires et prévoyant l'inclusion de ce mécanisme dans tous les contrats de gestion déléguée des services des déchets ménagers.

Par ailleurs, et pour le renforcement des mécanismes de suivi et contrôle des contrats de gestion déléguée du service des déchets ménagers, il a été demandé, par la même circulaire, aux Walis des régions et Gouverneurs des préfectures et provinces du Royaume d'œuvrer à l'opérationnalisation des comités de suivi et à la mise en place de structures locales permanentes dédiées au suivi et contrôle de ce service.

Sur le Plan institutionnel

En vue d'appuyer les collectivités territoriales à mieux préparer et gérer les projets et contrats de déchets ménagers et assimilés à travers le territoire du Maroc, le Ministère de l'Energie des Mines de l'Eau et de l'Environnement avait signé, en décembre 2012, trois contrats avec des firmes d'ingénierie, et deux autres contrats sont en cours d'approbation pour permettre de couvrir tout le territoire national.

Cette action vise ainsi à fournir un appui technique et des services de conseil aux Collectivités Territoriales en vue d'assurer la bonne exécution et la supervision de la participation du secteur privé dans les projets. 52 provinces ont déjà bénéficié de cet appui.

De même, le Ministère de l'Intérieur a lancé un programme pluriannuel d'assistance technique des Collectivités Territoriales pour les appuyer à établir des groupements d'agglomérations et des groupements de communes pour la professionnalisation de la gestion des déchets ménagers et assimilés.

Par ailleurs, le Gouvernement s'engage, à travers le projet de Loi Organique sur l'Organisation des Collectivités Territoriales, à confirmer la compétence propre des communes pour la gestion intégrée des déchets ménagers et assimilés essentiellement pour le nettoyage des voies et places publiques, la collecte des déchets ménagers et assimilés et leur transport vers les décharges ainsi que leur traitement, valorisation et mise en décharge d'une part, et à introduire des entités institutionnelles intercommunales /régionales aptes à améliorer la planification, le développement et la gestion des services publics y compris les services des déchets ménagers et assimilés d'autre part.

Sur un autre plan, une nouvelle gestion administrative sera adoptée en vue de réduire toute interférence entre les fonctions politiques des communes et la gestion administrative des structures communales.

Parallèlement, le Ministère de l'Intérieur a lancé un Programme d'Appui aux Collectivités Territoriales (PACT) dont l'objectif est de mettre en place un programme durable donnant accès aux collectivités territoriales à des services d'appui décentralisés et à une aide à l'institutionnalisation de la coopération intercommunale. Ce programme est appuyé par un don du Fonds de transition pour sa mise en œuvre sur les 5 prochaines années.

Le PACT va contribuer par une assistance décentralisée aux communes pour les aider à établir des groupements pour la professionnalisation de la gestion des services publics, et notamment dans le secteur des déchets ménagers et assimilés. Dans ce cadre, il est prévu la création de centres de ressources et d'Assistance à la Maîtrise d'Ouvrage (AMO) déconcentrés qui serviront de pilotes, l'appui à la participation du secteur privé, et la fourniture de conseils et d'expertise pour aider les communes en vue de mettre en place des sociétés de patrimoine, proposer des mécanismes d'incitation pour la création de groupements de communes et proposer une assistance technique pour les opérationnaliser.

3. La mise à niveau du système de Contrôle et de suivi environnementaux

Dans ce cadre l'action du gouvernement a été orientée vers la mise en place des conditions nécessaires au fonctionnement efficient et efficace des organes de contrôle, suivi et sanction du non-respect des normes et standards environnementaux en vigueur.

Le Chef du Gouvernement avait émis la circulaire No. 27/2012 en novembre 2012 pour l'élaboration d'un système national d'information et de coordination en matière d'inspections, d'infractions et des sanctions sur l'Environnement.

Dans ce cadre, une commission interministérielle a été mise en place ayant pour mission l'élaboration d'un rapport annuel sur l'état des infractions environnementales constatées par le corps d'inspection des différents départements ministériels. Le premier rapport annuel est en cours de finalisation.

De même, le Ministère délégué chargé de l'Environnement, s'est engagé à travers la circulaire No. 66/2012 du 15 novembre 2012 à établir une unité spéciale d'inspecteurs assermentés de l'Environnement au niveau de ce Ministère.

D'ores et déjà, une cinquantaine d'inspecteurs assermentés sont affectés à la Police de l'environnement et contribuent régulièrement aux tâches de contrôle environnemental des décharges de déchets, y compris celles faisant l'objet de contrat de gestion déléguée par les communes. Cette police de l'environnement bénéficiera des données environnementales qui seront collectées et diffusées par les OREDD, et d'une meilleure coopération des citoyens.

Depuis la mise en œuvre de la précédente opération relative au PNDM soutenue par la Banque mondiale en 2013, la Loi 99-12 relative à la protection de l'environnement et développement durable entrée en vigueur en Mars 2014, a renforcé le système de contrôle par la création d'une police de l'environnement dont les modalités de mise en place et de fonctionnement sont définis par décret.

4. le Développement des filières de valorisation

Le PNDM a aussi reconnu la place du tri, du recyclage et de la valorisation comme un des piliers d'une gestion intégrée et durable des DMA et a fixé un objectif stratégique de valoriser 20% des déchets générés à l'horizon 2022.

En vue d'assurer des sources de financement pérennes pour le secteur et l'intégration des chiffonniers dans le secteur du recyclage, le gouvernement a introduit dans la loi de finances 2013 un instrument parafiscal "Taxe écologique sur la plasturgie" et a procédé aux arrangements applicables au Fonds National de la Protection et de la mise en valeur de l'Environnement (FNE) pour lui permettre de recevoir les produits de cette écotaxe.

Les Fonds provenant des écotaxes ont commencé à alimenter le Fonds National de l'Environnement à partir du 31 mars 2014, le montant collecté a atteint 41 MDH, il est prévu d'atteindre 160 MDH à la fin de l'année 2014. Ces montants serviront ainsi à financer le développement de la filière des déchets d'emballages plastiques ainsi que des projets de valorisation des déchets ménagers et assimilés.

Le principe d'une gouvernance partenariale a été retenu et se traduit par la création en date du 11 Novembre 2014 d'un Comité Stratégique d'Orientation regroupant des représentants du gouvernement, du secteur privé y compris les contributeurs à l'écotaxe et des associations non-gouvernementales.

Par ailleurs, le projet de décret de réorganisation du Ministère chargé de l'environnement adopté le 4 Décembre 2014, prévoit la création d'une Direction chargée notamment de la gestion des filières qui aura pour principales missions de planifier et développer les filières, d'assurer le monitoring des flux et des performances économiques, environnementales et sociales, et de définir et mettre en œuvre les mécanismes d'appui.

Par ailleurs, l'intégration sociale des chiffonniers affectés par la professionnalisation des services de collecte et la réalisation des décharges contrôlées qui ont réduit le gisement accessible aux chiffonniers est considérée comme une activité importante par le gouvernement. Ainsi, il a été retenu d'intégrer les chiffonniers dans l'économie du recyclage et d'améliorer les conditions économiques, sanitaires et environnementales de leurs activités. Le gouvernement entend poursuivre cet objectif par la généralisation des plateformes de tri à l'entrée des centres d'enfouissement technique et la mise en place de partenariats pour promouvoir le tri sélectif et la valorisation des déchets ménagers par l'intégration de l'activité de récupération dans le circuit formel de gestion des déchets. Le premier de ce type de partenariat a été conclu entre la ville de Casablanca et le Ministère chargé de l'Environnement par la signature le 20 juin 2014 d'une Convention à cette fin.

Il est à signaler également qu'au moins 20% des produits des écotaxes seront alloués au développement et à la mise en œuvre des projets de recyclage ciblant les chiffonniers, avec une attention spécifique sur la dimension genre.

Une circulaire du Ministère délégué chargé de l'Environnement portant sur les mécanismes d'allocation des revenus de l'écotaxe aux activités des filières de recyclage et de valorisation des déchets plastiques a été émise en date du 11 Novembre 2014.

Compte tenu de ce qui précède, Je vous réitère la volonté du gouvernement marocain de continuer à mettre en œuvre, approfondir les mesures de réforme et consolider les acquis dans le cadre du PNDM en matière de bonne gouvernance, d'amélioration de la fourniture de service aux populations, notamment les plus pauvres, et de protection de l'environnement.

En vous remerciant pour l'intérêt que la Banque Mondiale porte au développement de ce secteur au Maroc, je vous prie de croire, Monsieur le Président, à l'expression de ma considération distinguée.


Le Ministre Délégué Auprès du Chef du Gouvernement
Chargé des Affaires Générales et de la Gouvernance
Mohammed LOUAFA

Mr. Jim YONG KIM
President of the World Bank
1818 H Street N.W Washington

Re: Letter of Development Policy for the Municipal Solid Waste Sector in Morocco

Mr. President,

I hereby have the honor to reiterate the words of my letter dated December 31, 2012, in which I informed you of the reforms in the municipal solid waste sector in Morocco and of the innovative measures introduced by the Government for the implementation of the National Solid Waste Program (*Programme National des Déchets Ménagers* - PNDM).

The Program, which is spread over a period of 15 years (2008-2022), aims to support municipalities, which are responsible for the management of household waste in their territory, to upgrade the management of solid waste in order to ensure a better economic, environmental and social performance.

The PNDM is considered one of the national priorities of the Government's program (2012-2016), and is part of the National Strategy for Sustainable Development (*Stratégie Nationale de Développement Durable* - SNDD) currently being finalized.

The implementation of the PNDM was reinforced by the constitutional reform of July 2011 as part of Morocco's policy of decentralization and sustainable development.

The Program has received support from the World Bank for its implementation through two Development Policy Loans. The two DPLs (1 & 2) supported the first phase of the Program (2008-2012) to establish the main tenets of the reform by building a framework for the integrated management of municipal solid waste at the central and local levels.

Thus, tangible results have been achieved in the municipal solid waste sector at this stage, including:

- ✓ The improvement of sectoral planning and the coordination of reforms along with the monitoring, evaluation and disclosure of the status of implementation and results of the reform program, through the establishment of the National Commission of the National Solid Waste Program (CN-PNDM)
- ✓ The introduction of a financial support mechanism for local authorities in order to promote the integrated and modernized management of solid waste management and the adoption of a budget allocation for the Program in the budget (Loi des Finances) since 2008;
- ✓ The professionalization and improvement of waste collection and disposal services. The rate of "professionalized collection" is currently 80.5%, against 44% in 2007; 15 sanitary landfills have been constructed and 26 open dumpsites have been rehabilitated;
- ✓ Capacity building at the central and regional level;
- ✓ The establishment of a communications program and awareness campaign for the Program with an appropriate budget allocation.

As part of its second phase (2013-2017), the PNDM also received a third Development Policy Loan (DPL3). The Government is committed to take all the steps to deepen necessary reforms for the implementation and continuous improvement of the PNDM, and as such seeks the continued support of the World Bank this Program.

It should be noted that the implementation of the second phase of the Program are largely consistent with the basic principles of the constitutional reform of July 2011, which relate in particular to the protection of the environment and sustainable development, decentralization and advanced regionalization, good governance and the right to access to information. These areas constitute the main pillars to improve access to basic services in general and for solid waste management services in particular.

The priorities of this reform are to:

1. **Strengthen the governance of the solid waste management sector and in particular demand-side governance aspects**, to promote access to information, increase transparency and improve accountability of service providers to citizens;
2. **Improve the sustainability of solid waste management services** in order to improve the professionalization of solid waste services in line with the decentralization agenda, ensure financing in the medium-term to cover costs of the service, and to improve the attractiveness of the market by reducing the risks associated with the management of private sector contracts (*gestion déléguée*);
3. **Upgrade the environmental control and monitoring system** to reduce the social and environmental impacts of investments and operation of solid waste management services and put in place waste disposal practices that are environmentally acceptable and socially responsible in the municipalities supported by the PNDM;
4. **Develop the recycling value chain**, by ensuring sustainable sources of financing for the sector and the integration of waste pickers in the formal recycling sector.

Several actions have been taken by the Government to achieve the expected goals of the second phase of PNDM:

1. Improving the governance of municipal solid waste management sector

Important measures, related to supply and demand side governance of the solid waste sector, have been introduced.

During the second phase of the Program, the Government's efforts have been focused on various measures including:

- ✓ access to information and transparency in service delivery;
- ✓ monitoring and evaluation.

In terms of access to information and transparency in service delivery, the Framework Law 99-12 on Environment and Sustainable Development was adopted by the Parliament in January 2014 and published in the Official Gazette in March 2014. This law introduced the right of citizens to access to environmental information, including information relating to solid waste, institutional arrangements for environmental control, and the principle of "extended producer responsibility".

The Ministry in charge of Environment has adopted and is implementing a *communication strategy and action plan* of the Program. This communication plan includes measures to promote accountability mechanisms at the municipal level.

Also in this context, the Ministry of Interior issued, in May 2012, Circular No. 8029 requiring municipalities to publish excerpts of contracts signed between the municipalities and private service providers in the Official Gazette of Local Governments (Bulletin Officiel des Collectivités Territoriales - BOCT).

The publication of extracts from these contracts on the BOCT website serves as a benchmarking to municipalities and private operators and enhances transparency in the use of public funds.

Currently, 20% of management contracts of household waste services are published on the BOCT.

Regarding the transparent and participatory monitoring and evaluation component, 14 regional Observatories of the Environment and Sustainable Development (*Observatoires Régionaux de l'Environnement et de Développement Durable* - OREDD) have been established by agreement between the Regions and the Ministry in charge of Environment. This enhances the participatory approach and local monitoring of the performance of the solid waste management sector.

The Observatories are designed as a partnership between local and regional authorities, universities and civil society.

The OREDDs are currently preparing reports on the state of the environment for each region and will establish a geographical information system that will be publicly available on the Internet, allowing public access to information.

In terms of improving the accountability of service providers to citizens, the National Commission of the National Solid Waste Program (PNDM) approved in October 2012 the introduction of a citizen's assessment tool on access and quality of municipal solid waste management (citizens report card), as a key component of the PNDM support to local authorities to improve the demand side governance aspects of the service. This approach constitutes a new and innovative approach to the municipal solid waste management sector in Morocco.

A pilot citizens' report card was conducted at the Municipality of Témara, and four others are in progress for the cities of Tangier, Agadir, Rabat and Mohammedia. The population covered by these report cards will be more than three million people.

2. Improving the financial and institutional sustainability of solid waste management services

The Government has placed sustainability of the solid waste management sector as an essential objective of the reform policy. This applies both to financial and institutional sustainability aspects, which are closely linked to the Government's policy with regards to decentralization, strengthening local authorities and promoting better local governance.

Financial Sustainability

With a view to mobilize new sources of local revenues and contribute to the long-term sustainability of the solid waste management reforms, the Ministry of Interior issued in December 2012 Circular No. 8029 on the implementation of a fee for large waste producers, in accordance with Article 23 of Law 28-00 on *Solid Waste Management* in Morocco.

Thus, the tax on municipal services, levied for public services under the responsibility of the municipalities including the collection and disposal of solid waste has increased from about 2.1 billion dirhams (DH) in 2008 to 3.2 billion DH in 2013, an increase of over 52%.

Although the Program does not face any short or medium term financing issues, sustainability is a challenge in the longer term.

For this reason amongst the actions undertaken, the Government has initiated a national initiative for the provision of technical support and advisory services to local authorities to help them improve the mobilization of their local tax potential, launched by the Treasurer General of the Kingdom through partnerships. This initiative is targeting the establishment of partnerships with 14 municipalities representing 80% of municipal tax revenues for which concrete action plans will be put in place for each municipality and will be regularly evaluated.

The Ministry of Interior had issued Circular No. 17887 on December 11, 2012 concerning the preparation of the budgets of local authorities and addressing the issue of arrears owed by local authorities to private providers of solid waste management services, including specific instructions and explanations to ensure an accurate estimation of the costs of the service, the inclusion of amounts related to the revision of prices and budgeting rescheduling agreements, in order to strengthen the attractiveness of the market for the supply of solid waste management services by reducing risks related to the management of the contracts.

To this end, arrears fell sharply in 2013 and were reduced from 82.5% of the private sector providers' revenues in 2010 to 51.2% in 2013.

The Ministry of Interior also issued a Circular dated October 28, 2014 to all prefectures and provinces defining conciliation and mediation mechanisms for disputes between private sector providers and municipalities and providing for the inclusion of this mechanism in all private sector contracts for solid waste management services.

Furthermore, in order to strengthen the mechanisms for monitoring and control of private sector management contracts in the solid waste management services, it was asked, in the same Circular, that the Walis of the regions and the Governors of the prefectures and provinces of the Kingdom work towards the operationalization of monitoring committees and the establishment of permanent local structures dedicated to monitoring and control of this service.

Institutional sustainability

To support local authorities to better prepare and manage solid waste management projects and contracts throughout Morocco, the Ministry of Energy, Mines, Water and Environment signed in December 2012, three contracts with engineering firms and two other contracts are being approved in order to cover the entire country.

This action aims to provide technical support and consulting services to local authorities to ensure the proper implementation and supervision of private sector involvement in projects. 52 provinces have already benefited from this support.

Similarly, the Ministry of the Interior launched a multi-year program of technical assistance of local authorities to support them in establishing inter-municipal/regional institutions for the professional management of solid waste.

In addition, the Government is committed, through the draft Organic Law on the organization of local authorities, to confirm the inherent jurisdiction of municipalities for the integrated management of

solid waste including the cleaning of roads and public places, the collection and transport of household waste to landfills as well as recycling and disposal, and the introduction of inter-municipal/regional institutions able to improve the planning, development and management of public services, including solid waste management.

Also, a new administrative process will be adopted to reduce interference between the political functions of municipalities and administrative management of municipal structures.

In parallel, the Ministry of Interior has adopted a multi-year assistance program to support local governments (Programme d'Appui aux Collectivités Territoriales - PACT), which aims to establish a sustainable program giving access to local authorities to decentralized support services and assistance for the institutionalization of inter-municipal cooperation. This program is supported by a grant from Transition Fund over the next 5 years.

The PACT will contribute, through decentralized assistance to municipalities, to help establish inter-municipal groups to professionalize the management of public services, particularly in the area of solid waste management. As part of this initiative, plans include support for the creation of pilot decentralized technical resource centers, private sector participation, the creation of public asset companies to implement urban infrastructure projects, an incentive mechanism for the creation of inter-municipal entities and technical assistance to operationalize them.

3. Upgrading the environmental monitoring and control system

In this area, the Government's action has been directed towards the establishment of the necessary conditions for the efficient and effective functioning of the supervisory bodies, monitoring and sanction for non-compliance of the environmental standards.

The Head of Government issued a Circular (No. 27/2012) in November 2012 for the development of a national system of information and coordination on inspections, violations and penalties relating to the Environment.

In this context, an inter-ministerial committee has been set up with a mission to establish an annual report on the state of environmental violations found by the inspection body of various departments. The first annual report is being finalized.

Similarly, the Ministry in charge of Environment committed, through Circular No. 66/2012 of November 15, 2012 to establish a special unit of certified inspectors within the Ministry.

Already, fifty certified inspectors are assigned to the Environmental Police and contribute regularly to environmental control tasks for the landfills (including those contracted to the private sector). The Environmental Police will benefit from the environmental data that will be collected and disseminated by the OREDD, and a better cooperation of citizens.

Since the implementation of the previous operation on the PNDM supported by the World Bank in 2013, the Law 99-12 on the *Protection of the Environment and Sustainable Development*, which came into effect in March 2014, strengthened the control system through the creation of an Environmental Police for which establishment and functioning modalities are defined by decree.

4. The development of recycling value chains

The PNDM has also recognized the importance of sorting, recycling and recovery as a pillar of an integrated and sustainable management of solid waste and set a strategic goal to recycle 20% of the solid waste generated by 2022.

In order to ensure sustainable sources of financing for the sector and the integration of informal waste pickers in the formal recycling sector, the Government introduced in the 2013 Budget, a para-fiscal instrument 'Eco-tax on Plastics' and proceeded on the arrangements applicable to the National Fund for Protection and Enhancement of the Environment (*Fonds National de la Protection et de la mise en valeur de l'Environnement* - FNE) to enable it to receive the products of this eco-tax.

Funds from the eco-tax have began to fuel the FNE. In March 31, 2014, the amount collected was 41 million dirhams, it is expected to reach 160 million dirhams at the end of 2014. These resources will be used to fund the development of recycling of plastic packaging waste as well as recycling projects of municipal solid waste.

The principle of participatory governance has been chosen and results in the creation, dated 11 November 2014, of a Strategic Steering Committee comprising representatives of the Government, the private sector including contributors to environmental tax and non-governmental organizations.

In addition, the draft decree reorganizing the Ministry in charge of Environment adopted on December 4, 2014, provides for the creation of a dedicated Directorate responsible for recycling whose main tasks include the planning and development of recycling value chains, monitor flows and economic, environmental and social performance, and define and implement support mechanisms.

Furthermore, the Government considers the social integration of informal waste pickers affected by the professionalization of collection services and the creation of sanitary landfills, which reduce the availability of waste available to them, an important activity. Thus, it was decided to incorporate the informal waste pickers in the recycling economy and improve the economic, health and environmental conditions of their activities. The Government intends to pursue this objective by scaling the use of sorting platforms at the entrance of sanitary landfills and the establishment of partnerships to promote sorting and recycling of household waste by integrating sorting in the formal waste management system. The first of this type of partnership was signed between the City of Casablanca and the Ministry in charge of Environment in June 20, 2014 through a partnership for this purpose.

It is also noted that at least 20% of the products of the eco-tax will be allocated to the development and implementation of recycling projects targeting informal waste pickers, with specific attention to the gender dimension.

A Circular from the Ministry in charge of Environment on the revenue allocation mechanisms of the eco-tax for recycling activities of plastic waste was issued on November 11, 2014.

Given the above, I reiterate the will of the Government of Morocco to continue to implement, deepen reforms and consolidate the gains of the PNDM on good governance, improving service delivery to people including for the poorest, and environmental protection.

Thank you for the interest that the World Bank has expressed to the development of this sector in Morocco. Please accept, Sir, the assurance of my highest consideration.

Mohamed Louafa

Minister Delegated by the Head of the Government
For Governance and General Affairs

ANNEX 2 – POLICY AND RESULTS MATRIX OF SECOND PROGRAMMATIC SERIES (DPL 3 AND 4)

Prior Actions (DPL 3)	Prior Actions (DPL4)	Results
Policy Area A: Governance of the Municipal Solid Waste sector		
<p>The Cabinet Council (<i>Conseil de Gouvernement</i>) has approved on December 14, 2012, the draft of a law (<i>loi-cadre</i>) on environment and sustainable development, introducing: (i) the right of any person to access environmental information; (ii) the institutional arrangements for environmental control; and (iii) the principle of extended producer responsibility.</p> <p>The National Commission for the National Municipal Solid Waste Management Program has approved on October 23, 2012, the introduction of a citizen feedback tool on quality and adequacy of municipal solid waste services (“Citizens Report Cards”), as a key component of the National Municipal Solid Waste Management Program to support local governments in building demand-side governance in the municipal solid waste service delivery.</p> <p>The Minister of Interior has issued Circular No. 8029 dated May 23, 2012, requiring municipalities to disclose extracts of municipal solid waste service contracts in the Official Gazette for Local Governments (<i>Bulletin Officiel des Collectivités Territoriales</i>).</p>	<ol style="list-style-type: none"> 1. Fourteen (14) Regional Observatories for Environment and Sustainable Development have been established in 2011-2014 to monitor environmental indicators, including those related to solid waste management. 2. The National Commission for the National Municipal Solid Waste Management Program (NMSWMP) has adopted on October 29, 2014, the use of the citizen feedback tool on quality and adequacy of municipal waste services (“Citizens Report Cards”) as an eligibility criterion for NMSWMP financial support. 	<p>Public and private MSW service providers are more accountable to informed citizens</p> <p><u>Indicator:</u> Number of municipalities implementing Citizens Report Cards on MSW services Baseline (2012): 0 Target (2015): 5 Source: Citizens Report Card documents</p> <p>Transparent use of public money in private MSW delivery</p> <p><u>Indicator:</u> Percentage of contracts signed (after the issuance of Circular No. 8029) with an extract disclosed on BOCT web platform Baseline (2012): 0 % Target (2015) : 100% Source: BOCT (LG official Gazette)</p>

Policy Area B: Institutional and Financial Sustainability of Municipal Solid Waste Management Service

<p>The Minister of Energy, Mines, Water and Environment has signed on December 10, 2012, three contracts with engineering firms in order to assist local governments better prepare and manage municipal solid waste projects and contracts throughout the territory of the Borrower.</p>	<p>3. The Ministry of Interior has adopted a multi-year assistance program to support local governments and to create inter-municipal/regional institutions for local public services including municipal solid waste services, and secured on December 2, 2013, the financing for the implementation of such program.</p>	<p>Improved operational and environmental performance of the PNDM</p> <p><u>Indicator:</u> Percentage of MSW collected professionally and disposed of in sanitary landfills Baseline (2012): 32% Target (2015) : 55% Source: PNDM bi-annual Progress Report</p> <p><u>Indicator:</u> Number of inter-municipal/regional institutions (“Groupements d’Agglomération et groupements de communes”) established Baseline (2012): 7 Target (2015): 15 Source: DGCL</p>
<p>The Minister of Interior has issued Circular No. D13015 dated December 17, 2012, establishing a municipal solid waste fee that could be charged by municipalities to large waste producers, in compliance with the provisions of Article 23 of Law No. 28-00 dated November 22, 2006, on solid waste management.</p> <p>Appropriate funding has been made available to the National Solid Waste Management Program for 2012, and the Borrower’s draft budget law for 2013 includes appropriate budget allocation in support to the National Municipal Solid Waste Management Program.</p>	<p>4. The Chief Treasurer (<i>Trésorier Général</i>) has issued Decision No. 0188 dated July 16, 2014, regarding the General Treasury’s (<i>Trésorerie Générale</i>) advisory services to local governments to improve the management of their revenues.</p>	<p>Local Governments financial capacity improved to sustain MSW services</p> <p><u>Indicator:</u> Percentage increase in aggregated municipal revenues compared to 2012 Baseline (2012): 0 Target (2015)’ +20% Source : TGR</p>
<p>The Minister of Interior has issued Circular No. 5533 dated October 5, 2012, regarding local governments’ budget preparation, and Circular No. 17887 dated December 11, 2012, addressing the issue of arrears due by local governments under municipal solid waste service contracts, including specific instructions and guidance: (i) in order to ensure fair estimate of service costs; (ii) on price revision; and (iii) on budget arrangements regarding arrears rescheduling agreements.</p>	<p>5. The Minister of Interior has issued Circular No. 17495 dated October 28, 2014, which defines the modalities for a third party conciliation mechanism for disputes, and requires the inclusion of such mechanism in all delegated management contracts between municipalities and private operators for municipal solid waste services.</p>	<p>Better enabling environment for PSP in the sector</p> <p><u>Indicator:</u> Decrease in the percentage of total volume of arrears³⁸ (as declared by private operators and verified by DEA) compared to the original annual total amount of MSW contracts Baseline (2012): 70% Target (2015): 30% Source: DGCL</p>

³⁸ Defined as a payment delayed from the date of payment specified in the contract.

Policy Area C: Environmental Monitoring and Control

<p>The Head of Government (<i>Chef du Gouvernement</i>) has issued Circular No. 27/2012 dated November 30, 2012, establishing a national information and coordination system on environmental inspections, infractions and sanctions.</p> <p>The Minister of Energy, Mines, Water and Environment has issued Circular No. 66/2012 dated November 15, 2012, establishing within the Ministry a special unit of sworn-in environmental inspectors.</p>	<p>6. The Cabinet Council (<i>Conseil de Gouvernement</i>) has adopted on January 8, 2015 a draft decree establishing an environmental control body (<i>Police de l'Environnement</i>) in accordance with the provisions of Law (<i>loi-cadre</i>) No. 99-12 on environment and sustainable development as promulgated on March 6, 2014.</p>	<p>All solid waste sanitary landfills are monitored and inspected on a regular basis</p> <p><u>Indicator:</u> Percentage of MSW sanitary landfills regularly inspected Baseline (2012): 8 % Target (2015) :100 % Source : MOE</p>
--	--	---

Policy Area D: Development of recycling value chains

<p>The Cabinet Council (<i>Conseil de Gouvernement</i>) has approved on October 15, 2012, the Borrower's draft budget law for 2013, which, <i>inter alia</i>, (i) introduces an eco-tax on plastic packaging, and (ii) amends the arrangements applicable to the National Fund for Environment (<i>Fonds National pour la Protection et la Mise en Valeur de l'Environnement</i>) to have such Fund receiving the revenues of the eco-tax.</p>	<p>7. The Cabinet Council (<i>Conseil de Gouvernement</i>) has adopted on December 4, 2014 a draft decree concerning the reorganization of the Ministry in charge of Environment, under the Minister of Energy, Mines, Water and Environment (<i>Ministère délégué auprès du Ministre de l'Energie, des Mines, de l'Eau et de l'Environnement, Chargé de l'Environnement</i>), including the creation of a unit in charge of developing the recycling value chains, and the Minister in charge of Environment, under the Minister of Energy, Mines, Water and Environment, has issued Circular No. 209 dated November 11, 2014, establishing a strategic committee for recycling value chains with the participation of key actors (local governments, eco-tax payers, recycling industry, civil society organizations).</p> <p>8. The Minister in charge of Environment, under the Minister of Energy, Mines, Water and Environment, has issued Circular No. 208 dated November 11, 2014, (i) setting forth the modalities for the allocation of eco-tax revenues; and (ii) providing that at least 20 percent of eco-tax revenues shall be allocated to support recycling activities targeting waste-pickers with specific focus on the gender dimension until the completion of the National Municipal Solid Waste Program.</p>	<p>Financial resources available to promote recycling activities</p> <p><u>Indicator:</u> Total amount of eco-taxes collected and allocated to the National Environmental Fund Baseline (2012): 0 Target (2015) : MAD 230 million Source: FNE</p> <p><u>Indicator:</u> Number of recycling projects supported through eco-tax revenues Baseline (2012): 0 Target (2015) : 10 Source: FNE</p> <p>Improved social and environmental performance of the sector</p> <p><u>Indicator:</u> Number of income generating opportunities in the recycling sector for waste pickers (disaggregated by gender) Baseline (2012): 150 (of which 20 women)</p> <p>Target (2015): 500 Sources: PNDM Bi-annual Progress Report</p>
--	--	---



Morocco – IMF Staff Conduct 2014 Article IV Consultations, First Review of the Precautionary and Liquidity Line

Press Release No. 14/524
November 17, 2014

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

An International Monetary Fund (IMF) staff team led by Jean-François Dauphin visited Morocco during November 5-17, 2014 to conduct discussions with the Moroccan authorities on the 2014 Article IV consultation, as well as on the first review of economic performance under the Precautionary and Liquidity Line (PLL) arrangement approved in July 2014. The discussions focused on policies to consolidate recent gains in macroeconomic stabilization, and build the foundation for stronger and more inclusive growth.

At the conclusion of the visit, Mr. Dauphin issued the following statement:

“Sound economic fundamentals and strong policy implementation have helped stabilize the economy, in spite of the headwinds it has faced. After a bumper crop in 2013, agriculture output has come down and is expected to bring down GDP growth in 2014 to around 3 percent, despite a recent pick-up of non-agricultural activity. Inflation remains low. The external current account deficit is narrowing and should reach about 6 percent of GDP. International reserves have also improved. This performance reflects in part the rise in exports from newly developed industries as well as lower capital good and energy imports, the latter mainly because of the recent fall in oil prices. The fiscal deficit has been contracting since its 2012 peak owing in particular to measures taken by the government. Public debt has increased but remains sustainable. Progress was made over the last decade in reducing poverty, but more needs to be done to increase employment, reduce inequalities, and improve education and access to basic infrastructure. In this context, it is important that the authorities continue the reforms undertaken to stabilize the economy, strengthen competitiveness, and build the foundation for stronger and more inclusive growth.

“Growth is expected close to 4½ percent in 2015, as non-agricultural sectors continue to improve and the agriculture sector returns to a normal trend. However, the Moroccan

economy still faces important downside external risks, including in relation with growth in Europe.

“The pace of strengthening public finances, notably as reflected in the 2015 draft budget that targets a deficit of 4.3 percent of GDP, is appropriate. Fiscal reforms that help sustain these efforts, reduce fiscal vulnerabilities, and create space for investment in infrastructure, health, education, and social protection are crucial to fostering higher and more inclusive growth. In that respect, the significant progress achieved in reforming the subsidy system is commendable. The reform of the pension system is urgent to maintain its viability. The adoption of a new organic budget law is also expected to strengthen and modernize the fiscal framework.

“Regarding the external sector, the continued improvement of the current account, external reserves and the resilience of the economy to external shocks, is welcome. This improvement owes in part to the emergence of new export industries, which has mitigated the impact of shocks to traditional exports. Stepped up efforts to improve the business environment, transparency, competition and governance are important to support competitiveness and potential growth. Greater flexibility in the exchange rate regime, in coordination with other macroeconomic and structural policies, would also help support competitiveness and enhance the economy’s capacity to absorb shocks.

“The financial sector remains sound overall. We support the efforts of Bank Al-Maghrib to strengthen supervision, including of Moroccan banks’ cross-border activities in light of the rapid expansion of some banks in sub-Saharan Africa. The adoption of new banking and central bank laws is expected to help strengthen the financial sector. The authorities’ efforts to improve financial inclusion and access to credit are also welcome.

“The mission would like to thank the Moroccan authorities and all those with whom it had the opportunity to meet, including representatives of the private sector and civil society, for their excellent cooperation and productive discussions.”

Background information:

The IMF Executive Board approved a 24-month arrangement under the [Precautionary and Liquidity Line](#) in an amount equivalent to about US\$5 billion (550 percent of Morocco’s quota) in July 2014 ([See Press Release No. 14/368](#)).

IMF COMMUNICATIONS DEPARTMENT

Public Affairs

E-mail: publicaffairs@imf.org

Fax: 202-623-6220

Media Relations

E-mail: media@imf.org

Phone: 202-623-7100