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Report No. 101010-MA

PROGRAM APPRAISAL DOCUMENT  
ON A  
PROPOSED LOAN  
IN THE AMOUNT OF US\$200 MILLION  
TO THE  
KINGDOM OF MOROCCO  
FOR AN  
PROGRAM-FOR-RESULTS URBAN TRANSPORT PROGRAM

November 16, 2015

*TRANSPORT AND ICT GLOBAL PRACTICE  
MIDDLE EAST AND NORTH AFRICA REGION*

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## CURRENCY EQUIVALENTS

(Exchange Rates Effective October 31th, 2015)

Currency Unit	=	Moroccan Dirhams (MAD)
MAD 1	=	US\$ 0.1016
US\$ 1	=	MAD 9.8397
EUR 1	=	US\$ 1.1004

## FISCAL YEAR

January 1 - December 31

## ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency/ <i>Agence française de Développement</i>
AfDB	African Development Bank
ATC	Area Traffic Control
BRT	Bus Rapid Transit
CAS	Special Purpose Account/ <i>Compte d'Affectation spéciale</i>
CAS-TVA	Value-Added Tax Account/ <i>Compte d'Affectation spéciale - Part des Collectivités locales dans la Taxe sur la Valeur ajoutée</i>
CDC	Court of Accounts/ <i>Cour des Comptes</i>
CMP	Commission on Public Procurement/ <i>Commission des Marchés publics</i>
CNCP	National Commission of Public Procurement/ <i>Commission nationale de la Commande publique</i>
CNDU	National Commission for Urban Transport/ <i>Conseil national des Déplacements urbains</i>
CPS	Country Partnership Strategy
DB	Directorate of Budget/ <i>Direction du Budget</i>
DDUT	Division for Urban Mobility and Transport/ <i>Division des Déplacements urbains et des Transports</i>
DFCAT	Directorate of Training/ <i>Direction de la Formation des Cadres administratifs et techniques</i>
DFL	Directorate of Local Finances/ <i>Direction des Finances locales</i>
DGCL	General Directorate of Local Governments/ <i>Direction générale des Collectivités locales</i>
DLI	Disbursement Linked Indicators
DPE	Directorate of Planning and Equipment/ <i>Direction de la Planification et de l'Équipement</i>
DPL	Development Policy Loan
DRSC	Directorate of Public Utilities and Concessions/ <i>Direction des Régies et des Services concédés</i>
ECI	Inter-municipal Cooperation Entities/ <i>Établissements de coopération intercommunale</i>
ERR	Economic Rate of Return
ESMS	Environment and Social Management Systems
ESSA	Environmental and Social System Assessment

GDP	Gross Domestic Product
GIZ	German Development Agency/ <i>Gesellschaft für Internationale Zusammenarbeit</i>
GoM	Government of Morocco
GRM	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
HCP	Government Statistical Agency/ <i>Haut-Commissariat au Plan</i>
ICR	Implementation Completion Report
IGAT	General Inspectorate of Territorial Administration/ <i>Inspection générale de l'Administration territoriale</i>
IPF	Investment Project Financing
IGF	General Inspectorate of Finance/ <i>Inspection générale des Finances</i>
INPPLC	National Authority for Integrity, Prevention and Fight against Corruption/ <i>Instance nationale de la Probité, de la Prévention et de la Lutte contre la Corruption</i>
ISC	Intersection Signal Control
ITS	Intelligent Transport Systems
LG	Local Government
M&E	Monitoring and Evaluation
MEF	Ministry of Economy and Finance/ <i>Ministère de l'Économie et des Finances</i>
MoI	Ministry of Interior
MU	Ministry of Urban Planning/ <i>Ministère de l'Urbanisme</i>
OP	Operational Policy
OPRC	Operations Procurement Review Committee
PAP	Program Action Plan
PCD	Municipal Development Plans / <i>Plan communal de Développement</i>
PDO	Program Development Objective
PDU	Urban Mobility Master Plan/ <i>Plan de Déplacements urbains</i>
PforR	Program-for-Results
PLM	People with Limited Mobility
SDAU	Urban Planning Master Plan/ <i>Schéma directeur d'Aménagement urbain</i>
SDL	Local joint ownership company/ <i>Société de Développement local</i>
SG	Secretariat General/ <i>Secrétariat général</i>
SGG	Secretariat General of the Government/ <i>Secrétariat général du Gouvernement</i>
SP	Municipally-owned enterprise/ <i>Société de Patrimoine</i>

Regional Vice President:	Hafez Ghanem
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Global Practice Senior Director:	Pierre Guislain
Practice Director:	Jose Luis Irigoyen
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**KINGDOM OF MOROCCO**  
**Program-for-Results Urban Transport Program**  
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**PAD DATA SHEET**

*Kingdom of Morocco*

*Program-for-Results Urban Transport Program*

**PROGRAM APPRAISAL DOCUMENT**

*Transport and ICT Global Practice  
GTIDR*

**Basic Information**

Date:	November 16, 2015	GP:	Transport
Country Director:	Marie Francoise Marie-Nelly	Themes:	City-wide Infrastructure and Service Delivery (40%), Municipal Finance (30%), Municipal Governance and Institution Building (30%).
Practice Manager/Senior Director:	Nicolas Peltier-Thiberge/ Pierre Guislain		
Program ID:	P149653		
Team Leader(s):	Vickram Cuttaree		

Program Implementation Period: 4.5years  
Start Date: 12/09/2015  
End Date: 12/31/2019

Expected Financing Effectiveness Date:  
12/30/2015

Expected Financing Closing Date:  
06/30/2020

**Program Financing Data (US\$M)**

<input checked="" type="checkbox"/> Loan	<input type="checkbox"/> Grant	<input type="checkbox"/> Other
<input type="checkbox"/> Credit		

**For Loans/Credits/Others (US\$M):**

Total Program Cost	350	Total Bank Financing :	200
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Total Cofinancing :	Financing Gap :
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Financing Source	Amount (US\$M)
BORROWER	150
IBRD	200
Total	350

Borrower: The Kingdom of Morocco

Responsible Agency: The Ministry of Interior's General Directorate of Local Governments (DGCL)

Contact: M. Abdellatif Bencherifa

Title: Wali - General Director,  
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### Expected Disbursements (in US\$ Million)

Fiscal Year	2016	2017	2018	2019	2020				
Annual	38.34	68.33	55.83	37.5	0				
Cumulative	38.34	106.67	162.5	200	200				

### Program Development Objective(s)

The Program Development Objective (PDO) is to strengthen the capacity of urban transport institutions to plan, implement and monitor infrastructure and services, and to improve the level of service of urban transport in targeted corridors in the Program Area<sup>1</sup>.

### Compliance

#### Policy

Does the program depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ ]
Does the program meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]

**Overall Risk Rating:** Substantial

### Legal Conditions and Covenants

Name	Recurrent	Due Date	Frequency
Verification Protocol Legal Agreement Reference Section III.C of Schedule 2	Yes	Continuous	At least annual
<b>Description of Covenant</b>			
The Borrower shall carry out verification missions at least annually, in accordance with terms of reference satisfactory to the Bank, through the General Inspectorate of Territorial Administration (IGAT) or independent verification agencies the Bank has confirmed in writing to be acceptable, for the verification of achievement of DLR 1 through DLR7 which are set forth in the table of Section IV.A.2 of the Legal Agreement's schedule, and furnish to the Bank no later than sixty (60) calendar days after the verification of compliance of said DLRs, a report on the results of said verification of compliance process of such scope and in such detail as the Bank shall reasonably request.			
Program Action Plan Legal Agreement Reference Section I.C.3 of Schedule 2	Yes	Continuous	Continuous
<b>Description of Covenant</b>			

<sup>1</sup> The Program Area is constituted of the following regions: Béni Mellal-Khénifra, Casablanca-Settat, Drâa-Tafilalet, Fès-Meknès, Marrakech-Safi, Oriental, Rabat-Salé-Kénitra, Souss-Massa and Tanger-Tétouan-Al Hoceïma.



The Borrower shall carry out the Action Plan or cause the Action Plan to be carried out in accordance with the schedule set out in the said Action Plan in a manner satisfactory to the Bank.

### Team Composition

<b>Bank Staff</b>				
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>	<b>UPI</b>
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John Butler	Lead Social Development Specialist	Social Safeguards	GSURR	
Rama Krishnan Venkateswaran	Lead Financial Management Specialist	Financial Management	GGODR	
Nathalie S. Munzberg	Senior Counsel	Legal	LEGEN	
Thierry Desclos	Senior Urban Transport Specialist	Transport Policy	GTIDR	
Vincent Vesin	Senior Transport Specialist	Transport	GTIDR	
Khalid El Massnaoui	Senior Economist	Country Risks	GMFDR	
Taufiq Bennouna	Senior Natural Resources Management Specialist	Environmental Safeguards	GENDR	
Abdoulaye Keita	Senior Procurement Specialist	Procurement	GGODR	
Franck Bessette	Senior Financial Management Specialist	Financial Management	GGODR	
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<b>Name</b>	<b>Title</b>	<b>Office Phone</b>	<b>City</b>	
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Bernard Simon	Consultant, Urban Transport Governance		Lyon, France

## I. STRATEGIC CONTEXT

### A. Country Context

1. ***Morocco has been on a steady economic development path in the past decades while still facing social challenges.*** Growth in GDP per capita recently averaged 4.5 percent over the 2004-2014 period compared to 4 percent over the 1994-2003 period, as GDP per capita increased from US\$ 1,995 in 2004 to reach US\$ 3,250 in 2014. Morocco has proved relatively resilient in the face of the recent global economic slowdown. However, despite these economic gains that contributed to a steep decline in the overall unemployment rate (from 15.8 percent in 1990 to 9.6 percent in 2014), the lack of job opportunities remains a serious social issue for citizens, especially the youth. As less than half of the Moroccan population is economically active, broadening access to opportunities for citizens is an important challenge.

2. ***Morocco is currently in a relatively advanced stage of its urban transition due to rural exodus and the rapid growth of urban population in the last decades.*** Twenty million inhabitants currently reside in cities, representing 60 percent of the population of the country as opposed to 5 million in 1970 (35 percent of the total population). By 2050, it is anticipated that 70 percent of the population will live in urban areas, which will represent an addition in urban population of ten million. The rural population will mostly stay flat in the same period<sup>2</sup>. Approximately one third of the urban population, representing close to 6 million, is located in agglomerations of more than one million inhabitants. Most of the continuing urban development in Morocco occurs at the cities' peripheries at relatively low densities, away from high density areas concentrated in the urban centers.

3. ***Urban areas increasingly contribute to Morocco's economy while entrenched urban poverty, vulnerability and inequality remains.*** The country's urban sector is the most important contributor to the national economy as cities represent around 75 percent of Morocco's GDP. Despite worthwhile initiatives such as the National Initiative for Human Development (INDH), close to a million inhabitants (5.3 percent of the urban population) in Moroccan cities still live below the relative poverty threshold, surviving on less than US\$ 1.3 of expenditures per day. An additional 13.6 percent of the urban population (more than 2.3 million citizens) is considered economically vulnerable with daily expenditures ranging from US\$ 1.3 to 1.9 per person<sup>3</sup>.

4. ***Demand for urban mobility in Morocco's main primary and secondary cities has sharply increased in the last decades.*** Several factors that are anticipated to persist through the next decades explain this situation. The country's cities have spread rapidly due to the sustained urbanization and the population's demand for lower density residential areas. Morocco's recent economic progress has resulted in more fast-paced activities and the development of many business activities outside the city centers. Significant societal shifts, such as the greater presence of women in the labor market and the greater autonomy of younger households, have also contributed to increased mobility needs. These changes have resulted in a considerable growth of trips: most cities have at least doubled the total number of trips taken in the last 30 years. A

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<sup>2</sup> Projections from the Government Statistical Agency (*Haut-Commissariat au Plan* - HCP).

<sup>3</sup> Data from the HCP. This population has, by definition, a higher probability than average of falling into poverty when exposed to negative personal events.

significant lengthening of commutes has also been noted. This has put substantial pressure on the urban transport systems of Morocco's large agglomerations.

**5. *The adoption in 2011 of a new Constitution underscored the strong demand from citizens for improved public services, especially in urban areas, which are yet to be fully satisfied.*** The social contract renewed through this evolution included the adoption of an inclusive program enabling the strengthening of the governance framework in order to foster progressive political, institutional, and social reforms. The Constitution explicitly recognized social rights of citizens and provided a framework for improved local governance of public affairs through increased decentralization. The achievement of promised reforms by the central government and cities<sup>4</sup> has definitely been slower than expected for several reasons, among which is the relatively unfavorable external economic environment affecting the country and limited capacity to manage the increasing demand for public services, particularly at the local level. Faster progress is still needed, notably in the area of quality of public services delivered.

## ***B. Sectoral and Institutional Context***

### ***B.1 Institutional framework of the urban transport sector***

**6. *Cities are in charge of public urban transport with support and oversight from the central government.*** The Municipal Charter (*Charte communale*) of 1960 transferred the provision of public urban transport services, including the maintenance of its infrastructure and equipment, to the cities. In most cities, public urban transport services are provided by private operators under concession or delegated services contracts. The Ministry of Interior (MoI), through the General Directorate of Local Governments (*Direction générale des Collectivités locales* - DGCL), is the line ministry of the sector. It is responsible for providing support and oversight to the activities of the cities in urban transport in addition to the design, implementation and monitoring of specific central level measures to promote the sector. The Ministry of Economy and Finance (*Ministère de l'Économie et des Finances* - MEF), especially its Directorate of Budget (*Direction du Budget* - DB), is in charge of the allocation of financial resources through the General Budget for the implementation of the sector's policies and initiatives. The Ministry of Urban Planning (*Ministère de l'Urbanisme et de l'Aménagement du Territoire* - MU) oversees the regulation of land use in urban areas that strongly influences urban development and urban transport. The Ministry of Equipment, Transport and Logistics (*Ministère de l'Équipement, du Transport et de la Logistique*) can provide technical support on the implementation of urban transport projects if required.

### ***B.2 Issues of the urban transport sector***

**7. *Users of public urban transport are suffering from inadequate speed and reliability in large agglomerations.*** The commercial speed of public urban transport as reported by operators is particularly low and unpredictable in large agglomerations. It may go down to around 5 kilometers per hour on average in the country's densest urban areas during peak hours. This situation is mostly due to frequent unnecessary stops, interaction with cars, inefficient boarding

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<sup>4</sup> Also referred to as Municipalities or *Communes*.

and alighting, and congestion. It results in a loss of citizens' time, productivity, and quality of life. It also has important financial consequences for the private sector, as urban transport operators consider that it increases their operating costs by at least 10 percent. In addition, it deprives public urban transport of reliability, renders bus schedules useless and contributes even further to its unattractiveness to citizens who may prefer to walk, even several kilometers, for time-sensitive trips.

**8. *The social sustainability of the sector remains inadequate, notably for the poor and women.*** The poor often cannot use public transport services. Public transport coverage of poor neighborhoods is frequently insufficient because of their location in peripheral urban areas and the poor quality of roads. Despite relatively low fares compared to other middle-income countries, the poor are often priced out of urban transport due to the necessity to combine different modes. Spending on urban transport can represent as much as 20 percent of the poorest households' incomes in Morocco. Walking remains the primary mode of transport of the poor, although the urban environment is largely unfavorable to pedestrians and the length of trips tends to increase. This situation hinders their access to jobs, education, and health services, which perpetuates the current deficit of social integration. Gender issues in public urban transport are also particularly relevant in Morocco as women are more reliant on public urban transport. Despite significant progress achieved in some areas, notably in the light rail systems of Rabat and Casablanca, a majority of women in major cities considers that the state of public transport, particularly in terms of safety, obstructs their access to basic social services, limits their labor force participation, and potentially reduces their income<sup>5</sup>.

**9. *There is a strong need for improved integration and accessibility for users of public urban transport.*** Most users have to inefficiently combine different tickets, passes, and fares for the same journey because of deficiencies in intermodal interoperability. Different modes of transport operate on uncoordinated schedules as operators regard each other as competitors rather than complements. Most urban transport systems lack real-time passenger information systems that provide timely information on available inter-modal options and schedules to potential users. The existing capacity of user-friendly transfer stations<sup>6</sup> is severely insufficient to serve the needs of users. Commuters usually have no choice other than park their private cars in distant parking spots, use individual or shared taxis and/or walk increasingly long distances to reach their connection. Accessibility to public transport is especially problematic for people with limited mobility (PLM), representing up to 18 percent of citizens in major cities (including the elderly and women that are pregnant or are carrying children). Urban infrastructure such as sidewalks, pedestrian crossings, and bus stops severely lack accessibility-related features such as ramps, access paths, lifts, seating, and signs. Boarding on buses can be particularly difficult for PLM, especially when bus stops do not exclusively occur in designated stations.

**10. *The urban transport sector is characterized by rising congestion and poor road safety.*** The country leads the MENA region in terms of traffic-related accidents. In 2012, 48,214 traffic incidents occurred in the country's urban areas, which resulted in 1,350 fatalities, 4,570 serious

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<sup>5</sup> According to a gender survey carried out by the Bank in 2011 in Casablanca.

<sup>6</sup> Including incentive parking facilities or taxi parks adjacent to public transport stations.

injuries, and 61,180 slight injuries<sup>7</sup>. Traffic accidents disproportionately affect the poor as pedestrians, cyclists and motorcyclists are the most vulnerable road users and account for the majority of traffic-related deaths and injuries. In addition, accidents are an economic burden on the community and households, estimated at around 2 percent of GDP. Traffic congestion is also a serious issue in the country's major urban areas. For instance, more than a third of Casablanca's main intersections are heavily congested. Given the current trend, the road network in the other major metropolitan areas could reach saturation in the near future. Congestion adversely affects the quality of life and the economy. It causes stress and frustration among citizens, waste of time and productivity, as well as unnecessary fuel consumption and vehicle operating costs (VOC), which ultimately decreases competitiveness of cities by increasing transport costs for businesses and industries.

### **B.3 Structural weaknesses of the urban transport sector**

**11. Significant underinvestment partly explains the sector's current state.** In the recent past, expenditures on urban transport infrastructure at the local level represented merely a third of the necessary investments required to serve the needs of citizens<sup>8</sup>. Most municipalities have focused their modest urban mobility investments on the expansion of road capacity, instead of public urban transport, to cope with the large increase in car ownership over the past decade. Despite recent efforts from the central government for the light rail systems in Greater Rabat and Casablanca (1.3 US\$ billion), investment needs in public urban transport infrastructure remain substantial, requiring around US\$ 3 billion over the next decade according to the MoI. Several factors explain the current underinvestment. Cities have limited financial resources for the sector because their local taxing capability is limited, being mostly restricted to property taxation and various minor licensing revenues. For their budget, cities still rely on fiscal transfers (60 percent of their budget on average); the central government is responsible to collect 30 percent of the national value-added tax on behalf of cities. Local borrowing capacity is therefore limited. Finally, funding of public transport is hindered by the absence of an optimal funding mechanism by the central government to support the sector.

**12. Poor financial sustainability has stalled the sector's development.** Several public and private operators went bankrupt or ceased to operate in the past decade<sup>9</sup>. The same precarious situation still prevails in the sector. The annual deficit of public urban transport reached US\$ 55 million in 2013 in Casablanca and Greater Rabat, the country's largest urban areas. Revenues cover only a modest amount of operating costs for several reasons. Fares are relatively low compared to other middle-income countries; they are mostly unsubsidized and rarely raised due to political pressure. Concessions contracts frequently impose public service obligations on operators, such as connecting remote peri-urban areas to urban centers or offering concessionary fares to students and schoolchildren without full compensation by the government. Operators suffer from anarchic competition from shared taxis and the informal sector<sup>10</sup> on the most

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<sup>7</sup> National Committee for the Prevention of Traffic Accidents (*Comité national de Prévention des Accidents de la Circulation* - CNPAC) latest available data (2012)

<sup>8</sup> According to the strategic note on urban transport prepared by the Bank in 2008.

<sup>9</sup> The most notable instances have been the RATC (*Régie autonome de Transport de Casablanca*) in Casablanca in 2004 and Stareo in Greater Rabat in 2011.

<sup>10</sup> Informal taxis, buses and tricycles.

profitable routes. Operating costs of most operators are strained by high maintenance and fuel costs resulting from aging fleets, and also by substantial personnel costs resulting from historic overstaffing. In this difficult environment, most operators have been unable to adequately renew their fleet or expand services to keep pace with demand.

**13. *Insufficient capacity still prevails in the management of the sector despite improvement in recent years.*** The central government capacity to monitor the sector and to design and implement technical support programs for the cities is still a work in progress. The DGCL's Division of Urban Mobility and Transport (*Division des Déplacements urbains et des Transports - DDUT*) possesses adequate expertise and ability to provide technical guidance to cities, particularly to prepare urban mobility master plans (*Plans de Déplacements urbains - PDU*). However, it has limited human resources given its responsibilities. The MoI also lacks necessary systems and tools (such as a strengthened central monitoring and evaluation system for the urban transport sector) to support the sector. At the local level, most cities lack the capacity to adequately serve their role in the sector. There is a dearth of experienced and skilled staff with adequate technical expertise, despite several capacity building initiatives that proved worthwhile but limited in scope. Moreover, municipal services in charge of urban transport are usually overwhelmed with operational and administrative tasks. In addition, a majority of cities (especially smaller ones) have limited implementation capability since they lack experience in management of complex projects and management of large contracts with the private sector for civil works and services.

**14. *Deficiencies in the sector's institutional coordination remain at the local level despite taken measures.*** Local coordination of cities' efforts in the sector to achieve network synergies or economies of scale in urban transport is also a work in progress. The necessary institutional arrangements for inter-municipal cooperation have not yet been widely adopted and are not completely functional since their introduction in the 2009 amendment of the Municipal Charter. At the agglomeration level, except for a few instances, there is a lack of formal urban transport management and planning agencies to coordinate urban transport when required. Moreover, different entities, especially ministries, regions, and other public entities may take measures, separately or through informal cooperation with cities, to tackle urban transport issues, each within their own competency.

**15. *Externalities of specific public policies have adversely impacted public urban transport.*** Car-oriented policies (such as eased access to car loans) were adopted in the recent past by successive governments to adapt to rising demand for urban mobility. Combined with socio-economic development, these policies have resulted in a rapid increase in car ownership in the last decade (from 1.3 million to 2.3 million cars). In the absence of local urban transport authorities for planning and regulation, the use of public urban transport by citizens has not been traditionally encouraged in Morocco until recent years. Buses, which generally are the most cost-effective and efficient motorized transport mode in cities, still do not benefit from priority schemes or dedicated right-of-ways as it is common in other middle-income countries. In Morocco, buses are forced to share the severely congested urban roads with cars that occupy substantially more road space per passenger. Moreover, due to poor enforcement, the vacuum created by deficient bus services has been filled by other collective less efficient modes such as shared taxis (as well as the informal sector in some instances). These modes are fragmented and therefore generate negative social and environmental externalities. Finally, in the context of rapid

urbanization, transport and urban planning (including land use) have not been properly integrated, as shown by recent remote urban developments with poor access to employment and urban services in the country's largest agglomerations.

### ***C. Relationship to the CPS and Rationale for Use of Instrument***

***16. The proposed Program-for-Results (PforR) is in line with the Kingdom of Morocco Country Assistance Strategy (CPS) for FY2014-2017 (report No 865180-MA) that was discussed by the Board on April 29, 2014.*** It would support the CPS Results Area “Promoting Competitive and Inclusive Growth” by better linking citizens (including the poor, women, and people with limited mobility) to economic and employment opportunities in cities. The Program would also support Results Area 3 of the CPS, “Strengthening Governance and Institutions for Improved Services” in several ways. Specifically, it would contribute to the achievement of Strategic Outcome 3.2 “Enable more transparent and accountable management of public resources” through the strengthening of the sustainable funding mechanism for the sector. It would support Strategic Outcome 3.3 “Improve capacity to plan, manage and assess the delivery of key services, especially at the local level” by strengthening municipal capacity to plan and manage the delivery of urban transport infrastructure and services in participating municipalities. This operation would contribute to Strategic Outcome 3.4 “Expand access to basic services” by supporting infrastructure and systems that improve the level of service of urban transport for citizens in urban areas where entrenched poverty remains.

***17. The Program would also support the World Bank Group strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner, as well as the Bank's recent MENA Strategy that was discussed by the Board of Directors on October 1<sup>st</sup>, 2015.*** The Program would support the Bank strategic goals by easing access to jobs and economic opportunities for the bottom forty percent of the population (that heavily relies on public urban transport), thereby increasing their levels of income and reducing their transport expenditures. The Program would also support the *Renewing the Social Contract* Pillar of the World Bank's MENA Strategy via the strengthening of the capacity of sector-specific institutions and the development of a program of expenditures that would ultimately result in an eased access to economic opportunities and social services to citizens (particularly the most vulnerable ones).

***18. The proposed PforR builds on the recent Urban Transport Development Policy Loan (DPL) approved in 2011.*** The DPL was based on the recommendations of the Bank's strategic note on urban transport in 2008 and focused on institutional and regulatory measures to improve the sector's management, efficiency and supply of services and infrastructure, as well as environmental and social sustainability. The rationale for the DPL included the need to address gaps in the sector's institutional structure and capacity and removing existing weaknesses in urban transport coordination and planning. The operation achieved important results, including the operationalization of an urban transport management and planning agency and the establishment of an urban mobility and transport division at the central level. The Implementation Completion Report (ICR) concluded that the DPL was relatively successful in meeting its development objectives but highlighted the remaining need to strengthen institutional capacity of cities, the moderate impact of the operation at the local level, and that investment support would be needed in the future.



**19. The PforR has been chosen as the most appropriate lending instrument for the proposed operation based on the following considerations:**

- **Implementation support and results orientation.** The PforR provides strong incentives to reach concrete results by establishing clear links between Bank disbursements and delivery of results. The instrument provides the framework for a sustained Bank implementation support with a focus on fostering improvement actions and delivering results, including through the mobilization of technical assistance.
- **Combining results on the ground and institutional reforms.** The PforR is particularly suited to support a subset of a coherent government program for a specific sector rather than a limited number of specific activities or investments. The selected instrument enables the achievement of sustainable results through the support of infrastructure expenditures and complementary measures to address institutional gaps.
- **Using country systems and procedures.** The PforR instrument enables the borrower to use its own systems to reduce transaction costs induced by the adoption of Bank procedures. It also allows the counterpart to use Bank support to improve the efficiency and reliability of its own systems and procedures.

## **II. PROGRAM DESCRIPTION**

### **A. Program Scope**

#### **A.1 Government program**

20. The Government of Morocco (GoM) has designed a broad and coherent program of investments and institutional reforms to develop the country's urban transport sector. The development of the Government program was based on consultations with sector stakeholders including representatives of cities, academics, private operators, consultants, and members of civil society organizations. The Bank significantly contributed to shaping the program, in collaboration with other donors, through several detailed analyses such as a strategic action plan for reforms, a study on financing schemes, and a review of disability and urban transport. In addition, the Bank has been providing regular technical guidance to the central government and cities during the implementation of the 2011 Urban Transport DPL, and the preparation of the proposed PforR operation.

21. The Government program consolidates central government measures and initiatives of cities<sup>11</sup>. Due to urban transport issues being more acute in larger metropolitan areas, the program focuses on the country's largest<sup>12</sup> agglomerations (comprising the main primary and secondary cities), including Greater Casablanca (4.5 million inhabitants), Rabat-Salé-Témara<sup>13</sup> (2 million), Fès (1 million), Greater Agadir (1 million), Tangier (1 million), Marrakesh (1 million), Meknès (0.5 million), Oujda (0.5 million), Kénitra (0.4 million), and Tétouan-Martil (0.4 million).

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<sup>11</sup> As the responsibility for urban transport is delegated to cities by the Municipal Charter.

<sup>12</sup> As per last census (2014).

<sup>13</sup> Also referred to as Greater Rabat.

22. The objectives of the Government program are to (i) reduce economic disparities by improving citizens' access to social services and economic opportunities, and (ii) foster urban economic development by enhancing productivity through improved urban transport. In order to reach these objectives, the program is divided into three subprograms: (i) *Subprogram 1: Strengthening of the sector's institutions*; (ii) *Subprogram 2: Strengthening of the sector's sustainable financing mechanism*; and (iii) *Subprogram 3: Development of urban transport corridors to improve access of citizens to economic opportunities and social services*.

### ***Subprogram 1: Strengthening of the sector's institutions***

23. The urban transport sector's development suffers from the deficiencies of cities in terms of institutional capacity and coordination. Local coordination of cities' efforts in the sector is still a work in progress as cities from the same agglomeration may still adopt parallel urban transport measures. Furthermore, most cities lack capacity to adequately serve their role as service providers in the sector. A majority of cities (especially small ones) fail to deliver urban transport infrastructure and services because of their lack of experience in two areas: management of complex projects, and management of contracts with private providers of civil works and services.

24. In recent years, these issues as well as a weak regulation hindered the provision of public transport services by private operators. This is illustrated by frequent service lapses or the early termination of a 15-year contract with the main bus operator in Rabat in 2011. As a consequence, central government officials, and city representatives have reached consensus on the need to experiment with a new institutional model for the planning and delivery of public transport services and infrastructure. The Bank has also supported this approach via its in-depth study on utility reform, several approved or ongoing operations<sup>14</sup>, and technical assistance<sup>15</sup>.

25. The MoI has designed Subprogram 1 to strengthen the urban transport sector's institutions. It was presented and discussed in numerous events, endorsed by central government officials, and welcomed by municipal representatives and urban citizens. This subprogram aims at strengthening: (i) central government's capacity to monitor the sector; (ii) institutional coordination between cities at the agglomeration level; (iii) cities' technical resources to plan urban transport; (iv) cities' technical capacity to plan urban transport; (v) cities' capacity to deliver and monitor infrastructure and services; and (vi) contractual arrangements between cities and private operators.

#### *Central government's capacity to monitor the sector*

26. The central government, mostly through the MoI, is responsible to supervise and provide financial and technical support to local urban transport. However, to target its involvement, the central government currently relies on monitoring and evaluation (M&E) systems that are mostly paper-based and limited in depth and scope. This hinders accurate and systematic monitoring of the sector's progress and performance, which may result in an untimely and unfocused support

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<sup>14</sup> Solid Waste DPL 3 and 4, Urban Transport DPL, and Local Governance PforR (in preparation)

<sup>15</sup> Local Government Support Program TA (PACT)

of the central government to the sector. Therefore, as part of the Government's program, the MoI intends to develop a strengthened computer-based M&E system in the near term.

27. The DDUT is currently working on this system, drawing lessons from international experience. It has already pre-identified sector-wide needs with the technical support of the Bank. The strengthened system will capture and analyze depending on availability a minimum set of indicators of: (i) sector performance comprising urban mobility supply (including modal shares, fleets, and infrastructure) and demand (including distance and trip length), operating costs, revenues, subsidies and fare levels, and externalities (environmental impact, road safety issues, etc.); and (ii) project management performance (on time and on budget).

28. This M&E system would be complemented by a yearly institutional assessment carried out by the MoI to assess the country's largest primary and secondary cities. This assessment would be based, as shown in Annex 1, on the local (i) level of inter-municipal cooperation and coordination of urban transport, (ii) capacity and resources to plan and monitor urban transport infrastructure and services, and (iii) capacity to implement urban transport infrastructure and services. The resulting score would facilitate monitoring of local institutional progress and needs of cities by the MoI to properly target required support and assistance.

#### *Institutional coordination between cities at the agglomeration level*

29. The country's largest urban areas have rapidly spread in recent years, resulting in the creation of several agglomerations. Today, because of mostly insufficient cooperation, cities that are part of agglomeration can act in parallel fashion to tackle urban transport issues, each within its own geographical boundaries. Management structures for inter-municipal cooperation are necessary to efficiently manage services that often go beyond municipal borders, such as urban transport services. By creating an inter-municipal cooperation entity (*Établissement de coopération intercommunale* - ECI<sup>16</sup>), local authorities transfer their responsibility for urban transport to this entity.

30. The Government's program intends to improve inter-municipal coordination and planning capacity of the sector by encouraging cities to create urban transport inter-municipal cooperation entities (also known as associations of urban agglomerations) when necessary. Greater Rabat's municipalities created the *Groupement Al Assima* as a pilot initiative in 2011. Several other municipalities in the country's largest agglomerations are in the process of establishing similar inter-municipal cooperation entities. To support this reform, the MoI is currently strengthening the regulatory framework of these arrangements. The MoI has also programmed institutional measures to strengthen the capacity of inter-municipal cooperation entities in order for these structures to properly plan urban transport at the agglomeration level.

#### *Cities' technical resources to plan urban transport*

31. The Government's program also aims at fostering the development of urban mobility master plans (*Plans de Déplacements urbains* - PDU) by municipalities, using a structured and participatory approach. These plans must derive from an analysis of primary and secondary data,

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<sup>16</sup> Previously known as associations of agglomeration or *Groupements d'agglomération* in french

and from consultations with citizens. They must contain: (i) a review of the local context; (ii) a description of current characteristics of mobility systems; (iii) an identification of current mobility needs, issues, and deficiencies; (iv) the determination of gaps to desired future outcomes by forecasting future mobility demand; (v) an identification and evaluation of potential options to achieve desired mobility outcomes; and (vi) a recommended action plan and a mid-term priority investment plan.

32. As part of the Government's program, the MoI will continue to technically and financially sustain cities in developing their urban mobility master plans. In particular, the DGCL will continue to finance up to 50 percent of the cost of studies and consulting services (with a cap of US\$ 1.2 million) for the preparation of urban mobility master plans by reputable firms – several cities have already benefitted from it. Moreover, the DGCL intends to provide cities with methodological and technical tools (such as guides) to improve the quality and relevance of urban mobility master plans.

#### *Cities' technical capacity to plan urban transport*

33. To strengthen cities' technical capacity to plan urban transport, the MoI recently organized several capacity building activities. More than 50 regional and cities' staff and representatives have benefited from trainings with the support of donors, including the Bank<sup>17</sup>. Covered topics ranged from traffic management systems and mobility demand management, to environmental and social issues in urban transport planning. Despite the positive impact of these efforts, the consensus is that capacity of cities in the sector remains particularly inadequate in specific areas.

34. The Government's program intends to improve capacity of cities in the above-mentioned topics to consolidate achieved results and other specific areas. These areas include: (i) the integration of urban transport and urban planning (including land use), (ii) project management applied to urban transport, and (iii) preparation and management of public transport concession contracts. The MoI is in charge of this capacity building, with the support of donors, and in coordination with other ministries, such as the Ministry of Urban Planning (MUP) when relevant.

#### *Cities' capacity to deliver and monitor infrastructure and services*

35. The Government's program includes fostering the creation of sector-specific municipally-owned enterprises (*Sociétés de Patrimoine*) by inter-municipal cooperation entities in the country's largest cities. As local joint-ownership companies (*Sociétés de Développement local - SDL*), municipally-owned enterprises plan, fund and implement urban transport infrastructure investments, and supervise the provision of urban transport services. While under the supervision of the state and cities, municipally-owned enterprises operate according to private law and are therefore usually able to attract and retain qualified professionals and consultants better than most public entities can. Increased access to human resources typically results in a strengthened capacity of cities for infrastructure and service delivery.

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<sup>17</sup> In particular, the Leaders in Urban Transport Planning (LUTP) program, managed by the World Bank, has trained more than a fifty staffers and representatives at the central, regional and local level in Morocco in recent years.

36. In 2009, Casablanca and Greater Rabat created two pilot municipally-owned enterprises to develop their light rail systems: *STRS*<sup>18</sup> and *Casa Transports*. This experience has proved broadly satisfactory, delivering promised infrastructure on time and budget, and providing services that compare favorably to international standards. As a result, other cities in the country's largest agglomerations, such as Agadir and Marrakesh, are in the process of setting up municipally-owned enterprises dedicated to urban transport. The GoM, with the assistance of donors including the Bank, is providing guidance, resources, and tools to cities for the proper creation of municipally-owned enterprises (optimal legal and administrative form, staffing requirements, IT and other resources).

#### *Contractual arrangements between cities and private operators*

37. Public transport services in Morocco are mostly provided by delegated services contracts or concessions from cities to private operators. Most operators are currently remunerated through net-cost contracts, where the operator retains revenues generated from users in exchange for the provision of a specified service. This situation imposes a substantial commercial risk on the private sector, given the absence of a level playing field in the competition with intermediate modes, such as shared taxis and the informal sector. Consequently, the sector suffers from financial unsustainability: most operators are currently unprofitable, causing occasional service lapses in some routes and frequent renegotiations of contract terms.

38. The Government's program will foster a widespread transition to gross-cost contracts, where the operator receives a per-kilometer compensation from the conceding authority based on the provision of a specified service. Casablanca and Greater Rabat are for instance using this type of contract (as pilot initiatives) to operate their light rail systems. Enforceable contractual stipulations and financial incentives to reliability and quality have proved broadly satisfactory, enabling the provision of services that compare favorably to international standards. However, the transition from net-cost to gross-cost contracts will certainly be progressive. This is due to the terms and remaining maturity of legacy contracts, as well as the additional technical and institutional capacity required by this shift to control service provision.

#### ***Subprogram 2: Strengthening of the sector's sustainable financing mechanism***

39. The urban transport sector worldwide is by definition capital-intensive; it will require around US\$ 3 billion over the next decade in Morocco, according to the MoI. Nonetheless, the investment capacity of private operators is severely constrained by poor financial sustainability of the sector in the country, resulting from contained fares, mostly uncompensated public service obligations, aggressive competition, and uncompetitive cost structure. Furthermore, the investment capacity of cities is constrained by their limited financial resources and their budgetary reliance on fiscal transfers. The GoM plans to bridge this gap by providing investment grant funding from the central government to worthwhile urban transport infrastructure projects at the local level on a case-by-case basis.

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<sup>18</sup> *Société du Tramway de Rabat-Salé* or Rabat-Salé Light Rail Corporation

40. The GoM established the Urban Transport Fund<sup>19</sup> in 2007 as a special purpose account (*Compte d'Affectation spéciale - CAS*) to serve this purpose. The Urban Transport Fund is intended to be used (i) as a financial incentive to encourage the proper development of mass transit infrastructure by cities, and (ii) to support financial sustainability of such investments by covering expected initial years' operational deficit. A project would be deemed eligible to funding according to criteria (to be finalized by December 2016) related to: (i) strategic, technical, financial and socio-economic relevance; (ii) project's proposed coordination, planning, and implementation arrangements and process; and (iii) urgency of cities' urban mobility needs.

41. The Government's program includes strengthening the fund to improve the allocation of the sector's financial resources and to increase its financial sustainability. This includes refining the governance, financial, and human resources arrangements of the fund, among others. The MoI and the MEF have achieved significant progress in the core components of its strengthening with the strategic support of the Bank based on international experience. In November 2013, the GoM amended the Budget Law to define the fund's scope and objectives. In July 2014, it issued an official order (*arrêté interministériel*) establishing the fund's governance structure. In October 2014, different committees have been formed to provide strategic and technical steering and guidance to the fund and have since held several official meetings. Finally, the MoI and the MEF have recently formally agreed to earmark at least a combined US\$ 230 million annually to the fund. The MEF and the MoI are currently working on the remaining components with the technical support of the Bank.

***Subprogram 3: Development of urban transport corridors to improve access of citizens to economic opportunities and social services***

42. The Government program comprises expenditures to improve the level of service of urban transport on corridors for an improved access of citizens to economic opportunities and social services, including via (i) area traffic control (ATC) systems, (ii) intersection signal control (ISC) systems, (iii) intelligent transport systems (ITS), (iv) integrated fare collection systems, (v) light rail systems, (vi) transfer stations<sup>20</sup>, (vii) dedicated lanes and boarding stations, (viii) public transport rolling stock, and (ix) taxi fleet renewal. Annex 1 presents the description and objectives of typical expenditures comprised in the GoM's Subprogram 3.

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<sup>19</sup> *Fonds d'Accompagnement des Réformes du Transport routier urbain et interurbain (FART)* in French

<sup>20</sup> Also known as interchange stations

## **A.2 PforR Program**

43. Based on the needs identified during the preparation of the Government's program, and for increased selectivity of Bank support, the PforR Program (the Program) focuses on the following activities:

44. ***Activities to strengthen central capacity to plan and monitor urban transport (Results Area 1)***. These activities, respectively at the central level and in the Program Area, cover:

- Strengthening the central monitoring and evaluation (M&E) system for the urban transport sector (Subprogram 1).
- Strengthening the Urban Transport Fund by supporting, inter alia, the applicable decision making framework and the financing of urban transport projects (Subprogram 2).

45. ***Activities to strengthen local capacity to plan, implement, and monitor urban transport (Results Area 2)***. These activities, focused on primary and secondary cities (of more than 100,000 inhabitants) in the Program Area, cover:

- Strengthening local capacity to coordinate initiatives at the agglomeration level through the creation of associations of urban agglomerations or similar arrangements (Subprogram 1).
- Strengthening local technical capacity and resources to plan urban transport activities through (i) the preparation of urban mobility planning documents using a structured process and a participatory approach, as well as (ii) carrying out of sector-specific capacity building programs (Subprogram 1).
- Strengthening local capacity to implement and monitor urban transport infrastructure and systems via the creation of municipally-owned enterprises or similar arrangements (Subprogram 1).

46. ***Activities to improve the level of service of urban transport on targeted corridors (Results Area 3)***. The Program will support an eligible subset of the program of expenditures of the above-mentioned government program, located in cities of more than 100,000 inhabitants in the Program Area, where urban transport issues are more acute, and will typically include: (i) dedicated lanes; (ii) boarding and transfer stations ; (iii) rolling stock ; (iv) intersection signal control systems ; (v) area traffic control systems ; (vi) integrated fare collection systems ; and (vii) intelligent transport systems (including passenger information systems). Specific Program-supported subprojects, for a minimal cumulative length of 20 kilometers, will be defined in the *Priority Program of Corridors (PPC)* that are to be identified by the Urban Transport Fund committee with the technical support of the Bank.

47. The tables below present the Program (gray shaded cells) as compared with the Government's program as well as Program financing.

**Table 1. Comparison of scope between Program (gray cells) and Government's Program, 2016-2019**

<b><i>Subprogram 1: Strengthening of the sector's institutions</i></b>	
Activities to strengthen central M&E system for the sector	Within Program Area <sup>21</sup>
Activities to strengthen local capacity to coordinate initiatives at the agglomeration level through inter-municipal cooperation entities or similar arrangements	
Activities to strengthen local technical capacity and resources to plan urban transport activities via urban mobility master plans or similar documents	
Activities to strengthen local capacity to implement and monitor urban transport infrastructure and systems via municipally-owned enterprises or similar arrangements	
Capacity building activities	
	Outside of Program Area
<b><i>Subprogram 2 : Strengthening of the sustainable financing mechanism of the sector</i></b>	
Activities to strengthen the Urban Transport Fund	Central-level
<b><i>Subprogram 3 : Development of urban transport corridors to improve access of citizens to economic opportunities and social services</i></b>	
Urban transport infrastructure and systems	Within Program Area, priority <sup>22</sup> , and low to moderate risk <sup>23</sup>
	Outside Program Area, non-priority and/or high risk

<sup>21</sup> The Program Area is constituted of the following regions: Béni Mellal-Khénifra, Casablanca-Settat, Drâa-Tafilalet, Fès-Meknès, Marrakech-Safi, Oriental, Rabat-Salé-Kénitra, Souss-Massa and Tanger-Tétouan-Al Hoceïma

<sup>22</sup> That is, included in the Priority Program of Corridors (PPC) that is to be identified by the Urban Transport Fund committee with the technical support of the Bank.

<sup>23</sup> That is, unlikely to have a significant adverse impact on the environment and/or affected people, as defined in the operational policy (OP) 9.00 or to require contracts for works, goods, non-consulting or consulting services that are above the Bank's Operations Procurement Review Committee (OPRC) thresholds.



*Table 2. Program Financing*

<b>Source</b>	<b>Amount (\$ Million)</b>	<b>% of Total</b>
Government	150	<b>43</b>
IBRD	200	<b>57</b>
<b>Total Program Financing</b>	<b>350</b>	<b>100</b>

*High-risk activities.*

48. As confirmed during appraisal, the Program does not include any activities likely to have a significant adverse impact on the environment and/or affected people, as defined in the operational policy (OP) 9.00. In addition, it does not include any contract for works, goods, non-consulting or consulting services above the Bank’s Operations Procurement Review Committee (OPRC) thresholds<sup>24</sup>. Maximum contract amounts are anticipated to be around US\$ 20 million for civil works, US\$ 10 million for goods, US\$ 5 million for non-consulting services, and 10 million for consulting services, according to the procurement profile of the Program’s expenditures. As part of the implementation support, the Bank will ensure that no high-risk activity is engaged under the Program.

*Citizen engagement.*

49. In recent years, different cities carried out several public consultations at the local level to prepare the Government’s Program, notably during the preparation of urban mobility master plans. For the appraisal of the proposed Program, a specific public consultation has been conducted by the Bank. During these consultations, the Program’s design has been presented to the stakeholders from local communities, the private sector, and the civil society (including gender advocacy groups). Views of stakeholders’ on the activities directly relevant to them have been gathered and reflected in the design as much as possible. In addition, beneficiaries will be able to give their feedback during implementation. In particular, public and private stakeholders will be able to submit complaints and get information about the Program’s activities via Grievance Redress Mechanisms, in adherence to the country’s regulatory framework (included in the Program Action Plan).

*Gender-oriented benefits*

50. Program-supported infrastructure and systems will incorporate, when relevant, typical safety, security, and universal access features that usually have a positive impact on women in urban transport, such as improved lighting in transfer stations, road safety grids for dedicated lanes, CCTV for surveillance in transfer stations and ATC systems, and ramps for people with limited mobility in transfer stations. During appraisal, the Bank supported consultations to better

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<sup>24</sup> US\$50 million for works, US\$30 million for goods, US\$20 million for non-consulting services, and US\$15 million for consulting services.

understand women's public urban transport needs and confirmed that the activities of the infrastructure subprogram are will be properly designed to address their needs.

51. Furthermore, the Bank is carrying a study financed by UFGE<sup>25</sup> to better understand the challenges faced by men and women in urban transport in Greater Rabat, Tangier and Kénitra. The study will recommend a wide range of potential measures to improve urban transport, with a focus on social and gender issues. The recommendations of the study will be used to ensure adequate implementation of the proposed Program and to design future transport operations.

### ***Road safety initiatives***

52. Aside from supporting expenditures in the Program with road safety features such as safety grids for dedicated lanes, the Bank is providing in parallel on-going strategic, institutional, and technical support to the relevant line ministry<sup>26</sup> to improve road safety in Morocco with the assistance of the Global Road Safety Facility (GRSF). Specifically, the Bank is supporting (i) a study on the feasibility and modalities of the strengthening of the regulatory and institutional framework of road safety, and (ii) the preparation of a new National Road Safety Strategy covering the next decade based on an evaluation of the achievements of the current strategy. During implementation, the Bank will ensure coordination of these activities with the Program.

### ***Role of development partners***

53. This PforR operation is prepared in consultation with donors and IFIs active in the country's urban transport sector. There is a wide consensus among donors and development partners on the importance to provide strong support to the country's urban transport sector. Discussions were held with representatives of the French Development Agency (*Agence française de Développement - AFD*), the African Development Bank (AfDB) the German Development Agency (*Gesellschaft für Internationale Zusammenarbeit - GIZ*) to ensure coordination with donor-supported ongoing initiatives. AFD has been particularly active in the sector in recent years. The French development agency has contributed to financing the light rail systems' rolling stock of Greater Rabat (US\$ 62 million) and Casablanca (US\$ 32 million) in coordination with the European Investment Bank (EIB). AFD also supported the organization by the MoI of the well-received National Days of Urban Transport (*Journées nationales du Transport urbain - JNTU*) in 2013. GIZ has similarly supported, jointly with the DGCL, several cities on issues pertaining to the urban transport sector through capacity building and networking activities structured around the CoMun Urban Cooperation Program which comprises 11 mid-sized and large Moroccan cities in its urban transport community of practice. Most donors consulted intend to remain strongly active in the sector. For instance, AFD is currently considering financing the Agadir subproject and the light rail systems extensions in Casablanca and Rabat. During implementation, the Bank will continue reaching out to donors and development partners for close coordination and potential collaboration.

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<sup>25</sup> Umbrella Facility for Gender Equality (UFGE).

<sup>26</sup> Ministry of Equipment, Transport and Logistics (*Ministère de l'Équipement, du Transport et de la Logistique*)

## **B. Program Development Objective**

54. **Program Development Objective (PDO).** The PDO is to strengthen the capacity of urban transport institutions to plan, implement and monitor infrastructure and services, and to improve the level of service of urban transport in targeted corridors in the Program Area<sup>27</sup>.

## **C. Program Key Results and Disbursement Linked Indicators**

55. **Key Results Areas.** The Program will concentrate on three key result areas that will contribute to the achievement of the PDO:

- a) *Results Area 1:* Strengthened central capacity to plan and monitor urban transport;
- b) *Results Area 2:* Strengthened local capacity to plan, implement and monitor urban transport; and
- c) *Results Area 3:* Improved level of service of urban transport on targeted corridors.

56. **PDO indicators.** The following outcome indicators will be used to measure the achievement of the PDO:

- a) *PDO Indicator 1:* Number of cities<sup>28</sup> in the Program Area that improved their urban transport institutional assessment score<sup>29</sup> by at least 10%;
- b) *PDO Indicator 2:* Percentage of corridors in the *Priority Program of Corridors* supported under the Program that meet their objective in reduction of urban transport journey time

57. **Intermediate results indicators.** In order to provide evidence of continued progress towards the PDO, the GoM and the World Bank have also agreed on a set of intermediate results indicators that will be used to measure and track intermediate results or intervening steps towards the PDO. A detailed results framework for the Program is provided in Annex 2.

58. **Disbursement-linked indicators.** The achievement of DLIs triggers disbursements of the World Bank's loan to the Program. DLI#1 and DLI#2 are time-bound and non-scalable while DLI#3, DLI#4, DLI#5, DLI#6 and DLI#7 are scalable and not time-bound. The choice of DLIs was based on four factors: (i) signaling role of the indicator<sup>30</sup>; (ii) perceived need to introduce a strong financial incentive to deliver the activity; (iii) practical aspects of verifying achievement; and (iv) counterpart's capacity to achieve the DLI during the implementation period of the Program. DLIs agreed between the GoM and the World Bank are detailed in the table below.

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<sup>27</sup> The Program Area is constituted of the following regions: Béni Mellal-Khénifra, Casablanca-Settat, Drâa-Tafilalet, Fès-Meknès, Marrakech-Safi, Oriental, Rabat-Salé-Kénitra, Souss-Massa and Tanger-Tétouan-Al Hoceïma.

<sup>28</sup> With more than 100,000 inhabitants as per last census (2014).

<sup>29</sup> Detailed in Annex 1.

<sup>30</sup> That is, whether it signals a critical action along the results chain.

**Table 3. Disbursement Linked Indicators**

<b>Disbursement Linked Indicator</b>	<b>Estimated disbursement amounts (US\$ million)</b>
<b>DLI#1:</b> Strengthened M&E system for the urban transport sector	24.5
<b>DLI#2:</b> Strengthened Urban Transport Fund	35
<b>DLI#3:</b> Number of operational associations of urban agglomerations	25
<b>DLI#4:</b> Number of urban mobility master plans prepared using a structured process and a participatory approach	30
<b>DLI#5:</b> Number of operational municipally-owned urban transport enterprises	25
<b>DLI#6:</b> Percentage of <i>Priority Program of Corridors</i> completed and open to traffic	30
<b>DLI#7:</b> Percentage of corridors in the <i>Priority Program of Corridors</i> supported under the Program that meet their objective in reduction of urban transport journey time	30
<i>Front-end Fee to be paid pursuant to Section 2.03 of the Legal Agreement</i>	0.5
<b>Total</b>	<b>200</b>

59. **Other Intermediate Results Indicators.** Other Intermediate Results Indicators (which do not trigger disbursement) agreed between the GoM and the World Bank include:

- *Other Intermediate Results Indicator 1:* Direct Program beneficiaries (as a percentage of targets<sup>31</sup>), of which female (percentage).

60. A detailed definition of the DLIs, the verification protocols and the basis for the determination of disbursements are provided in Annex 3.

#### **D. Key Capacity Building and Systems Strengthening Activities**

61. The implementation of the Program will benefit from ongoing and planned technical assistance activities from the World Bank as well as various development partners and donors including AFD, GIZ, and the European Bank for Reconstruction and Development (EBRD), in particular to strengthen urban transport infrastructure and service delivery. Support at the local and central levels focuses on capacity building and systems strengthening activities that will contribute to the achievement of the PDO through (i) provision of guidance, resources, and tools to cities for the proper creation of municipally-owned enterprises and inter-municipal cooperation entities, and (ii) capacity building on (a) contractual arrangements between cities and private operators, (b) the integration of urban transport and urban planning (including land use), (c) project management applied to urban transport, and (d) M&E techniques and international practices applied to urban transport, among others.

<sup>31</sup> To be defined for each corridor in the Priority Program of Corridors (PPC) that is to be identified by the Urban Transport Fund committee with the technical support of the Bank by the end of the first year of implementation.

### **III. PROGRAM IMPLEMENTATION**

#### **A. Institutional and Implementation Arrangements**

62. The Ministry of Interior will be the agency responsible for the Program. The MoI will use existing internal coordination mechanisms for the Program. The MoI may occasionally consult external stakeholders including other ministries (for instance the Ministry of Environment on specific issues) and representatives of civil society and the private sector as appropriate. The DGCL will be the focal point for the Bank for the Program. Other entities of the MoI will be responsible for the implementation of activities directly relevant to them.

63. The DDUT will be responsible for the monitoring of day-to-day implementation of the Program. The DDUT will also prepare the Program's annual progress reports and mid-term review as well as consolidate Program financial statements. Detailed reporting guidelines will be included in the Program Operations Manual (POM) to be prepared and adopted by the MoI in the first year of Program implementation.

64. Participating municipalities will be in charge of planning, budgeting, and implementing the Program's municipal activities, either directly or via municipality-owned enterprises (or similar arrangements). Participating municipalities will therefore be directly or indirectly responsible for procurement, contract administration and management, technical supervision, monitoring and reporting of progress of these sub-projects to the central government.

65. Municipalities require adequate technical and managerial expertise to successfully fulfill their mandates. Most municipalities have relatively limited capacity for complex urban transport implementation, as confirmed during preparation. However, the Program will only include moderately complex investments. In addition, targeted capacity strengthening activities have been incorporated in the Program's design to mitigate this issue.

#### **B. Results Monitoring and Evaluation (M&E)**

**66. The Program will be monitored and reported on using the existing Government systems.** The DDUT will be responsible for monitoring overall progress toward achievement of the Program's results, ensuring timely collection and provision of monitoring data including environmental and social records, and verification documents for the Bank. The MoI will coordinate this effort with the wilayas<sup>32</sup> overseeing regional supervision of infrastructure and transportation activities based on existing management information systems, scheduled site inspections, and progress reports, as well as Environmental and Social Systems Assessment (ESSA) implementation reports. The current capacity required from the MoI to manage the

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<sup>32</sup> Regional administrative divisions of the State encompassing several provinces and responsible for (i) oversight of regional projects, (ii) support of cooperation between municipalities, and (iii) supervision of implementation of projects jointly managed by municipalities.

Program's M&E requirements is adequate and commensurate with its role in terms of central support and oversight<sup>33</sup> of cities' activities and investments.

**67. *The Program will further strengthen the central, regional and local M&E capacity.*** The central M&E system for the urban transport sector will be gradually strengthened as part of the Program into a sector-wide computer-based M&E system. Details of the steps to be taken under the Program to strengthen the existing M&E system are provided in this document. The Program will provide specific training and assistance on M&E for the staff of relevant wilayas and cities to enable periodic reporting to the central system and verification of results in accordance with international practice and standards. The M&E training sessions will specifically focus on (i) data collection, (ii) data quality and integrity control, and (iii) the use of data to inform decision-making processes. There are several other areas of capacity building related to M&E at the central level that will be supported by the Program. In-depth exposure to impact evaluation techniques and international practices for measuring results (including gender and poverty impact assessment) would be beneficial for the MoI. During implementation, as requested by the DGCL, the Bank will provide methodological guidance to the DDUT on the panel survey methodology (sampling, indicators, etc.) to measure the impact of urban transport expenditures on citizens. The Bank will also provide technical advice on progress reports.

### **C. *Disbursement Arrangements and Verification Protocol***

**68. *Disbursement arrangements.*** Disbursement of Bank proceeds will be made at the request of the Borrower upon achievement of Disbursement-Linked Indicators (DLIs). Disbursements under DLI#1 and DLI#2 are not scalable as the indicator relates to actions that are either achieved or not. For actions not achieved by the due date for a given year, the allocated amount will be carried over to the subsequent year. Conversely, disbursements for DLI#3, DLI#4 DLI#5, DLI#6 and DLI#7 are scalable and disbursements will be proportional to the progress towards achieving the targeted DLI value. The amount to be disbursed against achieved and verified results will be determined in accordance with the formula provided in Annex 3. An advance, representing US\$ 50 million (or 25 percent of the loan amount) may be disbursed once the Program becomes effective to facilitate the achievement of DLIs results. This advance would be available throughout the Program implementation on a revolving basis. In addition, a disbursement up to a maximum amount of US\$ 50 million (or 25 percent of the loan amount) on account of DLIs achieved between the date of program concept review and the date of the loan of the agreement is expected to be made upon effectiveness. Bank proceeds will be reflected in the annual general budget of the GoM.

**69. *Verification protocol.*** The verification of progress towards achievement of the Program's objectives will be carried out by the General Inspectorate of Territorial Administration (*Inspection générale de l'Administration territoriale* - IGAT). This institution directly reports to the Minister of Interior which ensures its neutrality vis-à-vis MoI services and participating municipalities and enables access to information and data. In addition, in the context of the ongoing budgetary reform, the IGAT will benefit from training on performance-based budgeting that will enhance the institution's capacity to perform this verification role.

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<sup>33</sup> *Tutelle* in French

70. Upon achievement or incremental achievement of a DLI, the MoI would provide the World Bank with evidence supported by the relevant documentation. Following the World Bank's review of the complete documentation, including any additional information considered necessary, the World Bank would send an official communication to the MoI and the MEF as to the achievement of the DLI(s) and the level of Program financing proceeds available for disbursement against each particular DLI, including any incremental disbursement. Disbursement requests (Withdrawal Applications) would be submitted to the World Bank by the MEF using the World Bank's e-disbursement system and standard disbursement form along with Request for Advance signed by the government's authorized signatory. A copy of the World Bank's official communications confirming the DLI achievement should be attached to the disbursement requests.

#### **IV. ASSESSMENT SUMMARY**

##### **A. Technical (including Program economic evaluation)**

71. ***A Technical Assessment was undertaken during appraisal for the proposed PforR.*** The assessment included, among other things, the Program's strategic relevance, technical soundness, expenditure framework, results framework, and monitoring and reporting system. It also reviewed Program's economic rationale, its expected impact, and the technical risks associated with the Program and the actions to help mitigate them.

#### **Strategic relevance**

##### ***Program rationale***

72. ***The urban transport sector's development requires a strengthening of institutional capacity and coordination, especially at the municipal level.*** Local coordination of cities' efforts in the sector is still a work in progress as cities from the same agglomeration may still adopt parallel urban transport measures. Furthermore, most cities lack capacity to adequately serve their role as service providers in the sector. A majority of cities (especially small ones) fail to deliver urban transport infrastructure and services because of their lack of experience in two areas: management of complex projects, and management of contracts with private providers of civil works and services. In recent years, these issues as well as a difficult to enforce regulation hindered the provision of public transport services by private operators. As a consequence, citizens, central government officials, and city representatives have reached consensus on the need to experiment with a new institutional model for the planning and delivery of public transport services and infrastructure. The Bank has also supported this approach via its in-depth study on utility reform, several approved or ongoing operations<sup>34</sup>, and technical assistance<sup>35</sup>.

73. ***Users of public urban transport are suffering from inadequate speed and reliability in the most congested areas of the country.*** Commercial speed of public urban transport reported by

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<sup>34</sup> Solid Waste DPL 3 and 4, Urban Transport DPL, and Local Governance PforR (in preparation)

<sup>35</sup> Local Government Support Program TA (PACT)

operators is particularly low and unpredictable in some sections. It may go down to around 5 kilometers per hour on average in the country's densest urban areas during peak hours. This situation is mostly due to frequent unnecessary stops, interaction with cars, inefficient boarding and alighting, and congestion. Buses, which generally are the most cost-effective and efficient motorized transport mode in cities, still do not benefit from priority schemes or dedicated right-of-ways as it is common in other middle-income countries. In Morocco, buses are forced to share the severely congested urban roads with cars that occupy substantially more road space per passenger. It results in a loss of citizens' time, productivity, and quality of life. It also has important financial consequences for the private sector, as urban transport operators consider that it increases their operating costs by at least 10 percent. In addition, it deprives public urban transport of reliability, renders bus schedules useless and contributes even further to its unattractiveness to citizens who may prefer to walk, even several kilometers, for time-sensitive trips.

### ***Program timeliness***

***74. With sixty percent of the population in urban areas, growing mobility needs, and the current lack of performance of urban transport, improving the sector is a key priority for the central government and cities.*** Provision of urban transport services in most large agglomerations suffered significant setbacks in recent years: a few operators have pulled out of the market in the past and service lapses have occurred in specific areas. This required central government intervention to ensure public service continuity. Citizens also face uneven access to urban transport. There is a need for structured and integrated programs to upgrade or expand services in response to the needs of growing urban populations. Cities, as the primary citizen interface for urban transport<sup>36</sup>, will require significant strengthening of their institutional capacity to manage and deliver solutions that ensure quality service to all citizens. Public funds (including cities' resources) need to be allocated according to local priorities for key services that are not currently being delivered, including through partnerships with public or private service providers.

### ***Program beneficiaries***

***75. The Program will directly and indirectly provide several benefits to the country's citizens.*** Citizens from the country's largest agglomerations will benefit from enhanced transparency, accountability, and adequacy of urban transport funding anticipated to be achieved through the strengthening of the Urban Transport Fund. Citizens from participating municipalities' at large will benefit from the expected reduction in traffic injuries and fatalities (especially affecting pedestrians) and from the improved air quality due to the decrease in car emissions. Due to better performing and more accessible urban transport services, users (including the poor, women and people with limited mobility) will benefit from an enhancement of their productivity, a reduction of vehicle operating costs, and an improvement of access to social services, employment, and economic opportunities.

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<sup>36</sup> As confirmed by the Communal Charter's successive overhauls of recent years.



### ***Program strategic relevance***

***76. The Program aims to address issues strongly relevant to the Government, given the strategic midterm priorities detailed in its 2012-2016 political program.*** These priorities mainly stem from the framework provided by the Constitution adopted in 2011 and are aligned with the Bank's strategic goals. The Program will specifically support the Citizens' Access to Economic Opportunities and Social Services Pillar of the GoM program by improving public transit services for citizens in urban areas. The Program will promote inclusive growth by linking citizens, including the poorest households, women, and people with limited mobility, to economic and employment opportunities in participating municipalities. The Program will also have a direct positive impact on citizens' living conditions by easing access to social services such as health and education. The Program will also contribute to the Economic Productivity Pillar of the GoM program. Program expenditures will improve the speed and reliability of urban transport which will result in decreased congestion and savings of journey time. This will ultimately increase the productivity of labor, support the emergence of a larger middle class and ensure further sharing prosperity in the country. The Program will also support the Economic and Financial Governance Pillar of the GoM program by strengthening institutions to improve service delivery for citizens and enabling a more transparent and accountable management of public resources. The Program would therefore support a renewal of the social contract underlined by the new Constitution via sector-specific institutions strengthening and infrastructure and systems development to improve the level of urban transport services delivered to citizens and facilitate access to economic opportunities and social services.

### **Technical soundness**

***77. The Program is technically sound and adequately structured to alleviate the sector's issues (details below and in Annex 4)***

### ***Program focus***

***78. The Program includes most relevant types of activities and categories of investments to strengthen the capacity of urban transport institutions to plan, implement and monitor infrastructure and services, and to improve the level of service on targeted corridors in participating municipalities.***

## ***Program design***

***79. The Program conforms to the following best practices in designing an urban transport program, drawn from lessons learned from previous Bank operations and analytical work on urban transport<sup>37</sup>:***

- The Program combines institutional measures and infrastructure expenditures<sup>38</sup>.
- The Program ensures strong ownership of activities by cities.
- The Program enables important support to cities' activities by the central government.
- The Program enables the central government to play a strong role as repository of knowledge.
- The Program will lead to an increased and more sustainable role for the private sector.

## ***Program expenditures***

***80. The technical assessment of the Program's expenditures conducted by the Bank during appraisal concluded that the anticipated sub-projects are overall technically appropriate and can be implemented by the participating cities,*** with the assistance of expert consultants for feasibility studies, design studies, and construction supervision. Typical technical standards for the Program's activities, in particular design standards and criteria for works reception, compare favorably to international experience and practice. Cities plan to ensure technical quality with the following key measures: (i) recruiting the best-qualified available consultants and firms<sup>39</sup>, (ii) checking designs and cost estimates, and (iii) strengthening contract administration and technical supervision. The POM will describe best practices and guidelines for the Program stakeholders.

## ***Program support from stakeholders and development partners***

***81. The Program will benefit from a high level of support from stakeholders and development partners.*** The central government has strong incentives (in the DLIs) to contribute to the Program's results on the ground. The Program's activities are core missions of the MoI, the wilayas and the cities; they intend to respond to pressing mobility needs in urban areas and were designed through a participatory approach to ensure full technical and financial support from central, regional, and local actors. Moreover, as customary for urban transport programs, end-users also support the Program because it will improve their access to economic opportunities and social services. Supportive end-users, eager to see the Program delivered in a timely and cost-effective manner, should provide positive citizen control of works execution. Finally, most donors and IFIs consulted during appraisal, including the French Development Agency (*Agence Française de Développement - AFD*), the GIZ, and the European Investment Bank (EIB), support the country's urban transport sector via technical assistance and investment loans, and intend to remain strongly active in the sector in the future. During implementation, the Bank will

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<sup>37</sup> Among the operations analyzed are *Support to the National Urban Transit Program*, Colombia (2011), *National Urban Transport*, Mexico (2009), and *Sustainable Urban Transport*, India (2009).

<sup>38</sup> Whenever possible in sequence, as institutional strengthening enables proper planning and implementation of infrastructure and systems.

<sup>39</sup> With the financial assistance of donors active in the sector and the region, such as the French Fund for Studies and the Support of the Private Sector (*Fonds d'Etude et d'Aide au Secteur Privé - FASEP*), and the technical guidance of the wilayas.

continue reaching out to development partners for close coordination and potential collaboration on the Program.

### ***Program sustainability***

82. ***Institutional sustainability.*** The long-term sustainability of the activities and expenditures supported by the Program will depend on political will, both at the central and municipal levels, and financial resources. The new model of urban transport infrastructure and service delivery supported by the Program is endorsed by central government officials and welcomed by cities' representatives. Moreover, the central government has agreed to earmark at least US\$ 230 million annually to the Urban Transport Fund for cities' urban transport projects. Public investment in urban transport is instrumental in the government's objective to increase citizens' access to basic social services and economic opportunities. Civil society has been urging the government to increase the pace of investment, creating a public consensus around urban transport programs, reforms, and expenditures. Strong commitment to urban transport has been clearly articulated at the highest level of government. In recent speeches, the Head of State considered the improvement of public services, including urban transport services, as a top priority. The Minister of Interior recently expressed the importance of supporting the sector in a statement to the House of Representatives, to be translated into investments reaching several hundreds of US\$ millions per year for the next decade from his department.

83. ***Financial sustainability of expenditures.*** Most of the Program's expenditures will lower the operating and maintenance (O&M) cost of service delivery. However, some expenditures may result in higher O&M because they will entail systems of higher sophistication and quality. It is therefore critical to secure financial resources for O&M over the long term. Potentially eligible cities have confirmed during appraisal their financial capacity to assume their O&M responsibilities for the Program's expenditures. In addition, the Program Action Plan (PAP) includes the identification of sustainable funding sources for the sector (including for O&M) by the MoI and the MEF with the technical support of the Bank. Finally, the new model of infrastructure and service delivery will rebalance risk in favor of the private sector by shifting infrastructure investment and commercial risks that currently limit its ability to invest in rolling stock.

### **Program expenditure framework**

84. ***Morocco is undertaking an important budget reform to improve the transparency and effectiveness of public expenditure management at the central and local levels.*** While budget classification at the level of central government is aligned with international norms, Morocco has just recently started publishing a multiannual budget framework, which was included in the Organic Budget Law reform. This reform aims to achieve this objective through the adoption of a programmatic budget structure and performance objectives and indicators. The consolidation of the swift implementation of this reform would continue to increase the consistency between the budget and the government's priorities. Transfers to agencies and cities are currently recorded, not their own revenues in the absence of consolidated accounts. The current roll out of the same financial management information system to cities should facilitate such consolidation in the near future.

**85. *The Program’s financial sustainability and funding predictability at the central level do not pose a specific risk.*** The analysis recently carried out by the Bank on Morocco indicates that the public debt and external debt sustainability framework at the central level remains sustainable although it would weaken under scenarios of medium term downside risks. Indeed, when the debt sustainability analysis is based on alternative scenarios, the debt stock remained high over the period 2014-2020.

86. Program proceeds will be entirely reflected in the general budget of the State (BGE). As part of the Program, the Urban Transport Fund will receive financial resources (a cumulative US\$ 230 million per year) in accordance with the formal agreement reached by the MoI and the MEF. Transfers from this source for eligible expenditures can be complemented by (i) cities from other available sources of funds such as surpluses, local taxes and borrowing from the Municipal Infrastructure Fund (*Fonds d’Équipement communal* - FEC) and (ii) potentially other departments or special purpose accounts. The main existing relevant one is the VAT Special Purpose Account (*Compte d’Affectation spéciale - Part des Collectivités locales dans la Taxe sur la Valeur ajoutée* - CAS-TVA) CAS-TVA, managed by the MoI’s DGCL on behalf of LGs. This CAS receives through the annual budget thirty percent of the amount of VAT<sup>40</sup> collected nationwide. A significant portion of the funds collected by the CAS-TVA is then transferred to cities as Type-A specific allocations (*dotations spécifiques*) based on investment conventions (*conventions-programmes*) to fund a significant portion of investment projects presented to the DGCL, as a complement of other sources.

**87. *Overall, the central and local governments are able to execute and monitor public spending while evaluation of efficiency of public expenditure is still a work in progress.*** Budget execution is fairly centralized and the performance of budget execution is fairly satisfactory. Through the General Treasury of the Kingdom (TGR), the central government has access to detailed data on the execution of their budgets and main ministries use this information to prepare a quarterly update of budget execution. While the Court of Accounts regularly evaluates programs, which simultaneously involves regularity audits and performance audits, evaluation of public expenditure efficiency in Morocco is still suboptimal. The ambitious ongoing budget reform should mitigate this issue by introducing program-based budgeting with a performance approach, an annual evaluation of performance, and the use of performance indicators by the central government. The MoI, with the assistance of the Bank, will support this reform at the local level via capacity building for cities on performance-based budgeting. Moreover, during implementation, as requested by the MoI, the Bank will provide methodological guidance to the DDUT on the panel survey methodology (sampling, indicators, etc.) to measure the impact of urban transport expenditures on citizens (including the poor and women).

## **Program results framework and M&E**

88. The Bank has assisted the MoI in developing indicators and targets to monitor the results achieved under the proposed operation. The following indicators were defined: (i) Program Development Objective (PDO) Indicators; (ii) Intermediate Results Indicators; and (iii) DLIs.

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<sup>40</sup> Value-Added Tax

The completed tables including baseline, yearly targets and verification protocol for all the indicators are provided in Annexes 2 and 3. The section below presents how the Intermediate Results link with the PDO Indicators, as well as the Results Chain of the PforR operation:

- PDO Indicator 1 (*Number of cities<sup>41</sup> that improved their urban transport institutional assessment score by at least 10%*) is linked to Intermediate Results Indicator 1 to 5 (*Strengthened M&E system for the urban transport sector; Strengthened Urban Transport Fund; Number of operational associations of urban agglomerations; Number of urban mobility master plans prepared using a structured process and a participatory approach; Number of operational municipally-owned urban transport enterprises*), covering Results Area 1 (*Strengthened central capacity to plan and monitor urban transport*) and Results Area 2 (*Strengthened local capacity to plan, implement and monitor urban transport*)
- PDO Indicator 2 and Intermediate Results Indicator 7 (*Percentage of corridors in the Priority Program of Corridors supported under the Program that meet their objective in reduction of urban transport journey time*) are linked to Intermediate Results Indicator 6 (*Percentage of Priority Program of Corridors completed and open to traffic*) and Intermediate Results Indicator 7 (*Direct Program beneficiaries, of which female*) covering Results Area 3 (*Improved level of service of urban transport on targeted corridors*).

## **Program economic valuation**

### ***Rationale for Public Provision and Financing***

89. ***There is a strong rationale for public financing and provision of the activities supported by the Program.*** Specifically, (i) most of the investments are quasi-public goods and (ii) limited substitution effects are anticipated.

90. *Public urban transport investments are quasi-public goods which are currently undersupplied.* Aside from providing increased connectivity and access to opportunities and social services for citizens (especially the least fortunate ones), public transit indirectly benefits the general public. It typically results in an improvement of air quality because of the related decrease in car emissions. It also causes a reduction in traffic congestion due to the modal shift to a more efficient transport mode in terms of road space.

91. *Limited negative substitution effect is anticipated from the expenditures supported by the Program.* The urban transport sector is by definition capital-intensive. Investment capacity of private operators is severely constrained due to poor financial sustainability of the sector in Morocco as a result of contained fares, mostly uncompensated public service obligations, aggressive competition and uncompetitive cost structure. Crowd-out effect of private sector investment in urban transport infrastructure and systems is therefore anticipated to be insignificant.

### ***Economic analysis***

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<sup>41</sup> With more than 100,000 inhabitants as per last census (2014).

92. *Methodology.* Based on the analysis of available documentation (feasibility studies, urban master plans, data from urban transport operators, etc.) and technical working sessions with the Program’s stakeholders, a model was built to carry out the economic analysis (or cost-benefit analysis) for the typical Program expenditures. The incremental analysis compares the with-project scenario and the do-nothing scenario on a 15-year horizon (2015 to 2029). The economic evaluation is based from the point of view of society at large on savings in journey time, reduction in Vehicle Operating Costs (VOC) and reduction in greenhouse gas emissions (GHG), mainly CO<sub>2</sub>. Other externalities such as the monetary benefit derived from expected reduction of accidents impacts (fatalities, serious injuries, slight injuries, and property damages) were not included in the economic evaluation due to the lack of current data.

93. Time savings for users mainly stem from speed improvements due to dedicated lanes and priority schemes at intersections in the case of integrated corridors and from reduced congestion in the case of ATC systems. Reduction of VOC under the with-project scenario mostly stems from the modal shift displacing passengers from car-based transportation modes to public transport and operational efficiencies in the case of integrated corridors and reduced fuel consumption for ATC systems. Reduction of GHG emissions (mainly CO<sub>2</sub>) will mostly result from the modal shift from energy-inefficient car-based transportation modes to public transport (which is more energy-efficient per passenger) in the case of integrated corridors and from a reduction in congestion in the case of ATC systems.

94. *Net economic benefits and sensitivity analysis.* The below table provides the summarized results of the economic analysis by proposed type of subproject. Program-supported integrated corridors (including dedicated lanes, ISC, ITS, fare collection systems, and transfer stations) typically have a positive NPV of US\$ 8 million and an Economic Rate of Return (ERR) of 23% while ATC systems have a positive Net Present Value (NPV) of US\$ 5 million and an ERR of 22%. The typical expenditures supported by the Program are consequently worthwhile and beneficial for society at large. A sensitivity analysis has been carried out with the following variations: a 20% decrease in benefits (in time savings, in VOC savings, and in GHG reduction), a 20% increase in costs, and a combination of a 20% decrease in benefits and a 20% increase in costs. The corresponding NPV and ERR respectively decrease in this situation to US\$ 3 million and 16% for integrated corridors and to US\$ 1 million and 13% for ATC systems.

**Table 4. Conclusions of Economic Analysis per Type of Subproject**

<i>Type of sub-project</i>	<i>Base case</i>		<i>20% increase in costs</i>		<i>20% decrease in benefits</i>		<i>Combined case</i>	
	<i>NPV (USM\$)</i>	<i>ERR (%)</i>	<i>NPV (USM\$)</i>	<i>ERR (%)</i>	<i>NPV (USM\$)</i>	<i>ERR (%)</i>	<i>NPV (USM\$)</i>	<i>ERR (%)</i>
Integrated corridors	8	23%	6	20%	5	19%	3	16%
ATC systems	5	22%	4	18%	3	17%	1	13%

## **B. Fiduciary**

95. ***A Fiduciary Systems Assessment (FSA) of the World Bank-financed Program was conducted at the identification and assessment phases as per OP/BP 9.00***, in close collaboration with the Bank technical team, through analysis of available documents and working sessions with the main stakeholders. The FSA considers whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The FSA covered the Program's institutional arrangements, financial management and procurement systems, and governance systems.

96. ***Based on the assessment, it is concluded that the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes.*** However, there are significant gaps and weaknesses in these systems which need to be addressed as part of Program implementation. These gaps and weaknesses have the potential to make the fiduciary risk of the Program to be high thereby impacting the ability of the Program to achieve its intended results. Therefore, a Program Action Plan (PAP) is prepared based on the findings and conclusions of the Fiduciary Risk Assessment that will mitigate to a large extent the fiduciary risks and weaknesses identified. Other measures, currently in preparation and/or under implementation by the GoM, will also be monitored during supervision and reflected in the rating of the operation based on results achieved. Considering the existing weaknesses in Program fiduciary systems and the time and effort required to implement the Program Action Plan as well as the capacity building initiatives, the residual fiduciary risk rating for the Program is rated as ***Substantial***.

97. ***The MoI will be responsible for preparing the Program financial statements compiling them from municipal financial reporting as well as financial reporting from other agencies, if any.*** The protocols for the receipt and compilation of annual Program financial statements have been discussed with counterparts during appraisal. The annual audit of the Program financial statements will be carried out by the General Inspectorate of Finance (IGF). The audit report will be sent to the Bank not later than six (6) months after the end of the year under review. The terms of reference for the audit have been discussed with the IGF during appraisal. The capacity of the MoI for preparation of Program financial statements has been assessed and found satisfactory. A mid-term review (MTR) shall be furnished to the Bank on or about December 31, 2017, or such later date as the Bank shall request.

98. ***Several national entities will intervene when relevant in the Program with regard to fiduciary and governance issues:*** (i) the Court of Accounts (*Cour des Comptes* - CDC) for the periodic external municipal audits, (ii) the National Commission of Public Procurement (*Commission nationale de la Commande publique* - CNCP) that will handle the Program's public procurement complaints, if any, (iii) the National Authority for Integrity, Prevention and Fight against Corruption (*Instance nationale de la Probité, de la Prévention et de la Lutte contre la Corruption* - INPPLC) that will investigate complaints about fraud and corruption relating to the Program, if any, (iv) the IGAT that will be the Independent Verification Agent (IVA) of the Program, and (v) the IGF that will be responsible for auditing the Program's annual financial statements.

### ***C. Environmental and Social***

99. ***An Environmental and Social System Assessment (ESSA) of the Program has been conducted by the Bank in close collaboration with counterparts to identify potential environmental and social impacts to be supported under the proposed PforR.*** The ESSA assessed, against the requirements of OP/BP 9.0, the national and municipal systems with respect to institutional capacity and performance, policy and regulatory bases, consultation mechanisms and GRM to manage and mitigate the impacts. The portfolio of projects to be undertaken was also analyzed to identify typical environmental and social effects. The ESSA was based on a review of the legal, regulatory and institutional framework related to environmental and social matters, broad consultation of the Program stakeholders, and information collected during on-site visits. The assessment also drew on experience from implementation of safeguard instruments during similar previous Bank projects in Morocco.

100. ***The Program's supported activities are expected to have an overall positive effect and its adverse environmental and social impacts are anticipated to be low to moderate.*** Any land requirements (temporary or permanent) as part of the infrastructure component of the Program will likely be met through lands that are under the ownership of the state. Based on the type, scope and scale of works under this Program, adverse effects are expected to be typical construction impacts that are site-specific and generally limited to the construction phase such as noise, dust, vibration, fumes from asphaltting and transportation of materials, disruption to traffic and access to roadside activities, etc. Given the scope of activities, it is highly unlikely that resettlement would occur, although small-scale land acquisition may be required for the construction of infrastructure works, for example in widening roads in the existing rights-of-way. While no large-scale or high-risk projects are expected, the Program will exclude all activities that are judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. Excluded financing would include investments in new or major expansion of large-scale or investment activities that are Category A activities<sup>42</sup>.

101. ***The ESSA found that in general, the Moroccan system for environmental management systems is relatively comprehensive and is in many ways consistent with the core principles of OP 9.00.*** Morocco's legal framework is conducive to both environmental protection and natural resources conservation. It includes guidelines for the development of environmental management tools to address environmental aspects connected to development activities and investments. The key weakness in the implementation of the Program's Environmental Management Systems (EMS) stems from stakeholders' capacity, mainly at the local level. Weaknesses have been identified in collection, analysis and interpretation of environmental data recorded in the screening forms, identification of environmental impacts, and monitoring of mitigation measures and environmental management plans. Capacity building initiatives to strengthen the capacity of

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<sup>42</sup> Examples of Category A projects include: power plants; transport infrastructure such as highways, expressways, urban metro-systems railways, and ports; investment in extractive industries; commercial logging; water (surface and groundwater) resource infrastructure, including dams, or projects involving allocation or conveyance of water, including inter-basin water transfers or activities resulting in significant changes to water quality or availability; and construction of manufacturing or industrial processing facilities.



the stakeholders, especially at the local level, have been included in the Program. The establishment of a focal point for environmental issues in participating cities will also contribute to improving the Environment and Social Management Systems (ESMS).

102. ***The ESSA assessed Morocco's social management system for consistency with the core principles of OP/BP 9.00 and found few gaps with Program requirements.*** Morocco has a strong legal framework regulating procedures for land acquisition and expropriation. Expropriation generally meets the basic requirements of transparency, equity and accountability. Morocco's system similarly contains provisions for compensation of people with formal titles affected by resettlement. Livelihood restoration and extension of assistance to informal users as part of the resettlement efforts are areas identified for greater attention and strengthening. While it is anticipated that the Program's infrastructure sub-projects will use land from State and municipal public domain, in the unlikely event where land acquisition and/or resettlement should occur, participating municipalities will need to ensure that people affected are properly compensated in a timely manner and assisted in the restoration of their livelihoods. This is particularly the case for non-authorized commercial occupants of public lands and rights-of-way. The process to follow is to avoid, if possible, and manage, should they occur, any adverse social impacts, in particular impacts related to potential land acquisition, will be detailed in the Technical Guide. The development of such a manual and its implementation are part of the ESSA action plan (respectively, point 1.1 and 2.1 of the ESSA). Strong and timely public consultations and attention to grievance redress mechanisms that are easily accessible to communities are some additional areas of improvement.

103. ***The Program offers an opportunity to strengthen the country's overall environmental and social management system of urban transport.*** Measures (detailed in Annex 6) to strengthen its performance are included in the Program relating to the (i) environmental and social management system, (ii) system implementation and monitoring, and (iii) environmental and social management capacities. Specifically, the Program will adopt a Technical Guide (TG) to establish clear procedures to guide participating cities in assessing, managing, and monitoring environmental and social impacts of urban transport-related projects. As part of the assessment, participating cities will apply specific screening tools and mechanisms to evaluate the scope and the importance of social and environmental impacts of these projects, by complementing mechanisms required by Moroccan law with additional World Bank's procedures, in order to better take into account the degree of these impacts. Among other things, this aims to exclude road sections or interventions that could lead to social or environmental risks not eligible under the PforR. Institutional strengthening measures will include the (i) designation within participating cities of focal points for environmental and social management, (ii) establishment (or formalization) of grievance redress mechanisms (GRMs) by participating cities, and (iii) setup of specific tools for disclosure, reporting and monitoring of participating cities' activities. The Program will also include activities to strengthen capacity and awareness of participating municipalities' technical personnel and representatives dealing with environmental and social management. Implementation of these measures will be ensured by their inclusion in the overall PAP actions.

104. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit

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

105. Morocco is equipped with numerous institutions with a mandate to hear and decide on grievances and claims related to activities supported by the proposed PforR. The existence of grievance and appeal mechanisms and their recent promotion to the constitutional level provide them with the necessary independence and financial autonomy, as well as expanded powers for self-referral. The World Bank's GRS system does not minimize the value of the Moroccan system of grievance management.

**D. Integrated Risk Assessment Summary**

<b><i>Risk</i></b>	<b><i>Rating</i></b>
Technical	Substantial
Fiduciary	Substantial
Environmental and Social	Moderate
Disbursement Linked Indicator	Substantial
<b><i>Overall Risk</i></b>	<b><i>Substantial</i></b>

***Risk rating explanation***

106. ***Overall, the risk rating of the proposed operation is Substantial, as the technical, fiduciary and disbursement linked indicator risks have been assessed to be substantial.***

107. ***Technical Risk of the Program is Substantial.*** The Program's success depends on participating cities that are in charge of direct implementation of expenditures. The Bank's technical assessment deemed that the infrastructure expenditures are within the participating cities' capacity to implement, with the assistance of expert consultants for feasibility study, design and construction supervision. Best practice procedures will be prescribed in the POM. Moreover, as funds are to be disbursed at central level, there is a risk that participating cities will not receive adequate funding to implement the Program and achieve the expected results. The use of DLI (specifically DLI#2, DLI#6 and DLI#7) and PDO indicators will incentivize the MoI and the MEF to ensure that sufficient financial resources are allocated to the Program supported by the Bank. The Bank will closely monitor resource allocation and implementation during supervision.

108. ***Fiduciary risk of the Program is Substantial.*** PFM systems at the central level, including in their relationship to the local level, have been deemed adequate overall for the implementation of the operation. Capacity of procuring entities, especially at the local level, may require strengthening. Program implementation will include capacity building activities (including on new public procurement decree) on Bank procurement and financial management guidelines. The Bank will also ensure close supervision during the implementation period. Moreover, participating cities may elect after effectiveness to implement the Program's infrastructure activities through municipally-owned enterprises (or similar arrangements) which mostly operate according to private law. If needed, these entities will benefit from tailored capacity strengthening initiatives and be subjected to closer monitoring during implementation to ensure mitigation of fiduciary risk. Finally, there is a lack of clear and independent procurement GRM. The PAP includes the implementation of GRM at the local level for participating cities. In addition, GRMs are expected to be an important component supported by the other Bank operations in preparation.

109. *DLI risk of the Program is Substantial.* There is a risk of lags in disbursements, as expressed by the MEF, if the agreed DLI targets are too ambitious. There is also a risk of setting overly conservative DLI targets that would dilute the project's socio-economic impact of the Program. Realistic DLI targets have been designed after broad consultations with the stakeholders (including the MEF, the MoI, city representatives, and private operators) to reduce this risk.

*E. Program Action Plan (PAP)*

110. Based on the technical, fiduciary, and environmental and social assessments, a time-bound PAP, detailed in Annex 8, has been agreed by the GoM. The inputs to the PAP, stemming from the three assessments, have been prioritized in order to selectively focus on the most critical actions, expected to best support the Program to deliver its results. The GoM's commitment to implement the PAP actions has been confirmed. As part of Program implementation support, the Bank will monitor adequate and timely implementation of the PAP.

## *Annex 1: Detailed Program Description*

### **I. GOVERNMENT PROGRAM**

1. The GoM has designed a broad and coherent program of investments and institutional reforms to develop the country's urban transport sector. The development of the Government program was based on consultations with sector stakeholders including representatives of cities, academics, private operators, consultants, and members of civil society organizations. The Bank significantly contributed to shape the program, in collaboration with other donors, through several detailed analyses such as a strategic action plan for reforms, a study on financing schemes, and a review of disability and urban transport. In addition, the Bank has been providing regular technical assistance to the central government and cities during the implementation of the 2011 Urban Transport DPL and the preparation of the proposed PforR operation.

2. The Government program consolidates central government measures and initiatives of cities<sup>43</sup>. Due to urban transport issues being more acute in larger metropolitan areas, the program focuses on the country's largest<sup>44</sup> agglomerations (comprising the main primary and secondary cities), including Greater Casablanca (4.5 million inhabitants), Rabat-Salé-Témara<sup>45</sup> (2 million), Fès (1 million), Greater Agadir (1 million), Tangier (1 million), Marrakesh (1 million), Meknès (0.5 million), Oujda (0.5 million), Kénitra (0.4 million), and Tétouan-Martil (0.4 million).

3. The objectives of the Government program are to (i) reduce economic disparities by improving citizens' access to social services and economic opportunities, and (ii) foster urban economic development by enhancing productivity through improved urban transport. In order to reach these objectives, the program is divided into three subprograms: (i) *Subprogram 1: Strengthening of the sector's institutions*; (ii) *Subprogram 2: Strengthening the sector's sustainable financing mechanism*; and (iii) *Subprogram 3: Development of urban transport corridors to improve access of citizens to economic opportunities and social services*.

#### ***Subprogram 1: Strengthening of the sector's institutions***

4. The urban transport sector's development suffers from the deficiencies of cities in terms of institutional capacity and coordination. Local coordination of cities' efforts in the sector is still a work in progress as cities from the same agglomeration may still adopt parallel urban transport measures. Furthermore, most cities lack capacity to adequately serve their role as service providers in the sector. A majority of cities (especially small ones) fail to deliver urban transport infrastructure and services because of their lack of experience in two areas: management of complex projects, and management of contracts with private providers of civil works and services.

5. In recent years, these issues as well as a difficult to enforce regulatory framework hindered the provision of public transport services by private operators. This is illustrated by frequent

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<sup>43</sup> As the responsibility for urban transport is delegated to cities by the Municipal Charter.

<sup>44</sup> As per last census (2014).

<sup>45</sup> Also referred to as Greater Rabat.

service lapses in specific sections or the early termination of a 15-year contract with the main bus operator in Rabat in 2011. As a consequence, citizens, central government officials, and city representatives have reached consensus on the need to experiment with a new institutional model for the planning and delivery of public transport services and infrastructure. The Bank has also supported this approach via its in-depth study on utility reform, several approved or ongoing operations<sup>46</sup>, and technical assistance<sup>47</sup>.

6. The MoI has designed Subprogram 1 to strengthen the urban transport sector's institutions. It was presented and discussed in numerous events, endorsed by central government officials, and welcomed by municipal representatives and urban citizens. This subprogram aims at strengthening: (i) central government's capacity to monitor the sector; (ii) institutional coordination between cities at the agglomeration level; (iii) cities' technical resources to plan urban transport; (iv) cities' technical capacity to plan urban transport; (v) cities' capacity to deliver and monitor infrastructure and services; and (vi) contractual arrangements between cities and private operators.

#### *Central government's capacity to monitor the sector*

7. The central government, mostly through the MoI, is responsible to supervise and provide financial and technical support to local urban transport. However, to target its involvement, the central government currently relies on M&E systems that are mostly paper-based and limited in depth and scope. This hinders accurate and systematic monitoring of the sector's progress and performance, which may result in an untimely and unfocused support of the central government to the sector. Therefore, as part of the Government's program, the MoI intends to develop a strengthened computer-based M&E system in the near term.

8. The DDUT is currently working on this system, drawing lessons from international experience. It has already pre-identified sector-wide needs with the technical support of the Bank. The strengthened system will capture and analyze depending on availability a minimum set of indicators of: (i) sector performance comprising urban mobility supply (including modal shares, fleets, and infrastructure) and demand (including distance and trip length), operating costs, revenues, subsidies and fare levels, and externalities (environmental impact, road safety issues, etc.); and (ii) project management performance (on time and on budget).

9. This M&E system would be complemented by a yearly institutional assessment carried out by the MoI to assess the country's largest primary and secondary cities. This assessment would be based, as shown in the table below on the local (i) level of inter-municipal cooperation and coordination of urban transport, (ii) capacity and resources to plan and monitor urban transport infrastructure and services, and (iii) capacity to implement urban transport infrastructure and services. The resulting score would facilitate monitoring of local institutional progress and needs of cities by the MoI to properly target required support and assistance.

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<sup>46</sup> Solid Waste DPL 3 and 4, Urban Transport DPL, and Local Governance PforR (in preparation)

<sup>47</sup> Local Government Support Program TA (PACT)

**Table 5. Cities' Urban Transport Institutional Assessment Score**

<b>Area</b>	<b>Institutions</b>	<b>Measures</b>	<b>Points</b>
Inter-municipal cooperation and coordination of urban transport	Urban transport sector-specific or multi-sector inter-municipal cooperation entity (or a similar arrangement) <sup>48</sup>	Part of an inter-municipal cooperation entity with budgetary or expenditure sharing arrangements	5 points
		Adoption and implementation of an Operations Manual (or a similar document)	5 points
		Preparation of an annual report	5 points
		Existing administrative structure or equivalent	5 points
		Preparation and implementation within cost and time-frame of a Priority Program	5 points
Capacity and resources to plan and monitor urban transport infrastructure and services	M&E	Inclusion in the central computer-based sector-wide M&E system	5 points
	Capacity-building activities	Urban transport-specific training delivered to cities' staff	15 points (1 point for each week of urban transport-specific training in the previous year)
	Urban mobility master plan (or a similar document)	Structured process	10 points
		Participatory approach	10 points
		Relevance (i.e. age inferior to 5 years)	5 points
Capacity to implement urban transport infrastructure and services	Urban transport municipally-owned enterprise (or a similar arrangement)	Creation of municipally-owned enterprise and adoption and implementation of an Operations Manual (or a similar document)	10 points
		Preparation of an annual report	5 points
		Staff appointed with required qualifications for key positions	5 points
		Preparation and implementation within cost and time-frame of a Priority Program	10 points
			<b>100 points</b>

<sup>48</sup> If the assessed municipality is not part of an agglomeration, it is not graded in this area as it is irrelevant. The partial grade would hence need to be converted to a full grade.

### *Institutional coordination between cities at the agglomeration level*

10. The country's largest urban areas have rapidly spread in recent years, resulting in the creation of several agglomerations. Today, because of mostly insufficient cooperation, cities that are part of agglomeration can act in parallel fashion to tackle urban transport issues, each within its own geographical boundaries. Management structures for inter-municipal cooperation are necessary to efficiently manage services that often go beyond municipal borders, such as urban transport services. By creating an inter-municipal cooperation entity (*Établissement de coopération intercommunale* - ECI<sup>49</sup>), local authorities transfer their responsibility for urban transport to this entity.

11. The Government's program intends to improve inter-municipal coordination and planning capacity of the sector by encouraging cities to create urban transport inter-municipal cooperation entities when necessary. Greater Rabat's municipalities have created the *Groupement Al Assima* as a pilot initiative in 2011. Several other municipalities in the country's largest agglomerations are in the process of establishing similar inter-municipal cooperation entities. To support this reform, the MoI is currently strengthening the regulatory framework of these arrangements. The MoI has also programmed institutional measures to strengthen the capacity of inter-municipal cooperation entities in order for these structures to properly plan urban transport at the agglomeration level.

### *Cities' technical resources to plan urban transport*

12. The Government's program also aims at fostering the development of urban mobility master plans (*Plans de Déplacements urbains* - PDU) by municipalities, using a structured and participatory approach. These plans must derive from an analysis of primary and secondary data, and from consultations with citizens. They must contain: (i) a review of the local context; (ii) a description of current characteristics of mobility systems; (iii) an identification of current mobility needs, issues, and deficiencies; (iv) the determination of gaps to desired future outcomes by forecasting future mobility demand; (v) an identification and evaluation of potential options to achieve desired mobility outcomes; and (vi) a recommended action plan and a mid-term priority investment plan.

13. As part of the Government's program, the MoI will continue to technically and financially sustain cities in developing their urban mobility master plans. In particular, the DGCL will continue to finance up to 50 percent of the cost of studies and consulting services (with a cap of US\$ 1.2 million) for the preparation of urban mobility master plans by reputable firms – several cities have already benefitted from it. Moreover, the DGCL intends to provide cities with methodological and technical tools (such as guides) to improve the quality and relevance of urban mobility master plans.

### *Cities' technical capacity to plan urban transport*

14. To strengthen cities' technical capacity to plan urban transport, the MoI recently organized several capacity building activities. More than 50 regional and cities' staff and representatives

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<sup>49</sup> Previously known as associations of agglomeration or *Groupements d'agglomération* in french



have benefited from trainings with the support of donors, including the Bank<sup>50</sup>. Covered topics ranged from traffic management systems and mobility demand management, to environmental and social issues in urban transport planning. Despite the positive impact of these efforts, the consensus is that capacity of cities in the sector remains particularly inadequate in specific areas.

15. The Government's program intends to improve capacity of cities in the above-mentioned topics to consolidate achieved results and other specific areas. These areas include: (i) the integration of urban transport and urban planning (including land use), (ii) project management applied to urban transport, and (iii) preparation and management of public transport concession contracts. The MoI is in charge of this capacity building, with the support of donors, and in coordination with other ministries, such as the Ministry of Urban Planning (MUP) when relevant.

#### *Cities' capacity to deliver and monitor infrastructure and services*

16. The Government's program includes fostering the creation of sector-specific municipally-owned enterprises (*Sociétés de Patrimoine*) by inter-municipal cooperation entities in the country's largest cities. As local joint-ownership companies (*Sociétés de Développement local - SDL*), municipally-owned enterprises plan, fund and implement urban transport infrastructure investments, and supervise the provision of urban transport services. While under the supervision of the state and cities, municipally-owned enterprises operate according to private law and are therefore usually able to attract and retain qualified professionals and consultants better than most public entities can. Increased access to human resources typically results in a strengthened capacity of cities for infrastructure and service delivery.

17. In 2009, Casablanca and Greater Rabat created two pilot municipally-owned enterprises to develop their light rail systems: *STRS*<sup>51</sup> and *Casa Transports*. This experience has proved broadly satisfactory, delivering promised infrastructure on time and budget, and providing services that compare favorably to international standards. As a result, other cities in the country's largest agglomerations, such as Agadir and Marrakesh, are in the process of setting up municipally-owned enterprises dedicated to urban transport. The GoM, with the assistance of donors including the Bank, is providing guidance, resources, and tools to cities for the proper creation of municipally-owned enterprises (optimal legal and administrative form, staffing requirements, IT and other resources).

#### *Contractual arrangements between cities and private operators*

18. Public transport services in Morocco are mostly provided by delegated services contracts or concessions from cities to private operators. Most operators are currently remunerated through net-cost contracts, where the operator retains revenues generated from users in exchange of the provision of a specified service. This situation imposes a substantial commercial risk on the private sector, given the absence of a level playing field in the competition with poorly regulated intermediate modes, such as shared taxis and the informal sector. Consequently, the sector

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<sup>50</sup> In particular, the Leaders in Urban Transport Planning (LUTP) program, managed by the World Bank, has trained more than a fifty staffers and representatives at the central, regional and local level in Morocco in recent years.

<sup>51</sup> *Société du Tramway de Rabat-Salé* or Rabat-Salé Light Rail Corporation

suffers from financial unsustainability: few operators currently make profits, causing occasional service lapses and frequent renegotiations of contract terms.

19. The Government's program will foster a widespread transition to gross-cost contracts, where the operator receives a per-kilometer compensation from the conceding authority based on the provision of a specified service. Casablanca and Greater Rabat are using this type of contract (as pilot initiatives) to operate their light rail systems. Enforceable contractual stipulations and financial incentives to reliability and quality have proved broadly satisfactory, enabling the provision of services that compare favorably to international standards. However, the transition from net-cost to gross-cost contracts will certainly be progressive. This is due to the terms and remaining maturity of legacy contracts, as well as the considerable technical and institutional capacity required by this shift to control service provision.

### ***Subprogram 2: Strengthening the sector's sustainable financing mechanism***

20. The urban transport sector is by definition capital-intensive; it will require around US\$ 3 billion over the next decade in the country, according to the MoI. Nonetheless, the investment capacity of private operators is severely constrained by poor financial sustainability of the sector in Morocco, resulting from contained fares, mostly uncompensated public service obligations, anarchic competition, and uncompetitive cost structure. Furthermore, the investment capacity of cities is constrained by their limited financial resources and their budgetary reliance on fiscal transfers. The GoM plans to bridge this gap by providing investment grant funding from the central government to worthwhile urban transport infrastructure projects at the local level on a case-by-case basis.

21. The GoM established the Urban Transport Fund<sup>52</sup> in 2007 as a Special Purpose Account (*Compte d'Affectation spéciale - CAS*) to serve this purpose. The Urban Transport Fund is intended to be used (i) as a financial incentive to encourage the development of mass transit infrastructure by cities, and (ii) to ensure financial sustainability of such investments by covering expected initial years' operational deficit. A project would be deemed eligible to funding according to criteria related to: (i) strategic, technical, financial and socio-economic relevance; (ii) project's proposed coordination, planning, and implementation arrangements and process; and (iii) urgency of cities' urban mobility needs. Specific criteria will be finalized by December 2016.

22. The Government's program includes strengthening the fund to improve the allocation of the sector's financial resources and to increase its financial sustainability. This includes refining the governance, financial, and human resources arrangements of the fund, among others. The MoI and the MEF have achieved significant progress in the core components of its strengthening with the strategic support of the Bank based on international experience. In November 2013, the GoM amended the Budget Law to define the fund's scope and objectives. In July 2014, it issued an official order (*arrêté interministériel*) establishing the fund's governance structure. In October 2014, different committees have been formed to provide strategic and technical steering and

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<sup>52</sup> *Fonds d'Accompagnement des Réformes du Transport routier urbain et interurbain (FART)* in French

guidance to the fund and have since held several official meetings. Finally, the MoI and the MEF have recently formally agreed to earmark at least a combined US\$ 230 million annually to the fund. The MEF and the MoI are currently working on the remaining components with the technical support of the Bank.

***Subprogram 3: Development of urban transport corridors to improve access of citizens to economic opportunities and social services***

23. The Government program comprises expenditures to improve the level of service of urban transport on corridors for an improved access of citizens to economic opportunities and social services, including via (i) area traffic control (ATC) systems, (ii) intersection signal control (ISC) systems, (iii) intelligent transport systems (ITS), (iv) integrated fare collection systems, (v) light rail systems, (vi) transfer stations<sup>53</sup>, (vii) dedicated lanes and boarding stations, (viii) public transport rolling stock, and (ix) taxi fleet renewal.

24. The table below presents the description and objectives of typical expenditures comprised in the GoM's Subprogram 3.

***Table 6. Description and Objective of Typical Expenditures Comprised in the GoM's Subprogram 3***

<b><i>TYPE</i></b>	<b><i>DESCRIPTION</i></b>	<b><i>OBJECTIVE</i></b>
Dedicated lanes	Goods, works, and services for detailed design, supervision and construction of (i) demarcated or segregated lanes, (ii) warning and directional signage, and (iii) carriageway markings.	Improved commercial speed of public transport by minimizing unnecessary stops due to traffic congestion.
Area Traffic Control (ATC) Systems	Goods, works, and services for detailed design, supervision and construction and/or installation of (i) ICT equipment and software including closed-circuit television (CCTV) surveillance systems, (ii) hardware and software for traffic control, and (iii) traffic command center.	Improved speed of all vehicles (including public urban transport) due to improved management of traffic flow.
Intersection Signal Control (ISC) Systems	Goods, works, and services for detailed design, supervision and construction and/or installation of (i) on site detection equipment, (ii) hardware and software for traffic control, and (iii) traffic command center.	Improved commercial speed of public transport via priority at intersections to minimize delays

<sup>53</sup> Also known as interchange stations

Transfer Stations	Goods, works, and services for detailed design, supervision, construction and/or equipment of transfer stations (including incentive parking facilities, accessibility features, personal security infrastructure such as lights, sitting areas, bathrooms, etc.).	Increased convenience of intermodal connections for users with an emphasis on aspects that may deter vulnerable user groups such as women and people with limited mobility from using public transport.
Integrated Fare Collection Systems	Goods, works, and services for design, construction and supervision of fare collection systems including electronic ticketing machines and smart cards.	Increased convenience of intermodal connections for users.
Intelligent Transport Systems (ITS)	Goods, works, and services for detailed design, supervision, construction and/or installation of (i) on-board General Positioning System (GPS) and (i) Passenger Information Systems (PIS) and hardware.	Improved (i) operational performance of urban transport via enhanced management of operations, and (ii) accessibility via user-friendly passenger information.
Light Rail Systems	Goods, works, and services for detailed design, supervision, construction and/or installation of light rail systems.	(i) Improved operational performance of public urban transport through enhanced management of operations, and (ii) increased supply and frequency of public transport.
Public Transport Rolling Stock	Goods, works, and services for acquisition of public transport rolling stock.	Increased supply and frequency of service of urban transport.
Taxis Fleet	Goods, works, and services for the scrapping and replacement of obsolete taxis.	Increased efficiency of taxi fleet.

## II. PFORR PROGRAM

25. The PDO is to strengthen the capacity of urban transport institutions to plan, implement and monitor infrastructure and services, and to improve the level of service of urban transport in targeted corridors in the Program Area<sup>54</sup>.

26. Based on the needs identified during the preparation of the Government's program, and for increased selectivity of Bank support, the Program focuses on the following activities:

27. **Activities to strengthen central capacity to plan and monitor urban transport (Results Area 1).** These activities, respectively at the central level and in the Program Area, cover:

- Strengthening central M&E system for the sector (Subprogram 1).
- Strengthening the Urban Transport Fund (Subprogram 2).

28. **Activities to strengthen local capacity to plan, implement, and monitor urban transport (Results Area 2).** These activities, focused on primary and secondary cities (of more than 100,000 inhabitants) in the Program Area, cover:

- Strengthening local capacity to coordinate initiatives at the agglomeration level through the creation of associations of urban agglomerations or similar arrangements (Subprogram 1).
- Strengthening local technical capacity and resources to plan urban transport activities via proper preparation of urban mobility master plans (or similar documents) using a structured process and a participatory approach, as well as sector-specific capacity building programs (Subprogram 1).
- Strengthening local capacity to implement and monitor urban transport infrastructure and systems via the creation of municipally-owned enterprises or similar arrangements (Subprogram 1).

29. **Activities to improve the level of service of urban transport on targeted corridors (Results Area 3).** The Program will support a subset of the program of expenditures of the above-mentioned government program, located in cities of more than 100,000 inhabitants in the Program Area, where urban transport issues are more acute, and will typically include: (i) dedicated lanes; (ii) boarding and transfer stations ; (iii) rolling stock ; (iv) intersection signal control systems ; (v) area traffic control systems ; (vi) integrated fare collection systems ; and (vii) intelligent transport systems (including passenger information systems). Specific Program-supported subprojects, for a minimal cumulative length of 20 kilometers, will be defined in the *Priority Program of Corridors (PPC)* already pre-identified, to be prepared by Urban Transport Fund committee with the technical support of the Bank.

30. The table below presents the Program (gray shaded cells) as compared with the Government's program.

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<sup>54</sup> The Program Area is constituted of the following regions : Béni Mellal-Khénifra, Casablanca-Settat, Drâa-Tafilalet, Fès-Meknès, Marrakech-Safi, Oriental, Rabat-Salé-Kénitra, Souss-Massa and Tanger-Tétouan-Al Hoceïma.

**Table 7. Comparison of scope between Program (gray cells) and Government's Program, 2016-2019**

<b><i>Subprogram 1: Strengthening of the sector's institutions</i></b>	
Activities to strengthen central M&E system for the sector	Within Program Area <sup>55</sup>
Activities to strengthen local capacity to coordinate initiatives at the agglomeration level through inter-municipal cooperation entities or similar arrangements	
Activities to strengthen local technical capacity and resources to plan urban transport activities via urban mobility master plans or similar documents	
Activities to strengthen local capacity to implement and monitor urban transport infrastructure and systems via municipally-owned enterprises or similar arrangements	
Capacity building activities	
	Outside Program Area
<b><i>Subprogram 2 : Strengthening of the sustainable financing mechanism of the sector</i></b>	
Activities to strengthen the Urban Transport Fund	Central-level
<b><i>Subprogram 3 : Development of urban transport corridors to improve access of citizens to economic opportunities and social services</i></b>	
Urban transport infrastructure and systems	Within Program Area, priority <sup>56</sup> , and low to moderate risk <sup>57</sup>
	Non-Program Area, non-priority and/or high risk

<sup>55</sup> The Program Area is constituted of the following regions: Béni Mellal-Khénifra, Casablanca-Settat, Drâa-Tafilalet, Fès-Meknès, Marrakech-Safi, Oriental, Rabat-Salé-Kénitra, Souss-Massa and Tanger-Tétouan-Al Hoceïma

<sup>56</sup> That is, included in the Priority Program of Corridors (PPC) that is to be identified by the Urban Transport Fund committee with the technical support of the Bank.

<sup>57</sup> That is, unlikely to have a significant adverse impact on the environment and/or affected people, as defined in the operational policy (OP) 9.00 or to require contracts for works, goods, non-consulting or consulting services that are above the Bank's Operations Procurement Review Committee (OPRC) thresholds.

**Table 8. Program Financing**

<b>Source</b>	<b>Amount (\$ Million)</b>	<b>% of Total</b>
Government	150	<b>43</b>
IBRD	200	<b>57</b>
<b>Total Program Financing</b>	<b>350</b>	<b>100</b>

***High-risk activities.***

31. As confirmed during appraisal, the Program does not include any activity likely to have a significant adverse impact on the environment and/or affected people, as defined in the operational policy (OP) 9.00. In addition, it does not include any contract for works, goods, non-consulting or consulting services above the Bank's Operations Procurement Review Committee (OPRC) thresholds<sup>58</sup>. Maximum contract amounts are anticipated to be around US\$ 20 million for civil works, US\$ 10 million for goods, US\$ 5 million for non-consulting services, and 10 million for consulting services, according to the procurement profile of the Program's expenditures. As part of the implementation support, the Bank will ensure that no high-risk activity is engaged under the Program.

***Citizen engagement.***

32. In recent years, several cities carried out several public consultations at the local level to prepare the Government's Program, notably during the preparation of urban mobility master plans. For the appraisal of the proposed Program, a specific public consultation has been conducted by the Bank. During these consultations, the Program's design has been presented to the stakeholders from local communities, the private sector, and the civil society (including gender advocacy groups). Views of stakeholders' on the activities directly relevant to them have been gathered and reflected in the design as much as possible. In addition, beneficiaries will be able to give their feedback during implementation. In particular, public and private stakeholders will be able to submit complaints and get information about the Program's activities via Grievance Redress Mechanisms (GRM).

***Gender-oriented benefits***

33. The Program's infrastructure and systems will incorporate, when relevant, typical safety, security, and universal access features that usually have a positive impact on women such as improved lighting in transfer stations, road safety grids for dedicated lanes, CCTV for surveillance in transfer stations and ATC systems, and ramps for people with limited mobility in transfer stations. During appraisal, the Bank supported consultations to understand women's

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<sup>58</sup> US\$50 million for works, US\$30 million for goods, US\$20 million for non-consulting services, and US\$15 million for consulting services.

public urban transport needs and confirmed that the activities of the infrastructure subprogram are properly designed to address their needs. Furthermore, the Bank is carrying a study financed by UFGE<sup>59</sup> to better understand the challenges faced by men and women in urban transport in Greater Rabat, Tangier and Kénitra. The study will recommend a wide range of potential measures to improve urban transport, with a focus on gender issues. The recommendations of the study will be used to ensure adequate implementation of the proposed Program and to design future transport operations.

### ***Road safety initiatives***

34. Aside from supporting expenditures in the Program with road safety features such as safety grids for dedicated lanes, the Bank is providing in parallel on-going strategic, institutional, and technical support to the relevant line ministry<sup>60</sup> to improve road safety in Morocco with the assistance of the Global Road Safety Facility (GRSF). Specifically, the Bank is supporting (i) a study on the feasibility and modalities of the strengthening of the regulatory and institutional framework of road safety, and (ii) the preparation of a new National Road Safety Strategy covering the next decade based on an evaluation of the achievements of the current strategy. During implementation, the Bank will ensure coordination of these activities with the Program.

### ***Role of development partners***

35. This PforR operation is prepared in consultation with donors and IFIs active in the country's urban transport sector. There is a wide consensus among donors and development partners on the importance to provide strong support to the country's urban transport sector. Discussions were held with representatives of the French Development Agency (*Agence française de Développement* - AFD), the African Development Bank (AfDB) and GIZ to ensure coordination with donor-supported ongoing initiatives. AFD has been particularly active in the sector in recent years. The French development agency has contributed to financing the light rail systems' rolling stock of Greater Rabat (US\$ 62 million) and Casablanca (US\$ 32 million) in coordination with the European Investment Bank (EIB). AFD also supported the organization by the MoI of the well-received National Days of Urban Transport (*Journées nationales du Transport urbain* - JNTU) in 2013. GIZ has similarly supported, jointly with the DGCL, several cities on issues pertaining to the urban transport sector through capacity building and networking activities structured around the CoMun Urban Cooperation Program which comprises 11 mid-sized and large Moroccan cities in its urban transport community of practice. Most donors consulted intend to remain strongly active in the sector. For instance, AFD is currently considering financing the Agadir subproject and the light rail systems extensions in Casablanca and Rabat. During implementation, the Bank will continue reaching out to donors and development partners for close coordination and potential collaboration.

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<sup>59</sup> Umbrella Facility for Gender Equality (UFGE).

<sup>60</sup> Ministry of Equipment, Transport and Logistics (*Ministère de l'Équipement, du Transport et de la Logistique*)



### ***III. Institutional Arrangements***

36. The Ministry of Interior will be the agency responsible for the Program. The MoI will use existing internal coordination mechanisms for the Program. The MoI may occasionally consult external stakeholders including other ministries and representatives of civil society and the private sector as appropriate. The DGCL will be the focal point for the Bank for the Program. Other entities of the MoI will be responsible for the implementation of activities directly relevant to them.

37. The DDUT will be responsible for the monitoring of day-to-day implementation of the Program. The DDUT will also prepare the Program's annual progress reports and mid-term review and consolidate the Program's financial statements. Detailed reporting guidelines will be included in the Program Operations Manual (POM) to be prepared and adopted by the MoI by the end of the first year of Program implementation.

38. Participating municipalities will be in charge of planning, budgeting, and implementing Program's municipal activities, either directly or via municipality-owned enterprises (or similar arrangements). Participating municipalities will therefore be directly or indirectly responsible for procurement, contract administration and management, technical supervision, monitoring and reporting of these sub-projects' progress to the central government.

39. Municipalities require adequate technical and managerial expertise to successfully fulfill their mandates. Most municipalities have relatively limited capacity for complex urban transport implementation, as confirmed during preparation. However, the Program will only include moderately complex investments. In addition, targeted capacity strengthening activities have been incorporated in the Program's design to mitigate this issue.

40. The Program will be supported on fiduciary and governance issues by several national entities. These entities includes (i) the Court of Accounts (*Cour des Comptes* - CDC), especially for the periodic external audit of municipalities, (ii) the National Commission of Public Procurement (*Commission nationale de la Commande publique* - CNCP) in charge of handling the Program's public procurement complaints, if any, (iii) the National Authority for Integrity, Prevention and Fight against Corruption (*Instance nationale de la Probité, de la Prévention et de la Lutte contre la Corruption* - INPPLC) which will be responsible for the investigation of complaints, if any, on fraud and corruption relating to the Program, (iv) the MoI's General Inspectorate of Territorial Administration (*Inspection générale de l'Administration territoriale* - IGAT) as the IVA of the Program, and (v) the MEF's General Inspectorate of Finance (*Inspection générale des Finances* - IGF) for internal auditing of the Program.

**Table 9. Program’s Main Stakeholders and their Role in Program Implementation**

<b>INSTITUTION</b>		<b>ROLE PLAYED IN PROGRAM IMPLEMENTATION</b>
MoI	DGCL	Focal point of the MoI for the Bank for the Program
	DFCAT	Responsible for central level delivery of capacity-building activities of the Program.
	DDUT	In charge of the Program’s day-to-day monitoring of implementation, as well as periodic reporting.
	IGAT	Responsible for independent verification of the Program’s results (IVA).
MEF	DB	In charge of Program budgeting.
	IGF	Responsible for internal audit of the Program.
CDC		In charge of external audit of cities.
CNCP		In charge of handling the Program’s public procurement complaints, if any.
INPLC		In charge of investigating the Program’s fraud and corruption complaints, if any.
Wilayas		In charge of providing technical guidance and supervision at the local level.
Participating municipalities		In charge of planning, budgeting, and implementing activities in terms of (i) project management, (ii) procurement and contract management, and (iii) supervision, monitoring and reporting of progress; directly or through municipally-owned enterprises.

**IV. Results Monitoring and Evaluation (M&E)**

41. **The Program will be monitored and reported on using the existing Government systems.** The DDUT will be responsible for monitoring overall progress toward achievement of the Program's results, ensuring timely collection and provision of monitoring data including environmental and social records, and verification documents for the Bank. The MoI will coordinate this effort with the wilayas overseeing regional supervision of infrastructure and transportation activities based on existing management information systems, scheduled site inspections, and progress reports, as well as ESSA implementation reports. The current capacity required from the MoI to manage the Program’s M&E requirements is adequate and commensurate with its role in terms of central oversight of municipal activities.

42. **The Program will further strengthen the central, regional and local M&E capacity.** The central M&E system for the urban transport sector will be gradually strengthened as part of the Program into a sector-wide computer-based M&E system. The Program will provide specific training and assistance on M&E for the staff of relevant wilayas and cities to enable periodic reporting to the central system and verification of results in accordance with international practice and standards. The M&E training sessions will specifically focus on (i) data collection,

(ii) data quality and integrity control, and (iii) the use of data to inform decision-making processes. There are several other areas of capacity building related to M&E at the central level that will be supported by the Program. In-depth exposure to impact evaluation techniques and international practices for measuring results (including gender and poverty impact assessment) would be beneficial for the MoI. During implementation, as requested by the DGCL, the Bank will provide methodological guidance to the DDUT on the panel survey methodology (sampling, indicators, etc.) to measure the impact of urban transport expenditures on citizens. The Bank will also provide technical advice on progress reports.

**Annex 2: Results Framework Matrix**

<b>Program Development Objective:</b> To strengthen the capacity of urban transport institutions to plan, implement and monitor infrastructure and services, and to improve the level of service of urban transport in targeted corridors in the Program Area <sup>61</sup> .											
PDO Level Results Indicators	Core	DLI	Unit of Measure	Baseline	Target Values (Cumulative, unless indicated otherwise)				Frequency	Data Source/Methodology	Responsibility for Data Collection
					2016	2017	2018	2019			
<b>PDO Indicator 1:</b> Number of cities <sup>62</sup> that improved their urban transport institutional assessment score by at least 10%	<input type="checkbox"/>	<input type="checkbox"/>	Number	0	3	8	12	15	Annual	Yearly Urban Transport Institutional Assessment; Review of Program Progress Report	DDUT
<b>PDO Indicator 2:</b> Percentage of corridors in the Priority Program of Corridors supported under the Program that meet their objective in reduction of urban transport journey time	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Percentage	0	0	30	60	90	Annual	Review of Program Progress Report; Review of urban transport operators' data	DRSC
<b>Intermediate Results Area 1: Strengthened central capacity to plan and monitor urban transport</b>											
<b>Intermediate Results Indicator 1:</b> Strengthened M&E system for the urban transport sector	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Text	Current M&E system is paper-based and limited in	Sector-wide M&E needs have been identified, and a	Strengthened M&E system has been installed as per specified	Strengthened M&E system has been implemented in at least 3 additional	Revised M&E system has been implemented in at least 3	Annual	Review of Program Progress Report; Examination of M&E system.	DDUT/DPE

<sup>61</sup> The Program Area is constituted of the following regions: Béni Mellal-Khénifra ; Casablanca-Settat ; Drâa-Tafilalet ; Fès-Meknès ; Marrakech-Safi ; Oriental ; Rabat-Salé-Kénitra ; Souss-Massa and Tanger-Tétouan-Al Hoceïma.

<sup>62</sup> With more than 100,000 inhabitants based on latest census (2014)

				scope and depth	strengthened central computer-based M&E system has been designed	requirements , and tested in at least 3 cities	cities, review of the system has been, carried out, and required changes and future needs have been identified	additional cities			
<b>Intermediate Results Indicator 2:</b> Strengthened Urban Transport Fund	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Text	The Urban Transport Fund's institutional and financial arrangements are under preparation	The Urban Transport Fund's institutional and financial arrangements are in place.	The Urban Transport Fund has started to assume its intended functions.	The Urban Transport Fund has continued to assume its intended functions	The Urban Transport Fund has continued to assume its intended functions.	Annual	Review of Program Progress Report; Review of Urban Transport Fund Committee's meeting minutes	DDUT/Urban Transport Fund Committee
<b>Intermediate Results Area 2: Strengthened local capacity to plan, implement and monitor urban transport</b>											
<b>Intermediate Results Indicator 3:</b> Number of operational associations of urban agglomerations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Number	0	1	2	3	3	Annual	Review of Program Progress Report; Review of associations of urban agglomerations' legal documentation, annual reports and meeting minutes	DDUT/DGCL
<b>Intermediate Results Indicator 4:</b> Number of urban mobility master plans prepared using a structured process and a participatory approach	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Number	3	5	6	6	7	Annual	Review of Program Progress Report; Review of cities' legal documentation and finalized plans	DDUT/DPE
<b>Intermediate Results Indicator 5:</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Number	2	2	3	4	4	Annual	Review of Program Progress Report;	DDUT/DGCL

Number of operational municipally-owned urban transport enterprises										Review of legal documentation, annual reports and meeting minutes	
<b>Intermediate Results Area 3: Improved level of service of urban transport on targeted corridors</b>											
<b>Intermediate Results Indicator 6:</b> Percentage of <i>Priority Program of Corridors</i> completed and open to traffic	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Percentage	0	0	10	20	30	Annual	Review of Program Progress Report; field visits	FART/MoI
<b>Intermediate Results Indicator 7:</b> Direct Program beneficiaries (as a percentage of targets), of which female (percentage) <sup>63</sup>	<input type="checkbox"/>	<input type="checkbox"/>	Percentage	0	0	30	60	90	Annual	Review of Program Progress Report; review of urban transport operators' data on daily ridership of targeted corridors	DRSC/MoI

<sup>63</sup> The Program is expected to be gender-neutral (about half of beneficiaries are female). Specific impacts on women will be evaluated, whenever possible, via sample surveys.

*Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols*

*Disbursement-Linked Indicator Matrix*

	<i>Total Financing Allocated to DLI (USM)</i>	<i>As % of Total Financing Amount</i>	<i>DLI Baseline</i>	<i>Indicative timeline for DLI achievement</i>			
				<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<b>DLI#1:</b> Strengthened M&E system for the urban transport sector	<b>24.5</b>	12.25%	Current M&E system is paper-based and limited in scope and depth	Sector-wide M&E needs have been identified, and a strengthened central computer-based M&E system has been designed	Strengthened M&E system has been installed as per specified requirements, and tested in at least 3 cities	Strengthened M&E system has been implemented in at least 3 additional cities, review of the system has been carried out, and required changes and future needs have been identified	Revised M&E system has been implemented in at least 3 additional cities
Allocated amount (USM):				<b>4.5</b>	<b>5.0</b>	<b>10.0</b>	<b>5.0</b>
<b>DLI#2:</b> Strengthened Urban Transport Fund	<b>35</b>	17.5%	The Urban Transport Fund's institutional and financial arrangements are under preparation.	The Urban Transport Fund's institutional and financial arrangements are in place.	The Urban Transport Fund has started to assume its intended functions.	The Urban Transport Fund has continued to assume its intended functions.	The Urban Transport Fund has continued to assume its intended functions.
Allocated amount (USM):				<b>10.0</b>	<b>15.0</b>	<b>5.0</b>	<b>5.0</b>
<b>DLI#3:</b> Number of operational associations of urban agglomerations	<b>25</b>	12.5%	0	1	2	3	3
Allocated amount (USM):				<b>8.34</b>	<b>8.33</b>	<b>8.33</b>	<b>0</b>
<b>DLI#4:</b> Number of urban mobility master plans prepared using a structured	<b>30</b>	15%	3	5	6	6	7

process and a participatory approach							
Allocated amount (USM):				<b>15.0</b>	<b>7.5</b>	<b>0.0</b>	<b>7.5</b>
<b>DLI#5:</b> Number of operational municipally-owned urban transport enterprises	<b>25</b>	12.5%	2	2	3	4	4
Allocated amount (USM):				<b>0.0</b>	<b>12.5</b>	<b>12.5</b>	<b>0.0</b>
<b>DLI#6:</b> Percentage of <i>Priority Program of Corridors</i> completed and open to traffic	<b>30</b>	15%	0	0	10	20	30
Allocated amount (USM):				<b>0.0</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>DLI#7:</b> Percentage of corridors in the <i>Priority Program of Corridors</i> supported under the Program that meet their objective in reduction of urban transport journey time	<b>30</b>	15%	0	0	30	60	90
Allocated amount (USM):				<b>0.0</b>	<b>10</b>	<b>10</b>	<b>10</b>
Front-end Fee to be paid pursuant to Section 2.03 of the Legal Agreement	<b>0.5</b>	0.25%	-	-	-	-	-
Allocated amount (USM):				<b>0.5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financing Allocated</b>	<b>200</b>	100%		<b>38.34</b>	<b>68.33</b>	<b>55.83</b>	<b>37.5</b>



***DLI Definition and Verification Protocol***

No.	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
1	<b>DLI#1:</b> Strengthened M&E system for the urban transport sector	<ul style="list-style-type: none"> <li>• In 2016, disbursements will be triggered when the DPE has (i) identified sector-wide M&amp;E needs, and (ii) designed a strengthened central computer-based M&amp;E system.</li> <li>• In 2017, disbursements will be triggered when the DPE has (i) installed a strengthened M&amp;E computer-based system as per requirements specified in 2016, and (ii) tested the system in at least 3 cities.</li> <li>• In 2018, disbursements will be triggered when the DPE has (i) implemented a functional strengthened M&amp;E system in at least 3 additional cities, (ii) carried out a review of the system, and (iii) identified required changes and future needs for the system.</li> <li>• In 2019, disbursements will be triggered when the DPE has (i) revised M&amp;E as per required changes and future needs identified in 2018, and (ii) implemented the improved system in at least 3 additional cities.</li> </ul> <p style="text-align: center;"><i>A strengthened M&amp;E system is a computer-based system that is able to capture and analyze, either in an integrated fashion or in separate modules, a minimum set of indicators of sector performance comprising (a)</i></p>	No	DDUT/DPE	IGAT	<ul style="list-style-type: none"> <li>• In 2016, review by the IVA of report prepared by the DPE on M&amp;E needs and design specifications of M&amp;E system.</li> <li>• In 2017, verification by the IVA that the M&amp;E system has been installed and is functional as per requirements and specifications.</li> <li>• In 2018, verification by the IVA of the implementation of the M&amp;E system in an additional 3 cities, and review by the IVA of the report prepared by the DPE to assess the M&amp;E system and identify required changes and futures needs.</li> <li>• In 2019, verification by the IVA of the revision of the M&amp;E as per required changes and future needs identified in 2018, and its implementation of the M&amp;E system in an additional 3 cities.</li> </ul>

		urban mobility supply and demand, (b) sector financial information, and (c) externalities of the sector (including, for instance, road safety).				
2	<b>DLI#2:</b> Strengthened Urban Transport Fund	<ul style="list-style-type: none"> <li>• In 2016, disbursements will be triggered if all the following conditions are satisfied: (i) the Urban Transport Fund Committee has prepared and adopted an Operations Manual (or a similar document) including its grant eligibility criteria; (ii) minimal financial resources have been provided to the Urban Transport Fund in accordance with the formal agreement reached by the Ministry of Interior and the Ministry of Economy and Finance; and (iii) the Urban Transport Fund Committee has prepared and approved a <i>Priority Program of Corridors (PPC)</i>.</li> <li>• In 2017, disbursements will be triggered if all the following conditions are satisfied: (i) the Urban Transport Fund Committee has held meetings on at least a bi-annual basis; (ii) minimal financial resources have been provided to the Urban Transport Fund in accordance with the formal agreement reached by the Ministry of Interior and the Ministry of Economy and Finance; and (iii) an annual report has been prepared for the Urban Transport Fund.</li> <li>• In 2018, disbursements will be triggered if all the following conditions are satisfied: (i) the Urban Transport Fund Committee has held meetings on at least a bi-annual basis;</li> </ul>	No	DDUT/Urban Transport Fund Committee	IGAT	<ul style="list-style-type: none"> <li>• In 2016, review by the IVA of the Urban Transport Fund’s Operations Manual and <i>Priority Program of Corridors</i>, and verification of the provision of financial resources to the Urban Transport Fund.</li> <li>• In 2017, review by the IVA of the minutes of the Urban Transport Fund Committee’s meetings, annual report of the Urban Transport Fund, and verification of the disbursement documentation of the Urban Transport Fund and the provision of financial resources to the Urban Transport Fund.</li> <li>• In 2018, review by the IVA of the minutes of the Urban Transport Fund Committee’s meetings and of the annual report of the Urban Transport Fund, and verification of the provision of financial resources to the Urban Transport Fund.</li> <li>• In 2019, review by the IVA of the minutes of the Urban Transport Fund Committee’s meetings and the annual report of the Urban Transport Fund, and verification by the IVA of the provision of financial resources</li> </ul>

		<p>(ii) minimal financial resources have been provided to the Urban Transport Fund in accordance with the formal agreement reached by the Ministry of Interior and the Ministry of Economy and Finance; (iii) the Urban Transport Fund has disbursed for an urban transport infrastructure project ; and (iv) an annual report has been prepared for the Urban Transport Fund.</p> <p>• In 2019, disbursements will be triggered if all the following conditions are satisfied: (i) the Urban Transport Fund Committee has held meetings on at least a bi-annual basis and evaluated at least 5 urban transport investment grant proposals since its establishment; (ii) minimal financial resources have been provided to the Urban Transport Fund in accordance with the formal agreement reached by the Ministry of Interior and the Ministry of Economy and Finance; and (iii) an annual report has been prepared for the Urban Transport Fund.</p> <p><i>An Operation Manual</i> is one that (i) defines the operational guidelines, procedures and documentation (application procedures, forms, etc.) of the Urban Transport Fund, and (ii) specifies the eligibility criteria for grant funding of proposed projects. Criteria should include: (a) project’s strategic, technical, financial and socio-economic relevance; (b) project’s proposed coordination and</p>				to the Urban Transport Fund.
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		<p>implementation arrangements and process; and (c) urgency of cities' urban mobility needs.</p> <p><i>An annual report</i> is one that provides a comprehensive description of the Urban Transport Fund's activities for the previous year.</p>				
3	<b>DLI#3:</b> Number of operational associations of urban agglomerations	<p>Associations of urban agglomerations (also known as inter-municipal cooperation entities) or other similar arrangements with urban transport attributions will be considered operational and judged eligible to count towards the targets if all the following conditions are satisfied: (i) formal approval of creation by the Ministry of Interior; (ii) definition and adoption of budgetary or expenditure sharing arrangements for the inter-municipal cooperation entity; (iii) preparation and adoption of an Operations Manual; and (iv) existing administrative structure (or similar arrangement in accordance with the applicable regulation).</p> <p><i>An Operation Manual</i> is one that defines the inter-municipal cooperation entity's business protocols and operational guidelines to streamline roles, responsibilities, and accountabilities.</p>	Yes	DDUT/DGCL	IGAT	<ul style="list-style-type: none"> <li>• In 2016, 2017, 2018, and 2019, review and verification by the IVA of documentation on the Number of operational associations of urban agglomerations' (i) formal creation; (ii) budgetary or expenditure sharing arrangements; (iii) Operations Manual; and (iv) existence of an administrative structure or arrangement.</li> </ul>
4	<b>DLI#4:</b> Number of urban mobility master plans prepared using a structured process and a participatory approach	<p>A finalized urban mobility master plan (or other similar documents) will be eligible to count towards the targets if carried out by an independent consulting firm on behalf of a city of more than 100,000 inhabitants (based on latest available census) using a</p>	Yes	DDUT/DPE	IGAT	<ul style="list-style-type: none"> <li>• In 2016, 2017, 2018 and 2019, review by the DPE of the finalized plans received from cities (of 100,000 inhabitants) focusing on the process and approach followed and,</li> </ul>

		<p>structured process and participatory approach.</p> <p><i>A structured process</i> is one that includes (i) review of the legal, regulatory, and institutional framework of mobility, description of main stakeholders of mobility and their role, and identification of specific local factors and trends driving demand for mobility and transport; (ii) description of the current characteristics of transport and mobility systems in the city based on transit data, traffic volume survey, origin-destination survey, and/or household survey carried out, and identification of current travel mobility needs, issues and deficiencies; (iii) determination of gaps to desired future outcomes by forecasting future transport and mobility demand, needs, and distribution based on trends in urban, demographic and socio-economic development; (iv) identification of potential options for the city to achieve future outcomes and evaluation of the impacts, technical feasibility, requirements, constraints, risks and opportunities of these alternatives; (v) recommendation, based on the evaluation of considered options, of a detailed action plan to reach desired mobility outcome, and preparation of a mid-term priority investment plan with a strong focus on its main components.</p> <p><i>A participatory approach</i> is one</p>				<p>verification by IVA.</p>
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		that entails involvement and participation of stakeholders (including civil society) in the preparation of urban mobility master plans through any of the following measures: (i) representation in the steering committee, technical committee, and/or ad-hoc structures; (ii) information sharing and dissemination of relevant documentation in advance and response to requests for clarification; and/or (iii) holding of pre-approval consultations and documentation of discussions' outcomes, and incorporation of feedback and outcomes of consultations in the planning process when relevant.				
5	<b>DLI#5:</b> Number of operational municipally-owned urban transport enterprises	<p>A municipally-owned urban transport enterprise will be considered operational and judged eligible to count towards the targets if all the following conditions are satisfied: (i) formal creation; (ii) production of an annual report; (iii) appointment of staff with the required skills and qualifications for its key positions; (iv) preparation and adoption of a Priority Program.</p> <p><i>An annual report</i> is one that provides a comprehensive description of the enterprise's activities for the previous year.</p> <p><i>A Priority Program</i> is one that includes the projects to be implemented by the enterprise.</p>	Yes	DDUT/DGCL	IGAT	<ul style="list-style-type: none"> <li>• In 2016, 2017, 2018, and 2019, review and verification by the IVA of documentation on the municipally-owned urban transport enterprise's (i) formal creation; (ii) annual report; (iii) appointment of staff with the required skills and qualifications for key positions; and (iv) Priority Program.</li> </ul>
6	<b>DLI#6:</b> Percentage of	<i>Percentage of Priority Program of</i>	Yes	DRSC/MoI	IGAT	<ul style="list-style-type: none"> <li>• In 2016, 2017, 2018, and 2019,</li> </ul>

	<p><i>Priority Program of Corridors</i> completed and open to traffic</p>	<p><i>Corridors</i> is defined as the portion of the total of kilometers of corridors recommended by Priority Program of Corridors that are considered eligible to the PforR Program.</p> <p>Kilometers of corridors, implemented according to standards to be defined in the Program Operations Manual (POM), will be considered eligible to count towards the targets if completed and open to traffic for urban transport during the implementation period of the Program.</p> <p>A minimal cumulative length of eligible corridors of 20 kilometers is required to be completed and open to traffic under the PforR Program before the end of the implementation period of the Program.</p>				<p>review and verification by the IVA of the Progress Report section based on physical completion of infrastructure and physical verification (if necessary) of a sample of corridors (including for adherence to the standards defined in the POM).</p>
7	<p><b>DLI#7:</b> Percentage of corridors in the Priority Program of Corridors supported under the Program that meet their objective in reduction of urban transport journey time</p>	<p><i>Average urban transport journey time</i> is the average time (in minutes) that is necessary for buses or light rail systems to complete a corridor, accounting for all necessary operational stops. During civil works, journey time will be considered constant for the Program.</p> <p><i>A targeted corridor</i> (to be determined by the PPC and included in the POM) is one for which Program-supported infrastructure and/or systems have been implemented and operated.</p> <p><i>Urban transport journey time reduction targets</i> are the target in</p>	Yes	DDUT/MoI	IGAT	<ul style="list-style-type: none"> <li>• In 2016, 2017, 2018, and 2019, review and verification by the IVA of the Progress Report section based on urban transport operators' data on routes' average journey time on targeted corridors, verification of the relevant operators' monitoring systems as well as a sample of corridors (if necessary).</li> </ul>

		percentage (to be determined in the PPC and included in the POM) for each corridor.				
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**Bank Disbursement Table**

#	DLI	Bank financing allocated to the DLI (in US\$M)	Of which Financing available for		Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
			Prior results	Advances				
1	<b>DLI#1:</b> Strengthened M&E system for the urban transport sector	24.5	4.5		Results will be verified annually and reported starting from December 31, 2016	Identification of sector-wide M&E needs, and design of a strengthened central computer-based M&E system.	A strengthened M&E system has been implemented in 9 cities.	<p>In 2016, an amount of US\$4.5 million may be made available by the Bank for withdrawal by the Recipient when the MoI has identified sector-wide M&amp;E needs, and has designed a strengthened central computer-based M&amp;E system.</p> <p>In 2017, an amount of US\$5 million may be made available by the Bank for withdrawal by the Recipient when the MoI has installed a strengthened M&amp;E system as per specified requirements, and tested in at least 3 cities.</p> <p>In 2018, an amount of US\$10 million may be made available by the Bank for withdrawal by the Recipient when the MoI has implemented the strengthened M&amp;E system in at least 3 additional cities, has carried out a review of the system, and has identified required changes and future needs.</p> <p>In 2019 of Program implementation, an amount of US\$5 million may be made</p>

								available by the Bank for withdrawal by the Recipient when the MoI has implemented a revised M&E system in at least 3 additional cities.
2	<b>DLI#2:</b> Strengthened Urban Transport Fund	35	0		Results will be verified annually and reported starting from December 31, 2016	The Urban Transport Fund institutional and financial arrangements have been specified and adopted.	The Urban Transport Fund has continued to assume its intended functions.	<p>In 2016, an amount of US\$10 million may be made available by the Bank for withdrawal by the Recipient when the MoI and the MEF have specified and adopted the Urban Transport Fund's institutional and financial arrangements.</p> <p>In 2017, an amount of US\$15 million may be made available by the Bank for withdrawal by the Recipient when the Urban Transport Fund has started to assume its intended function.</p> <p>In 2018, an amount of US\$5 million may be made available by the Bank for withdrawal by the Recipient if the Urban Transport Fund has continued to assume its intended functions.</p> <p>In 2019, an amount of US\$5 million may be made available by the Bank for withdrawal by the Recipient if the Urban Transport Fund has continued to assume its functions.</p>
3	<b>DLI#3:</b> Number of operational associations of urban agglomerations	25	16.7		Results will be verified annually and reported starting from December 31,	DLI value must be greater than baseline value	3	For each additional operational associations of urban agglomerations, an amount of USM \$8.33 may be made available by the World Bank

					2016			for withdrawal by the Recipient.  <i>Formula</i> : Max [DLI financing allocation * (ending value at CYn – ending value at CY n-1) / (endline value – [Baseline]),0]
4	<b>DLI#4:</b> Number of urban mobility master plans prepared using a structured process and a participatory approach	30	15		Results will be verified annually and reported starting from December 31, 2016	DLI value must be greater than baseline value	7	For each additional urban transport master plan prepared by cities using a structured process and a participatory approach, an amount of USM \$ 7.5 may be made available by the World Bank for withdrawal by the Recipient.  <i>Formula</i> : Max [(DLI financing allocation / (endline value – [Baseline]))* (ending value at CYn – ending value at CY n-1),0]
5	<b>DLI#5:</b> Number of operational municipally-owned urban transport enterprises	25	12.5		Results will be verified annually and reported starting from December 31, 2016	DLI value must be greater than baseline value	4	For each additional operational municipally-owned urban transport enterprise, an amount of USM \$12.5 may be made available by the World Bank for withdrawal by the Recipient.  <i>Formula</i> : Max [(DLI financing allocation / (endline value – [Baseline]))* (ending value at CYn – ending value at CY n-1),0]
6	<b>DLI#6:</b> Percentage of <i>Priority Program of Corridors</i>	30	0	25	Results will be verified annually and reported starting from	DLI value must be greater than baseline value	30%	For each percent of the <i>Priority Program of Corridors</i> completed and open to traffic under the Program, an amount

	completed and open to traffic				December 31, 2016			of USM \$1 may be made available by the World Bank for withdrawal by Recipient.  <i>Formula : Max [(DLI financing allocation / (endline value – [Baseline]))* (ending value at CYn – ending value at CY n-1),0]</i>
7	<b>DLI#7:</b> Percentage of completed corridors in the <i>Priority Program of Corridors</i> supported under the Program that achieved their urban transport journey time reduction target	30	0	25	Results will be verified annually and reported starting from December 31, 2016	DLI value must be lower than baseline value	90%	For each decrease of one percent in the average journey time of urban transport in targeted corridors, an amount of USM \$0.333 may be made available by the World Bank for withdrawal by Recipient.  <i>Formula : Max [(DLI financing allocation / (endline value – [Baseline]))* (ending value at CYn – ending value at CY n-1),0]</i>

## *Annex 4: Summary Technical Assessment*

### **I. STRATEGIC RELEVANCE AND TECHNICAL SOUNDNESS**

#### **A. Strategic relevance**

##### *Program rationale*

1. ***The urban transport sector's development requires strengthening in terms of institutional capacity and coordination, particularly at the municipal level.*** Local coordination of cities' efforts in the sector is still a work in progress as cities from the same agglomeration may still adopt parallel urban transport measures. Furthermore, most cities lack capacity to adequately serve their role as service providers in the sector. A majority of cities (especially small ones) fail to deliver urban transport infrastructure and services because of their lack of experience in two areas: management of complex projects, and management of contracts with private providers of civil works and services. In recent years, these issues as well as a regulatory framework that is difficult to enforce hindered the provision of public transport services by private operators. As a consequence, citizens, central government officials, and city representatives have reached consensus on the need to experiment with a new institutional model for the planning and delivery of public transport services and infrastructure. The Bank has also supported this approach via its in-depth study on utility reform, several approved or ongoing operations<sup>64</sup>, as well as technical assistance<sup>65</sup>.

2. ***Users of public urban transport are suffering from inadequate speed and reliability in the most congested areas.*** The commercial speed of public urban transport as reported by operators in these areas is particularly low and unpredictable. It may go down to around 5 kilometers per hour on average during peak hours. This situation is mostly due to frequent unnecessary stops, interaction with cars, inefficient boarding and alighting, and congestion. Buses in particular, which generally are the most cost-effective and efficient motorized transport mode in cities, still do not benefit from priority schemes or dedicated right-of-ways as it is common in other middle-income countries. In Morocco, buses are forced to share the severely congested urban roads with cars that occupy substantially more road space per passenger. It results in a loss of citizens' time, productivity, and quality of life. It also has important financial consequences for the private sector, as urban transport operators consider that it increases their operating costs by at least 10 percent. In addition, it deprives public urban transport of reliability, renders bus schedules useless and contributes even further to its unattractiveness to citizens who may prefer to walk, even several kilometers, for time-sensitive trips.

##### *Program timeliness*

3. ***Demand for urban mobility in Morocco's main primary and secondary cities has sharply increased in the last decades.*** Several factors that are anticipated to persist through the next decades explain this situation. The country's cities have spread rapidly due the sustained

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<sup>64</sup> Solid Waste DPL 3 and 4, Urban Transport DPL, and Local Governance PforR (in preparation)

<sup>65</sup> Local Government Support Program TA (PACT)

urbanization and population's demand for lower density residential areas. Morocco's recent economic progress has resulted in more fast-paced activities and the development of many business activities outside the city centers. Significant societal shifts, such as the greater presence of women in the labor market and the greater autonomy of younger households, have also contributed to increased mobility needs. These changes have resulted in a considerable growth of journeys: most cities have at least doubled the total number of trips taken in the last 30 years. A significant lengthening of commutes has also been noted. This has put substantial pressure on the urban transport systems of Morocco's main cities.

4. ***With sixty percent of the population in urban areas, growing mobility needs, and the current lack of performance of urban transport, improving the sector is a key priority for the central government and cities.*** Provision of urban transport services in most large agglomerations suffered significant setbacks in recent years (cases of operators exiting the market, of accumulation of payment arrears, and of service lapses). This required central government intervention to ensure public service continuity. Citizens also face uneven access to urban transport. There is a need for structured and integrated programs to upgrade or expand services in response to the needs of growing urban populations. Cities, as the primary citizen interface for urban transport<sup>66</sup>, will require significant strengthening of their institutional capacity to manage and deliver solutions that ensure quality service to all citizens. Public funds (including cities' resources) need to be allocated according to local priorities for key services that are not currently being delivered, including through partnerships with public or private service providers.

#### ***Program beneficiaries***

5. ***The Program will directly or indirectly provide several benefits to the country's citizens.*** Citizens from the country's largest agglomerations will benefit from the enhanced transparency, accountability, and adequacy of urban transport funding anticipated to be achieved through the strengthening of the Urban Transport Fund. Non-participating cities might benefit from knowledge and experience to be generated and shared under the Program. Citizens from participating municipalities' at large will benefit from the expected reduction in traffic injuries and fatalities (especially affecting pedestrians) and from the improved air quality due to the decrease in car emissions. Due to better performing and more accessible urban transport services, users (including the poor, women and people with limited mobility) will benefit from an enhancement of their productivity, a reduction of vehicle operating costs, and an improvement of access to social services, employment, and economic opportunities.

#### ***Program strategic relevance***

6. ***The Program aims to address issues strongly relevant to the Government,*** given the strategic midterm priorities detailed in its 2012-2016 political program. These priorities mainly stem from the framework provided by the Constitution adopted in 2011 and are aligned with the Bank's twin goals of reducing poverty and boosting shared prosperity.

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<sup>66</sup> As confirmed by the Communal Charter's successive overhauls of recent years.

7. ***The Program will specifically support the Citizens' Access to Economic Opportunities and Social Services Pillar of the GoM program*** by improving public transit services for citizens in urban areas. The Program will promote inclusive growth by linking citizens, including the poorest households, women, and people with limited mobility, to economic and employment opportunities in participating municipalities. The Program will also have a direct positive impact on citizens' living conditions by easing access to social services such as health and education.

8. ***The Program will also contribute to the Economic Productivity Pillar of the GoM program.*** Program expenditures will improve the speed and reliability of urban transport which will result in decreased congestion and savings of journey time. This will ultimately increase the productivity of labor, support the emergence of a larger middle class and ensure further sharing prosperity in the country.

9. ***The Program will support the Economic and Financial Governance Pillar of the GoM program*** by strengthening institutions to improve service delivery for citizens. Specifically, the strengthening of the sustainable funding mechanism of the sector and the establishment of a strengthened M&E system for the urban transport will result in a more transparent and accountable management of public resources.

## **B. Technical soundness**

10. ***The Program is technically sound and adequately structured to alleviate the sector's issues.*** The Program is adapted to the country's specific environment and aligned with the Government's broader strategy on the delivery of municipal public services and infrastructure.

### ***Program focus***

11. ***The Program includes most of the relevant types of activities and categories of investments to strengthen the capacity of urban transport institutions to plan, implement and monitor infrastructure and services, and improve the level of service of urban transport on targeted corridors in participating municipalities.*** Institutional strengthening activities supported by the Program are necessary to achieving a strengthened central institutional capacity and coordination of the sector. At the municipal level, supporting the establishment of new infrastructure and services delivery model and specific capacity building activities are a necessity to enable cities to properly plan, monitor and implement urban transport. The Program's expenditures in intelligent transport systems, fare collection systems, transfer stations, dedicated lanes, rolling stock, area traffic control systems, intersection signal control systems and intelligent transport systems are necessary to improve level of service in terms of commercial speed and reliability. These results will be achieved by minimizing unnecessary stops and delays due to traffic congestion.

12. ***The Program's expenditures will result in an increase in citizens' mobility and access to economic and employment opportunities as well as social services.*** The itineraries of eligible subprojects are anticipated to cover dense urban areas and mostly poor peripheral areas, providing improved accessibility to attractive areas of economic opportunities and employment as well as social services. As confirmed during appraisal, these subprojects are expected to link residential areas to economic centers such as business districts, commercial areas, traditional

markets, and peripheral industrial parks and agricultural areas, as well as social services facilities such as major administrative districts, hospitals, schools (including vocational ones), and universities.

### ***Program design***

***13. The Program conforms to the following best practices in designing an urban transport program, drawn from lessons learned from previous Bank operations and analytical work on urban transport<sup>67</sup>:***

- ***The Program combines institutional measures and infrastructure expenditures<sup>68</sup>.*** The implementation of Program-supported expenditures will provide hands-on experience to participating cities. If visible results are achieved on the ground, it will also create demonstration effect for non-participating cities. Moreover, mid-term sustainability of the Program's development impact on the sector is ensured by reinforcing central and local capacity and coordination.
- ***The Program ensures strong ownership of activities by participating cities.*** The Program entails a competitive selection of participating municipalities which will include capacity, preparedness, interest, and willingness to participate, among other criteria. This is crucial to secure cities' strong ownership and firm commitment for efficient implementation of activities. Consistent with their mandate under the Municipal Charter, participating cities will be in charge of planning, budgeting, and implementing the Program's infrastructure and systems activities.
- ***The Program enables important support to cities' activities by the central government.*** In the Program, central government is in charge of providing coordination, technical and institutional support as well as strategic guidance to cities to compensate for their relatively limited institutional capacity and coordination. During implementation, the existing capacity-building and coordination mechanisms of the MoI will serve this purpose.
- ***The Program enables the central government to play a strong role as repository of knowledge.*** The Program's simultaneous implementation by participating cities of similar pilot initiatives is intended to foster synergies and transfer knowledge. Sharing of experiences and discussions of common issues in communities of practice, workshops, forums and conferences, with the assistance of the central government, is expected. The DGCL's community of practice on urban transport<sup>69</sup> will disseminate international best practices and experiences, build a common approach to the sector, and encourage networking for central and local governments' staff about the Program's lessons.
- ***The Program will lead to an increased and more sustainable role for the private sector.*** The new delivery model will enable urban transport services to be provided by the private sector mostly through gross-cost contracts, where the operator receives a specified

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<sup>67</sup> Among the operations analyzed are *Support to the National Urban Transit Program*, Colombia (2011), *National Urban Transport*, Mexico (2009), and *Sustainable Urban Transport*, India (2009).

<sup>68</sup> Whenever possible in sequence, as institutional strengthening enables proper planning and implementation of infrastructure and systems.

<sup>69</sup> The CoMun Program's Moroccan Network of Public Transit (*Réseau Marocain de Transport Public - REMATP*) jointly established in 2012 by the DGCL and the German Development Agency (*Gesellschaft für Internationale Zusammenarbeit - GIZ*).



compensation per kilometer based on the provision of a specified service instead of assuming full commercial risk. This is particularly important in the absence of a level playing field in the competition with other more fragmented modes and less efficient of urban transport. Moreover, infrastructure construction and systems development are expected to be contracted out to the private sector. Private suppliers are also expected to provide maintenance services.

### ***Program expenditures***

14. ***The technical assessment of the Program's expenditures conducted by the Bank during appraisal concluded that the typical sub-projects are overall technically appropriate and can be implemented by the participating cities***, with the assistance of expert consultants for feasibility studies, design studies, and construction supervision. Technical standards for the Program's sub-projects, in particular design standards and criteria for works reception, compare favorably to international experience and practice. Cities plan to ensure technical quality with the following key measures: (i) recruiting the best-qualified available consultants and firms<sup>70</sup>, (ii) checking designs and cost estimates, and (iii) strengthening contract administration and technical supervision. The POM will describe best practices and guidelines for the Program stakeholders.

15. *Planning and management.* At the municipal level, planning and management of urban transport is mainly undertaken by the cities' urban transport units (*Services du Transport urbain*) according to an overall technically sound process. These units, which usually comprise two to five staffs (including engineers and urban planners) in the potentially eligible cities, are in charge of works planning, project costing, socio-economic appraisal, and contract management. Expenditures included in the Program are typically defined in urban mobility master plans (*Plans de Déplacements urbains - PDU*), urban master plans (*Schéma directeur d'Aménagement urbain - SDAU*), and municipal action plans (*Plans d'Action Communaux - PAC*<sup>71</sup>). These plans have generally been conducted by relevant units of cities, and developed by reputed consulting firms on behalf of cities with the financial and technical support of the MoI (mostly from the DDUT) and the relevant wilayas.

16. *Design and cost estimate.* Detailed design and cost estimate for sub-projects are prepared by the cities' division of civil works (*Division des Travaux publics*) or the relevant municipally-owned enterprise. Depending on the size and complexity of the subproject, external consultants or firms are used to prepare the design on behalf of the municipality. There are enough civil engineering firms and independent consultants in Morocco to design the type of expenditures supported by the Program. Detailed design must follow relevant standards and technical specifications issued and enforced by the central government. The detailed cost estimate is based on input costs (labor, materials, etc.) regularly updated to reflect market prices. Detailed design must be submitted to the division of infrastructure (*Division de l'Équipement*) of the relevant wilaya for approval of compliance.

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<sup>70</sup> With the financial assistance of donors active in the sector and the region, such as the French Fund for Studies and the Support of the Private Sector (*Fonds d'Etude et d'Aide au Secteur Privé - FASEP*), and the technical guidance of the wilayas.

<sup>71</sup> Previously known as Municipal Development Plans or *Plans Communaux de Développement* in french.

17. The process to design each subproject, as described above, is essentially sound. For complex projects, its effectiveness may however depend on the quality of the consultants engaged for the feasibility and design studies, the availability of adequate budget for studies and surveys, and the quality of oversight by the wilayas. The feasibility and design studies of expenditures similar to the ones supported by the Program were carried out by reputed consulting firms with the technical and financial support of donors as well as the central government and its de-concentrated services.

18. *Execution of works.* Execution of civil works, including for urban roads, is typically contracted out by cities to the private sector. Competition in the Moroccan road construction sector is strong thanks to the large number of qualified local contractors and local subsidiaries of international firms. However, the risk of corruption and collusion during the bidding of civil works contracts is significant at the local level. Procurement guidelines in the POM will encourage competition and transparency by ensuring the setting of qualification requirements commensurate with the complexity of the works and by improving the dissemination of procurement information. Technical capacity of the country's private sector is commensurate with the typical level of sophistication of the Program's anticipated sub-projects. However, delays and inadequate execution may occur and potentially result in subpar quality of executed works and contribute to decrease the durability of infrastructure on the medium run.

19. *Supervision of works.* Civil engineers from the municipal division of civil works or the relevant municipally-owned enterprise supervise works with technical support and oversight from civil engineers from the wilaya's division of infrastructure. Works supervision covers technical supervision (including conformity to design, adequacy of execution, and quality control), environmental supervision, and contract management (including certification of works, works schedule management, and contract amendments management). Depending on the scope of the project, the complexity of works, and the works phase, a typical supervision team for a civil works contract is composed of a project manager (*chef de projet*) with an engineering background in charge of coordination and oversight of works progress, and of two to five technicians in charge of day-to-day field supervision. The cities' and wilayas' respective teams also regularly prepare internal works supervision reports.

### ***Program support from stakeholders and development partners***

20. ***The Program will benefit from high level of support from stakeholders and development partners.*** The central government has strong incentives (in the DLIs) to contribute to the Program's results on the ground. The Program's activities are core missions of the MoI, the wilayas and the cities; they intend to respond to pressing mobility needs in urban areas and were designed through a participatory approach to ensure full technical and financial support from central, regional, and local actors. Moreover, as customary for urban transport programs, end-users also support the Program because it will improve their access to economic opportunities and social services. Supportive end-users, eager to see the Program timely and cost-effectively delivered, should provide positive citizen control of works execution. Finally, most donors and IFIs consulted during appraisal, including the French Development Agency (*Agence française de Développement - AFD*), the German Development Agency (*Gesellschaft für Internationale Zusammenarbeit - GIZ*), and the European Investment Bank (EIB) support the country's urban

transport sector via technical assistance and investment loans, and intend to remain strongly active in the sector in the future. During implementation, the Bank will continue reaching out to development partners for close coordination and potential collaboration on the Program.

### ***Program sustainability***

21. ***Institutional sustainability.*** The long-term sustainability of the activities and expenditures supported by the Program will depend on political will, both at the central and municipal levels, and financial resources. The new model of urban transport infrastructure and service delivery supported by the Program is endorsed by central government officials and welcomed by cities representatives. Moreover, the central government has agreed to earmark at least US\$ 230 million annually to the Urban Transport Fund for cities' urban transport projects. Public investment in urban transport is instrumental in the government's objective to increase citizens' access to basic social services and economic opportunities. Civil society has been urging the government to increase the pace of investment, creating a public consensus around urban transport programs, reforms, and expenditures. Strong commitment to urban transport has been clearly articulated at the highest level of government. In recent speeches, the Head of State considered the improvement of public services, including urban transport services, as a top priority. The Minister of Interior recently expressed the importance of supporting the sector in a statement to the House of Representatives, to be translated into investments reaching several hundreds of US\$ millions per year for the next decade from his department.

22. ***Financial sustainability of expenditures.*** Most of the Program's expenditures will lower the operating and maintenance (O&M) cost of service delivery. However, some expenditures may result in higher O&M because they will entail systems of higher sophistication and quality. It is therefore critical to secure financial resources for O&M over the long term. Participating cities have confirmed during appraisal their financial capacity to assume their O&M responsibilities for the Program's expenditures. In addition, the Program Action Plan (PAP) includes the identification of sustainable funding sources for the sector (including for O&M) by the MoI and the MEF. Finally, the new model of infrastructure and service delivery will rebalance risk in favor of the private sector by shifting infrastructure investment and commercial risks that currently limits its ability to invest in rolling stock<sup>72</sup>.

## **II. PROGRAM EXPENDITURE FRAMEWORK**

23. ***Morocco is undertaking an important budget reform to improve the transparency and effectiveness of public expenditure management at the central and local level.*** While budget classification at the level of central government is aligned with international norms, Morocco has just recently started publishing a multiannual budget framework, as part of the Organic Budget Law reform. The currently ongoing reform aims to achieve this objective through the use of a programmatic budget structure and performance objectives and indicators. The continuous implementation of this reform would increase the consistency between the budget and the

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<sup>72</sup> Particularly in the absence of a level playing field in the competition with other less regulated intermediate modes such as shared taxis and the informal sector.

government's priorities. Transfers to agencies and cities are currently recorded, not their own revenues in the absence of consolidated accounts. The current roll out of the same financial management information system to cities should facilitate such consolidation in the near future.

**24. *The Program's financial sustainability and funding predictability at the central level do not pose a specific risk.*** The analysis recently carried out by the Bank on Morocco indicates that the public debt and external debt sustainability framework at the central level remains sustainable although it would weaken under scenarios of medium term downside risks. 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<sup>73</sup> proved sustainable for the central government debt over the medium term, as well as the five external debt tests. 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 GoM's revamped development strategy would ensure that the negative effects of most of the anticipated risks discussed above are weathered successfully.

**25. *Program proceeds will be entirely reflected in the general budget of the State.*** As part of the Program, the Urban Transport Fund will receive financial resources (a cumulative US\$ 230 million per year) in accordance with the formal agreement reached by the MoI and the MEF. Transfers from this source for eligible expenditures can be complemented by (i) cities from other available sources of funds such as surpluses, local taxes and borrowing from the Municipal Infrastructure Fund (*Fonds d'Équipement communal* - FEC) and (ii) potentially other departments or special purpose accounts. The main existing one that is anticipated to be relevant for the Program is the VAT Special Purpose Account (*Compte d'Affectation spéciale - Part des Collectivités locales dans la Taxe sur la Valeur ajoutée* - CAS-TVA) CAS-TVA, managed by the MoI's DGCL on behalf of LGs. This CAS receives annually through the general budget thirty percent of the amount of VAT<sup>74</sup> collected nationwide. A significant portion of the funds collected by the CAS-TVA is then transferred to cities as Type-A specific allocations (*dotations spécifiques*) based on investment conventions (*conventions-programmes*) to fund a significant portion of investment projects presented to the DGCL, as a complement of other sources.

**26. *Overall, the central and local governments are able to execute and monitor public spending.*** Budget execution is fairly centralized and the performance of budget execution is fairly satisfactory, even if end-year budget execution reports are produced with delays. Through the General Treasury of the Kingdom (TGR), the central government has access to detailed data on the execution of their budgets and main ministries use this information to prepare a quarterly update of budget execution. Since the Government Fiscal Management Information System (GFMIS) has been rolled out, line ministries and local governments (including cities) have access to most data on their budget execution in real time. The TGR is represented in

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<sup>73</sup> The Scenarios are as follows: 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.

<sup>74</sup> Value-Added Tax

municipalities by a treasurer (*receveur*), a public sector accounting officer and TGR staff member who approves the commitments, controls and executes the related payment orders, records and books the transactions, and holds the accounting. This accountant uses the IT systems of the government (GID<sup>75</sup> for expenditures, GIR<sup>76</sup> for revenue) which are accessible at every point in the system and allows immediate issuance of financial reports. GIR allows for the production of real-time fiscal situation of municipalities. The municipal treasurer is subject to a comprehensive control and audit framework.

**27. Evaluation of efficiency of public expenditure is still a work in progress.** While the Court of Accounts regularly evaluates programs, which simultaneously involves regularity audits and performance audits, there is a lack of evaluation of public expenditure efficiency in Morocco. The ambitious ongoing budget reform should mitigate this issue by using program-based budgeting with a performance approach, an annual evaluation of performance, and the use of performance indicators by the central government. The MoI, with the assistance of the Bank, will support this reform at the local level via capacity building for cities on performance-based budgeting. Moreover, during implementation, as requested by the MoI, the Bank will provide methodological guidance to the DDUT on the panel survey methodology (sampling, indicators, etc.) to measure the impact of urban transport expenditures on citizens (including women and the poor).

### III. PROGRAM RESULT FRAMEWORK AND MONITORING & EVALUATION

28. The Bank has assisted the MoI in developing indicators and targets to monitor the results achieved under the proposed operation. The following indicators were defined: (i) Program Development Objective (PDO) Indicators; (ii) Intermediate Results Indicators; and (iii) DLIs. The completed tables including baseline, yearly targets and verification protocol for all the indicators are provided in Annexes 2 and 3. The section below presents how the Intermediate Results link with the PDO Indicators, as well as the Results Chain of the PforR operation:

- PDO Indicator 1 (*Number of cities<sup>77</sup> that improved their urban transport institutional assessment score by at least 10%*) is linked to Intermediate Results Indicator 1 to 5 (*Strengthened M&E system for the urban transport sector; Strengthened Urban Transport Fund; Number of operational associations of urban agglomerations; Number of urban mobility master plans prepared using a structured process and a participatory approach; Number of operational municipally-owned urban transport enterprises*), covering Results Area 1 (*Strengthened central capacity to plan and monitor urban transport*) and Results Area 2 (*Strengthened local capacity to plan, implement and monitor urban transport*)
- PDO Indicator 2 and Results Indicator 7 (*Percentage of completed corridors in the Priority Program of Corridors supported under the Program that achieved their urban transport journey time reduction target*) and 3 (*Direct Program beneficiaries, of which female*) are linked to Results Indicator 6 (*Percentage of Priority Program of Corridors completed and open to traffic*), covering Results Area 3 (*Improved level of service in urban transport*).

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<sup>75</sup> *Gestion Intégrée de la Dépense*

<sup>76</sup> *Gestion intégrée des Recettes*

<sup>77</sup> With more than 100,000 inhabitants as per last census (2014).

29. The table below presents a results chain that links the issues of the sector to the Program's activities, outputs, outcomes, and related DLIs or Other Intermediate Result Indicators (OIRI).

**Table 10. Program's Results Chain**

<i>Issues</i>	<i>Activities</i>	<i>Outputs</i>	<i>Outcomes</i>	<i>Related DLI or OIRI</i>
<b>Results Area 1</b>				
Current M&E system is paper-based and limited in scope and depth	Actions to strengthen M&E system	Strengthened central M&E system	Strengthened central capacity to monitor the sector	DLI#1
Central sustainable funding mechanism not yet fully in place	Actions to strengthen the Urban Transport Fund	Strengthened Urban Transport Fund	Improved allocation of central resources to the sector	DLI#2
<b>Results Area 2</b>				
Inadequate local coordination and institutional planning capacity	Actions to establish and strengthen inter-municipal cooperation entities	Established and strengthened inter-municipal cooperation entities	Improved planning and monitoring of urban transport	DLI#3
Inadequate local planning capacity in urban transport	Actions to enable adequate preparation of urban mobility master plans	Preparation of urban mobility master plans	Improved planning of urban transport activities	DLI#4
Inadequate local implementing capacity for complex projects	Actions to establish and strengthen municipally-owned enterprises	Established and strengthened municipally-owned enterprises	Strengthened local capacity to implement urban transport infrastructure	DLI#5
<b>Results Area 3</b>				
Poor urban transport level of service due to lack of infrastructure and systems	Program-supported expenditures	Implemented Program-supported expenditures	Improved level of service of urban transport to increase access of citizens to economic opportunities and social services	DLI#6
				DLI#7
				OIRI#1

## IV. PROGRAM ECONOMIC EVALUATION

### *Rationale for Public Provision and Financing*

30. ***There is a strong rationale for public financing and provision of the activities supported by the Program.*** Specifically, (i) most of the investments are quasi-public goods and (ii) limited substitution effects are anticipated.

31. *Public urban transport investments are quasi-public goods which are therefore currently undersupplied.* Aside from providing increased connectivity and access to opportunities and social services for citizens (especially the least fortunate ones), public transit indirectly benefits the general public. It typically results in an improvement of air quality because of the related decrease in car emissions. It also causes a reduction in traffic congestion due to the modal shift to a more efficient transport mode in terms of road space.

32. *Limited negative substitution effect is anticipated from the investments supported by the Program.* The urban transport sector is by definition capital-intensive. Investment capacity of private operators is severely constrained due to poor financial sustainability of the sector in Morocco as a result of contained fares, mostly uncompensated public service obligations, anarchic competition and uncompetitive cost structure. Crowd-out effect of private sector investment in urban transport infrastructure and systems is therefore anticipated to be insignificant.

### *Economic analysis*

33. ***Methodology.*** Based on the analysis of available documentation (feasibility studies, urban mobility master plans, data from urban transport operators, etc.) and technical working sessions with the Program's stakeholders, a model was built to carry out the economic evaluation (or cost-benefit analysis) for the typical Program expenditures. The incremental analysis compares the with-project scenario and the do-nothing scenario on a 15-year horizon (2015 to 2029). The economic evaluation is based from the point of view of society at large on savings in journey time, reduction in Vehicle Operating Costs (VOC) and reduction in greenhouse gas (GHG), mainly CO<sub>2</sub>. Other externalities such as the monetary benefit derived from expected reduction of accidents impacts (fatalities, serious injuries, slight injuries, and property damages) were not included in the economic evaluation due to the lack of current data.

34. Time savings for users mainly stem from speed improvements due to dedicated lanes and priority schemes at intersections in the case of integrated corridors and from reduced congestion in the case of ATC systems. Reduction of VOC under the with-project scenario mostly stems from the modal shift displacing passengers from car-based transportation modes to public modes and operational efficiencies in the case of integrated corridors and reduced fuel consumption for ATC systems. Reduction of GHG emissions (mainly CO<sub>2</sub>) will mostly result from the modal shift from energy-inefficient car-based transportation modes to public urban transport modes such as buses (which are more energy-efficient per passenger) in the case of integrated corridors and from a reduction in congestion in the case of ATC systems.

35. *Costs*. Investment costs per type of subproject per year are presented in the tables below.

**Table 11. Investment Cost per Type of Subproject per year**

<i>Integrated Corridors</i>	<i>Investment Cost in US\$ million</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Dedicated lanes and boarding stations	2.5	2.5	1	0	<b>6</b>
ISC system	1	1	0	0	<b>2</b>
ITS and fare collection system	0	0.5	0	0	<b>0.5</b>
Transfer station	1.5	1	1	0	<b>3.5</b>
<b>Total</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>12</b>

<i>Area Traffic Control systems</i>	<i>Investment Cost in US\$ million</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Civil works	2	1	0	0	<b>3</b>
Equipment	2	2	0	0	<b>4</b>
Software and systems	2	1	0	0	<b>3</b>
<b>Total</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>10</b>

36. *Assumptions and estimates*. The economic evaluation uses the general assumptions presented in the table below.

**Table 12. Main General Assumptions Used For Analysis**

Exchange Rate US\$/MAD	8.5
Annual Inflation Rate	1.5%
Annual Income Growth Rate	2.5%
Discount Rate	12%
Current hourly value of time saved (in US\$)	1.5
Current social value of carbon (in US\$)	30
Kilometric emissions of cars (in grams)	360
Kilometric emissions of buses (in grams)	1,800
Average occupancy of private cars	2
Average occupancy of taxis	4
Average occupancy of buses	45

37. Kilometric VOC per motorized mode used in the analysis (presented in the table below) are estimated based on inflation-adjusted data from 2006 Bank study on collective transport in Morocco.



**Table 13. Estimated Kilometric Vehicle Operating Costs (VOC) per Motorized Mode**

<i>Mode</i>	<i>Estimated Kilometric VOC in US\$ per Mode</i>										
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2030</i>	<i>2040</i>	<i>2045</i>
Buses	1.5	1.5	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.9	2.4
Taxis	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.5
Private cars	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4

38. Estimates of the number of beneficiaries of typical sub-projects and expected speeds improvement in targeted corridors were based on the analysis of available documentation (feasibility studies, urban master plans, operators' data, etc.) and working sessions with Program stakeholders (including operators).

39. Estimates of beneficiaries and expected speed improvement per type of subproject are presented in the table below.

**Table 14. Estimated Beneficiaries by Type of Subproject**

<i>Type of Sub-project</i>	<i>Estimated beneficiaries</i>	
	<i>Beneficiaries - Year 1</i>	<i>Growth Rate for 2016-2029 (in %)</i>
Integrated Corridors	100,000	2.1
ATC Systems	40,000	1.2

**Table 15. Typical Estimated Speeds per Type of Subproject**

<i>Type of Subproject</i>	<i>Speeds in Kilometers per Hour in Targeted Corridors</i>				
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Integrated Corridors	15	15	15	15	18
ATC Systems	25	25	25	25	26

40. **Program benefits.** Monetary value of time savings is calculated using the generalized time savings per year (in millions of hours per year) and the hourly value of time presented in the general assumptions. Generalized time savings are derived from the number of beneficiaries (or users) of the subproject, the anticipated increase in speed under the with-project scenario, the average distance per journey, and the length of the intervened corridors. Monetary value of VOC savings is calculated using avoided vehicles-kilometers traveled (VKT) and modal kilometric VOC. Avoided VKT (or equivalent fuel saved) is derived from the size and/or source of modal shift with the project in the case of integrated corridors and from fuel saved from reduced idle time in traffic due to increased effective speed in the case of ATC systems. Monetary value of GHG savings is calculated using modal kilometric emissions combined with saved VKT in the case of integrated corridors and saved fuel in the case of ATC systems.

41. The below tables provide the average yearly estimated benefits (and their monetary value) per type of subproject.

**Table 16. Average Yearly Estimated Benefits per Subproject**

<i>Type of subproject</i>	<i>Estimated Benefits</i>		
	<i>Time savings in hours (million)</i>	<i>VKT (or equivalent) savings in kilometers (million)</i>	<i>Co2 savings in tons</i>
Integrated Corridors	1.2	8.9	2,860
ATC Systems	0.9	4.8	600

**Table 17. Average Yearly Estimated Monetary Value of Benefits per Type of Subproject**

<i>Type of subproject</i>	<i>Estimated Monetary Value of Benefits</i>		
	<i>Time Savings (US\$ M)</i>	<i>VOC savings (US\$ M)</i>	<i>Co2 savings (US\$ K)</i>
Integrated Corridors	1.9	2.4	100
ATC Systems	1.5	1.3	19

42. **Net economic benefits and sensitivity analysis.** The below table provides the summarized results of the economic analysis by proposed type of subproject. Program-supported integrated corridors (usually including bus lanes, ISC, ITS, fare collection systems, and transfer stations) typically have a positive NPV of US\$ 8 million and an ERR of 23% while ATC systems have a positive NPV of US\$ 5 million and an ERR of 22%. The typical expenditures supported by the Program are consequently worthwhile and beneficial for society at large. A sensitivity analysis has been carried out with the following variations: a 20% decrease in benefits (in time savings, in VOC savings, and in GHG reduction), a 20% increase in costs, and a combination of a 20% decrease in benefits and a 20% increase in costs. The corresponding NPV and ERR respectively decrease in this situation to US\$ 3 million and 16% for integrated corridors and to US\$ 1 million and 13% for ATC systems.

**Table 18. Conclusions of Economic Analysis per Type of Subproject**

<i>Type of subproject</i>	<i>Base case</i>		<i>20% increase in costs</i>		<i>20% decrease in benefits</i>		<i>Combined case</i>	
	<i>NPV (USM\$)</i>	<i>ERR (%)</i>	<i>NPV (USM\$)</i>	<i>ERR (%)</i>	<i>NPV (USM\$)</i>	<i>ERR (%)</i>	<i>NPV (USM\$)</i>	<i>ERR (%)</i>
Integrated corridors	8	23%	6	20%	5	19%	3	16%
ATC systems	5	22%	4	18%	3	17%	1	13%

## V. TECHNICAL RISKS AND MITIGATION MEASURES

43. The main risks identified throughout the technical assessment relate to (i) Program delivery, and (ii) Program funding.

44. **Program delivery risk** mainly includes risks regarding timeliness and quality of delivery of the work program, in particular with respect to works quality. Achievement of the Program's results on the ground largely depends on participating cities (or their municipally-owned enterprises) which are in charge of direct implementation of expenditures in terms of design, project management, procurement, contract management, as well as works execution and supervision. The technical assessment deemed the typical infrastructure expenditures to be overall technically appropriate and are within the participating cities' capacity to implement, with the assistance of expert consultants as well as guidance and oversight from the wilayas. However, delays in any phase of the process and inadequate execution may occur and potentially result in subpar quality of executed works. This situation would contribute to decrease the resilience of infrastructure on the medium run, especially when combined with insufficient resources for O&M. Key mitigations measures include prescription of best practice procedures in the POM as well as adequate supervision by the Bank during implementation in close coordination with the wilayas.

45. **Program funding risk** arises from potential insufficient funding for the Program. As funds are to be disbursed at central level, there is a risk in discontinuities in budget allocations and transfers to the local level. This will result in cities not receiving adequate funding to implement the Program and achieve the expected results, and DLIs not being met. Mitigation measures include dialogue with the counterpart during implementation to ensure sustained commitment on a minimum level of Program financing. The use of DLI and PDO indicators is by definition intended to incentivize the counterpart to ensure that sufficient financial resources are allocated to the Program supported by the Bank. The Bank will closely monitor resource allocation and implementation during supervision. In addition, the Bank will support the identification by the counterpart of additional funding resources for the sector in general and the Urban Transport Fund in particular to mitigate this risk.

46. Based on the overall risk assessment, the technical risk rating is **Substantial**.

## *Annex 5: Fiduciary Systems Assessment*

### **I. INTRODUCTION**

1. This section is the Fiduciary Systems Assessment (FSA) of the World Bank-financed Morocco Urban Transport Program-for-Results (“the Program”). The Bank fiduciary team conducted it at the identification and assessment phases as per OP/BP 9.00, in close collaboration with the Bank technical team, through analysis of available documents and working sessions with the main stakeholders. The FSA considers whether the Program’s fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program’s institutional arrangements, financial management and procurement systems, and governance systems.

2. The FSA was conducted based on current knowledge of Moroccan public procurement and financial management systems, previous diagnostics and reports, in addition to the outcomes of the 2011 Urban Transport DPL. The Bank fiduciary team was involved from the preparation stage and met with the country’s control bodies<sup>78</sup>, as well as the General Treasury of the Kingdom (*Trésorerie générale du Royaume* - TGR) and the Directorate of Budget and Accounting of the Ministry of Interior (MoI). The team also visited a sample of five municipalities<sup>79</sup> to assess local fiduciary capacity in the country. The Bank has been previously engaged in Morocco’s urban transport sector, mainly through the above-mentioned Urban Transport DPL; it has conducted several diagnostics which help understand the main institutional features of the sector.

3. Findings from the assessment, as well as a review of existing analytical and diagnostic work, conclude that the *Program’s fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes.*

### **II. PROGRAM DESCRIPTION AND EXPENDITURE FRAMEWORK**

4. The proposed US\$200 million Program will support a subset of the Moroccan Government’s program in the urban transport sector. The Program’s objectives are to strengthen the capacity of urban transport institutions to plan, implement and monitor infrastructure and services, and to improve the level of service of urban transport on targeted corridors in the Program Area. The Program intends to achieve these objectives via its support of the implementation of infrastructure and systems in participating municipalities combined with institutional

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<sup>78</sup> The General Inspectorate of Territorial Administration (*Inspection générale de l’Administration territoriale* - IGAT), the Central Body for Corruption Prevention (*Instance centrale de Prévention de la Corruption* - ICPC), the Court of Accounts (*Cour des Comptes* - CDC), and the MEF’s General Inspectorate of Finance (*Inspection générale des Finances* - IGF).

<sup>79</sup> Rabat-Salé-Témara, Marrakesh, Tangier, Casablanca, and Agadir which are broadly comparable to other primary and secondary cities (more than 100,000 inhabitants as per latest census).

reinforcement measures at the central and local levels to support the new governance framework of the sector. The Program proceeds will be reflected in the annual budget of the GoM.

5. Morocco has launched an ambitious public financial management reform leading to improved alignment of the Moroccan public procurement and financial management systems with international practices. Overall, these systems have experienced a very positive development over the past decade. Budget execution is generally predictable and does not deviate substantially from planned and voted budget.

### III. FINANCIAL MANAGEMENT SYSTEMS

#### *At central level*

6. Bank proceeds will follow the national budget formulation process, structure, and classification. This system has been formally assessed in the 2009 PEFA<sup>80</sup> assessment. Each government adopts and presents to Parliament its five-year development plan. The current government program covers the period 2012-2016. It outlines the main policy priorities and objectives, including in terms of macro-economic policy and public finances, such as bringing down the budget deficit to 3 percent of GDP by 2016..

7. The current budget reform aims at strengthening the link between policy priorities and strategies and the budget preparation as well as the transparency of budget allocation, through the adoption of a programmatic budget structure and performance objectives and indicators. The organic law pertaining to the Budget Law introducing these changes was submitted to the Parliament and formally adopted in 2015. The consolidation of the swift implementation of this reform would continue to increase the consistency between the budget and the government's priorities. For the 2015 budget, several pilot ministries are currently testing this new budget structure and have presented to Parliament a programmatic budget and performance objectives, with the support of the Bank. The government program includes a fiscal target (a deficit of 3 percent of GDP by 2016 compared to 7.4 percent in 2012).

8. The budget classification is consistent with GFSM 2001<sup>81</sup> and the government subscribed to the IMF's Special Data Dissemination Standard (SDDS) on the norms and codes for fiscal information. Morocco regularly reports (to the IMF) and publishes its fiscal data. The budget classification uses a combination of an administrative and functional classification aligned with COFOG<sup>82</sup>. The budget is comprehensive, covering the general budget of the State (*Budget général de l'Etat* - BGE), the special treasury accounts (*Comptes spéciaux du Trésor* - CST) including the special purpose accounts (*Compte d'Affectation spéciale* - CAS) as well as the autonomously-managed government services (*Services de l'Etat Gérés de Manière autonome* - SEGMA). Transfers to agencies and local governments are recorded, not their own revenues in the absence of consolidated accounts. The current rollout of the same financial management information system to local governments should facilitate such consolidation in the near future.

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<sup>80</sup> Public Expenditure and Financial Accountability Program.

<sup>81</sup> Government Finance Statistics Manual 2001 prepared by the IMF

<sup>82</sup> Classification of the Functions of Government developed by the OECD

9. Program proceeds will be entirely reflected in the general budget of the State. As part of the Program, the Urban Transport Fund will receive financial resources (a cumulative US\$ 230 million per year) in accordance with the formal agreement reached by the MoI and the MEF. Transfers from this source for eligible expenditures can be complemented by (i) cities from other available sources of funds such as surpluses, local taxes and borrowing from the Municipal Infrastructure Fund (*Fonds d'Équipement communal* - FEC) and (ii) potentially other departments or special purpose accounts. The main existing one that is anticipated to be relevant for the Program is the VAT Special Purpose Account (*Compte d'Affectation spéciale - Part des Collectivités locales dans la Taxe sur la Valeur ajoutée* - CAS-TVA), managed by the MoI's DGCL on behalf of LGs. This CAS receives annually through the general budget thirty percent of the amount of VAT<sup>83</sup> collected nationwide. A significant portion of the funds collected by the CAS-TVA is then transferred to cities as Type-A specific allocations (*dotations spécifiques*) based on investment conventions (*conventions-programmes*) to fund a significant portion of investment projects presented to the DGCL, as a complement of other sources.

10. By its nature, a CAS is a mechanism to dedicate funding to specific activities and is allowed a number of expenditure categories. If resources exceed expenditures for a given fiscal year, this excess is carried forward to the following fiscal year. These CAS are created by law (mostly the annual budget law), are voted by Parliament as part of BGE, and follow the normal budget process in terms of budgeting process, budget classification, accounting, reporting and controls. The CAS-TVA is one of the most significant CAS with a surplus of MAD 9.8 billion (US\$ 1.1 billion) in 2012. The Urban Transport Fund, which is also a CAS, has been used constantly since 2007 to channel grants to local governments. The budget law that governs the Urban Transport Fund was amended in 2014 to expand its use to most potential urban transport expenditures (including studies, initial investments, operational deficits, etc.) provided they are within a contractual framework. Execution modalities of urban transport expenditures financed by the Urban Transport Fund are supervised by a Committee whose composition and procedures have been jointly specified by the MoI and the MEF. The Urban Transport Fund was credited in the 2015 adopted budget of an amount of MAD 114 million (budget code 3.2.0.0.1000.006).

11. Multi-year budgeting at the central level will be widely used starting 2016. Budget execution is overall fairly centralized and the performance of budget execution is fairly satisfactory, even if end-year budget execution reports are produced with delay, 2012 being the last fiscal year when this report was published. Therefore, Program's financial sustainability and funding predictability do not pose a specific risk.

12. Accounting and reporting are primarily handled by the TGR in relationship with the line ministries. Monthly budget execution reports are published with less than 3-month delay in its Monthly Statistical Bulletin for Public Finance (*Bulletin mensuel des Statistiques des Finances publiques*), published on its website. Through this TGR's statement, line ministries have access to detailed data on the execution of their budgets and main ministries use this information to prepare a quarterly update of budget execution. Since the Government Fiscal Management Information System (GFMIS) has been rolled out, line ministries and local governments have access to most data on their budget execution on a real time-basis. The TGR sends a monthly

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<sup>83</sup> Value-Added Tax

report to the MEF presenting a statement of budget transactions, special account transactions, and cash flow transactions for the month, accompanied by statements for previous periods<sup>84</sup>.

13. There are few processes to measure the efficiency of the Program's expenditures. Generally, there is a lack of evaluation of the efficiency of public expenditure in Morocco, which led to an ambitious budget reform leading to program-based budgeting with a performance approach, an annual evaluation of performance, and the use of performance indicators. The CDC regularly includes in its work plan evaluation of programs, which involves at the same time regularity audits and performance audits. The CDC routinely publishes reports on local governments, sometimes with a specific focus. In the last couple of years, several of the visited cities have been covered at least once. Observations were made on the non-compliance with the public procurement procedures, delays in contracts in works execution, non-application of penalties for late execution, lack of internal control, and excessive use of purchase orders instead of open competition.

14. Disbursement of Bank proceeds will be made at the request of the Borrower upon achievement of Disbursement-Linked Indicators (DLIs). Disbursements under DLI#1 and DLI#2 are not scalable as the indicator relates to actions that are either achieved or not. For actions not achieved by the due date for a given year, the allocated amount will be carried over to the subsequent year. Conversely, disbursements for DLI#3, DLI#4 DLI#5, DLI#6 and DLI#7 are scalable and disbursements will be proportional to the progress towards achieving the targeted DLI value. The amount to be disbursed against achieved and verified results will be determined in accordance with the formula provided in Annex 3. An advance, representing US\$ 50 million (or 25 percent of the loan amount) may be disbursed once the Program becomes effective to facilitate the achievement of DLIs results. This advance would be available throughout the Program implementation on a revolving basis. In addition, a disbursement up to a maximum amount of US\$ 50 million (or 25 percent of the loan amount) on account of DLIs achieved between the date of program concept review and the date of the loan of the agreement is expected to be made upon effectiveness.

#### *At municipal level*

15. The financial situation of most Moroccan municipalities, including those visited, appears healthy, with a few exceptions. Several municipalities benefit from annual surpluses which are used to finance next year's investments. Cash positions for these municipalities are quite comfortable, which may partly result from a systematic underestimation of tax revenues and a low execution rate for investments. For example, in February 2015, Agadir indicated an exceptional cash surplus of MAD 424 million. Indebtedness does not seem to be a major issue for most municipalities and debt service represents on average around 15 percent of urban municipal current expenditures.

16. Municipal budgetary and accounting frameworks are standard for all municipalities, clear but relatively simple. Resources and expenditures are classified according to sections, chapters, articles, and paragraphs. Accounting is cash-based. Current expenditures comprise mandatory

expenditures like salaries and loan service. It is also mandatory to adopt a conservative approach to evaluate tax revenue. These rules are strictly enforced by the MoI. The initial budget document does not reflect new investments which are integrated during the fiscal year in the form of special authorizations for the allocation of the unspent credits for current expenditures for the previous year, for the CAS-TVA grants for investment as well as the proceeds of FEC<sup>85</sup> loans.

17. Investment operations that are funded (at least partly) by the central government are agreed with the MoI and the financing arrangements are specified in a memorandum of understanding which is binding for all parties. Based on this agreement, municipalities are provided with a multi-annual commitment ceiling and an annual spending authority (reconfirmed every year). The system secures regular and predictable transfers from the MoI to municipalities.

18. The municipal budget must be approved by the MoI and special authorizations (also approved by these authorities) have to be reflected automatically in the budget. It does not seem that this ministerial oversight<sup>86</sup> notably slows down municipal management. The MoI also has to approve any modification to the budget (in addition to special authorizations). The predictability of the budget is hampered by the fact that unused investment credits of previous years have to be reflected in the budget, even in cases where the likelihood of the realization of the investment is very low. Municipal authorities have underlined the need for cleaning up these accounts and the legal and administrative challenge this seems to represent.

19. The president of the municipality ensures the maintenance of an administrative accounting system (accounting of commitments and consumption of credits), while the *receveur municipal*, an agent of the TGR assigned to a group of municipalities, controls the regularity of the payments, makes the payments, and keeps the accounting books, based on the national IT accounting system common to central and local governments (GID, *Gestion intégrée des Dépenses*). The *receveur* is also in charge of collecting taxes.

20. Financial information at the municipal level relies on the management account (*compte de gestion*) produced by the accountant, as well as on the administrative account (*compte administratif*), established under the responsibility of the president of the municipality. Both accounts are under the scrutiny of the CDC. The management account provides the annual balance of all accounts used by the municipality for collecting resources and incurring expenditures while the administrative account is based on the consumption of credits on budget. The capacity of the officers has been evaluated and is satisfactory. They are part of a national cadre of government accountants and are recruited through competitive exams. Their career is managed by the MEF. They are in general well trained and skilled.

21. Municipal revenues are composed of three major taxes collected by the central government on behalf of the municipalities and transferred to them, except for a 10 percent fee kept by the center: urban tax (*taxe d'habitation*), business tax (*taxe professionnelle*), and municipal services tax (*taxe de services communaux*). In addition, there is a multiplicity of local taxes and fees collected by the tax officers of the municipality. For instance, the different local taxes and fees

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<sup>85</sup> Municipal Infrastructure Fund (*Fonds d'Équipement Communal* - FEC)

<sup>86</sup> Referred to as *tutelle*



collected in Marrakesh in 2014 represented around 41 percent of all revenues (including transfers from the central government), which is quite substantial. A notable effort to increase the collection rate of these taxes has been made in recent years, but there seems to be still room for improvement in this area, according to several municipal finance managers. For example, tax collection is consistently below 75 percent in Agadir, where 22 municipal employees are dedicated to local tax and fees collection (out of 2,600 employees). In Marrakesh, tax administration employs 182 employees for instance. The function of tax audit is usually not performed in municipalities for local taxes due to a lack of capacity and of a mandatory regulatory framework. Municipalities do not benefit from the national IT system for revenue collection (GIR - *Gestion intégrée des Recettes*), which has been designed to be used also for local taxes.

22. Fiscal transfers from the central government to cities represent a notable share of municipal revenues (for instance, 26 percent in Marrakesh in 2014). Since 1986, these transfers are made of an allocation of 30 percent of the proceeds from the VAT collected at the national level, and distributed for the most part according to a formula that factors in the population, tax potential, and an amount based on performance in local tax collection. This mechanism uses the CAS-TVA whose estimated budget is annexed to the BGE and voted by Parliament. Municipalities are also allowed to borrow from the FEC. These resources are dedicated to local investments.

23. Mainly because they often lack adequate capacity, municipalities have difficulties in executing their investment budget. For visited municipalities, the execution rate for investment is between 40 percent and 50 percent, which is higher than the average for urban municipalities in Morocco (around 33 percent) but still quite low. Municipal investments are financed through a mix of self-financing (cash flow), transfers from the CAS-TVA, and loans from the FEC. Several of the interviewed municipal financial officers considered that the borrowing process of the FEC is burdensome and non-attractive for municipalities..

24. Municipalities manage infrastructure and services according to three main modalities: (i) direct management relying on their cadre of technical staff (engineers and technicians) and procurement specialists; (ii) contracting out works and related service delivery to private companies for a long but limited time (*gestion déléguée*); and (iii) indirect management via municipality-owned enterprises. Such enterprises already exist for urban transport in a few municipalities, like Casablanca or Rabat; they are considered in others, like Tangiers, Marrakesh or Agadir.

25. Authorities are fostering the creation and development of these municipality-owned enterprises to implement urban transport investments in view of the low performance in investment budget execution by municipalities, because of the issues and increasing complexity of infrastructure and service delivery and given the mostly positive results achieved by such management structures. Inter-municipal cooperation entities such as the Greater Rabat' *Groupement Al Assima* (created as a pilot initiative in 2011) would act as inter-municipal steering committees for such structures where relevant. Several other municipalities in the country's largest urban areas have adhered to this institutional framework by establishing inter-municipal cooperation entities and municipally-owned urban transport enterprises. For instance, the municipalities of Greater Agadir have recently created such structures. This reform aims at

substantially enhancing capacity in terms of resource planning, project management, and contract administration of service delivery, through the recruitment of more qualified staff dedicated to the project. Governance mechanisms, monitored by the MoI, would need to be put in place or reinforced prior to the creation of any new entity and during the implementation of this Program. Internal control, auditing and financial reporting systems in addition to Program implementation and budget execution MIS should be implemented to ensure continuous follow up of the Program performance in terms of Fiduciary requirements, which should be linked to the M&E system of the Program.

26. Based on the above, it appears that the financial management framework of potentially eligible municipalities is generally solid in terms of internal control mechanisms. The budget process and financial reporting frameworks are also clear and stable, even though there is ample room for improvement. The accountability framework is broadly in place. The main risk is as follows: the institutional setup for investment management in most of the visited municipalities is not firmly established and is evolving quite rapidly but at an unpredictable pace. For the first years of the Program's implementation at least, the task of managing urban transport investment may fall on the municipalities directly. Given the relatively low performance of municipalities in executing their investment budgets in recent years, this might constitute a bottleneck for the Program. It is planned that participating municipalities will use municipally-owned enterprises (including some that are under creation) that would be broadly comparable to the pilot models of Rabat-Salé and Casablanca that have hitherto achieved mostly positive results in terms of investment budget execution in the urban transport sector. It might therefore be useful to consider specific support for municipalities in terms of public investment management as well as advice and support in creation and management of municipally-owned enterprises (including to ensure that their financial statements are audited by reputable accounting firms).

27. The municipalities of Agadir and Casablanca are conducting an assessment of PFM performance using a set of internationally recognized performance indicators<sup>87</sup>. It will allow a systematic diagnostic of their financial management and procurement system and provide a basis to design a meaningful multi-year PFM technical assistance program as well as an indicator-based system to monitor progress over time. The assessment of Agadir is PPIAF<sup>88</sup>-funded and led by the French Development Agency, while the Bank is the leading agency for the assessment of Casablanca.

### **Program institutional arrangements**

28. The Ministry of Interior will be the agency responsible for the Program. The MoI will use existing internal coordination mechanisms for the Program. The MoI may occasionally consult external stakeholders including other ministries and representatives of civil society and the private sector as appropriate. The DGCL will be the focal point for the Bank for the Program. Other entities of the MoI will be responsible for the implementation of activities directly relevant to them.

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<sup>87</sup> <https://www.pefa.org>

<sup>88</sup> Public-Private Infrastructure Advisory Facility

29. The DDUT will be responsible for the monitoring of day-to-day implementation of the Program<sup>89</sup>. The DDUT will also prepare the Program's annual progress reports and mid-term review and consolidate the Program financial statements. Detailed reporting guidelines will be included in the Program Operations Manual (POM) to be prepared and adopted by the MoI by the end of the first year of Program implementation.

30. Participating municipalities will be in charge of planning, budgeting, and implementing Program's municipal activities, either directly or via municipality-owned enterprises (or similar arrangements). Participating municipalities will therefore be directly or indirectly responsible for procurement, contract administration and management, technical supervision, monitoring and reporting of these sub-projects' progress to the central government.

31. Municipalities require adequate technical and managerial expertise to successfully fulfill their mandates. Most municipalities have relatively limited capacity for complex urban transport implementation, as confirmed during preparation. However, the Program will only include moderately complex investments. In addition, targeted capacity strengthening activities have been incorporated in the Program's design to mitigate this issue.

#### **IV. PROCUREMENT SYSTEMS**

32. This section evaluates, from a procurement perspective, the degree to which there are reasonable: (i) arrangements for planning and budgeting; (ii) procurement rules, including their accessibility to the public; (iii) capacity for contract management and administration; (iv) complaint mechanisms, including clarity on how they are used; (v) systems for program oversight and control. This section also identifies actions to enhance the procurement systems during program preparation and implementation (the latter are included in the Program Action Plan - PAP).

##### **Items to be procured under the Program**

33. As confirmed during appraisal, the Program does not include any contract for works, goods, non-consulting or consulting services above the Bank's Operations Procurement Review Committee (OPRC) thresholds<sup>90</sup>. Large procurement items (i.e. complex light rail or metro systems) will not be included in the Program and therefore not supported by the IBRD loan. Typical Program-supported expenditures would mostly focus on relatively non-complex infrastructure and related soft systems, hence the following items to be procured by the participating municipalities (or municipally-owned enterprises) in the Program:

- (i) Consulting and non-consulting services for studies and institutional measures
- (ii) Civil works, goods, consulting and non-consulting services to build dedicated lanes

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<sup>89</sup> In coordination with other entities such as the Ministry of Environment (ME) for specific issues.

<sup>90</sup> US\$ 50 million for works, US\$ 30 million for goods, US\$ 20 million for non-consulting services, and US\$ 15 million for consulting services.

- (iii) Civil works, goods, consulting and non-consulting services to build boarding and transfer stations<sup>91</sup>
- (iv) Goods and non-consulting services to procure rolling stock
- (v) Civil works, IT goods, consulting and non-consulting services to install intersection signal control systems
- (vi) Civil works, IT goods, non-consulting and consulting services to install integrated fare collection systems
- (vii) Civil works, IT goods, consulting and non-consulting services to install intelligent transport systems (including passenger information systems)
- (viii) Civil works, IT goods, consulting and non-consulting services to install area traffic control systems

34. The table below presents typical Program expenditures forecasted by year (in US\$ million).

**Table 19. Anticipated Expenditures per Type of Subproject per year**

<i>Integrated Corridors</i>	<i>Cost in US\$ million</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Dedicated lanes and boarding stations	2.5	2.5	1	0	<b>6</b>
ISC system	1	1	0	0	<b>2</b>
ITS and fare collection system	0	0.5	0	0	<b>0.5</b>
Transfer station	1.5	1	1	0	<b>3.5</b>
<b>Total</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>12</b>

<i>Area Traffic Control systems</i>	<i>Cost in US\$ million</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Civil works	2	1	0	0	<b>3</b>
Equipment	2	2	0	0	<b>4</b>
Software and systems	2	1	0	0	<b>3</b>
<b>Total</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>10</b>

### **Arrangements for procurement planning and budgeting**

35. All potentially eligible municipalities have sound arrangements for procurement, planning and budgeting for the Program's expenditures. Within each of these municipalities, an urban transport unit generally staffed with engineers and urban planners is responsible for planning and costing of urban transport projects, including those under the Program. Urban transport projects are predefined in the municipality's urban mobility master plan (*Plan de Déplacements urbains - PDU*) and municipal action plan (*Plan d'action communales - PAC*). The quality of these plans is generally acceptable since they are developed by the municipalities with technical or financial assistance from reputed consulting firms, the Ministry of Interior, and the relevant wilayas. The

<sup>91</sup> Also referred to as interchange stations

PAC contains a multi-year budget that is usually translated every year into the annual municipal budget. *Thus, procurement for the Program's expenditures is satisfactorily planned and budgeted.*

## **Procurement rules**

Most public entities, including municipalities and municipally-owned enterprises, must follow the procurement rules set in the new Moroccan public procurement decree (PPD)<sup>92</sup>. Since the Program is a PforR, its procurement (including bidding, evaluation, and contract award) will not be governed by the Bank's procurement guidelines but by the national procurement regulatory framework. In Morocco, it is defined by the new Moroccan public procurement decree (PPD)<sup>93</sup>. These national rules are easily accessible to the public on the internet via the public procurement portal<sup>94</sup>. In 2014, the TGR organized information sessions on the PPD for both the public and private sectors in all regions of Morocco. The Secretariat General of the Government (*Secrétariat général du Gouvernement - SGG*) has also trained 125 trainers in this topic with the support of the Bank, prior to effectiveness of the PPD. The main procurement method expected to be used for the Program's goods, works, and services is open national competitive bidding (ONCB), as defined in the PPD. Procurement history of visited municipalities shows that municipalities in general are used to procure works, goods, and services through several contracts for each type and every year (using open competition in the extreme majority of cases, and shopping for the remaining).

## **Contract management and administration**

36. Most potentially eligible municipalities have acceptable experience and capacity to manage and administer the type of moderately complex contracts corresponding to the Program's expenditures. This was confirmed by the Bank during appraisal in visited cities. Contract management and administration includes management of works schedule, verification of conformity to specification, supervision of adequacy of execution, quality control, certification of works, and management of contract amendments. All municipalities handle it in a systematic way via their division of procurement (*Division des Marchés*), under the oversight of the wilaya. For technical matters, this division relies on both the division of civil works and the urban transport unit.

## **Complaint mechanisms**

37. Morocco has recently established a new procurement regulatory body (*Commission Nationale de la Commande Publique - CNCP*) by decree. The CNCP has replaced the procurement regulatory body (*Commission des Marchés - CDM*<sup>95</sup>) and has greater power and resources to lead the procurement reform and the adoption of the new framework at all levels of the administration. Its rules are clear and accessible to both the public and private sectors.

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<sup>92</sup> Article 210 of the Organic Municipal Law [http://www.sgg.gov.ma/Portals/1/lois/Loi-organique\\_113.14\\_Ar.pdf?ver=2015-09-15-165805-317](http://www.sgg.gov.ma/Portals/1/lois/Loi-organique_113.14_Ar.pdf?ver=2015-09-15-165805-317)

<sup>93</sup> Decree no. 2-12-349 of 8 Jomada I 1434 (20 mars 2013)

<sup>94</sup> <https://www.marchespublics.gov.ma>

<sup>95</sup> <http://www.sgg.gov.ma/Commissiondesmarch%C3%A9s.aspx>

## Record Keeping and Document Management Systems

38. In general, procurement documentation is kept in all public entities including municipalities. At the provincial level, procurement documents are managed by three different services: (i) the procurement service (*Service des Marchés*), (ii) the accounting service under the *Division du Budget et du Matériel*, and (iii) the accounting service under the *Division de l'Équipement*. Centrally, the DGCL recently added a contracts/procurement module (named *Marchés*) in the existing information system that is reportedly being further improved to streamline the data entry and report generation processes. Improvements are expected, including more user-friendly and exhaustive data acquisition as well as customized output generation of KSFPI<sup>96</sup>, program-wide aggregates. The GID for local governments has been implemented in all municipalities and for the first year, some collectivities have experienced some difficulties due to their lack of capacity.

## Systems for Program oversight and control

39. The new public procurement decree (PPD) lays out various methods for the control and oversight of procurement evaluation committees. These committees are involved in one of the most critical aspects of procurement. Article 142 of the PPD provides for an ex-ante review by a controller (*contrôleur des engagements*), who represents the MEF/TGR and is responsible to check compliance with the provisions of the PPD, especially in terms of bid opening. After the evaluation is completed (in which the controller is not involved), the report and the draft contract are submitted for the controller's review and formal clearance (*visa préalable*), which is required before a contract can be signed.

40. Besides, several capable national entities will oversee and control the Program on fiduciary issues, including procurement, as explained in the next section.

## V. OVERSIGHT AND CONTROL

41. The following national entities will oversee and control the Program on fiduciary issues when relevant:

- The Court of Accounts (*Cour des Comptes* - CDC), especially for external audit of municipalities
- The MEF's General Inspectorate of Finance (*Inspection générale des Finances* - IGF) for internal audit of the Program
- The MoI's General Inspectorate of Territorial Administration (*Inspection générale de l'Administration territoriale* - IGAT) as the Independent Verification Agent (IVA) of the Program.
- The National Commission of Public Procurement (*Commission Nationale de la Commande Publique* - CNCP) which will be in charge of handling the Program's public procurement complaints, if any and as requested by the central committee for municipal and regional procurement monitoring,

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<sup>96</sup> Key Statistic Fiduciary Indicators

- The National Authority for Integrity, Prevention and Fight against Corruption (*Instance Nationale de la Probité, de la Prévention et de la Lutte contre la Corruption* - INPPLC) which will be responsible for the investigation of complaints, if any, on fraud and corruption relating to the Program,

42. Below is a description and assessment of each entity.

43. The CDC and its regional bodies (*Cours régionales des Comptes*) established in 2004 are the main institutions in charge of external audit within the Morocco PFM system. Article 147 of the 2011 Constitution further consolidated its role as the country's independent Supreme Audit Institution (SAI). The Courts' audit officers have been granted a judicial statute (*magistrats*) and tasked with jurisdictional audit since 1996. They also have the requisite prerogatives and independence in the performance of their extra-judicial powers that are specified in INTOSAI<sup>97</sup> and IFAC<sup>98</sup> international standards. The CDC's objective is to no longer focus on control on compliance but to review the regularity, efficiency, economy, efficiency, and ethics. The CDC has nine regional bodies to ensure the control of accounts and management of the regional and local governments and their affiliated public entities (Article 149 of the 2011 Constitution). The quality of audit work and methodology of the Court was rated by the 2009 PEFA as moderately satisfactory. CDC's reports, which are available to the public on their website, are of satisfactory quality with respect to the application of international standards and the scope of their missions.

44. The IGF (*Inspection générale des Finances* - General Inspectorate of Finance) was established in 1960 as the internal auditor of the MEF. Its mandate includes: (i) the inspection and monitoring of the financial and administrative aspects of government services, including regional and local governments and state-owned enterprises, and (ii) the financial and budgetary evaluation of public policies, programs, and expenditures. While it is under the authority of the Minister of Economy and Finance, the IGF is independent from audited bodies and has clearly proven its credibility. As a result, it has been accepted by the World Bank and other IFIs and donors. The IGF is staffed with 65 auditors (*inspecteurs*) with adequate capacity and has been using, in recent years, audit methods and processes that are comparable to international standards as confirmed by the 2009 PEFA.

45. The IGAT (*Inspection générale de l'Administration territoriale*) is the MoI's internal body created in 1994 that is in charge of inspecting and auditing this ministry's activities<sup>99</sup>. In addition, it is responsible for inspecting and auditing municipalities which are under the guardianship (*tutelle*) of the MoI. Furthermore, this institution accompanies the important reforms engaged by the MoI such as the on-going decentralization and the improvement of fiduciary management by local authorities. The IGAT has conducted audits for the INDH 1 IPF and the INDH 2 PforR, jointly with the IGF, based on a charter that defined the objectives and methods of the joint audit. Missions conducted by the IGAT usually cover a review of municipal procedures as part of technical, operational and accounting audits. Overall, the IGAT is not fully independent from the executive but has proven its credibility and, as a result, has been have been accepted by the Bank.

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<sup>97</sup> International Organization of Supreme Audit Institutions.

<sup>98</sup> The International Federation of Accountants.

<sup>99</sup> Decree n°2-94-100 of June 16th, 1994 and Local Finance Law 45.08 of February 18th, 2009

46. The Commission of Public Procurement (*Commission nationale de la Commande publique - CNCP*) has been established as part of a major reform that aimed at strengthening the national procurement regulatory framework to replace the Procurement Commission (*Commission des Marchés - CDM*). The mandate of the CNCP includes the (i) regulation of policies, documents and standards for public procurement, (ii) coordination and oversight of training in procurement, and (iii) handling and management of complaints. The CNCP has ample advisory capabilities but limited executive authority. However, the creation of this new body is a step forward in the modernization of the public procurement system.

47. The Central Body for the Prevention of Corruption (*Instance centrale de Prévention de la Corruption - ICPC*) was established in 2007 as a central administrative body for the prevention of fraud and corruption. In 2011, the ICPC was elevated to the rank of constitutional institution and was granted legal, financial and administrative independence. The institution has since been active in its role. It recently drafted a national strategy on anticorruption based on the international convention on anticorruption. The ICPC has designed a corruption risk map in public procurement jointly with the IGF. The ICPC commissioned a study on corruption in the transport sector, which confirmed the breadth and depth of the phenomena, based on a large user survey. Although not specific to urban transport, the study and resulting multi-stakeholder partnership to implement its main recommendations can be a useful platform to better apprehend and mitigate the risk of corruption and its impact on the quality of the transport services. In addition, the ICPC has established an electronic system enabling citizens and firms to anonymously file complaints and grievances pertaining to corruption and fraud. As of 2013, ICPC has received 3,096 complaints, most of which related to corruption allegations in administrative and public procurement matters. While the ICPC lacked the statutory ability to investigate and sanction, the institution has recently evolved into the National Authority for Integrity, Prevention and Fight against Corruption (*Instance nationale de la Probité, de la Prévention et de la Lutte contre la Corruption - INPPLC*) with expanded role and powers that include actively fighting corruption.

48. The municipal audit and control framework seems complete on paper but largely underdeveloped in practice. Although no potentially eligible municipality of the Program has a fully operational internal audit unit, Casablanca and Agadir have launched pilot initiatives in that regard: they have one internal auditor and the intention to develop the function rapidly. The municipalities are also subject to the audit of the internal auditor of the MoI, the IGAT, but audit missions seem to be rare and audit findings not sufficiently shared, discussed with municipalities, and developed into an action plan. In addition to its role of auditing and consulting, this inspection body is strengthening its capacity and expanding its activities from control, regularity and performance to guarantee sustainable transparent and efficient public administration. The IGAT ensures a stronger commitment to support local elected representatives and accompanies important reforms engaged by the MoI, such as decentralization and improving fiscal administration management by local authorities. The CDC has recently been undertaking a series of thematic performance audits on municipalities, including the 2015 published report on municipal *gestion déléguée* (municipal service delivery through service contracts with the private sector).



49. The MoI will be responsible for preparing the Program consolidated financial statements compiling them from municipal financial reporting as well as financial reporting from other agencies, if any. The protocols for the receipt and compilation of annual Program financial statements have been discussed with counterparts during appraisal. The annual audit of the Program financial statements will be carried out by the IGF. The audit report will be sent to the Bank not later than six (6) months after the end of the year under review. The terms of reference for the audit have been discussed with the IGF during appraisal. The capacity of the MoI for preparation of Program financial statements has been assessed and found satisfactory. A mid-term review (MTR) shall be furnished to the Bank on or about December 31, 2017, or such later date as the Bank shall request.

## **VI. FRAUD AND CORRUPTION**

### **Governance and Oversight**

50. Municipalities in Morocco report administratively to the DGCL, within the MoI. Administratively, the country is organized in *wilayas*, headed by a *Wali*, who is appointed by the Head of State. The *Wali* is the representative of the central government at the regional level and is responsible for the regional administration, including the supervision of the de-concentrated arms of the State. The *Wali*, on behalf of the Ministry of Interior, exercises broad administrative and regulatory supervision over local governments and is the approving authority for local government budgets. In addition, the de-concentrated arms of the line ministries at the level of the *wilaya* provide technical and administrative support to local governments in the implementation of programs and projects funded from the central government budget.

51. Since the Municipal Charter of 2002, the legal and administrative autonomy of municipalities expanded by the partial removal of ex-ante controls by the MoI and the MEF. Meanwhile, most key decisions of a municipality (budgeting, borrowing, taxing, and procurement decisions) remain subject to the approval of the MoI. In addition, de-concentrated staff of line ministries has no decision autonomy on investments in their area or lack knowledge of up-to-date information regarding plans made for the area.

52. Municipalities are headed by a president (informally referred to as mayor) who chairs the municipal council. The president is assisted by a secretary general who is the executive head of the municipal administration as well as other technical and financial staff. The municipality's president and the municipal council are responsible for the day-to-day management of municipal affairs and provide the necessary guidance to and oversight of the executives. The municipal council will oversee the implementation of the urban transport municipal investment activities and budgets that include the proceeds of the Program.

### **Fraud, corruption, and debarment of Contractors**

53. Morocco's new constitution, enacted on July 1, 2011, explicitly mentions the need to fight corruption and to ensure good governance and transparency as fundamental tools of public sector management. It also recognizes the right to citizen participation in government decision making and public engagement, as well as the right to access public information. The new constitution

sets the ground for more transparency and efficient use of public resources, through Title II on conflict of interest, misconduct in public procurement, misuse of public funds, greater transparency, accountability, and fight against fraud and corruption and through Title XII for good governance.

54. The National Human Rights Council (*Conseil national des Droits de l'Homme* - CNDH) was established by the 2011 Constitution<sup>100</sup> as a successor of the former Advisory Human Rights Council (*Conseil consultatif des Droits de l'Homme* - CCDH) to consolidate the country's rule of law. The Council is a constitutional body equipped with legal and financial autonomy and independence vis-à-vis the legislature, executive and judiciary branches. It is mandated to hear a broad range of complaints any claim for violation of human rights (including social and economic rights as well as fraud in public administration matters). The Council and its thirteen regional commissions received 41,704 complaints and grievances from its establishment in 2011 to 2013. A significant part of complaints brought to the Council related to allegations of violations of the rights of users of public administration services. In addition, the Council is empowered to initiate and conduct necessary investigations and inquiries in case of violations (*autosaisine*) and recommends sanctions.

55. The Institution of the Ombudsman (*L'Institution du Médiateur*) is a constitutional body that was established by the new Constitution<sup>101</sup> to replace the former Grievances Office (*Diwan Al Madalim*). The Ombudsman's mandate covers handling complaints and grievances of citizens, domestic or foreign individuals or legal entities against the administration (including regional and local governments) and organizations which benefit from financial support of the State. The Government is obliged by law to respond within a time limit to any Ombudsman request. The Ombudsman has been granted legal and financial autonomy as well as independence towards the legislature, executive and judiciary branches. The Ombudsman is, in addition, empowered with capacity of investigation on its own initiative (*autosaisine*). It is free and easily accessible as grievances, complaints and claims can be introduced through regular or registered mail, fax or internet. Four regional offices have been created and are operational to represent the institution at the local and regional level and facilitate access for citizens. According to its latest annual report, the total number of complaints and grievances treated by the institution reached 1,919 in 2013, a majority of which involved the MoI, the MEF, the Ministry of Education, the Ministry of Employment and Social Affairs, and regional and local governments. Complaints brought to the Ombudsman mostly related to administrative, real estate and financial and legal cases.

56. The Government will use its own systems to take all appropriate measures to prevent fraud and corruption in connection with the Program. The Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 1, 2012 and revised July 10, 2015 (the Anti-Corruption Guidelines) will apply. The Bank's debarment list, which is easily accessible, will be checked by all procuring entities before awarding contracts. The Government has developed experience on this with the EU Anti-Fraud Office. The MoI will handle and report to the Bank allegations occurring under the Program via the annual reports during Program implementation. Discussions have been held with the Government on the World Bank's prerogative of administrative inquiry for allegations of fraud and corruption. The

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<sup>100</sup> Article 161 of the 2011 Constitution.

<sup>101</sup> Article 162 of the 2011 Constitution and Royal Decree n° 1-11-25 of March, 17th 2011.

Government's collaboration with the Bank on the administrative inquiries into allegations which the Bank intends to pursue has been confirmed during appraisal. In accordance with the Bank's Anti-Corruption guidelines for PforR operations, the Program will take steps to ensure that "any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension". The MoI will verify the names of the contractor against the Bank's database<sup>102</sup> of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program.

57. The Borrower will: (a) take all appropriate measures to ensure that the Program is carried out in accordance with the Bank's Anti-Corruption Guidelines; (b) take all appropriate measures to prevent fraud and corruption in connection with the Program, including (but not limited to) adopting and implementing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted; (c) promptly inform the Bank of all credible and material allegations or other indications of fraud and corruption in connection with the Program that come to its attention, together with the investigative and other actions that the Borrower proposes to take with respect thereto; (d) unless otherwise agreed with the Bank with respect to a particular case, take timely and appropriate action to investigate such allegations and indications; report to the Bank on the actions taken in any such investigation, at such intervals as may be agreed between the Borrower and the Bank; and, promptly upon the completion of any such investigation, report to the Bank the findings thereof; (e) if the Borrower or the Bank determines that any person or entity has engaged in fraud and corruption in connection with the Program, take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its recurrence; and (f) ensure that any person or entity debarred or suspended by the Bank is not awarded contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension.

## VII. FIDUCIARY RISK ASSESSMENT

58. *Based on the assessment, it is concluded that the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes.* However, there are significant gaps and weaknesses in these systems which need to be addressed as part of Program implementation. These gaps and weaknesses have the potential to make the fiduciary risk of the Program to be high thereby impacting the ability of the Program to achieve its intended results. Therefore, a Program Action Plan is prepared based on the findings and conclusions of the Fiduciary Risk Assessment that will mitigate to a large extent the fiduciary risks and weaknesses identified. Considering the existing weaknesses in Program fiduciary systems and the time and effort required to implement the Program Action Plan and the capacity building initiatives, the residual fiduciary risk rating for the Program is rated as *substantial*.

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<sup>102</sup> [https:// www.worldbank.org/debarr](https://www.worldbank.org/debarr)

## VIII. REMEDIAL ACTIONS TO BE INCLUDED IN THE PAP

59. The following activities are included in the Program Action Plan (PAP) for improving the performance of fiduciary systems supporting the Program implementation:

- Improve the capacity of the participating municipalities (and municipally-owned enterprises) in: (i) contract management; (ii) budgeting; (iii) use of financial management information systems; (iv) internal audit, and (v) public procurement based on the PPD.
- Support the operationalization of the central committee for regional and municipal procurement monitoring created in application of Article 145 of the PPD.
- Establishment, strengthening or formalization of a municipal fiduciary GRM (including procurement)

60. The Table below details the PAP’s fiduciary actions.

<i>Action</i>	<i>Responsibility</i>	<i>Timeline</i>
Design and delivery of a fiduciary capacity building action plan for municipalities including (i) contract management including preparation of bidding documents for contracts, monitoring of delegated services contracts and effective handling of disputes in delegated service contracts (6 days every year), (ii) budget preparation and strategic budgeting based on the municipal and regional development plans (4 days every year), (iii) effective use of the new financial management information system for local governments (2 days every year), (iv) municipal internal audit (4 days every year), and (v) public procurement based on the PPD (6 days in the first year of the Program).	DGCL, participating municipalities	March 2017
Operationalization of the central committee for regional and municipal procurement monitoring	DGCL	December 2016
Establishment (or formalization) of a municipal fiduciary GRM (including procurement)	Participating municipalities	December 2017

## *Annex 6: Summary Environmental and Social Systems Assessment*

### **I. INTRODUCTION**

1. To inform the preparation of this PforR operation, an Environmental and Social System Assessment (ESSA) of the Program has been conducted by the Bank to identify potential environmental and social impacts to be supported under the proposed PforR. The proposed operation aims to strengthen the urban transport institutions and support expenditures in the Program Area so as to address issues relating to the provision of services to citizens in this sector.

2. The ESSA examines the environmental and social management systems applicable to the Program with a view to evaluating their compliance with the provisions of OP/BP 9.00 relating to the operational policy of the Bank's PforR financing, to which the Program must conform. It is intended to ensure that the environmental and social risks of the Program are well managed and that the Program is in compliance with the principles of sustainable development. Paragraph 8 of OP 9.00 describes the basic principles relating to environmental and social management which must be respected in the ESSA. The ESSA has two ways of considering the compliance of the Program's systems with these principles: (i) based on the systems as defined by laws, regulations, procedures, etc. (*"the system as defined"*); and (ii) based on the capacity of the institutions of the Program to operate the systems efficiently (*"the system as applied in practice"*). It also identifies and analyses the shortcomings of the national systems compared to the basic principles applicable to the Program on the two levels mentioned above.

### **II. PROCEDURE**

3. The preparation of the ESSA and the drawing up of measures aimed at strengthening the environmental and social management system has benefited from various sources of information and a broadened consultation process, including namely the following:

- Revision of the available documents and data related to: (i) national environmental and social procedures and related regulatory frameworks applicable to the Program; (ii) relevant environmental and social reports; (iii) analysis of capacities relating to the environmental and social safeguard instruments of the institutions participating in the Program; and (iv) World Bank documentation relating to PforR and ESSA.
- On-site visits to a sample of municipalities to find out about the main initiatives considered in the urban transport sector and draw up a general evaluation of the main environmental and social challenges and the manner in which they are dealt with at the municipal level.
- Consultation meetings with the technical personnel of the above-mentioned municipalities and the heads of the central governmental institutions (particularly on the level of the Ministry of Interior and the Ministry of the Environment).
- A consultation workshop (held in March 2015), with the technical personnel of the government (on the national and municipal levels), development partners, civil society organizations and the private sector. A summary of the draft ESSA report was distributed

prior to the meeting. A complete list of the participants as well as a summary of their comments has been included in annex to the ESSA (stakeholder consultation workshop).

- The ESSA report will be publicly distributed through the *Infoshop* of the World Bank, as well as on the website of Ministry of Interior and, where possible, on the websites of the visited municipalities. Comments will be requested from the public for a certain period of time.

### III. MAIN CONCLUSIONS

#### **Absence of major risks and relatively important environmental and social advantages**

4. *Absence of major environmental and social risks.* Overall – in the light of the basic principles of OP 9.00 – the negative environmental and social impacts associated with the Program are considered negligible to average. Based on social and economic considerations, these negative effects are viewed as not particularly harmful and easily manageable and controllable. These negative effects will be quite easily identifiable in advance, and may be fairly easily prevented and minimized through the implementation of simple practices and effective mitigation measures. They may also form the object of an easy environmental monitoring and follow-up system permitting the identification and management of possible risks in real time.

5. *Relatively important environmental and social advantages.* On the other hand, the proposed Program will offer general advantages with indirect positive repercussions on society, the economy and the environment:

- A more streamlined public transport system will contribute to the dynamism and development of cities, improving the quality of the environment, preserving energy resources and encouraging the development of economic activities.
- The development of mass transport will help reduce public expenditures in urban roads construction and maintenance, reduce traffic jams and the costs of the transport of goods, thus contributing to reduced automobile travel times and lowering the costs of shipping merchandise.
- The development of public transport may lead to a reduction in the demand for parking spaces and free some areas so they may be used for other purposes, thus benefiting the entire population.
- Finally, the activities considered should not involve any particular risks on the level of public safety and the safety of workers and travelers.

6. The activities considered within the framework of the Program should not have any negative effects on natural habitats and cultural resources. The natural environment as well as cultural sites located inside the municipalities are generally well known and will not be affected by the activities of the Program. Not only will the operation involve no major environmental and social risks, but it will produce overall positive effects on the environment and the population. The modal shift of road transport (associated with the creation of dedicated lanes and transfer stations, for instance) will contribute to reducing congestion, perceptibly decreasing vehicle emissions and reducing the generation of local pollutants (sulphur dioxide, nitrogen oxides,

particles, carbon monoxide, etc.), thus improving air quality in the territories of the participating municipalities, with a direct positive impact on living conditions and health of the populations.

7. *Limited negative environmental impacts.* The absence of major negative environmental impacts is related to the following aspects :

- The very nature of the PforR excludes on principle any investment implying major environmental risks (i.e. Category A projects).
- The environmental objective of the Program itself is to promote mass transport in a sustainable manner and thus improve the living conditions of citizens.
- The scope of the anticipated work will be relatively limited geographically.
- The infrastructure installations involved will be restricted, and will mostly form part of the existing roadway system, involving limited and relatively shallow excavation work only, causing generally little destabilization of the subsoil.
- The type of work and operations performed should not generate significant pollution or harm to the environment. Generally, the works planned in the Program were identified as the result of studies relating to the restructuring of traffic based on social, economic and environmental parameters with particular attention to feasibility, efficiency and realism.
- The different measures advocated for the mitigation and follow-up of impacts are known, easily controlled and effective, both during the works stage and during actual operation.
- Institutions capable of managing the environmental aspects of the proposed Program are already in place, as do good management practices in the urban transport sector.

8. *Restricted negative social impacts.* The negative social impacts associated with the acquisition of land within the framework of the Program will be limited in time and space due to the relatively low financial needs of the various sub-projects. In fact:

- It is highly improbable that the Program will involve the involuntary rehousing of residences and businesses.
- The social risks linked to the acquisition of lands by expropriation will be relatively limited and are considered rather improbable, since the majority of the sub-projects involve public or municipal land located within the public domain of the State.
- All the anticipated sub-projects that could have an impact on the land, property or income of individuals are to be implemented in urban areas, where there are no known local communities.
- Moreover, the Program is aimed at populations who are often the most vulnerable economically, the majority of which live in underprivileged areas that are poorly equipped with infrastructure, and are thus dependent on public transport for their travel.
- The Program will contribute to creating favorable conditions for improved governance, including through initiatives aimed at promoting informed and transparent decision-taking concerning the environmental and social impact of the Program.
- All the measures envisaged will more or less directly contribute to the protection of public safety – including the safety of workers, travelers and pedestrians – against the potential risks associated with: (i) construction and/or operation of installations or other operational practices within the framework of the Program; (ii) exposure to toxic chemical products, hazardous waste and other dangerous products within the framework of the Program; and (iii) the reconstruction or rehabilitation of infrastructures located in areas exposed to natural hazards.

- Several redress mechanisms exist for the processing of grievances (often relating to property titles, compensation, rehousing and other impingements), both individually and through local associations.

### **Negative environmental and social impacts and mitigation measures**

9. Taken individually, all the negative impacts of the proposed Program appear minimal. In the long run, however, the cumulative effect of these negative impacts could prove to be moderate. As a result, a solid planning, documentation, and environmental and social monitoring and follow-up system to reduce or mitigate these impacts should be in place.

10. *Environmental impacts.* The main environmental risks will be identified according to the preparation stage of the call for tenders and related environmental assessments, the works stage and the operational stage:

- *During the preparation stage of the call for tenders*, the risk consists of the lack of consideration of environmental aspects and the failure to take them into account adequately during the execution of the technical studies and/or the preparation of non-satisfactory environmental studies. From a social point of view, this risk may be aggravated if the aspects relating to the information and participation of the public are not taken into account. It should be noted that the system as applied does not include specific mechanisms for public information and consultation or for the management of possible conflicts, which would permit the assurance that the impacts are mitigated to reach acceptable levels. The protection of public and worker safety against the potential risks associated with the activities of the Program will be ensured thanks to compliance with all applicable national and international regulations. The risk-mitigation measures will consist of: (i) consultation with the public and stakeholders for the selection of the sites and the preparation and validation of the studies; (ii) quality control and implementation of validation procedures of the environmental assessments and their distribution; and (iii) supervision of the worksites by environmental experts.
- *During the works and building stages*, there will be environmental impacts specific to construction worksites, i.e. risks which are rather similar for the majority of worksites in urban environments.
  - Building equipment and noisy equipment (pneumatic hammers, air compressors, etc.) will create noise pollution and the possible excavation work will produce dust.
  - Certain activities (e.g. widening of the right-of-ways for the creation of dedicated lanes, creation of transfer stations, etc.) will involve the uprooting of trees and the degradation or even destruction of green spaces on relatively large surfaces (this is particularly the case of the removal of central median strips between two roadways). Nevertheless, well-known and perfectly mastered techniques to transplant vegetation could be applied to move plants. If this is not possible, new green spaces will be created and other trees/shrubs will be planted in the nearby areas (to compensate, among other things, for the loss of CO<sub>2</sub> sequestration capacity).
  - The artificialization of the soils caused by possible urban claddings may, in certain cases, lead to increased rain-water run-off, causing erosion or preventing the replenishment of possible groundwater tables (although appropriate preventive measures should be taken to attenuate or even eliminate these effects).



- The dedicated lanes, weighing several tons, could contribute to a weakening of the roadway (although appropriate road construction technologies will be applied to obtain particularly thick road beds). The activities envisaged in these urban environments should have no negative impact on natural habitats, landscapes or cultural resources or the historical and archaeological heritage.
- *When operating normally*, the operations should not raise any particular environmental problems. The possible negative impacts would be the result of inadequate design, lack of upkeep and maintenance, or the insufficient application of safety measures. The use of dedicated lanes could cause congestion, at least during an initial running-in stage, thus increasing atmospheric pollution. However, a simple and effective control and follow-up system in connection with a public awareness-raising campaign should permit the implementation of all the necessary measures in real time, reducing any exposure of the populations to a high concentration of pollutants.

11. *Social impacts*. The municipal infrastructure sub-projects of low intensity could involve, individually or cumulatively, negative social impacts.

- In some of the proposed operations, prior to the works stage, the most significant possible impact may potentially be linked to infrastructural work requiring the temporary or permanent occupation and expropriation of privately-owned lands (due to the widening of the carriageways in the existing rights of way), with a negative impact on the property values and revenues of private persons. Nevertheless, given the limited scope of these projects, the potential impact will probably be slight and may, in any case, be avoided through a realistic approach and flexible dedicated lanes. The process to follow to avoid, if possible, and manage, should they occur, any adverse social impacts, in particular impacts related to potential land acquisition, will be detailed in the Technical Guide. The development of such a manual and its implementation are part of the ESSA action plan (respectively, point 1.1 and 2.1 of the ESSA).
- The works for the creation of the dedicated lanes, the widening of the right-of-way, the creation of transfer stations, the reduction of space reserved for sidewalks, the elimination of public or informal parking spaces as well as the elimination or reduction of the central median strip could affect small formal or informal undertakings having impinged on the public right-of-way, thus affecting their sources of income (lost profit) – first, temporarily, during the duration of the works, and later, in a permanent manner, during the operating stage.
- Some activities could have a negative impact on the economic activities of certain socio-professional categories, with a loss of revenue (temporary or permanent) and/or jobs (formal or informal). This will affect the following in particular: small catering operators, who use the public roadway and the sidewalks; informal merchants and sellers who use the sidewalks – more or less legally – for the display of their merchandise; small vendors; taxi drivers; and the operators of horse-drawn carriages (who currently use areas selected for the creation of transit hubs); etc.
- Likewise, the modernization of the mass urban transport system could entail the loss of jobs and income. Current taxi drivers could be particularly affected and experience a loss of clientele.

- In some cases, the works will also have an impact on the possible modification of the conditions of access to homes, shops and other public institutions (schools, health centers, etc.).
- The noise and disturbances caused by the activities, above all during the works stage, may affect the mental health of the individuals who are the most exposed as a result of repetitive stress. The effects of noise pollution on human health are numerous (auditory deficit, sleep and rest disturbances, psycho-physiological effects, etc.). Nevertheless, in certain specific locations (close to hospitals, for example), noise attenuation measures may be utilized to minimize the noise (possible construction of anti-noise barriers, etc.).
- Other effects of lesser amplitude are linked to the discomfort caused by public works such as increased difficulty of access, detours, noise, vibrations, dust, etc., which may cause disturbances in the daily activities of the town centers where the public works are being carried out. These effects may be aggravated for people with limited mobility or accompanied by young children, etc. Depending on the nature, scope and extent of the works covered by the PforR, the negative social impacts will exclusively be those that are typically associated with public works. Nevertheless, these will generally be limited in time and space.

12. All these negative environmental and social impacts will probably be slight (given the limited scope of the planned works). It would nevertheless be appropriate to identify and document the measures required to avoid and attenuate these impacts during the evaluation and design stages of the municipal sub-projects, and, in the event of land purchases or direct impact on income, to compensate the affected individuals.

#### **IV. EVALUATION OF THE NATIONAL SYSTEMS**

13. Morocco has a large legal arsenal concerning environmental and social management and impact assessments in the context of urban planning which adopts anticipation, prevention and conservation measures to reduce the negative impacts of urban planning, and increase the attractiveness and sustainability of urban spaces. Urban transport policies are confronted with a certain number of constraints in an urban context undergoing perpetual change. Its principal failings are institutional, financial and technical in nature

14. Moroccan law makes local communities responsible for the management of the urban transport service. Morocco has a total of 1,503 municipalities, including 221 urban municipalities and 1,282 rural municipalities. According to Law no. 78-00, local authorities in Morocco are “*territorial communities of public law, equipped with the legal personality and financial autonomy*”. The affairs of the local authority are managed by an elected council. The council forms committees for the study of matters and the preparation of affairs to be submitted to the examination and vote of the plenary assembly. The council must consist of at least three permanent committees (made up of elected representatives) – among which the committee responsible for city planning, territorial and environmental land planning – and various technical divisions.

## Evaluation of environmental management systems

15. Concerning Environmental Impact Assessments (EIA), the most important legislative text is *Law no. 12-03 of 12 May 2003*, the objective of which is to minimize the negative impact of projects and improve ecological sustainability. Moreover, this law establishes the list of projects subject to this legislation, the enforcement procedure and the consistency of the impact studies. In a general way, the EIA system permits an *a priori* evaluation of the repercussions of the investment projects on the environment with a view to providing for measures to eliminate, attenuate or compensate for the negative impacts, while enhancing the positive effects of the project. In Morocco, the requirement for an EIA forms part, on the one hand, of the *principle of prevention* (rules and actions intended to anticipate any harm to the environment) and, on the other hand, of the *principle of integration* of the environmental requirements (search for an equilibrium between economic, social and environmental objectives). In addition to acting as a technical tool for the examination of the environmental consequences (both positive and negative) of a project and ensuring that these consequences are duly taken into consideration in the design, implementation and operation of the project, the EIA constitutes a valuable legal tool which subordinates the administrative authorization of any project subject to EIA requirements to an *environmental acceptability* decision.

16. The institutional provision of the EIA is established by the important *Decree 2-04-563* relating to the composition, functioning and powers of the National Environmental Impact Assessment Committee and the Regional Environmental Impact Assessment Committees (CNEIE and CREIE, respectively). Composed of representatives of the main institutional stakeholders, these committees examine the EIA and investigate the related files, issue their opinion on the environmental acceptability of the projects (the competence of the CNEIE relates to projects exceeding the value of 200 million MAD, while that of the CREIE relates to projects totaling less than 200 million MAD). Numerous ministerial departments and agencies are involved in environmental management (including, amongst others, the Ministry of Interior, the Deputy Minister of the Environment, the Ministry of Urban Planning and the Ministry of Health).

17. *Adaptation of the applicable systems.* The national EIA system is clear and it is well integrated into the decision-making procedure. It permits the adequate processing of the environmental impacts of new projects subject to the EIA requirement. It has gradually succeeded in acquiring broad legitimacy and visibility. The system permits the detailed analysis of the environmental impacts and identification of the measures to be taken to eliminate, mitigate or compensate for the negative impacts so they may reach acceptable levels.

- On the institutional level, the public body responsible for the management of the EIA system is located within the Ministry of the Environment and it has extensive experience and the necessary competences (particularly in the fields of examination of the EIA) to control the implementation of the EMPs and monitor the environment (air, water, and soil).
- On the level of expertise, there is a considerable number of engineering and consultancy firms with the relevant references and necessary capacities in the field of environmental management.

- Moreover, on the local level, the other players who intervene directly or indirectly in the system (public authorities, petitioners, civil society associations, neighborhood associations and user associations, transport operators, etc.,) are quite familiar with the procedures applied at the various stages of the EIA procedure and have benefited from several informational and training workshops over the past few years.

18. *Shortcomings and weaknesses.* Nevertheless, Law 12-03 also presents a certain number of shortcomings or weaknesses, at least with regards to the World Bank’s OP 9.00:

- The existing procedures focus on the analysis of a project in itself and on its “*environmental acceptability*”, that is, its “*feasibility from an environmental point of view*”, but they do not include an analysis of possible alternatives to the project itself – as they should.
- The list of projects submitted for EIAs (which are indicated in the appendix to Law 1-03-60) should – in the opinion of those responsible for the EIA themselves – form the object of an update and modernization, with a broadened typology of potential projects. (Moreover, a simple decree should update it, to avoid the delays of promulgating a new law.)
- The devices and methods of the EIA should be considerably improved as the result of the recent adoption (March 2014) of the law on the *National Charter of the Environment and Sustainable Development*. In the light of new principles, more focus should be on a strategic vision of the internal requirements for sustainable development and on a vision of a sustainable transport system, in which the mobility of people and goods can be guaranteed in an environmentally sustainable manner.
- Consultation with the stakeholders in the process of EIA preparation and revision is performed by means of a “*public inquiry*”. However, this is intended to inform the public on the subject of the characteristics of a project and its impacts more than a consultation mechanism aimed at the involvement and active participation of the public in decision-taking.
- The authorities and project developers publish the information they themselves consider sufficient for the public and do not disseminate information they consider “confidential” capable of “*having a negative effect on the interests of the contractor*”.
- Although the members are qualified technicians in their respective domains of competence, the members of the CNEIE and CREIE are not necessarily familiar with the technologies, procedures and requirements of EIA. Moreover, the assignment of persons to these committees is most often provisional, which constitutes a factor which not only restricts the learning and capitalization on the lessons learned, but also slows down the processing of the dossiers.
- No representative of civil society forms part of the national committee or the regional committees.

19. On the level of the municipalities, the environmental management system, which is based in large part on the national system, also reflects certain weaknesses:

- The EIA procedures are generally known, but the institutional links with the EIA system are poor (the body of the Ministry of the Environment responsible for the EIA only has one representative on the regional level).

- The municipalities lack qualified personnel and adequate financial resources. More concretely, the municipalities generally lack technical executives capable of efficiently performing the control and follow-up of the implementation of the EIA. The solution is to call upon engineering consultancy firms, but the consistency of the services of the latter during the work is strongly conditioned by the limited budget earmarked for the follow-up.
- The municipal agents are poorly informed about the projects carried out by the ministries and agencies of the State and they participate little or not at all in the planning and supervision of structuring work carried out on their own territory.
- The municipal representatives consulted over the course of the mission have repeatedly stressed the difficulties involved in the coordination between different municipal experts and technicians and, above all, among the various agencies involved in environmental management on the level of the municipality and the *wilaya* (e.g. in relation to green spaces, public roadways, waste, sanitation, urban planning, etc.).
- Finally, the aspects relating to the information and participation of the public are guaranteed to a certain extent by the Organic Law of Municipalities (which requires the Municipal Council to inform the public and give the citizen the right to be present and participate in the meetings and debates of the Council). Nevertheless, the system as applied does not include specific mechanisms aimed at informing and consulting the public or for dispute management, to ensure that the possible environmental impacts are brought to acceptable levels.

### **Evaluation of the social management systems**

20. As regards social management, Morocco disposes of an exhaustive legal framework. In particular, the new Constitution of 2011 grants great attention to the consultation and participation of the populations in the preparation and follow-up of the Programs, the presentation of petitions and access to information, and the management of applications. All overall aspects relating to the information and participation of the public are guaranteed by the Constitution, and the specific aspects are guaranteed by the organic laws of the local communities.

21. Moreover, the Moroccan legal land tenure regime is sophisticated and complex. It contains substantially different systems, the application of which may give rise to practices which are not always codified but which are largely understood by the populations. The public domain of the State – which includes all parts of the territory and all the works, immovable property and natural resources which cannot form the object of private ownership and which are the object of public use – is protected by an entire series of provisions aiming at ensuring its direct use by the public or by a service of general interest. The management of the public domain may be performed by several types of operation, including temporary occupation.

22. Respect for property is a fundamental principle of Moroccan law, consecrated by Article 35 of the new Constitution of 2011 and implemented by numerous laws including the Civil Code and laws governing landed property. The legal framework, based on constitutional precepts, has reinforced the concept of property rights and put in place a system of expropriation which offers

appropriate protection to persons likely to be expropriated. The national legislation relating to expropriation includes provisions ensuring compensation for the rights holders.

23. Moroccan legislation provides for the compensation of persons affected by rehousing. Specifically, the expropriation procedure for public utility is an exceptional procedure which is only implemented when a development project is of public utility and when it is required due to a lack of land belonging to the State, to legal persons under public law, or land which could be acquired by a contractual procedure. The acquisition of land by the State for reasons of public utility is governed by special rules and procedures which are very restrictive for the expropriating authorities. In the case of the appropriation of private land, the land in question is purchased by the municipalities with the approval of the municipal council (i.e. the preferred procedure) or by expropriation (this procedure is avoided).

24. From an institutional point of view, several institutions are responsible for managing requests and complaints on a national level. These are: the National Human Rights Council (*Conseil National des Droits de l'Homme* - CNDH), which is authorized to launch legal proceedings in the event of violations and to recommend sanctions; the Institution of the Ombudsman (*L'Institution du Médiateur*), a constitutional body possessing legal and financial autonomy and that is independent from the legislative assembly, the executive and judicial branches, and which is an appeal mechanism, free of charge and easily accessible for citizens with a request, a complaint or an claim; and the Central Body for the Prevention of Corruption (*Instance centrale de Prévention de la Corruption* - ICPC), which is also a well-equipped autonomous constitutional body dealing with the coordination, supervision and follow-up of the implementation of policies aimed at preventing and combating corruption.

25. *Shortcomings and weaknesses.* Nevertheless, despite the variety of procedures and devices, social management in Morocco also presents a certain number of shortcomings or weaknesses, at least with regards to the World Bank's OP 9.00, which administers the Program:

- The legislation contains no specific procedures concerning: (i) the social evaluation of the impacts; (ii) the distribution of information and consultation with the public (apart from in relation to expropriation procedures); (iii) the request management mechanism (apart from in relation to expropriation procedures); (iv) the follow-up and evaluation of land purchases; and (v) the follow-up of the social impacts of the projects beyond the construction stage. These failings constitute major shortcomings in the social management system applied to the municipal projects.
- Consultation with the stakeholders fails to involve the populations in any form of active participation in decision-making.
- Contrary to the requirements of the World Bank, Moroccan land acquisition policies contain no specific procedures applicable to affected persons who have no property rights or recognized official title to the land they occupy, or provisions for the impact on the income or possible lost profit.
- Finally, the multiple administrative structures responsible for the urban management coexist for better or for worse. Their operation comes at considerable human and financial costs (hence the multiples conflicts of competences between these different players and the slow pace of decision-making processes).

26. To combat these shortcomings, the proposed Program should provide particular support to comply with the following mechanisms:

- The systematic conduct of an environmental and social assessment of all the sub-projects by the municipalities concerned, to avoid, minimize or mitigate any type of negative impact.
- The systematization and formalization of the inclusion and participation of the populations and community organizations (neighborhood associations, for example).
- The implementation of systematic and easily accessible inquiry management mechanisms for the population and taking into account the degree of education and the language.
- Compensation of persons without legal title to the land they occupy.
- Compensation of persons whose income is directly affected by the activities undertaken under the Program.
- In the event of sub-projects built on private land or land impinging on private land, submission by the municipalities of the relevant documentation (temporary or permanent occupation permits, voluntary transfer agreements, purchase contracts or expropriation decrees).
- The non-financing of any sub-project whose land purchases or land regularizations have not been regulated in advance or which lack the appropriate documentation.
- Rejection by the municipalities of the sub-projects requiring the rehousing of residences or businesses and/or the involuntary acquisition of major land surface areas.

## V. CONCLUSIONS AND RECOMMENDATIONS

27. Although the environmental and social effects of the activities appertaining to the present Program are considered slight to moderate, the Program offers a chance to strengthen the shortcomings in the above-mentioned procedures, while simultaneously identifying and attenuating these effects and strengthening the overall system in three fields: (i) strengthening the environmental and social management system; (ii) assuring the implementation of good environmental and social management; and (iii) assuring the follow-up of the environmental and social management. Thus, with a view to filling the gaps identified in the ESSA, the Program will support specific measures to strengthen the performance of the Moroccan environmental and social management system. These measures will be implemented by means of two specific axes, i.e., through the publication of a *technical guide* and *capacity building*.

28. The totality of these measures is described in the Action Plan of the ESSA that will act as a guide to the overall formulation of the Program. The application by the participating local authorities of the environmental and social procedures described in the Technical Guide for the Program will constitute one of the selected performance criteria of the evaluation system to be implemented for this PforR. The implementation of some of these measures will be reinforced through their integration in the Action Plan for the overall Program, with the approval of the Moroccan government, and/or legally incorporated into the Program financing agreement. These actions are summarized here under the three headings: (i) actions aimed at strengthening the environmental and social management system; (ii) actions aimed at strengthening system implementation and follow-up; and (iii) actions aimed at strengthening the environmental and social management capacities.

**Table 20. ESSA action plan**

<b>N°</b>	<b>Measure</b>	<b>Activity</b>	<b>Responsibility</b>	<b>Timetable</b>
<b><i>Area 1. Strengthening of the environmental and social system</i></b>				
1.1	Municipal Technical Guide to the environmental and social management of urban transport.	- Preparation of the Guide. - Organization of a presentation and information workshop with all stakeholders (on the local level).	MoI (DGCL)	December 2016
1.2	Designation of a focal point in each participating municipality.	Identification of an official to act as the environmental and social focal point in each municipality (for the entire duration of the Program, i.e. 4 years).	Participating municipalities	December 2016
1.3	Management of requests and complaints.	Setting up of a simple and efficient request management system based on the mechanisms and procedures already in place within each municipality (even strengthening it, if necessary) and definition of a request follow-up system (see below).	Each participating municipality, with support from the wilaya.	December 2017 (in any case at least 2 months before the start of civil works for each municipality)
1.4	Consultations	Consultation and public distribution of the available documentation (ESSA report).	MoI	Before effectiveness
<b><i>Area 2. Strengthening of the implementation and follow-up of the environmental and social management system</i></b>				
2.1	Environmental and social management	Implementation of all the environmental and social management	Each participating municipality (in collaboration with the	Upon commencement and throughout



	<p>procedures.</p>	<p>procedures and mechanisms defined in the Municipal Technical Guide, in particular, with regards to the following aspects:</p> <ul style="list-style-type: none"> <li>- Public distribution of the ESSA and of municipal environmental and social management plans.</li> <li>- Preparation of environmental and social review forms.</li> <li>- Supervision of the work by the municipal technical personnel responsible for environmental and social management.</li> <li>- Definition and implementation of procedures applicable to involuntary rehousing.</li> <li>- Follow-up of complaints and requests.</li> <li>- Land purchase follow-up.</li> <li>- Follow-up, implementation and evaluation by the municipalities of attenuation and compensation measures.</li> <li>- Municipal environmental and social reporting.</li> <li>- Establishment and follow-up of agreement protocols between each municipality and specialist bodies (for the follow-up/environmental and</li> </ul>	<p>services of the wilaya, with the possible support of the Ministry of Interior). Each municipality may stress the relevance of these measures based on the planned activities and the selected institutional set-up.</p>	<p>the entire Program.</p>
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		social evaluation system).		
<b><i>Area 3. Capacity building in environmental and social management</i></b>				
3.1	Capacity building initiatives.	<p>Implementation of all capacity-building initiatives defined in the Technical Guide, in particular with regards to the following:</p> <ul style="list-style-type: none"> <li>- Principles concerning the environmental and social management of the Program (for the technical personnel and elected municipal officials).</li> <li>- Methods concerning the integration of the environmental and social management into the capacity-building plan of the Program as such.</li> <li>- Procedures and principles concerning involuntary rehousing.</li> <li>- Screening tool applied to projects with a low social impact and broadened involuntary rehousing, including aspects linked to the means of subsistence and vulnerable groups.</li> <li>- Budgetary aspects of environmental and social management.</li> <li>- Procedures concerning the consultations with the public on each of the municipal sub-projects (prior to their approval).</li> </ul>	<p>Each participating municipality (in collaboration with the services of the wilaya, with the possible support of the Ministry of Interior). Each municipality may stress the relevance of these measures based on the planned activities and the selected institutional set-up.</p>	December 2017

**Annex 7: Integrated Risk Assessment**

<b>1. PROGRAM RISKS</b>			
<b>2.1 Technical Risk</b>	<b>Rating:</b>	<b>Substantial (S)</b>	
<p><b>1. Description:</b> Program’s success depends on participating cities that are in charge of direct implementation of expenditures. Moreover, as funds are to be disbursed at central level, there is a risk that participating cities will not receive adequate funding to implement the Program and achieve the expected results.</p>	<p><b>Risk Management:</b> The Bank’s technical assessment deemed that the infrastructure expenditures are within the participating cities’ capacity to implement, with the assistance of expert consultants for feasibility study, design and construction supervision. Best practice procedures will be prescribed in the POM. The use of DLI and PDO indicators will incentivize the MoI and the MEF to ensure that sufficient financial resources are allocated to the Program supported by the Bank. The Bank will closely monitor resource allocation and implementation during supervision.</p>		
	<b>Resp: Client</b>	<b>Stage: Implementation</b>	<b>Due Date : Recurrent</b>
<b>2.2 Fiduciary Risk</b>	<b>Rating:</b>	<b>Substantial (S)</b>	
<p><b>Description:</b> PFM systems at the central level, including in their relationship to the local level, have been deemed adequate overall for the implementation of the operation. Capacity of procuring entities, especially at the local level, may require strengthening. Participating cities may elect after effectiveness to implement Program’s infrastructure activities through municipally-owned entities which mostly operate according to private law. There is a lack of clear and independent procurement GRM at the municipal level.</p>	<p><b>Risk Management:</b> Project implementation will include capacity building activities (including on new public procurement decree) on Bank procurement and financial management guidelines. The Bank will also ensure close supervision during implementation period. The PAP includes the implementation of GRM at the local level for participating cities. In addition, GRMs are expected to be an important component supported by the other Bank operations in preparation. Moreover, if needed, municipally-owned entities will benefit from tailored capacity strengthening initiatives and be subjected to closer monitoring during implementation to ensure mitigation of fiduciary risk.</p>		
	<b>Resp: Bank</b>	<b>Stage: Implementation</b>	<b>Due Date : Recurrent</b>
<b>2.3 Environmental and Social Risk</b>	<b>Rating:</b>	<b>Moderate (M)</b>	
<p><b>Description:</b> Adverse environmental and social impacts are anticipated to be low to moderate. Any land requirements (temporary or permanent) of the Program will likely be met through lands that are the ownership of the State.</p>	<p><b>Risk Management:</b> The Program Technical Guide will ensure a robust screening process, including exclusionary criteria. Additional measures to increase the counterpart’s environmental and social management system are proposed through the ESSA and incorporated in the Program design.</p>		
	<b>Resp: Bank</b>	<b>Stage: Implementation</b>	<b>Due Date : Recurrent</b>
<b>3. OVERALL RISK RATING</b>			
Based on the factors identified above, the overall risk is defined as <b>Substantial</b> .			

**Annex 8: Program Action Plan**

<i>Action Description</i>	<i>DLI</i>	<i>Covenant</i>	<i>Due Date</i>	<i>Responsible Party</i>	<i>Completion Measurement</i>
<b><i>Thematic Area 1 - Technical</i></b>					
<i>Action #1.</i> Identification, assessment, and recommendation, based on a structured analysis, of sustainable financial resources for the Urban Transport Fund in particular and the urban transport sector in general			December 2019	MoI & MEF	Study has been carried out
<i>Action #2.</i> Development and dissemination of a methodological guide on urban mobility master plans for cities			December 2018	MoI (DGCL)	Guide has been prepared and disseminated
<i>Action #3.</i> Design and delivery of a capacity building program for municipalities in (i) project management applied to urban transport and (ii) preparation and management of urban transport concession and delegated services contracts			December 2017	MoI (DRSC and DFCAT)	Capacity building program has been delivered
<b><i>Thematic Area 2 - Environmental and social</i></b>					
<i>Action #4.</i> Designation of focal points in participating cities to ensure monitoring and supervision of environmental and social aspects of the			December 2016	Participating municipalities	Focal points have been designated

Program.					
<i>Action #5.</i> Preparation and dissemination of a municipal technical guide for environmental and social management			December 2016	MoI (DGCL)	Guide has been prepared and disseminated
<i>Action #6.</i> Establishment, strengthening or formalization of a social and environmental GRM by the participating cities			December 2017 (in any case two months before the start of civil works for any participating municipality)	Participating municipalities	GRMs has been established, strengthened or formalized
<i>Action #7.</i> Design and delivery of capacity building activities in municipal environmental and social management			December 2017	Participating municipalities	Capacity building activities have been delivered
<b><i>Thematic Area 3 - Fiduciary</i></b>					
<i>Action #9.</i> Design and delivery of a fiduciary capacity building action plan for municipalities			March 2017	DGCL, participating municipalities	Capacity building activities have been delivered
<i>Action #10.</i> Operationalization of the central Committee for regional and municipal procurement monitoring			December 2016	DGCL	Committee has been operationalized
<i>Action #11.</i> Establishment, strengthening or formalization of a municipal fiduciary GRM (including for procurement)			December 2017	Participating municipalities	GRM have been established, strengthened or formalized

### *Annex 9: Implementation Support Plan*

1. The objectives of the Implementation Support Plan (ISP) are (i) to monitor implementation progress of the Program (including its PAP) and the implementation of the risk mitigation measures defined in the technical, fiduciary, and safeguard assessments and (ii) to provide the counterpart with the technical advice necessary to facilitate the achievement of the PDO and contribute to the quality of the capacity building of stakeholders by providing best practices, benchmarks and training.

2. The Bank will provide regular implementation support to the Program as appropriate, including for the implementation of the PAP. Formal implementation support missions and field visits will be carried out semi-annually. The main focus of the implementation support is summarized below:

***Table 21. Main focus of Implementation Support***

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate (US\$)</i>	<i>Partner Role</i>
<i>First twelve months</i>	Technical supervision, support and capacity building	Urban transport	100,000 BB	<i>Non Applicable (NA)</i>
	M&E support and capacity building	M&E		
	Procurement supervision, support and capacity building	Procurement		
	FM supervision, support, and capacity building	FM		
	Project supervision and coordination	Operations, project management		
	Social systems management, capacity building and monitoring	Social management		
	Environmental capacity building and monitoring	Environmental management		
	Task Team Leadership	Project management		
<i>12-48 months</i>	Technical supervision, support and capacity building	Urban transport	80,000 BB per year	<i>NA</i>
	Procurement support and monitoring	Procurement		
	FM support and monitoring	FM		

	Environmental monitoring	Environment management		
	Social monitoring	Social management		
	Task Team Leadership	Project management		

**Table 22. Task Team Skills Mix Requirements for Implementation Support (per year)**

<b><i>Skills Needed</i></b>	<b><i>Number of Staff Weeks</i></b>	<b><i>Number of Trips</i></b>	<b><i>Comments</i></b>
Task Team Leader	10	2	<i>Based in HQ</i>
Urban transport specialist	8	2	<i>Based in HQ</i>
Procurement specialist	5	0	<i>Based in Country Office</i>
Financial management specialist	4	0	<i>Based in Country Office</i>
Environment specialist	4	1	<i>Based in HQ</i>
Social specialist	4	1	<i>Based in HQ</i>
M&E specialist	5	1	<i>Based in HQ</i>
Operations analyst	5	1	<i>Based in Country Office</i>