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Report No: PAD1005

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF
US\$ 3.00 MILLION

TO THE

KINGDOM OF MOROCCO

FOR THE

PARTNERSHIP FOR MARKET READINESS PROJECT

JUNE 08, 2015

Environment and Natural Resources
MIDDLE EAST AND NORTH AFRICA

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CURRENCY EQUIVALENTS

(Exchange Rate Effective 31 May 2015)

Currency Unit = Moroccan Dirham (MAD)
9.82470 MAD = US\$1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CDM	Clean Development Mechanism
CNEDD	National Framework Law on the Environment and Sustainable Development (<i>Cadre national sur l'environnement et le développement durable</i>)
COP	Conference of the Parties (to the UNFCCC)
DNA	Designated National Authority (of the Clean Development Mechanism)
DCCBDGE	Directorate for Climate Change, Biodiversity, and the Green Economy (<i>Direction des Changements Climatiques, de la Diversité Biologique et de l'Economie Verte</i>)
FNE	National Environment Fund (<i>Fonds national de l'environnement</i>)
ICZM	Integrated Coastal Zone Management
MAC	Marginal Abatement Cost
MAEC	Ministry of Foreign Affairs and Cooperation
MAGG	Ministry of General Affairs and Governance
MBI	Market-based instruments
MDE	Minister Delegate to the Minister of Energy, Mining, Water and Environment, for the environment. (<i>Ministère délégué chargé de l'environnement</i>)
MEF	Ministry of the Economy and Finance
MRP	Market Readiness Proposal
PA	Partnership Assembly
PCCM	Moroccan Climate Change Policy (<i>Politique de changement climatique marocaine</i>)
PEFA	Public Expenditure and Financial Accountability
PMR	Partnership for Market Readiness
SORT	Systematic Operations Risk-Rating Tool
tCO ₂ e	Ton of CO ₂ -equivalent
TGR	Royal Treasury (<i>Trésorerie générale du Royaume</i>)
UNFCCC	United Nations Framework Convention on Climate Change

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KINGDOM OF MOROCCO
Partnership for Market Readiness

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PAD DATA SHEET*Morocco**Partnership for Market Readiness (P128654)***PROJECT APPRAISAL DOCUMENT***MIDDLE EAST AND NORTH AFRICA*

Report No.: PAD1005

Basic Information			
Project ID P128654		EA Category C - Not Required	Team Leader Andrew Michael Losos
Lending Instrument Investment Project Financing		Fragile and/or Capacity Constraints []	
		Financial Intermediaries []	
		Series of Projects []	
Board Approval Date 30 Jun, 2015		Project Implementation End Date 31-Dec-2018	
Expected Effectiveness Date 30-Sep-2015		Expected Closing Date 31-Dec-2018	
Joint IFC No			
Practice Manager Benoit Blarel	Senior Global Practice Director Paula Caballero	Acting Country Director Joelle Dehasse Businger	Regional Vice President Hafez Ghanem
Subject To Board Approval No		Is GFR prepared as part of PP Package? Yes	
Recipient: Kingdom of Morocco			
Responsible Agency: Delegated Ministry of the Energy, the Mines, the Water and the Environment			
Contact:	Mr. Mohamed Nbou	Title:	Director of Climate Change, Biodiversity and the Green Economy
Telephone	+212537576641	Email:	nbou@environnement.gov.ma
No.:			
Approval Authority			
Approval Authority CD Decision			

Project Financing Data(in USD Million)									
<input type="checkbox"/>	Loan	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	Guarantee				
<input type="checkbox"/>	Credit	<input type="checkbox"/>	IDA Grant	<input type="checkbox"/>	Other				
Total Project Cost:		3.71			Total Bank Financing:		3.00		
Financing Gap:		0.00							
Financing Source					Amount				
Recipient					0.20				
Co-financing					0.51				
Partnership for Market Readiness					3.00				
Total					3.71				
Expected Disbursements (in USD Million)									
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual	0.00	0.50	1.50	1.00	0.00	0.00	0.00	0.00	0.00
Cumulative	0.00	0.50	2.00	3.00	0.00	0.00	0.00	0.00	0.00
Institutional Data									
Practice Area / Cross Cutting Solution Area									
Environment and Natural Resources									
Cross Cutting Areas									
<input checked="" type="checkbox"/> Climate Change <input type="checkbox"/> Fragile, Conflict & Violence <input type="checkbox"/> Gender <input type="checkbox"/> Jobs <input type="checkbox"/> Public Private Partnership									
Sectors / Climate Change									
Sector (Maximum 5 and total % must equal 100)									
Major Sector			Sector		%	Adaptation Co-benefits %		Mitigation Co-benefits %	
Public Administration, Law, and Justice			Central Government Administration		100	0		100	
Total					100				
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.									

Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Environment and natural resources management	Climate change	100
Total		100
Proposed Development Objective(s)		
The Project Development Objective (PDO) is to improve capacity to design and pilot greenhouse gas (GHG) Monitoring, Reporting and Verification (MRV) systems in selected sectors and to establish core technical components for the design of GHG emissions reduction crediting mechanisms in the Kingdom of Morocco.		
Components		
Component Name	Cost (USD Millions)	
Component 1: MRV System and Supporting Analysis	2.46	
Component 2: Capacity-building	0.50	
Component 3: Project Management and Mid-Term Review	0.75	
Systematic Operations Risk- Rating Tool (SORT)		
Risk Category	Rating	
1. Political and Governance	Moderate	
2. Macroeconomic	Moderate	
3. Sector Strategies and Policies	Moderate	
4. Technical Design of Project or Program	Substantial	
5. Institutional Capacity for Implementation and Sustainability	Moderate	
6. Fiduciary	Moderate	
7. Environment and Social	Low	
8. Stakeholders	Moderate	
9. Other		
OVERALL	Moderate	
Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes [] No [X]	
Does the project require any waivers of Bank policies?	Yes [] No [X]	
Have these been approved by Bank management?	Yes [] No []	

Is approval for any policy waiver sought from the Board?		Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Does the project meet the Regional criteria for readiness for implementation?		Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]
Safeguard Policies Triggered by the Project			
	Yes	No	
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Recruitment of PMU members	N	90 days after approval	Once
Description of Covenant			
The Executing Agency will recruit a Project Coordinator, Financial Management Consultant, and Procurement Consultant, within 45 days of project approval.			
Conditions			
Name		Type	
Description of Condition			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Marie-Françoise How Yew Kin	Program Assistant	Program Assistant	GEEDR
Andrea Liverani	Program Leader	Team Lead	MNC01
Fatou Fall	Social Development Specialist	Social Development Specialist	GSURR
Abdoulaye Keita	Senior Procurement	Senior Procurement	GGODR

	Specialist	Specialist			
Laila Moudden	Financial Management Specialist	Financial Management Specialist	GGODR		
Adrien de Bassompierre	Senior Carbon Finance Specialist	Carbon Finance Specialist	GCCCCF		
Suiko Yoshijima	Environmental Specialist	Environmental Specialist	GENDR		
Andrew Michael Losos	Environmental Specialist	Team Lead	GTIDR		
Manaf Touati	ST Consultant	Energy Specialist	GEEDR		
Malika Drissi	ST Consultant	Environmental Consultant	GENDR		
Abdelmourhit Lahbabi	ST Consultant	Senior Advisor	GENDR		
Abdellatif Khattabi	ST Consultant	Operations Consultant	GENDR		
Soumia Driouch	Program Assistant	Program Assistant	MNCMA		
Non Bank Staff					
Name	Title	Office Phone	City		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Morocco	Grand Casablanca	Région du Grand Casablanca	X		
Morocco	Rabat-Salé-Zemmour-Zaër	Région de Rabat-Salé-Zemmour-Zaër	X		

I. STRATEGIC CONTEXT

A. Country Context

1. **Morocco is a lower middle-income country and its economy is remarkably growing with excellent economic performance in recent years.** The country has experienced an average annual growth rate of about 4.6 percent for the 2006-2012 period in an unfavorable international context marked by a global economic crisis. In parallel with this robust growth, emissions of greenhouse gases (GHG) may have increased according to national predictions but their level remains relatively modest, making Morocco a low emitter compared to other countries in the region.

2. **The resilience of the Moroccan economy, especially in a difficult international context, are explained by the importance of structural reforms underway and the implementation of new sectoral plans by the Government.** The implementation of these sector-wide plans (in energy, agriculture, tourism, industry, waste management, logistics, fisheries, etc.), along with robust growth in household consumption (vehicles, household items, etc.) considerably influence energy needs, which are projected to increase in the coming years at an average annual rate of five percent.¹ This growth will probably be associated with a substantial increase in GHG emissions as the energy sector contributes more than half of the total emissions in Morocco, followed by the agricultural sector at over 30 percent).²

3. **Morocco strongly depends on imports of hydrocarbons.** Poor in fossil fuels and experiencing significant economic, industrial, and social evolution, the country covers its deficit by importing most of its supplies. The consumption of primary energy has considerably increased over the last decade, by about six percent³ annually, from 10.5 megatonnes of oil equivalent (Mtoe) in 2002 to 17.7 Mtoe in 2012, leading to a dependency rate of 96 percent for that year. Consumption per inhabitant per year has increased substantially, from 0.36 toe in 2002 to 0.54 toe in 2012. However, this rate remains relatively modest compared to the world average of about 1.7 toe.⁴ The national economy remains highly vulnerable to any upsurge in the price of oil, particularly in the current context of the reform of the subsidy system in Morocco leading to a liberalization of oil prices.

B. Sectoral and Institutional Context

4. **Morocco is actively seeking climate-financing opportunities to stimulate investments in renewables and sustainable energy technologies.** The Clean Technology Fund⁵ (CTF) provides scaled-up financing for the demonstration, deployment and transfer of low carbon technologies that have a significant potential for long term GHG emissions savings. In Morocco, it supports the large scale renewable energy development through the Ouarzazate Solar Plant (US\$197 million) as well as the National Integrated Wind/Hydro and rural electrification

¹ MEMEE (2013), *La nouvelle Stratégie Énergétique Nationale Bilan d'étape*, Ministry of Energy, Mining, Water and Environment (MEMEE), January 2013

² SEEE (2009), *Inventaire National des gaz à effet de serre, Mission III, Rapport définitif*, State Secretariat for Water and Environment (SEEE), Department of Environment. March 2009.

³ MEMEE (2013), *La nouvelle Stratégie Énergétique Nationale Bilan d'étape*, Ministry of Energy, Mining, Water and Environment (MEMEE), January 2013.

⁴ Ibid.

⁵ The CTF is a multi-donor trust fund created in 2008 as part of the Climate Investment Funds (CIF)

program (US\$125 million). The Global Environment Fund (GEF) provides grants to support Morocco's policy to further develop renewable energy and to promote private participation. Most prominent renewable energy and energy efficiency related GEF projects include Aïn Beni Mathar Integrated Solar Combined Cycle Power plant (US\$43.2 million, IBRD), market development for solar water heaters (US\$2.96 million, UNDP), energy efficiency codes in residential buildings and energy efficiency improvement in commercial and hospital buildings (US\$3 million, UNDP), and energy efficiency in the Industrial sector (US\$2.7 million, AfDB).

5. Morocco is a low GHG emitter, but its emission profile is rapidly changing. Per capita emissions stand at around 2.2 tCO₂e per capita, for a global GHG contribution of 63.4 Mt CO₂e. Energy accounts for half of net GHG emissions (50.9 percent), followed by agriculture (32.5 percent) and industry (5.9 percent).⁶ Between 1994 and 2010, Morocco's GHG emissions increased by an average rate of 4% per year, and are projected to increase faster in the future to 134 MtCO₂e by 2020, largely driven by a surging electricity demand due to a rapid economic growth and a growing middle class. Total demand grew by more than 6 percent yearly over the same period, compared to 3.5 percent annual economic growth, thus increasing the energy intensity of the economy. Demand is forecasted to double by 2020 and to be four times higher than today by 2030. As the energy mix is dominated by oil (61 percent of primary energy demand) and coal (28 percent), CO₂ emissions per kWh generated are 50 percent higher than the world average. This will be compounded by the rapid growth of high emitting sectors, particularly in industry, but may be partially offset by stronger investments in renewables.

6. The country has shown an active interest in mobilizing carbon finance. Morocco is leading in carbon finance at a regional level⁷ with eight registered CDM projects (3 MtCO₂/y mitigation potential) and 13 projects in validation process (2 MtCO₂/y). A number of public and private agencies have developed a solid expertise with carbon finance instruments particularly through CDM type projects. Despite this relatively strong track record, domestic capacities are still relatively limited to fully capture the current and particularly future opportunities offered by carbon markets. GoM is now keen on building on its CDM experience and to develop its readiness to benefit from future market mechanisms and mobilize additional finance for its national mitigation programs.

7. The GoM has prepared a plan to implement a future sectoral crediting mechanism in three key sectors of the economy (electricity generation, cement production, and phosphates processing). The government wishes to establish this mechanism over the coming six years, both to generate quality carbon credits and to be capable of integrating with an international system at the appropriate time. The selection of the mechanism and the sectors and the commitment of the government are the results of consultations between the governmental departments and the relevant sectors. The government has decided to use the Partnership for Market Readiness (PMR) to establish the basic infrastructure needed for this sectoral crediting mechanism.

8. The details of that plan are contained in the Market Readiness Proposal (MRP) presented by Morocco to the Partnership Assembly (PA) of the PMR in May 2014. Proposed activities are organized around a central axis of data management and Monitoring,

⁶ Source: UNFCCC Second National Communication (2010), based on year 2000 data

⁷ Morocco holds 10% of registered project, based on a total of 84 CDM registered projects in the whole of Africa, which however accounts only around 2% of total registered CDM projects (on a total of 3927 worldwide).

Reporting and Verification (MRV), supported by piloting of potential instruments and by an assessment of the different mitigation instruments available to the GoM and the relative weight of the MBIs in the possible mix of instruments. They will enable the establishment of a governance system to manage GHG mitigation issues both in general and specific to market-based instruments (MBIs) in Morocco. They will also strengthen relevant stakeholders' capacities in both the public and private sectors.

9. The Moroccan Government (GoM) is already active in developing NAMA approaches. Nationally Appropriate Mitigation Actions (NAMA) are currently being identified based on existing national sectoral strategies and programs. Besides this preliminary NAMA identification, Morocco is in the process of launching a consultation process with NAMAs proponents (public and private), in order to proceed with a detailed NAMA development plan, including sector baselines and Measurement, Reporting and Verification (MRV) components. Preliminary results include several sectors such as Energy, Agriculture, and Solid Waste.

10. The energy and industrial sectors show high potential for sector based crediting schemes. The US\$ 9 billion Moroccan Solar Plan aims at developing 2000 MW of solar energy (PV and solar thermal) by 2020, as well as preventing the emission of 3.7 MtCO₂e/y. The US\$ 3.5 billion Moroccan Integrated Wind Energy Plan will enable to bring the installed capacity from 280 MW to 2000 MW by 2020, and prevent the emission of 5.6 MtCO₂e/y. In the industrial sector, there are two fast growing subsectors, namely phosphates and cement. Morocco has the largest reserves of phosphates in the world, and the National Phosphates Office (OCP) is a world champion with more than 90 years' experience in mining and 45 years in industrial processing of acids and fertilizers, with an export turnover of more than US\$ 4 billion representing 24 percent of Morocco's national export value. OCP's total emissions are around 3 MtCO₂e/y. As for cement production, the Professional Cement Association (APC) encompasses all major international players (Lafarge, Holcim, and Italcementi). Despite its prominent importance in terms of GHG emissions, the agriculture sector only represents 4 percent of the mitigation potential in Morocco). Moreover, for this particular sector, the level of readiness for carbon markets is not as mature as in electricity, cement and phosphate production.

11. Morocco committed itself early and voluntarily to the international effort against climate change by joining the UNFCCC during the 1992 Rio Summit.⁸ Since then, Morocco has implemented a number of activities and programs that confirm its voluntary commitment. These activities also provide the foundation for a transition towards a green economy aimed at achieving responsible growth by preserving the environment and ecosystems, reducing GHG emissions and adapting to the effects of climate change. These activities have enabled Morocco to distinguish itself and become a leading figure in Africa and in the Middle East and North Africa (MENA) region in the fight against global warming.

12. Morocco has experience with MBIs, particularly through the Clean Development Mechanism (CDM). Now Morocco is engaging with the PMR to be part of a group of pioneer nations working on scaled-up crediting, one of the promising future MBIs.

13. In order to participate in the global effort to mitigate GHG emissions and consolidate and strengthen its national sustainable development policy, Morocco was an early participant in the CDM, one of the MBIs prepared under the Kyoto Protocol. It therefore ratified the Kyoto

⁸ Morocco signed the UNFCCC in Rio in 1992 and ratified it in 1995.

Protocol in 2002 and at the 7th CoP (Marrakech, 2001) pushed to ensure that legislation implementing the Protocol and its flexible mechanisms were adopted.

C. Higher Level Objectives to which the Project Contributes

14. Morocco understands the need to contribute to international efforts in stabilizing global GHG atmospheric concentrations. To this end, the Government needs to reduce its dependence on imported fossil fuels. An ambitious target of 42 percent of installed renewable energy capacity by 2020 has been established, coupled with the goal of a 15 percent reduction in projected energy demand through the implementation of energy efficiency measures. To reinforce its energy conservation and anti-pollution program, the country has also recently started reducing expensive energy subsidies on diesel, gasoline and heavy fuel oil. To accomplish these objectives, Morocco has indicated a need for relevant level of international support. The PMR is intended to provide technical and financial support to help the Government achieve these goals by adopting domestic actions and developing new market-based instruments to achieve GHG mitigation in a cost-effective manner.

15. In accordance with its pledges for nationally appropriate mitigation actions under the Copenhagen Accord, Morocco considers it necessary to take firm and concrete steps toward achieving a lower carbon economy. Morocco has also built new policies through a “National Plan for the Fight against Global Warming” (2009), a “National Climate Change Policy” (2014) and “National Sustainable Development Strategy” (under preparation). The proposed project will contribute positively to economic and environmental outcomes of the country and will be instrumental in ensuring the success of the above-mentioned policies. By doing so, it will indirectly address the World Bank’s twin goals of ending extreme poverty and boosting shared prosperity in a sustainable fashion.

16. Following mixed results with the Clean Development Mechanism (CDM), the Government recognizes the need for newer and more aggressive market-driven mechanisms that will have a stronger effect in the decision making of investors. This is particularly relevant to Morocco because of its rapid growth rate, and the need to be proactive in studying and evaluating the best market-based forms to reduce GHG emissions. The PMR is intended to further strengthen these efforts and assist Morocco with selecting its preferred carbon market instruments, milestones and sectoral areas of focus and facilitate the design of carbon market infrastructure.

17. The PMR project is aligned with the current FY2014-FY2017 Country Partnership Strategy (CPS) between the World Bank Group and Morocco (Report 86518-MA) which was discussed by the Board on April 29th, 2014. It will support the CPS ‘Sustainable Development’ pillar and will specifically contribute to achieving the outcomes of ‘Additional revenue sources generated by CDM’, ‘Exploration of new mitigation ways’ and ‘Developing renewable energy and energy efficiency’. As such, the Project is consistent with MENA’s Regional Strategy, supporting the pillars of accelerating sustainable growth and strengthening governance. The Project is also in line with several operations in the Bank’s portfolio aimed at supporting Morocco’s response to climate change. These include: Municipal Solid Waste Management DPL 1 (P104937), DPL 2 (P119781), and DPL 3 (P127955), Morocco Inclusive Green Growth DPL 1 (P127956) and DPL 2 (P149747), Morocco Ouarzazate Concentrated Solar Power (P122028) and Morocco Noor Ouarzazate Concentrated Solar Power (P131256).

18. **Additionally, the PMR project will actively seek coordination and partnerships throughout preparation and implementation with donors involved in climate finance related activities in Morocco**, including UNDP's Low Emission Capacity Building (LECB) program, UNEP's Facilitating Implementation and Readiness for Mitigation (FIRM) program and private sector national initiatives addressing climate change. In particular, the four-year LECB program will strengthen capacities in Morocco in the following ways: (i) develop GHG inventory management systems, (ii) identify opportunities for NAMAs, (iii) design low emission development strategies (LEDS) in the context of national priorities, (iv) design MRV systems of proposed actions and means to reduce GHG emissions, and (v) facilitate the design and adoption of mitigation actions by selected industries. The German International Cooperation Agency (GIZ)⁹ supports on behalf of the federal ministries of Economic Cooperation and Development (BMZ) and Environment (BMU) a large number of partner countries with respect to climate change mitigation, including help with the development of low-emission development strategies, as well as with the design of NAMAs and MRV frameworks.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

19. The Project Development Objective (PDO) is to improve capacity to design and pilot greenhouse gas (GHG) Monitoring, Reporting and Verification (MRV) systems in selected sectors and to establish core technical components for the design of GHG emissions reduction crediting mechanisms in the Kingdom of Morocco.

B. Project Beneficiaries

20. The main project beneficiary is the Ministry of Environment (MDE), as the lead ministry for implementation of the PMR in Morocco. The Project will also benefit other relevant ministries and government institutions as well as policy makers, including the national Centre for Climate Change Knowledge (*Centre de Compétence sur les Changements Climatiques - 4C*), the Ministry of Energy, the Ministry of Industry and the Ministry of Finance. Other direct beneficiaries include stakeholders involved in the analysis and subsequent preparation of the carbon pricing instrument and implementation of an MRV framework: operators of the potentially affected installations, industrial associations, GHG emission verifiers, carbon market consultants and accreditation bodies.

21. For the targeted sectors in particular, the Project will ensure that the proposed analytical work helps inform planning, investment options, and other sector-related policies and regulatory frameworks.

22. Stakeholders are also expected to gain increased awareness on climate change and carbon markets. For example, the PMR will support the private sector in Morocco which is already taking interest in climate change issues and voluntarily measuring their carbon footprint.

⁹ Gesellschaft für Internationale Zusammenarbeit

Through workshops and training programs, the Project is intended to educate the industry about the risks and opportunities under carbon pricing instruments.

23. A part of the PMR project is also to design and establish an MRV framework and to identify the best institutional framework to further the analysis and preparation for the implementation of a carbon pricing instrument. Therefore, as the Project takes shape, the list of beneficiaries will evolve.

C. PDO Level Results Indicators

24. The PDO-level results indicators are:

- a. MRV system designed according to defined criteria (Yes/No)
- b. Designed MRV system piloted in selected sectors (Number)
- c. Core technical components for design GHG emissions reduction crediting mechanisms established (Yes/No)
- d. Direct project beneficiaries (Number), of which female (Percentage).

III. PROJECT DESCRIPTION

25. In 2011, Morocco submitted an expression of interest to join the Partnership for Market Readiness (PMR), which was endorsed by the Partnership Assembly (PA) at its first meeting in Barcelona, in June of the same year. Following the process established by the PMR, Morocco then prepared an Organizing Framework for the Scoping of Activities under the PMR, which was presented to and endorsed by the PA in June 2012. This document laid out the policy context in the country, describing domestic mitigation objectives and the envisioned role of market-based instruments, and provided a preliminary assessment of the readiness of sectors to design and pilot such mechanisms. As a result, Morocco was awarded a grant – or “Preparation Phase funding” – in the amount of US\$ 350,000 to prepare a full-fledged Market Readiness Proposal (MRP). Morocco’s MRP was elaborated over a period of 11 months, between May 2013 and April 2014, and was presented by the Government of Morocco to the PA on May 27th, 2014. The PA endorsed Morocco’s proposal and decided to allocate a second grant – or “Implementation Phase funding” – this time in the amount of US\$ 3.00 million, to allow the Government of Morocco to implement the activities laid out in its MRP. The MRP is the country’s roadmap to implementing a sectoral crediting mechanism, and includes provision for future activities to be funded by additional tranches of funding. The present Project represents the first set of those activities to be funded by the initial, US\$ 3.00 million implementation grant.

26. As described in more detail in this section, the Moroccan government wishes to use the funding from the PMR to **establish the foundation** needed for this sectoral crediting mechanism. This ‘no regret’ approach will be beneficial regardless of the evolution of the national and international context and for all mitigation instruments the Moroccan government decides to put into place, whether market-based or not. Later, if the national and international signals are positive, particularly concerning the demand for carbon credits, the government will be ready to advance and implement the next phase of activities **to operationalize the mechanism**. Following a Mid-Term Review (see below), the government plans to submit a second funding request from the PMR to cover part of this further tranche of activities. This

second tranche of activities would also cover the preparation for the implementation of MBIs in additional sectors of the Moroccan economy.

27. The Market Readiness Proposal (MRP) presents the governmental roadmap to implement the sectoral crediting mechanism. Proposed activities are organized around a central axis of **data management and Monitoring, Reporting and Verification (MRV)**. The activities of this axis will strengthen capacity in Morocco in terms of GHG emissions data collection, management and processing at the level of national institutions and the facilities in each sector. The focus will be on developing a system that is appropriate for a crediting mechanism while ensuring flexibility to allow its adaptation based on the evolution of the national and international context. This central axis is supported by (i) activities aimed at supporting the definition of a national strategy for MBI implementation in Morocco, (ii) sectoral activities that build market readiness in the three sectors covered in the MRP and enable the development of the institutional and operational tools needed for MBI implementation, and (iii) Pilot activities, which will start with MRV under this tranche of funding.

28. The MRP mirrors the vision of the Moroccan's government on MBIs: the first tranche of PMR funding will cover the activities that will lay down the foundation for MBIs, and a second tranche activities will enable the operationalization of these MBIs. The figure included in Annex 2, which provided a more detailed description of the Project, shows specifically the activities that the first tranche of PMR funding will enable. A larger scope of activities will follow as Moroccan government is planning tranche 2. Those future activities are not included in the present project.

A. Project Components

29. The Project has three components, as follows:

30. **Component 1: MRV System and Supporting Analysis, (US\$ 2,460,000, of which US\$ 2,160,000 from implementation grant):** This component contains the bulk of the technical assistance activities of this project, related to the following sub-components:

- (i) Analysis and recommendations on which carbon pricing instruments to implement, and a proposal for an appropriate governance framework;
- (ii) Design of an institutional framework and operational requirements for an MRV system (general and sector-wide);
- (iii) Piloting of the MRV system;
- (iv) Establishment of a baseline for each of the targeted sectors (electricity, cement, phosphates);
- (v) Evaluation of the mitigation potential in the targeted sectors; and
- (vi) Support for the establishment of a regulatory framework for mitigation measures in the three targeted sectors.

31. The budget for Component 1 is US\$ 2,460,000 to be funded from the PMR implementation grant through the recipient-executed trust fund (US\$ 2,160,000) and parallel co-financing from other donor-funded programs¹⁰ (US\$ 300,000).

¹⁰ FIRM (UNEP), LECB and Third National Communication (UNDP), 4C program and CDM/JI Initiative (GIZ).

32. **Component 2: Capacity-building, (US\$ 500,000, of which US\$ 290,000 from the implementation grant):** This component will invest in preparing and implementing a plan to build the capacity of the Government and the private sector to monitor, report and verify emissions and changes in emissions levels. The plan will propose a combination of practical and participative workshops, meetings for participants to share knowledge during piloting activities, study trips, tools and logistics, and knowledge products.

33. The budget for Component 2 is US\$ 500,000 to be funded from the PMR implementation grant through the recipient-executed trust fund (US\$ 290,000) and parallel co-financing from other donor-funded programs¹¹ (US\$ 210,000).

34. **Component 3: Project Management, (US\$ 750,000, of which US\$ 550,000 from the implementation grant):** The third component includes the establishment and operation of the PMU to be set up within the MDE to implement and manage PMR activities and to coordinate with related programs and initiatives. The PMU is also expected to support the preparation of an institutional framework for carbon markets in Morocco in the period following the PMR project. This component also includes funding for a mid-term review to be conducted by an external third party.

35. The total budget for Component 3 is US\$ 750,000, of which US\$ 600,000 for project management and US\$ 150,000 for the mid-term review. This component is to be funded from the PMR implementation grant (US\$ 400,000 for project management and US\$ 150,000 for the mid-term review) and in-kind contributions from the Government of Morocco (US\$ 200,000 for project management).

B. Project Financing

36. **This project is Investment Project Financing (IPF) financed by a grant from the PMR multi-donor trust fund.** Funds will be channeled to Morocco through a recipient-executed trust fund. In March 2012, a US\$ 350,000 preparation grant was awarded to Morocco to formulate its Market Readiness Proposal (MRP), which was created as a Bank-executed trust fund. Morocco's MRP was endorsed by the Partnership Assembly (PA) on May 27, 2014 and an implementation grant of US\$ 3 million was awarded to Morocco. The Government of Morocco will also contribute US\$ 200,000 in co-financing. Other donors, including UNDP, UNEP and GIZ, will contribute US\$ 510,000 in parallel co-financing. Before the PMR Implementation Phase begins, a Grant Agreement between the International Bank for Reconstruction and Development (IBRD) and the Government of Morocco will be negotiated and executed.

C. Project Cost and Financing

37. **The cost of the Project is estimated at US\$ 3.71 million.** Costs include the PMR implementation grant (US\$ 3.00 million), and in-kind contributions from the Government of

¹¹ Ibid.

Morocco as well as parallel co-financing from other donor organizations (US\$ 0.71 million). A breakdown of the costs is provided below:

Table 1 - Project cost by component

Project Components	Project cost (US\$ thousands)	PMR Trust Fund Financing (US\$ thousands)	% Financing
1. MRV System and Supporting Analysis	2,460	2,160	88%
2. Capacity-building	500	290	58%
3. Project management and mid-term review	750	550	73%
Total Costs	3,710	3,000	81%

D. Lessons Learned and Reflected in the Project Design

38. The activities contained within the final MRP have evolved through thorough research and stakeholder consultations. Lessons learnt from instrument design and implementation in other jurisdictions such as the EU, and ongoing initiatives in the MENA countries have also been incorporated into the MRP.

39. The PMR preparation phase included research on MRV, which provided a general overview on the different aspects of MRV and a stock-taking of key features of MRV, as well as lessons learned from existing systems and defined MRV requirements for different market-based mechanisms based on the international best practice adopted by several systems around the world. For example, the implementation of MRV frameworks in the EU showed that the early inclusion of key stakeholders such as Ministries, industry associations, service providers, universities, NGOs, etc. are key for a successful implementation of MRV systems. The implementation phase of the PMR in Morocco will therefore seek to engage key stakeholders and explore how the MRV system can be phased in.

40. The PMR project is distinct from many World Bank projects as it focuses not at the Project level but provides strong technical input to support a broader national policy on establishing market readiness. Through extensive research and stakeholder consultation, it aims to build a strong carbon policy while reducing future uncertainties and market failures.

41. Experience from the Morocco Integrated Coastal Zone Management (ICZM) project (P121271) has shown that budgeting through the *Fonds national de l'Environnement* (FNE) has led to disbursement difficulties. In order to avoid these difficulties for the PMR, funds will pass through the general State budget and will be made available to the MDE for the purposes detailed in the procurement plan. In addition, disbursements will benefit from the mechanism called "Circuit Vert" established by Decree number 2-07-1235 of November 4, 2008, pertaining to control of government expenditures (and published in the Official Bulletin number 5684 of

Thursday, November 20, 2008). Circuit Vert is intended to simplify disbursement procedures for small grants.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

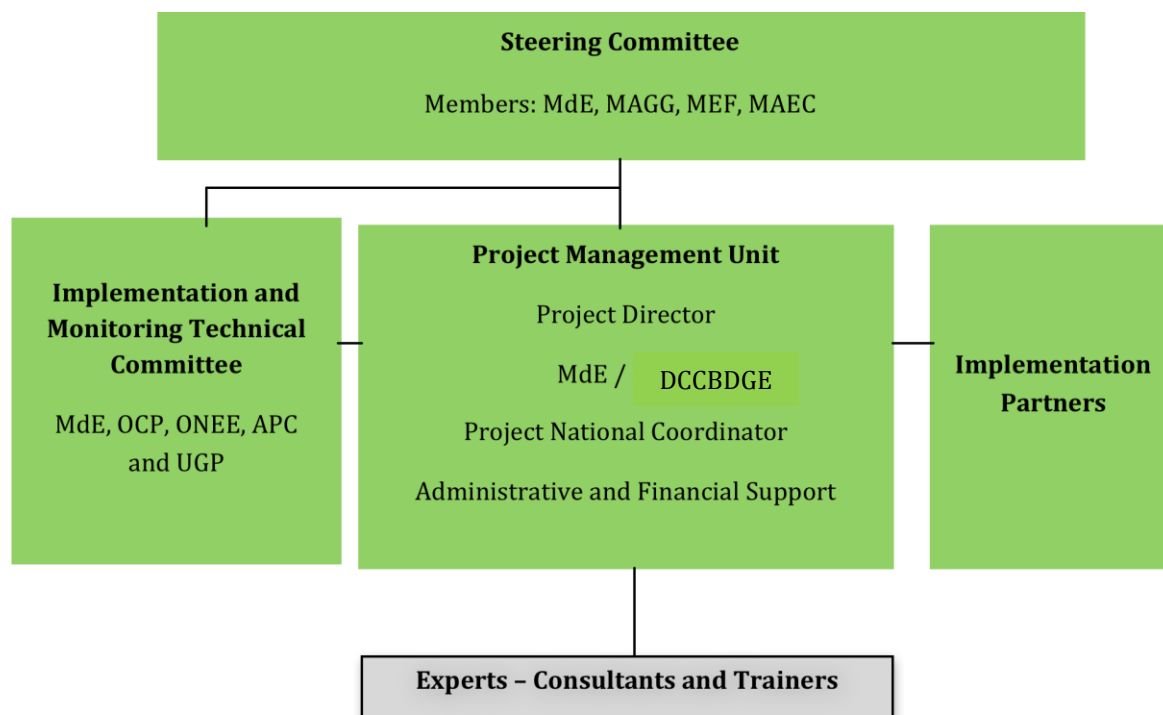


Figure 1- Diagram of institutional arrangements

42. **The MDE is the lead implementing agency.** As the ministry leading Morocco's strategic climate change policy and UNFCCC representation and negotiation, the implementation of this technical assistance on carbon emissions monitoring, reporting and verification and prospects for future market-based instruments is within the MDE's mandate. As a ministry with cross-cutting responsibility for the environment, MDE also has the convening power necessary to interface with both public and private entities whose collaboration will be necessary to implement this project.

43. **A PMU will be created within the MDE to undertake the daily management of the Project, as well as its procurement and financial management aspects.** The PMU will consist of a Project Director drawn from the staff of the Directorate for Climate Change, Biodiversity, and the Green Economy (*Direction des Changements Climatiques, de la Diversité Biologique et de l'Economie Verte* – DCCBDGE), a Project Coordinator to be hired as a consultant, and procurement and financial management staff hired as consultants. The PMU will:

- (a) Ensure effective coordination between different PMR partners (institutions and participating sectors), as well as donors involved in projects related to GHG mitigation;

- (b) Ensure proper management of the operational aspects of activities (preparation of terms of reference, planning, monitoring, etc.);
- (c) Ensure proper management of the fiduciary aspects of the activities (budgeting, disbursements, accounting, reporting, internal controls and auditing of the Project transactions);
- (d) Gather and consolidate knowledge gained on GHG mitigation in Morocco into one knowledge-sharing and management platform, and
- (e) Act as a focal point for the establishment of MBI governance systems in Morocco.

44. **Within MDE, the PMU will be housed within the DCCBDGE.** The DCCBDGE is currently the Moroccan Designated National Authority (DNA) for the UNFCCC Clean Development Mechanism (CDM). As such, it is a focal point of Morocco's current experience and expertise with carbon market mechanisms.

45. **A PMR Steering Committee will provide the necessary forum for coordination of activities and consultation with stakeholders.** The PMR Steering Committee established during the preparation of the MRP consists of the MDE, the Ministry of General Affairs and Governance (*Ministère des affaires générales et de la gouvernance* – MAGG), and the Ministry of Economy and Finance (*Ministère de l'économie et de la finance* – MEF). For the implementation phase, the Ministry of Foreign Affairs and Cooperation (*Ministère des affaires étrangères et de la coopération* – MAEC) would also be added. MDE will hold the Chair. The role of the Steering Committee is to provide strategic orientation to the Project work plan and to facilitate coordination between government ministries and agencies contributing to the Project.

46. **A Technical Committee containing all of the main stakeholders will be formed to coordinate technical matters.** The Implementation and Monitoring Technical Committee will include representatives of MDE, the PMU, and the three participating sector entities: the national phosphates company (*Office Chérifien des Phosphates* – OCP), the electricity branch of the National Office of Electricity and Water (*Office national de l'électricité et de l'eau* – ONEE), and the Cement Industry Association (*Association professionnelle des cimentiers* – APC). This Technical Committee will be the forum for discussion of detailed technical issues relating to MRV and MBI at the working level.

B. Results Monitoring and Evaluation

47. **The World Bank team will provide implementation support for the execution of the PMR grants and implementation of the PMR activities. Project monitoring and evaluation will include the following:**

- (a) *Project Results Framework:* PDO and Intermediate Results Indicators as provided in Annex 1. The PMU, in cooperation with other ministries and entities, will manage data collection, aggregation and periodic reporting on the project's implementation progress, and will monitor closely the project's key performance indicators. The results data will be used to inform project management and to take corrective action to meet the PDO.

- (b) *Status Reports*: PMU will provide status reports on the implementation of the MRP as part of the terms of the Implementation Grant Agreement. The form, content, and periodicity of this reporting will be determined in the Agreement. The goal of status reporting is to ensure timely support and feedback from the Bank on the activities outlined in the Grant Agreement.
- (c) *Completion Report*: PMU members are required to prepare a completion report to ensure objectives outlined in the MRP and the Grant Agreement is met and there is a plan for their sustainable continuation.
- (d) *Financial Statements*: PMU will require to prepare financial statements that reflect the operations, resources, and expenditures related to the activities detailed in the Grant Agreement. Periodic, independent auditing of financial statements will be included in the Grant Agreement.
- (e) *PMR Country Updates*: Implementing Countries may update the PA shortly before or after the PA meetings on the progress of their implementation phase activities. PMR PA meetings occur a minimum of three times per year. The purpose of these updates is to inform the PA and also seek feedback from the PA.

C. Sustainability

48. **Sustainability of the PMR project is linked to Morocco's strong climate change policy focus within its overall development agenda.** With the passage in 2013 of the National Framework Law on the Environment and Sustainable Development and the publication in 2014 of the Moroccan Climate Change Policy, the Government's intention to pursue strong measures to curb climate change is evident. Other policy initiatives undertaken with international partners have made some initial efforts to build the foundation for a future MRV system (e.g. FIRM and LECB projects).

49. **Morocco's experience with the CDM is a strong precedent for the future sustainability of MBIs in the country.** The MRV system that will be established under the Project can realistically be maintained indefinitely by the Government because of its usefulness for monitoring emissions. Expansion of the MRV system to other sectors is likely as capacity grows within Morocco's government and private sector.

50. **One risk to sustainability of the PMR initiatives lies in the interest of the industrial sectors participating in the pilot MRV activities.** Those industries who have agreed to participate in piloting and testing the MRV system do so because of the interest they share with the Government in understanding their own emissions state.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Political and Governance	Moderate
Macroeconomic	Moderate

Sector Strategies and Policies	Moderate
Technical design of project	Substantial
Institutional capacity for implementation and sustainability	Moderate
Fiduciary	Moderate
Environment and Social	Low
Stakeholders	Moderate
Overall Implementation Risk	Moderate

B. Overall Risk Rating Explanation

51. **The overall implementation risk is Moderate. The MRP was approved by the Partnership Assembly at its meeting on May 27, 2014.** The main activities of the Project involve the design and piloting of an MRV system, establishment of an emissions baseline, and analytical work to support regulatory instruments for mitigation action. All of these focus on the three targeted sectors: cement, phosphates and electricity. These activities are expected to lay the foundation for future work that will lead to a set of MBI options that makes sense for Morocco. The MDE has a clear mandate to manage climate change initiatives such as this one, and the DCCBDGE has the experience and structure to manage MBIs, though it does not have prior experience in managing World Bank-financed projects and its project management experience is low. The stakeholders in the three targeted sectors have strong capacity and substantial experience in monitoring their own emissions profiles, and have expressed a clear willingness to participate in this partnership with the government to pilot an MRV system. Coordination with other donors will be important as many different elements of MRV can be approached from many different directions.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

52. **The Project provides funds to the Government of Morocco to help with implementing a pilot monitoring, reporting, and verification system for GHG emissions and preparing analytical studies on the use of carbon market-based instruments.** The nature of the Project does not allow for a direct cost-benefit analysis. Indirect benefits, although difficult to quantify, are likely to materialize. While the regulation of GHG emissions is considered to be an important step towards climate change mitigation, it is difficult to achieve without public sector intervention. The private sector has little direct incentive to engage in the monitoring, reporting, and verification of GHG emissions without national and/or sectoral regulation.

53. **Besides the benefits of helping Morocco with its efforts to achieve sustainable development through green growth, the Project is expected to have positive impact on economic activity and employment through its activities in outreach, training, and analytical work.** While it does represent a cost to the obligated companies, the implementation

of the MRV system overall will have a positive impact through creation of business opportunities, notably in the areas of emissions monitoring and verification services. The pilot MRV system will also provide valuable data that the Government can utilize to better target policies and measure and analyze their economic impact. Similarly, the analytical activities planned will help the Government to analyze and compare the costs and benefits of a range of carbon market policy alternatives. The value added of the World Bank's involvement is expected to flow from its expertise in facilitating public-private dialogue as well as the technical expertise provided by the PMR Secretariat.

B. Technical

54. The MDE has some experience with MBIs through its historical involvement in the CDM, but it does not have specific experience with MRV. None of the Government or private sector stakeholders involved in the PMR project have direct experience in establishing or using a rigorous MRV system. To mitigate this risk, the MDE has assigned specific staff to manage the PMR activities and will hire additional expertise through the PMU. The activities of the PMR project are also aimed in part at building the capacity necessary to accomplish the Project goals, notably through its capacity-building component. In addition, the MRP proposes a gradual and phased approach to adopting MBIs for Morocco, beginning with foundational pieces such as MRV and allowing time to build on past achievements. The roadmap laid out in the MRP includes plans for activities beyond those that can be funded with the current PMR implementation grant. Of course, the World Bank will also provide close support, including providing technical expertise through the implementation phase.

C. Financial Management

55. The financial management system within the Delegated Ministry of the Environment (MDE) as the Project Implementing Entity was appraised to determine if it complies with the requirements of the Bank in respect to OP/BP10.00. The financial management assessment of the Delegated Ministry of the Environment covered the areas of accounting and financial management, as well as the reporting and auditing processes of the Project. The financial management system, including necessary arrangements to respond to the needs of the financial monitoring of the Project, satisfies the minimum requirements of the Bank.

56. The assessment identified mitigating measures to strengthen the MDE capacity to manage project financial matters and administer grant funds based on lessons-learned from the experience with the ongoing Morocco ICZM project. The main responsibilities will include project budgeting, treasury, general accounting and reporting. The FM inherent risk for the country, the entity, and the project is considered **Moderate**.

57. Disbursement will be handled by the PMU following established procedures with the MEF. Disbursements will benefit from the mechanism called "Circuit Vert" established by Decree number 2-07-1235 of November 4, 2008, pertaining to control of government expenditures (and published in the Official Bulletin number 5684 of Thursday, November 20, 2008). Interim unaudited financial report, which will cover all the activities and sources of funds of the Project, will be prepared biannually by the PMT. The Project team within the MDE will ensure that interim unaudited financial reports for the Project are prepared and furnished to the

World Bank not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

58. **The MDE shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions.** Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

59. **Financial flow of funds will come from the grant funds of the Bank.** Flow of funds between the World Bank and the MDE will be organized according to the disbursement procedures of the Bank.

60. **The MDE will complete the following actions to bring the financial arrangements to a satisfactory level for implementation:**

Action	Deadline
Manual of implementation	Effectiveness
Recruitment of a consultant in Financial management	Effectiveness of budgeting of grant's funds

61. Additional information concerning financial arrangements is included under Annex 3.

D. Procurement

62. Project procurement activities will mostly consist in the selection of consultants for preparation of the MRV, technical assistance, capacity building (workshop, training, study trip, etc.) and small acquisition of Goods and non-consulting services (e.g. equipment, material and office supplies for the PMU, logistic for workshops, etc.). Procurement of goods, works and non-consulting services will be carried out in accordance with the “Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers,” published by the Bank in January 2011 and revised July 2014, and the procurement of consultants’ service will be carried out in accordance with the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the World Bank in January 2011 and revised July 2014. “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,” dated October 15, 2006 and updated January 2011, shall apply to the Project.

63. A dedicated PMU will be set up for the implementation of the Project. It will be housed within the Directorate for Partnership, Communication and Cooperation (DCCBDGE) of the Delegated Ministry of the Environment (MDE), which has the overall responsibility of coordinating the implementation of the Project activities. The division of budget and human resources (*Division Budget et Ressources humaines*) of MDE will be involved in the management of the Project by providing the needed support during the procurement process and for payments. The capacity assessment carried out in June 2014 as part of the Project

preparation, shows that the DCCBDGE does not have experience in implementing Bank projects and its staff is not familiar with Bank procedures, though the MDE managed Bank funded operations in the recent past years (e.g. the Morocco ICZM project which is ongoing). As a public entity, the MDE is subject to the Moroccan public procurement decree, which is globally compliant with Bank procedures except on few aspects (see adjustment clauses in Annex 3). In terms of staff, the DCCBDGE comprise thirty (30) people among which only three (3) will be fully involved in the Project implementation. The MDE staff responsible for the budget and human resources, will be constituted by seven (7) persons, all dedicated to accounting; however at least one of them will be providing support to the DCCBDGE for the Project activities.

64. The overall risk for procurement is considered moderate. This rating is mostly justified by: (i) the weak experience of the DCCBDGE in Bank operations and the lack of knowledge of Bank procedures by its staff; and (ii) the absence of training in Bank procurement procedures for those staff. The main measures recommended to mitigate the risk and facilitate project implementation are the following: (i) training in Bank procurement procedures for staff of DCCBDGE, The MDE staff responsible for the budget and human resources and all other staff from entities involved in the Project implementation, before project effectiveness, (ii) hiring of procurement consultant on time base, for support to project activities during the first year of implementation; (iii) preparation of Standard bidding documents (SBD) for National Competitive Bidding (NCB) complying with procedures for NCB acceptable to the Bank; and (iv) preparation of an implementation manual for the Project.

More details are provided in Annex 3.

E. Social (including Safeguards)

65. **This project does not raise social issues, including safeguards.** There are no social issues related to the proposed technical assistance activities. No social safeguards are triggered by the Project. The activities of the Project are not expected to have either positive or negative impacts on vulnerable groups, nor will they result in involuntary resettlement.

F. Environment (including Safeguards)

66. **This project is rated Category C – Safeguards not required.** There are no environmental consequences expected as a result of the Project activities. Emissions monitoring and mitigation have inherently positive implications for the climate and the environment globally, but the specific technical assistance activities contemplated under the Project are expected to be environmentally neutral. No environmental safeguard policies are triggered by the Project.

G. World Bank Grievance Redress

67. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project 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.

Annex 1: Results Framework and Monitoring

Country: Morocco

Project Name: MA-Partnership for Market Readiness (P128654)

Results Framework

Project Development Objectives

PDO Statement

The Project Development Objective (PDO) is to improve capacity to design and pilot greenhouse gas (GHG) Monitoring, Reporting and Verification (MRV) systems in selected sectors and to establish core technical components for the design of GHG emissions reduction crediting mechanisms in the Kingdom of Morocco.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
MRV system designed according to defined criteria (Yes/No)	No	No	Yes	Yes							Yes
Designed MRV system piloted in selected sectors (Number)	0.00	0.00	0.00	1.00							1.00
Core technical components for	No	No	No	Yes							Yes

design GHG emissions reduction crediting mechanisms established (Yes/No)											
Direct project beneficiaries (number), of which female (percentage)	0.00 0%	50 35%	150 35%	200 35%							200 35%

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Standard formats for MRV data collection designed (Yes/No)	No	No	Yes	Yes							Yes
Reporting mechanism designed (Yes/No)	No	No	No	Yes							Yes
Capacity-building training and guidance materials for MRV system users in sectors and government	No	No	Yes	Yes							Yes

prepared (Yes/No)											
Capacity-building program for MRV system users in sectors and government implemented (Yes/No)	No	No	No	Yes							Yes
Facilities selected to participate in MRV pilot (Yes/No)	No	No	Yes	Yes							Yes

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
MRV system designed according to defined criteria (Yes/No)	Detailed technical design of an MRV system must be completed for the three targeted sectors, including institutional framework and operational requirements for each. Defined criteria include: 1. Establishment and use of standard processes and formats in data collection and calculation in the three selected sectors 2. Regular, standardized report generation from the MRV system for the three selected sectors 3. Capacity building for system users in the sectors and within government implemented.	Annual	Government reports	Ministry of Environment (MDE)
Designed MRV system piloted in selected sectors (Number)	Piloting will be deemed to be effective when a first set of monitoring data is reported by the participating entities.	Annual	Government reports	Ministry of Environment (MDE)
Core technical components for design GHG emissions reduction crediting mechanisms established (Yes/No)	Core technical components include the analysis of appropriate mitigation instruments and MBI governance, establishing a baseline for each of the three sectors, and evaluation of the mitigation potential in the three sectors.	Annual	Government reports	Ministry of Environment (MDE)
Direct project beneficiaries (number), of which female (percentage)	The number of people from government or the entities in the targeted sectors who benefit from participation in capacity-building sessions, or from improved governance structures created as a result of the technical assistance financed by the project.	Quarterly	Government reports, attendance at training sessions, staff counts of government units benefiting from technical assistance	PMT

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Standard formats for MRV data collection designed (Yes/No)	Design standard methods of collecting data for the purposes of MRV within each of the three sectors.	Annual	Government reports	PMT
Reporting mechanism designed (Yes/No)	Designs completed for the means of reporting emissions and emissions reductions to the central registry.	Annual	Government reports	PMT
Capacity-building training and guidance materials for MRV system users in sectors and government prepared (Yes/No)	Training materials and guideline documentation which contain the requisite knowledge for setting up and operating the MRV system in each of the three sectors, as well as the relevant government agencies, are prepared for delivery to participants.	Semi-annual	Government reports	PMT
Capacity-building program for MRV system users in sectors and government implemented (Yes/No)	Training in setting up and operating the MRV system in each of the three sectors, as well as the relevant government agencies, are delivered to participants.	Semi-annual	Government reports	PMT
Facilities selected to participate in MRV pilot (Yes/No)	For each sector, those facilities which will be included in the pilot are designated.	Quarterly	Government reports	PMT

Annex 2: Detailed Project Description

MOROCCO: Partnership for Market Readiness Project

1. **The Project Development Objective (PDO)** is to assist the Government of Morocco in designing and piloting a Monitoring, Reporting and Verification (MRV) system in one or more targeted sectors, and establishing core technical components needed for the design of a greenhouse gas (GHG) emissions reduction crediting mechanism.

2. **The realization of the development objective of the Project is proposed to be measured through the achievement of the following key results:**

- (a) GHG emissions MRV framework designed and piloted within at least one of the three targeted sectors (electricity, cement and phosphates);
- (b) Core technical components needed for the design of a GHG emissions reduction crediting mechanism established.

3. **The PMR is a grant-based multi-donor trust fund, at a worldwide scale.** The Moroccan PMR initiative is part of the Moroccan government's broader reflection on the country's integration into the international carbon market. The new MBIs which are currently emerging as part of the UNFCCC international negotiations (known as the New Market-based Mechanisms, or NMMs) and at the national level in certain countries (e.g. pilot emissions trading schemes in China) show the level of interest among the international community towards using MBIs as key instruments in the fight against climate change. This interest is a response to the growing need to reduce emissions in order to limit global temperature rise to two degrees while minimizing the costs of mitigation.

4. **The PMR provides capacity building, technical assistance, and grant funding for innovating and piloting market-based instruments** to reduce greenhouse gas (GHG) emissions. Most developing countries lack the technical and policy capacity to fully engage in the design and development of these new instruments. The essential building blocks for creating new market-based systems to mitigate GHG emissions are often missing from these countries' governments and relevant institutions. Thus, the PMR provides a platform for technical discussions, policy exchange, and collective innovation on new market instruments. It helps developing countries partners, through funding and technical assistance, build capacity and pilot market instruments for scaling-up their mitigation efforts. The PMR also creates and shares knowledge products on market instruments and lessons learned. The World Bank provides secretariat and technical support for the day-to-day operations of the PMR. The secretariat maintains a PMR website with all relevant documentation and details regarding meetings. The World Bank also serves as the trustee of the PMR trust fund, and it is the principal delivery partner.

5. **The PMR is country-led.** As the Implementing Country Participants are at different stages of development and preparedness for such instruments, each approaches the design and implementation of such instruments in different ways. Some focus on building core "readiness" components, such as new systems for MRV, data collection, baseline setting, and establishing regulatory institutions; others are prepared to go further and pilot an appropriate domestic or

international instrument. Regardless of a country's choice, capacity building and piloting can have cross-cutting benefits relevant to implementing non-market-based mitigation actions, designing low emission development strategies, and identifying areas of low cost mitigation potential.

6. The Project is divided into two tranches. The first tranche consists of three components, as follows:

7. Component 1: MRV System and Supporting Analysis, (US\$ 2,460,000, of which US\$ 2,160,000 from implementation grant). This component contains the bulk of the technical assistance activities of this project. The budget will be funded from the PMR implementation grant through the recipient-executed trust fund.

8. Under this component the activities are the following:

- (i) **Analysis of appropriate mitigation instruments and governance structures for MBIs, Morocco:** A study with a MAC curve for the national economy, analysis and recommendations on which instruments to implement, by sector, and a proposal for an appropriate governance framework (Duration: one year, six months);
- (ii) **Design of a MRV system, and piloting of the MR in the three sectors covered by the MRP** (electricity, cement and phosphates): Design of a MRV system, and piloting of the MR in the three sectors covered by the MRP (electricity, cement and phosphates) (Duration: one year, nine months);
- (iii) **Establishing a baseline for each of the three targeted sectors covered by the MRP (electricity, cement, phosphates):** *For each sector:* Study presenting three possible baselines, with underlying calculation files attached. Consultation workshops. (Duration: one year);
- (iv) **Evaluation of mitigation potential in the three sectors covered by the MRP** (electricity, cement, phosphates) (Duration: one year);
- (v) **Support for the establishment of a regulatory framework for mitigation measures in the three sectors covered by the MRP** (electricity, cement, phosphates) (Duration: two years);

9. Component 2: Capacity-building, (US\$ 500,000, of which US\$ 290,000 from the implementation grant). This is a critical component of technical assistance; this project will invest in preparing and implementing a plan to build the capacity of the Government and the private sector for monitoring, reporting and verifying emissions and changes in emissions levels.

10. Under this component the main activity is the following:

- (i) **Capacity building in both the private sector and in government:** This activity aims to strengthen the capacity of Moroccan stakeholders in the key areas of the MRP. These stakeholders include not only representatives from

various Ministries and government agencies, but also members of the PMU, **industry sector associations and operational personnel from industrial facilities**. The capacity building program will take into account the wide range of actors and their different needs and will be carried out in coordination with other capacity building initiatives on mitigation. (Duration six years). A capacity-building plan will be prepared and implemented which will propose a combination of practical and participative workshops, meetings for participants to share knowledge during piloting activities, study trips, tools and logistics, and knowledge products on MRV.

11. Component 3: Project Management and Mid-Term Review, (US\$ 750,000, of which US\$ 550,000 from the implementation grant). This component includes the establishment and operation of the PMU to be set up within the MDE to implement and manage PMR activities and to coordinate with related programs and initiatives. The PMU is also expected to support the preparation of an institutional framework for carbon markets in Morocco in the period following the PMR project. This component also includes funding for a mid-term review to be conducted by an external third party. The funding will be distributed as follows: PMR implementation grant (US\$ 400,000 for project management and US\$ 150,000 for the mid-term review) and in-kind contributions from the Government of Morocco (US\$ 200,000 for project management).

12. Under this component the activities are the followings:

- (i) **Establishment and Operation of a Project Management Unit:** The aim of this activity is the establishment and operation of the PMU, which will be in charge of the management, coordination and realization of MRP activities. Implementation and management of MRP activities; support in preparing an institutional carbon market framework for the post-MRP; coordination with other programs and initiatives (Duration three years).
- (ii) **Mid-Term Review:** Workshops, review report, new funding request to PMR (Duration three months).

13. Table 2.1 shows only the activities for the first tranche. A larger scope of activities will follow as Moroccan government is planning tranche 2. Those future activities are not included in the present project.

Table 2.1: Activities timeline by calendar year

N°	Activity	2015			2016				2017				2018
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
13	Establishment & operation of a Project Management Team												
14	Capacity building in both private & public sectors												
10	Support for the establishment of a regulatory framework for mitigation in the three sectors												
1	Analysis of appropriate mitigation instruments & MBI governance												
3	Design of a MRV system, & piloting of the MR in the three sectors covered by the MRP												
7	Establishing a baseline for each of the 3 sectors												
8	Evaluation of mitigation potential in the 3 sectors covered by the MRP												
2	Mid-term review												

Annex 3: Implementation Arrangements

MOROCCO: Partnership for Market Readiness (P128654)

1. Project Institutional and Implementation Arrangements

2. **Key Stakeholders:** The key stakeholders that were involved during the Grant preparation phase and that will be involved in the Grant execution phase are listed in the table below.

Table 3.1 – Key stakeholders

Type of stakeholder	Organization
General	Ministry of General Affairs and Governance (MAGG) – <i>Steering Committee</i>
	Ministry of Economy and Finance (MEF) – <i>Steering Committee, Head of international finance flow management, including the PMR</i>
	Deputy Ministry to the Minister of Energy, Mining, Water and Environment in charge of the Environment (MDE) – <i>Steering Committee, Ministry in charge of national climate policy</i>
Energy**	Ministry of Energy, Mining, Water and Environment, Department of Energy and Mining – Directorate of Observation and Planning (DOP)
Industry**	Ministry of Industry, Commerce, Investment and the Digital Economy (MCINET)
Electricity*	National Electricity and Water Office (ONEE), Electricity Branch
Phosphates*	National Phosphates Company (OCP)
Cement*	Professional Association of Cement Producers (APC)
	APC Members (cement producers)

Transport**	Ministry for Equipment, Transport and Logistics, Transport Department Moroccan Logistical Development Agency (AMDL)
Buildings**	Agency for the Development of Renewable Energies and Energy Efficiency (ADEREE)
	Ministry for Housing and Urban Policy
	Ministry of Urban Planning and Land Management
Forest**	High Commissions for Water, Forests and the Fight against Desertification (HCEF-LCD)
Planning**	High Commissioner for Planning (HCP)
Agriculture**	Ministries of Agriculture and Fisheries (MAP)
	Agricultural Development Agency (ADA)
Donors	Other donors (European Commission, GIZ, Islamic Development Bank – IDB, UNDP, UNEP)

Notes *Sectors covered by the MRP
 ** Members of the Advisory Committee

3. Institutional and Implementation Arrangements: The first step once the Grant agreement is signed will be to establish a Project Management Unit (PMU), which will have the following responsibilities:

- (a) Ensure effective coordination between different PMR partners (institutions and participating sectors), as well as donors involved in projects related to GHG mitigation;
- (b) Ensure proper management of the operational aspects of activities (preparation of terms of reference, planning, monitoring, etc.);
- (c) Ensure proper management of the fiduciary aspects of the activities (budgeting, disbursements, accounting, reporting, internal controls and auditing of the Project transactions);
- (d) Gather and consolidate knowledge gained on GHG mitigation in Morocco into one knowledge-sharing and management platform, and
- (e) Act as a focal point for the establishment of MBI governance systems in Morocco.

4. The PMU will be housed in the MDE and headed by the Directorate for Climate Change, Biodiversity, and the Green Economy (*Direction des Changements Climatiques, de la Diversité Biologique et de l'Economie Verte – DCCBDGE*), which currently serves as the Moroccan Designated National Authority (DNA) for the UNFCCC Clean Development Mechanism (CDM). As such, it is a focal point of Morocco's current experience and expertise with carbon market mechanisms. The MDE will be the lead implementing agency. As the ministry leading for Morocco's strategic climate change policy and UNFCCC representation and negotiation, the implementation of this technical assistance on carbon emissions monitoring, reporting and verification and prospects for future market-based instruments is within the MDE's mandate. As

a ministry with cross-cutting responsibility for the environment, MDE also has the convening power necessary to interface with both public and private entities whose collaboration will be necessary to implement this project.

5. The PMU will consult regularly with the Steering Committee, which is currently composed of the MDE itself, the Ministry of General Affairs and Governance (*Ministère des affaires générales et de la gouvernance* – MAGG), and the Ministry of Economy and Finance (*Ministère de l'économie et de la finance* – MEF). The Ministry of Foreign Affairs and Cooperation (*Ministère des affaires étrangères et de la coopération* – MAEC) will also be added for the implementation phase. MDE will chair the Steering Committee. The role of the Steering Committee is to provide strategic orientation to the project work plan and to facilitate coordination between government ministries and agencies contributing to the project.

6. A Technical Committee containing all of the main stakeholders will be formed to coordinate technical matters. The Implementation and Monitoring Technical Committee will include representatives of MDE, the PMU, and the three participating sector entities: the national phosphates company (*Office Chérifien des phosphates* – OCP), the electricity branch of the National Office of Electricity and Water (*Office national de l'électricité et de l'eau* – ONEE), and the Cement Industry Association (*Association professionnelle des cimentiers* – APC). This Technical Committee will be the forum for discussion of detailed technical issues relating to MRV and MBI at the working level.

7. The institutional structure of the project (see Figure 3.1) takes into account the current context in Morocco. This structure might be modified after grant execution, according to any institutional change and/or the results of activities financed by the grant on the governance of MBIs.

8. The activities related to the establishment and operation of the PMU are described in the table below.

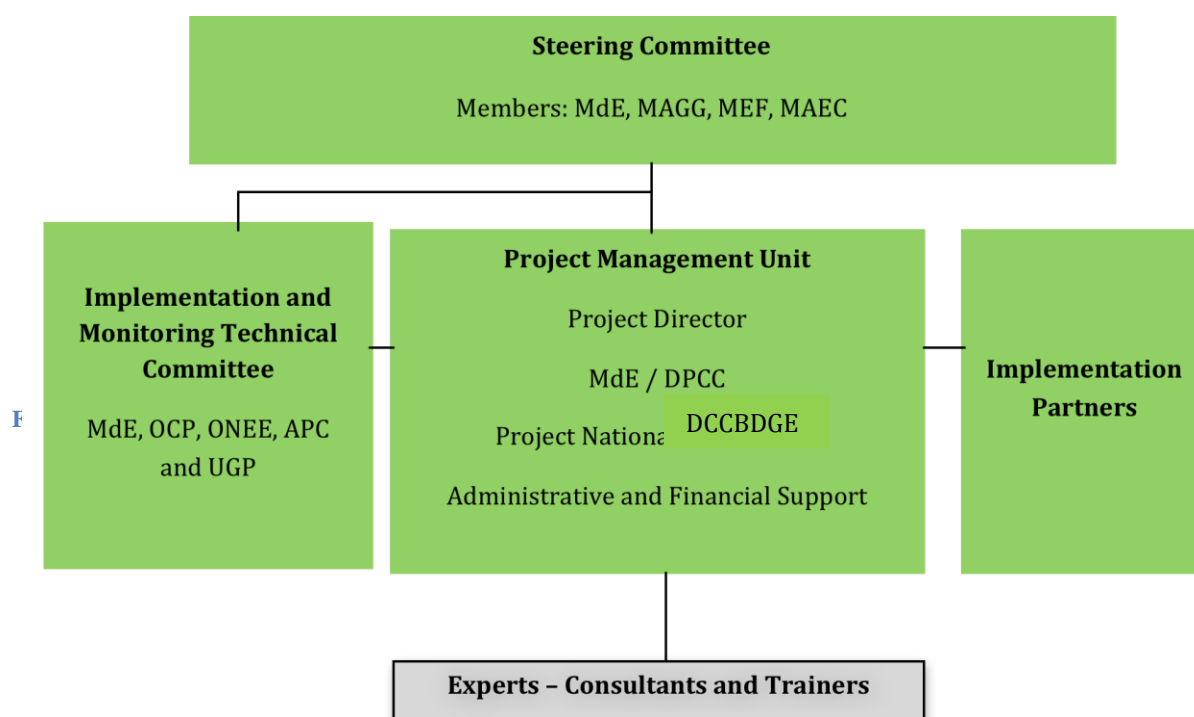


Figure 2- Diagram of institutional arrangements

Table 3.2 – Activity breakdown for PMU (Source: Morocco's Market Readiness Proposal)

Establishment and Operation of a Project Management Unit	
Activity objectives	The aim of this activity is the establishment and operation of the PMU, which will be in charge of the management, coordination and realisation of MRP activities.
Description of the activity	<ul style="list-style-type: none"> • Defining the Terms of References (ToRs) of the PMU (national and international technical support), recruiting and training staff (including national coordinator, and financial and administrative assistance), and purchasing necessary equipment; • Operation of the PMU (PMU staff and national and international consultants); and • Strengthening the national institutional framework for carbon market instruments, by taking advantage of the experience of the National CDM Board.
Expected deliverable(s)	<p>Implementation and management of MRP activities:</p> <ul style="list-style-type: none"> - ToRs for the PMU; - An operational PMU (staff, resources) - Annual plan for proposed MRP activities, and ToRs for these activities; - Coordination, preparation and implementation of these activities, and monitoring and reporting of the associated budget; - Establishment of a platform for managing and sharing knowledge on mitigation (potentially in collaboration with the 4C project); - Communication plan and communication tools; - Assessment of lessons learned at the end of the project; - Support in preparing an institutional carbon market framework for the post-MRP period; and - Coordination with other ongoing or planned programs and initiatives
Budget (USD)	600,000 of which 400,000 from the grant and 200,000 from the Government
Responsible entity	MDE/DCCBDGE
Schedule	<p>Duration: 3 years</p> <p>Timeline: Q2 2015 – Q4 2018</p>

9. In addition, the PMU will be responsible for reporting to the PMR PA every year, according to the requirements of the PMR Operations Monitoring System. This will entail preparing an MRP Implementation Report on an annual basis, and presenting it to and discussing it with the PMR PA.

Financial Management, Disbursements and Procurement

Financial Management

General framework

10. The cost of the Project is estimated at US\$ 3.71 million. Costs include the PMR implementation grant (US\$ 3.00 million), and in-kind contributions from the Government of Morocco (US\$ 0.20 million). The Project will be executed in a period of three years.

Public Financial Management

11. The Bank's experience in Morocco and the main conclusions of the 2009 Public Expenditure and Financial Accountability (PEFA) analysis indicate that the Moroccan public finance system is governed by an elaborate legal and regulatory framework. The financial management risk of the Moroccan public finance system is considered low.

Assessment of the Financial Management System

12. An assessment of the financial management system in place at the Delegated Ministry of Environment (MDE) was carried out to determine if it complies with the Bank minimum requirements for the Project management in respect to the OP/BP10.00.

13. The Financial Management System (FMS) in place in the executing agency, which is integrated in the framework covered by the State Budget, is based on principles and procedures defined by the legal framework applicable to the public sector and more specifically to governmental institutions.

Budget

14. For the PMR Project, the Grant will be received by the MDE. However, each Ministry prepares its own budget and submits it to the Ministry of Economy and Finance for approval through the "Loi de finance". In this case, the MDE will include the amount of the grant in its budget and submit it to the MEF through "la Loi de Finance" or through "les fonds de concours" for approval.

15. The MDE has adopted budgetary accounting to monitor budgetary monitoring and expenditures. They use the Integrated Expenditures Management system (GID) of the Royal Treasury (*Trésorerie générale royale* - TGR) for monitoring their commitments and their budget.

Staffing

16. Within MDE, the PMU will be housed within the Directorate for Climate Change, Biodiversity, and the Green Economy (*Direction des Changements Climatiques, de la Diversité Biologique et de l'Economie Verte* – DCCBDGE). The PMU will consist of the Project Director, official from the DCCBDGE, a Project Coordinator to be hired as a consultant. The FM team will be represented by the head of the MDE staff responsible for the budget and human resources who requested to be supported by an FM consultant (*Program and financial assistant*) in order to meet the monitoring and financial execution requirements of this project.

17. The MDE staff responsible for the budget and human resources is responsible for maintaining a financial management system acceptable to the Bank, fulfilling the World Bank procedures with respect to procurement, disbursements and financial monitoring. It has qualified and experienced accounting and financial staff.

18. The MDE staff responsible for the budget and human resources has experience in managing projects financed by the World Bank. It is composed of four services:

- The service of personnel
- The service of budget and accounting
- The service of equipment and supplies
- The service of Information Technology

19. The service of budget and accounting is composed of nine staff with diverse profiles (accounting technicians, technicians and economists). The service is ensuring the execution of three budgets (*Fonds national de l'Environnement* - FNE, MDE Investment and operational budgets). Staff workload doesn't allow for allocating sufficient time for the project's financial execution. Thus, the recruitment of an FM consultant is important to strengthen the team and to provide support to the Project. The head of Division will have to control and supervise the work of the consultant to ensure ownership of the Project by the MDE.

Accounting

20. An acceptable cash based accounting system with the outline of budget components is operational according to the regulations described in the public accounting law. The transactions in terms of commitments and disbursements are reflected in the well-functioning Integrated Financial Management Information System (IFMIS) named GID (*Gestion Intégrée des Dépenses*). The overall principles for project accounting are outlined below: (a) Books of accounts for the Project will be maintained on cash basis principles. Maintaining the financial reporting to reflect all the transaction flow of funds and issuing of the interim unaudited financial report (IUFR) each semester; and (b) Project accounting will cover all sources and utilization of project funds. This will include payments made and expenditures incurred. All project-related transactions will be prepared in an excel spreadsheet, which will be validated and approved by the PMU Director before transmission to the Bank within the deadlines.

Reporting

21. Interim Unaudited Financial Report (IUFR) will be maintained on an excel spreadsheet. The FM consultant will compare the information prepared with the information extracted from GID (as GID will not extract project information only). The head of the MDE staff responsible for the budget and human resources will review, approve and submit it the PMU Director for approval and submission to the Bank. The PMU will produce the IUFRs every semester and send them to the World Bank within 45 days of the end of each semester.

22. The IUFR's include, in addition to a summary of project progress, the following: (i) Summary of funding sources and uses of funds; ii) Uses of funds by project component and iii) by project category, iv) Cash withdrawal; and v) Cash forecast.

23. The Financial Monitoring reports will be prepared every semester and sent to the bank within 45 days of the close of each reporting period. The Bank guidelines on financial monitoring will be communicated to the client. A sample of IUFR to use for the Project will be agreed on and will be annexed to the manual of implementation of the Project.

24. Annually: Audited Project Financial Statements (PFS) will be submitted to the Bank. PFS will include: (i) a statement of sources and utilization of funds or Balance sheet, indicating funds received from various sources, project expenditures, and assets and liabilities of the Project; (ii) schedules classifying project expenditures by components, expenditure categories; and (iii) a statement of reimbursement made on the basis of Statements of Expenditure (SOEs).

Controls

25. In Morocco, the rules governing funds commitment and payment authorization are clear, well known, and enforced. The control framework is based on the segregation of duties between the commitment (*ordonnateur*) and payment (*comptable*).

26. The MDE has the whole internal control procedures formalized in sheets and flowcharts. A Project Operations Manual will be prepared and submitted to the Bank in order to document the control environment and strengthen existing controls. The Project Operations Manual will describe, among others: controls mechanisms at central and decentralized level, transfer and accountability mechanisms for beneficiaries fiduciary responsibility for control of budget execution and monitoring is assigned to the General Inspectorate of Finance (IGF) and to the Audit Court. The Budget Directorate within the MoEF plays an important role in controlling transactions financed by external donors.

External Audit

27. Audit Arrangements. Annual Project financial statements audited by an auditor acceptable to the Bank will be submitted to the Bank within six months after the end of each Fiscal Year. The audit will be carried out in accordance with International Standards on Auditing (ISA) and cover all aspects of the Project (i.e., all sources and utilization of funds, and expenditures incurred).

28. The Project team will provide the auditor with access to project related documents and records, and information required for the purposes of the audit. The auditor will produce: a) an annual audit report including his opinion on the Project annual financial statements, and b) a report on internal control weaknesses checked while performing his tasks.

29. Given prior experience, the project will recruit a consultant specializing in financial management to reinforce capacity in this area. In addition, the Project Operations Manual has been approved by the World Bank. Appropriate training will also be provided by the task team to ensure transmission and sharing of knowledge.

Flow of Funds

30. Experience from the Morocco Integrated Coastal Zone Management (ICZM) project (P121271) has shown that budgeting through the Fonds national de l'environnement (FNE) has led to disbursement difficulties. In order to avoid these difficulties for the PMR, funds will pass through the general State budget and will be made available to the MDE for the purposes detailed in the procurement plan. The payment justifications supporting documents will be sent to the Directorate of Budget (MEF) for verification, approval and then electronically submitted to the Bank. In addition, disbursements will benefit from the mechanism called "Circuit Vert" established by Decree number 2-07-1235 of November 4, 2008, pertaining to control of

government expenditures (and published in the Official Bulletin number 5684 of Thursday, November 20, 2008). Circuit Vert is intended to simplify disbursement procedures for small grants.

Designated Account

31. To ensure that funds are readily available for project implementation, a Designated Account (DA) would be opened at the TGR in currency acceptable to the World Bank. Payments from the DA will be made in accordance with the conditions of the Grant Agreements and disbursement procedures as defined in the Disbursement Letter. Withdrawal applications will be prepared by MEF (Directorate of the Budget) and signed by authorized signatories, as designated by the representative of the Beneficiary. The name of each of the authorized signatories and their corresponding specimen of signature will be submitted to the Bank before the first disbursement is claimed.

Disbursements from the Designated Account.

32. Upon effectiveness of the Grant, an initial advance up to the ceiling amount of USD 350,000 the DA will be disbursed to the DA upon receiving a Withdrawal Application submitted by the PMU. Subsequent disbursements to the DA will be made against WA accompanied by Statement of Expenditures or records for amounts above the SOE documentation thresholds as further detailed below. The PMU may also submit applications for Direct Payments to third party contractors/suppliers or Reimbursement for expenditures pre-financed from its own resources.

33. The minimum application size for direct payment and reimbursement will be the equivalent of US\$ 50,000. The Bank will honor eligible expenditures for services rendered and goods delivered by the Project closing date. A four months' grace period will be granted to allow for the payment of any eligible expenditure incurred before the grant closing dates. All Expenditures will be claimed on the basis of SOEs and the related documentation supporting expenditures will be retained at the MDE and will be readily accessible for review by the external auditors and periods Bank supervision missions. All disbursements will be subject to the conditions of the Grant Agreements and disbursement instructions specified in the Disbursement Letter.

34. Disbursement from the DA will be handled by the PMU following established procedures with the MEF. Disbursements will benefit from the mechanism called "Circuit Vert" established by Decree number 2-07-1235 of November 4, 2008, pertaining to control of government expenditures (and published in the Official Bulletin number 5684 of Thursday, November 20, 2008).

Planning of Implementation support

35. An Implementation Support mission will be conducted every six months based on the risk assessment of the Project. The mission's objectives will include: (i) ensuring that strong financial management systems are maintained for the Project throughout its life; and (ii) semi-annual review of IUFRs, review of annual audited financial statements and management letters.

Action Plan

Actions to be undertaken	When
Operations Manual	Effectiveness
Recruitment of a consultant in Financial management	Effectiveness

Procurement

General

36. Procurement for the proposed project would be carried out in accordance with: (i) the ‘Guidelines: Procurement of Goods, Works, and non-consulting services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ (known as Procurement Guidelines) dated January 2011; (ii) the ‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,’ (known as Consultant Guidelines) dated January 2011; (iii) the World Bank’s Guidelines On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, known as the ‘Anti-Corruption Guidelines’ dated on October 15, 2006 and revised in January, 2011; and (iv) the provisions stipulated in the legal agreement between the Bank and the recipient (GoM). The various items under different expenditure categories are described in general below. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the estimated costs, prior review requirements, and agreed time frame are set out in the Procurement Plan. The procurement procedures and Standard Bidding Documents (SBD) that will be used by the recipient will also be well defined in the Implementation Manual, which will include specific and detailed sections regarding Procurement.

37. Project procurement activities will mostly consist in the selection of international and local consultants for preparation of the MRV, technical assistance, capacity building (workshop, training, study trips, etc.) and small acquisition of Goods and non-consulting services (e.g. equipment, material and office supplies for the PMU, logistics for workshops, etc.) for the two main components and for Project management.

38. **National Competitive Bidding (NCB) procedures** adjusted as indicated below will be used for all Goods and for Non-Consulting Services contracts estimated to cost the equivalent of three million US dollars (USD 3,000,000) or less.

39. To ensure broad consistency with the Procurement Guidelines, the following provisions will apply when using NCB under this project. Said procedures shall ensure that, inter alia:

- a) The bidding documents include explicitly the bid evaluation method, award criteria and bidder qualification criteria;
- b) Technical, administrative and financial envelopes are opened immediately after the bid opening session has started and prices are read aloud;
- c) The bids are evaluated on the basis of the price and any other criteria expressed either in pass/fail terms or in monetary terms;

- d) Contracts are awarded to the qualified bidder who has submitted the least-cost evaluated and substantially responsive bid as stipulated in the bidding document; and
- e) Standard bidding documents and bid evaluation reports found acceptable by the Bank are used.

40. Moreover, it has been agreed with the recipient that each contract financed from the proceeds of this grant shall provide that suppliers, contractors and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to “obstructive practice”.

41. The procedures and standard bidding documents (SBD) of the borrower adjusted to be acceptable by the Bank will be used under National Competitive Bidding (NCB). Thus prior to issuing the first call for bids, a draft SBD to be used under NCB procurement must be submitted to the Bank for approval;

42. **A Project Procurement Plan** in a format acceptable to the Bank will be prepared and updated at least once a year. The procurement plan for the first eighteen (18) month period will be agreed during the negotiations. The procurement plan shall indicate which contracts shall be subject to the Bank’s prior review. All other contracts shall be subject to Post Review.

Procurement Arrangements

Procurement of Works: N/A

43. **Procurement of Goods and non-consulting Services:** Procurement of Goods and Non consulting services comprising the acquisition of equipment, material and office supplies for the PMU, logistics for workshops among others, will be carried out using the following methods:

- a) National Competitive Bidding (NCB): Each package estimated to cost the equivalent of US\$ 3,000,000 or less may be procured on the basis of NCB procedures as found acceptable by the Bank. Bidding documents acceptable to the Bank will be used.
- b) Shopping: Goods and non-consulting services estimated to cost US\$ 200,000 or less may be procured using Shopping procedures.
- c) Direct Contracting: Under circumstances which meet the requirements of paragraph 3.7 of the Procurement Guidelines, goods, non-consulting Services and works may be procured in accordance with the paragraph 3.7 of the Procurement Guidelines using the Direct Contracting procurement method.

44. **Selection of Consultants:** Consultants services comprise mostly technical assistance of international and local consultants for preparation of the MRV, implementation of the three components and support to the PMU for the implementation of project activities, including project management and monitoring, and capacity building activities (workshop, training, study trip, etc.). The following Bank methods and corresponding standard documents will be used:

- a) Quality & Cost Based Selection (QCBS) for all types of consultant services.
- b) Selection Based on Consultant's Qualifications (CQS). Services estimated to cost less than US\$100,000 equivalent per contract may be procured in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.
- c) Single Source Selection. Under circumstances which meet the requirements of paragraph 3.8 of the Consultant Guidelines for Single Source Selection, consultant services may be procured in accordance with the provisions of paragraph 3.8 through 3.11 of the Consultant Guidelines, with the Bank's prior agreement.
- d) Individual Consultants (IC). Services for assignments that meet the requirements set forth in the paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provision of paragraph 5.2 and 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.6 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

45. **Short lists** may be composed entirely of national consultants for contracts of less than US\$ 200,000 equivalent per contract, complying with the remarks mentioned above.

Publication of Results and Debriefing

46. Online (UN Development Business, and /or Client Connection) publication of contract awards would be required for all Direct Contracting, and the Selection of Consultants for contracts exceeding a value of US\$200,000. All consultants competing for an assignment involving the submission of separate technical and financial proposals, irrespective of its estimated contract value, should be informed of the result of the technical evaluation (number of points that each firm received) before the opening of the financial proposals. The borrower would be required to offer debriefings to unsuccessful bidders and consultants should the individual firms request such a debriefing.

Fraud, Coercion, and Corruption

47. All procuring entities, as well as bidders, suppliers, and contractors shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraphs 1.16 & 1.17 of the Procurement Guidelines and paragraphs 1.23 & 1.24 of the Consultants Guidelines.

Frequency of Procurement Supervision

48. Supervision of Procurement by the World Bank is an integral part of Project Implementation Support and implementation monitoring. In addition to the prior review supervision to be carried out from Bank offices, it is recommended that two (2) Implementation Support missions take place during a year to visit the project and to carry out post review of procurement actions.

49. **Based on the risk associated with procurement (moderate)**, the following actions need to be implemented by set timeframe in order to reduce risks:

- a. Preparation and adoption of an Implementation Manual. This manual will clearly describe procurement procedures, responsibility sharing and document flow among the parties involved in Project implementation. The manual should comprise in

- annex, all standard bidding documents that will be used under the Project. This action needs to be completed before the effectiveness of the Project.
- b. Training in Bank procurement procedures for all staff involved in the Project implementation entities (DCCBDGE, the MDE staff responsible for the budget and human resources, and other entities). The training workshop will also help to raise the awareness of those various entities involved, on applicable procedures, before project effectiveness,
 - c. Hiring of procurement consultant on time-base, for support to project activities during the first year of implementation;
 - d. Preparation of Standard Bidding Documents for NCB in accordance with the Procurement Guidelines and found acceptable by the World Bank for Goods and Non-consulting Services; these documents, taking into consideration required adjustments in order to be acceptable to the Bank, will be submitted for review and approval to the World Bank by project effectiveness
 - e. Preparation of the procurement plan for the first eighteen (18) months before negotiations

Monitoring & Evaluation and the Role of Partners

50. The World Bank team will provide implementation support for the execution of the PMR grants and implementation of the PMR activities. Specific carbon markets related expertise will be included in the Bank project team, either from the Environment and Natural Resources Global Practice MNA team or the PMR Secretariat.

51. Project monitoring and evaluation will include the following:

- a) *Project Results Framework*: PDO and Intermediate Results Indicators as contained in Annex 1.
- b) *Status Reports*: PMR Implementing Countries are required to prepare status reports on the progress of their PMR activities. The form, content and periodicity of this reporting will be determined in the PMR Implementation Grant Agreement. The goal of status reporting is to ensure timely support and feedback from the Bank on the activities outlined in the Grant Agreement.
- c) *Completion Report*: Implementing Countries are required to prepare a completion report to ensure objectives outlined in the MRP and the Grant Agreement are met and that there is a plan for their sustainable continuation.
- d) *Financial Statements*: PMR Implementing Countries are required to prepare financial statements that reflect the operations, resources and expenditures related to the activities detailed in the Grant Agreement. Periodic, independent auditing of financial statements will be included in the Grant Agreement.
- e) *MRP Implementation Reports*: Implementing Countries may update the Partnership Assembly shortly before or after the PA meetings on the progress of their implementation phase activities.

Annex 4 – Project Specific Systematic Operations Risk-Rating Tool (SORT)

Morocco: Partnership for Market Readiness (PMR) Project

Risk Categories	Rating (H, S, M or L)
<p>1. Political and governance</p> <p>At the political level, Morocco enjoys considerable stability, sustained by the strengthening of the democratization process through the implementation of political governance reforms which have enabled the country to gradually establish modern political structures, a transparent electoral system and an increasingly active civil society. Nonetheless, the constitutional reform approved through the July 2011 referendum should contribute to reducing tensions, consolidating the principle of balance of powers, entrenching democracy and giving Morocco a new image on the political scene. The change of Government brought about by the November 2011 elections also addressed demands for more accountable institutions.</p> <p>Unless there is a radical, negative change in national policy on climate change, there is little risk to the PMR project at the political level.</p>	MODERATE
<p>2. Macroeconomic</p> <p>The Moroccan economy has enjoyed very positive growth in the last few years. However, a moderate slowdown in the economy is expected in the next few years, as a result of contraction in the Euro Zone and a decline in the production of cereals. In spite of this, fiscal and monetary stimuli should allow for relatively robust growth going forward.</p> <p>As this is a small grant focused on technical matters surrounding carbon finance, there is little risk to the project from macroeconomic conditions. The risk of protracted delays in progress at international level placing downward pressures on carbon pricing might impact on GoM's overall buy in of the climate finance agenda and lessen the drive to strengthen the institutional framework for carbon finance.</p>	MODERATE
<p>3. Sector strategies and policies</p>	MODERATE

<p>Government and stakeholder commitment to climate change is nascent and mandates and responsibilities related to the climate finance agenda are still unclear.</p> <p>Government is implementing reforms aimed at strengthening environmental governance (Framework Law on the Environment and Sustainable Development adopted in winter 2014 by Parliament). Sector governance is solid with clear delineation of the policy making and regulatory functions (Department of Environment), with a sustainable development commitment at the highest political level.</p> <p>Project activities will include an axis on the development of the regulatory framework, including development of a carbon management framework and institutional responsibilities. Ongoing policy dialogue on this area is also being carried out by other donors (EU/GIZ/UNDP/AfDB/Japan).</p>	
<p>4. Technical design of project</p> <p>Design risks emerge from the relative novelty of the approach in Morocco and the country lack of previous experience with similar activities. MRV systems can be challenging to establish in developed countries with stronger regulatory frameworks and institutional capacities, so there is a substantial challenge to Morocco inherent in undertaking the same.</p> <p>Similar PMR initiatives are implemented in other countries and they are similar in scope. Project design is straightforward and follows the design of PMR Toolkit set by PMR Governing Assembly. The project scope and scale are also similar to the ongoing PMR project in other PMR Beneficiaries countries. Strong coordination led by the PMR Secretariat ensures cross fertilization and lessons learned across beneficiaries countries. Given that Morocco will be in the second batch of PMR beneficiaries the project will largely benefit from this. There is a wealth of international experience that can be drawn on. Also, the monitoring and verification of the GHG emissions is not technologically very complex. Institutional capacity will be built through the PMR process and funding, and training will be provided to the auditors, verifiers and operators in various locations in the country. This PMR project is a "pure" TA project and does not include a policy reform component</p>	<p>SUBSTANTIAL</p>

<p>5. Institutional capacity for implementation and sustainability</p> <p>The Department of Environment has full ownership and commitment to continuing the project activities and its policies. Sustainability of the project is supported by strong donors' interest in NAMAs in Morocco, as well as strong political relationships in the climate change field (France, Spain, Germany, and Japan in particular).</p> <p>This is a relatively simple TA operation funded by a small grant. MDE has the capacity to procure the necessary services (mainly consultants) and small quantities of goods necessary for implementation. MDE also has the necessary mandate to engage directly with the industrial sectors participating in the project.</p> <p>The MDE's climate change organs will however need technical and institutional capacity building in order to maintain this TA project's initiatives after project completion.</p>	<p>MODERATE</p>
<p>6. Fiduciary</p> <p>The MDE is relatively inexperienced in implementing World Bank-funded projects, with only one GEF project housed within the Ministry. As a result, fiduciary experience consists mainly of applying Moroccan national rules for procurement and FM, without prior experience of WB procedures.</p> <p>Financial Management: FM difficulties have arisen in the past with the GEF-funded project being implemented by MDE, with slow disbursement being the chief complaint. Indeed, this problem is not specific to MDE, having been observed in numerous grant-funded operations in Morocco across various implementing agencies. Task team is taking this experience into account as best it can.</p> <p>Bank can provide FM training for implementing phase. PMR activities and funding help address some of the other capacity shortages. Activities of other donors and state budget funded activities likely to be complementary. Relatively long implementation period allows for phasing of activities. Continuous implementation support from the Bank, including technical expertise in the PMR Secretariat at CPFCF.</p> <p>Procurement: During implementation, given the probable size of the grant (USD 3 Million) and project duration, only relatively</p>	<p>MODERATE</p>

small consultant services contracts are expected. The Bank will conduct Prior reviews should large contracts be needed, as well as ex-post reviews for smaller contracts, throughout supervision. The Department of Environment will hire a project manager/procurement specialist with experience with WB procurement, and the selection of the person cleared by the Bank.	
<p>7. Environment and Social</p> <p>The activity is not expected to cause negative environmental or social impacts. This TA will enable Morocco to better plan its climate change actions as the emissions in key sectors are better known and monitored and verified on an annual basis. As this is a pure TA project with the activities consisting of consultant reports, outreach/consultation events, training etc., it does not entail any negative environmental and social impacts.</p>	LOW
<p>8. Stakeholders</p> <p>Morocco proposes to use PMR resources to design pilot crediting mechanisms. Targeted sectors such as heavy industry (cement and phosphates) and energy have confirmed their support but might raise concerns during implementation. Additionally, sectors such as transport and agriculture that are not currently targeted might highlight interest in benefiting from the activity.</p> <p>Morocco's MRP has been presented and approved at the level of the Participants' Assembly which governs the PMR MDTF, so donor risk is low provided that deviations from the MRP are minimal.</p>	MODERATE
<p>Overall</p> <p>The overall risk rating of the operation is moderate. It is a pure technical assistance operation funded by a small grant. There are two main sources of risk in this project: i) the uncertain future of carbon markets in a global context of extremely low carbon prices, negative signals from which might undermine government commitment; and ii) the fact that establishing MRV of carbon emissions is a task that has proven difficult in developed countries with stronger institutions and capacity than Morocco.</p> <p>These risks are mitigated by focusing the activity on no-regret measures, such as the design of scaled-up GHG crediting mechanisms in priority sectors with the potential for linkage with bilateral crediting schemes, as well as necessary no-regret measures</p>	MODERATE

at a national level aimed at helping Morocco better manage its carbon emissions.	
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