

PROGRAM PAPER
ON A
PROPOSED ADDITIONAL LOAN
IN THE AMOUNT OF US\$ 250 MILLION EQUIVALENT
TO THE
KINGDOM OF MOROCCO
FOR A
MOROCCO PUBLIC SECTOR PERFORMANCE (ENNAJAA) PROGRAM ADDITIONAL FINANCING

ADDENDUM TO ENVIRONMENTAL AND SOCIAL ASSESSMENT

Introduction

1. Context

1. The Government of Morocco has expressed interest in additional financing to the current Results-Based Program Loan (PPR) **Morocco Public Sector Performance (ENNAJAA -P169330)**, the closing date of which was initially scheduled for June 30, 2021. before its first restructuring. This additional financing (in the amount of \$250 million) and this second restructuring will make it possible to amplify the positive effects of the existing (or parent) PPR on the basis of its current achievements.
2. The proposed additional funding aims to expand the current Program Development Objectives (PDOs) and key result areas, which remain relevant.
3. The geographic scope and initial institutional arrangements of the Program will be maintained. The program implementation period will be extended by three years, with a new closing date set for December 31, 2028.
4. In September 2021, the World Bank team prepared an ESSA in accordance with the World Bank policy for PforR financing requirements. The parent project's SESSA examined the capacity and adequacy of existing national systems to plan and implement effective measures to manage environmental and social (E&S) risks under the program and identified additional measures needed to strengthen national systems. The Program Action Plan (PAP) includes recommended actions to address the identified gaps. In addition, public consultations regarding the ESSA of the parent project were organized in October 2021 and were able to collect various opinions and suggestions which were integrated into the final version of the evaluation.
5. To ensure that negative environmental and social risks and impacts continue to be adequately avoided, reduced and mitigated, the World Bank team has prepared this addendum to the Environmental and Social Systems Assessment (ESSA) for cover any additional risks relating to environmental and social aspects linked to additional financing. The Addendum does not constitute a new ESIA and should be considered and read in conjunction with the parent PPR's ESSA.

2. Objectives of the addendum to the ESSA

6. The objectives of the addendum to the ESSA are:
 - i. Evaluate the progress of the implementation of the recommendations and actions of the Program Action Plan (PAP) of the existing PPR;
 - ii. Identify relevant legislative and procedural changes since the preparation of the ESSA of the existing PPR;
 - iii. Identify new potential environmental and social risks and impacts of additional financing;
 - iv. Recommend measures to strengthen the environmental system and social and update the action plan.

3. Methodology of the addendum to the ESSA

7. For the preparation of this addendum, this required:

- A documentary review, an institutional analysis, interviews and consultations with stakeholders linked to and interested in the project activities, namely: (i) THE MEF with all its departments involved: DGI, DDE, DEPP, DAAG, DGDII and, (ii) The Ministry of the Interior through the DGCT.
- Institutional Analysis: An institutional analysis was carried out to re-examine the structure, roles and responsibilities of the relevant institutions responsible for implementing the program, including coordination between different entities at the national and regional levels.
- Given that the national policy and legal requirements related to environmental and social management in the country have remained unchanged, the evaluation was based on the program documents and (i) the legal requirements applied to the program which have been adopted/modified after approval of the parent program in December 2021. (ii) World Bank implementation supervision reports, (iii) aide memoires, (iv) ESSA and (v) mid-term review of the parent program.
- Consultations: The World Bank conducted consultations with stakeholder representatives during the preparation of the addendum. The draft addendum was disclosed during a consultation workshop, and in accordance with the World Bank's access to information and disclosure policy.

Program Results

8. **After almost two years of implementation, the ENNAJAA program is on the right track both in terms of results and disbursements.** Progress towards achieving the Program Development Objective (PDO) is rated satisfactory, as is Implementation Progress (IP) according to the latest Implementation Status and Results Report (ISR) (archived 20-Oct-2023). The disbursement rate is 43.3% (including 18% net advance). To date, ten Disbursement Related Results (DLRs) have been achieved and verified, leading to a net disbursement of EUR 94.5 million - and a further eight DLRs have been submitted for verification with an expected disbursement of EUR 54.9 million of EUR (i.e. 14.2 percent of the loan) by the end of June 2024. Three more RDLs will be subject to verification by July, amounting to EUR 52.3 million (i.e. 13.5 % of the loan) by July 2024, which will bring the total to 71%.
9. **The program is making steady progress towards achieving its development objective, with significant results so far.** In results area 1, progress was made under the 2015 reference framework, with 11 ministries strengthening their performance projects by improving their quality and adopting essential management charters. Despite initial delays in labeling the climate budget, the Ministry of Economy and Finance (MEF) is spearheading the development of a climate-responsive budgeting mechanism, through a specific DLI and technical assistance. At the local level, improving the quality of budgetary programming for regional projects is underway, with continuous verifications linked to medium-term expenditure planning for investments and strengthening monitoring of the local development plan. Regarding public procurement, the creation of the National Observatory strengthens transparency in this area. Regarding result area #2, the Tax Administration's (DGI) tax compliance efforts, guided by a comprehensive action plan, show substantial progress, leading to improvements in compliance and revenue collection. At the local level, digitalization in the area of local taxation is progressing steadily, alongside initiatives to promote electronic reporting and payment and streamline tax procedures. Finally, under result area 3, progress on digital transformation is led by the Ministry of Digital Transition and Administrative Reform (MTNRA) and the Digital Development Agency (ADD). Notable achievements include the establishment of the national interoperability platform and regulatory acts promoting database interoperability.

Additionally, efforts to increase access to and improve the quality of open data are promising, with the release of many datasets and continued improvement in the potential for data reuse.

10. **Disbursements throughout the DLIS under the parent operation are accelerating and the advance is gradually being justified.** The current disbursement rate is 41%, including advance. In March 2024, the completion of two DLRs for an amount of EUR 24 million was used to justify the advance which currently stands at EUR 72.5 million, or 18.8% of the total funding. Table 1 presents the current disbursement rates excluding advances. With 8 DLRs subject to verification - and the remaining advance justified - net disbursements are expected to reach 52.2% by September. The overall disbursement rate is due to the results obtained under RA#1 and RA#2.

Table 1. Achievements: DLIs and disbursements

RA	DLIs	Value (USD m)	% of DLI disbursed against (Excluding advance, with ongoing verifications)	% DLI Disb. by sept. 2024 (Excluding advance)
RA #1	DLI1: Strengthening the performance approach introduced by the LOF	62	10%	100%
	DL 2: Introducing a Climate sensitive Budget (<i>to be restructured</i>)	50	0%	0%
	DLI3: Enhancing the Decentralization agenda by strengthening regions' PIM	50	10%	40%
	DL4: Improving the efficiency of public procurement through data production and analysis	42	48%	86%
RA #2	DLI 5: Improving tax compliance and performance of the tax administration	50	10%	100%
	DLI6: Increasing revenue of municipalities	80	8%	70%
RA #3	DLI7: Improving data exchange and interoperability of information systems	56	36%	36%
	DLI8: Improving the proactive disclosure of open government data	60	17%	17%
		450	38.7%	52.2%

11. **Since its approval in 2021, the government's ambitions for public sector performance have been revised upwards, justifying additional support given the performance of ENNAJAA.** The implementation of the Organic Finance Law (LOF) of 2015, which underpins the program, has been successful, as evidenced by improvements in Morocco's scores in the 2024 PEFA assessment from 2015 to present today. Conversely, the PEFA report - as well as other key diagnostics such as the Public Finance Review - suggests areas of improvement on which the Government of Morocco (GoM) bases the increase in the scope and extent of its program. Many of these are integrated into new reform strategies or intentions - such as new amendments to the LOF, more ambitious scopes for gender and climate budgeting, reforms of the state enterprise sector, or new strategies for customs, taxes and those to come on the mobilization of local revenues. Furthermore, the desire to improve service delivery within the framework of ongoing ambitious reforms (social protection, health, etc.), urgent infrastructure needs (transport bottlenecks, water stress, etc.) and various concomitant challenges (Al Haouz earthquake, Russia's invasion of Ukraine, etc.) has led the government to be more bold in its desire to instill a culture of performance in public policies, in accordance with the framework letter, and in the management of public revenues
12. Overall, the progress of the implementation of the Program is considered satisfactory. Concerning **E&S systems, the Program has been rated Moderately Satisfactory (MS)** since March 2023. This is mainly due to cumulative delays in the implementation of the ESSA action plan. Particularly in terms

of designation of focal points, the establishment of grievance management systems covering structural activities at the AREP level and systems for monitoring the E&S performance of the infrastructure component of the Fez Meknes region.

Description of the restructuring and additional financing.

13. **The AF and restructuring would involve new DLIs and related revisions to the results matrix, as well as limited adjustments to the implementation arrangements.** Based on the request for government support, the AF will focus on RA#1 and, to a lesser extent, RA #2. The parent program's PDO - **improving the performance and transparency of government operations and service delivery** - is adequate for the AF and remains unchanged as it can accommodate the inclusion of additional government program areas and the increase in objectives and targeted results. Certain PDO level indicators and Intermediate Results Indicators (IRIs) are being reviewed both in their substance and in their objectives to ensure that they reflect the progress made so far towards their achievement, enlargement of program scope to new dimensions of public financial management, and increasing ambitions, including along the results chain towards output and outcome level results. There is no need to change the initial geographic scope.

14. **At the PDO level, indicators will be modified to reflect increased ambitions or restructured to better capture the increased scope of the program.** For three indicators at the PDO level, targets are increased to reflect either increased performance requiring more ambition, or a recalibration of previously low targets. Two new PDO level indicators are added to reflect the new areas covered by the additional funding. Attempts were made to align the operation with the corporate dashboard and the ongoing modernization exercise. Discussions took place to include the share of fully digitalized services (with a target of 75%) (RA#3), but the impossibility of filling in this indicator with data from the client side did not allow it to be included. include.

Table 2: Changes relating to indicators at the PDO level.

PDO level indicator under parent program	Revisions/additions considered	Justification
Share of performance indicators for which annual objectives have been achieved (with an objective of 50%)	Increased target to 60%	Increased ownership of performance projects by ministerial departments - notably through the application of management charters and quality standards (DLR #1.3 and #1.4) - underpins increased ambitions.
Share of gender-related indicators for which objectives have been achieved (with a target of 50%)	Increased target to 60%	As above.
Increase in revenue from local taxes in targeted municipalities (with a target of 8%)	Increased target to 10%	Past trends suggest that the target needs to be recalibrated upwards.
-	Addition of a new indicator on public investment management: The PEFA rating for IP-11 on public investment management goes from C to B.	This should allow for improved performance in a critical area that is not included in the parent operation.
-	Addition of a new indicator: Morocco's score in the open budget survey (objective 61/100)	As above.

Changes in disbursement-related indicators

15. **Based on the program's focus primarily on public expenditure efficiency (RA#1) and public revenue management (RA#2), an assessment of the state preparation was applied in the selection of subdomains to be supported through DLIs.** To ensure the program focuses on the most impactful and mature areas of engagement, a readiness assessment determined choices to ensure selectivity and impact based on (i) level of depth of dialogue, analytical support and strengthening of strategic anchors, (ii) maturity of implementation, (iii) ownership by the ministerial units that carry out the majority of the work, (iv) as well as an assessment of the added value of World Bank support. Overall, three new DLIs and 11 DLRs are being introduced under the FA. Concerning the existing DLIs, the reinforced actions are the subject of 16 new DLRs.

Table 3: DLIs and strategic anchors

DLIs	Strategic references	ENNAJAA Amount (USDm)	AF amount (USDm)
Results Area #1			
Scaled-up DLI 1: Strengthening the performance approach introduced by the LOF.	- MEF Perf. Program 115 - LOF proposed amendments. - Bank TA	62	50
Restructured DLI 2: Introducing sustainable and equitable budgeting	- Parent program - Gender PEFA - MEF Perf. Program 115	50	28
Scaled-up DLI 3: Enhancing the Decentralization agenda by strengthening the regions' budget programming.	- Advanced Regionalization Act - National tax conference	50	36
Scale-up DLI 4: Improving the efficiency of public procurement through data production and analysis.	- Art. #6 Decree no 2-22-431 - MEF Perf. Program	42	8
New DLI 9: Improving Public Investment Planning, Monitoring and Transparency	- MEF Perf. Program 115 - PEFA 2023 (PI-11)	-	37
New DLI 10: Improving budgetary transparency and citizen participation.	- MEF Perf. Program 115 - PEFA Pilar II & PI-9 - Open Budget Survey	-	25
Results Area #2			
Scaled-up DLI 5: Improve tax compliance and the administration's revenue collection performance	- PP prg 116 - ADII 2024-2028 strategy	50	15
Scaled-up DLI 6: Increasing revenue of municipalities.	- 2021 Tax framework law	80	8
New DLI 12: Active asset management and revenue increase from State Domains	- PP prg 119 - DDE strategic plan	-	43
Results Area #3			
No changes to DLI #7	-	56	-
No changes to DLI #8	-	60	-
TOTAL		450	250

Changes in laws, legislation and procedures

16. The national environmental and social management systems described in the parent ESSA remain applicable to the operation (both the existing program and the new project), in terms of laws, regulations, standards and procedures.

17. Overall, the legal and policy architecture available in the country is considered adequate to manage the environmental and social risks that may arise from the implementation of the program.

4. Environmental and social risks and impacts relating to Additional Financing

18. The environmental and social risk associated with the Additional Financing remains **Substantial**.
19. **The additional financing does not introduce significant changes in the scope and areas of intervention of the existing PPR.** The additional funding largely maintains activities and institutional arrangements. However, two entities, in this case, MATRA and ADD, are not concerned by the new areas of intervention of additional financing while new entities will be included: (i) The Directorate of State Domains- DDE) and (ii) the Directorate of Public Enterprise Establishments and Privatization (DEPP).
20. The Additional Funding does not introduce new activities that would modify the environmental and social risks associated with the Program. Institutions that manage environmental and social risks at central and regional levels will continue to manage changes associated with additional funding. In general, the setting in artwork of Program will have probably more advantages and of impacts positive.
21. None of the activities of the additional financing is expected to have an adverse impact. There is no site of Interest Biological and Ecological (SIBE) crossed by the project, there are no transformation of natural habitats or modification of areas of biodiversity or cultural heritage. The list of activities to be excluded from the PPR is strictly adhered to, and the activities of the FA are in line with the PPR policy.
22. The ESSA for the parent PPR concluded that the environmental and social impacts will be mainly linked to the construction phase. construction for the component of the Fes Meknes region. The other activities are low risk.
23. The additional financing will exclude recourse to acquisition land through expropriation. The acquisition of real estate (administrative buildings) will be done according to common and commercial law by direct agreement between the DDE and the real estate developer who owns the property. The notarial deed will constitute proof of the untainted consent of the owner regarding the deed of sale.
24. In terms of grievance management, the MEF focal point will continue his work with the support of the bank to make up for the delays recorded in the implementation of the GRM in the regional component of the program, in collaboration with the focal points of the Fez Meknes region and those of AREP. The ESSA Action Plan will be updated to include the new steps and timing for which this system will be required.
25. As with the parent PPR, the environmental and social risks and negative impacts associated with the Program are considered substantial. No additional risk is added through additional financing. The impacts of the Program will continue to be reversible and easily mitigated through the proposed mitigation measures. They will be easy to identify in advance and prevent and minimize through effective mitigation measures and will be subject to an environmental surveillance and monitoring system that will identify and manage potential risks in a timely manner. real.
26. The parent PPR's performance on environmental and social management systems has been consistently rated as '**Moderately Satisfactory**'. These systems will be maintained and strengthened to manage risks and expanded to cover activities additional.

5. Recommendations for strengthening environmental and social systems.

27. The recommendations of the ESSA Action Plan and the PAP remain relevant, although some updates are necessary. Recommended actions to strengthen the program's E&S systems include:
 - Designation of E&S focal points for entities joining the program.
 - Strengthening grievance management mechanisms in the Fes Meknes region
 - Updating the Environmental and Social Technical Manual and setting up an E&S reporting system.
28. The institutional organization put in place to implement the initial recommendations of the ESSA will be generally maintained for the additional financing. The E&S focal point designated within the MEF within the framework of the parent program will continue to monitor the implementation of the recommendations of the ESSA and proposed procedures and to report periodically to the Bank.
29. The current Grievance Redressal Mechanism (GRM) is well established for the central component through the Chikaya portal. However, for the regional component, the GRM is expected to be functional from July 2024. All new AF activities will be covered by the central GRM.
30. To strengthen monitoring and reporting at the parent project level, a consultant is mobilized in collaboration with the AREP Environment and Social focal point. This consultant will work closely with the project team to improve the collection, analysis and reporting of environmental and social data.
31. Strengthening the reporting of the Parent project will allow more precise monitoring of the environmental and social performance of the project, as well as better transparency in the communication of results.

6. Environmental and Social Action Plan

Recommended Elements for the Program Action Plan to Strengthen the Program's Environmental and Social Management Systems

Action	Activities	Initial deadlines	Revised activities	Revised deadlines	Responsible	Measure
Actions to strengthen the environmental and social management system						
Environmental and Social Focal Point / UGP	Designation and attachment to the Program Management Unit	1st quarter after the Program effectiveness	N / A	N / A	MEF/DAAG/	Appointment of the environmental and social focal point
E&S focal point / Stakeholders	Designation by stakeholders of their E&S focal points	1st quarter after the Program effectiveness Before starting work	In addition: Designation of an E&S focal point at the DDE/DEPP level	1 month after Program effectiveness	MEF (DAAG, DB, TGR, ADI, DGI, DRA, DDE/DEPP/DGII), MI (DGCT, AREP-FM) and MICEVN (ADD) All stakeholders in the CPER of the Fes-Meknes region	Appointment of the environmental and social focal point at the DDE/DEPP/DGII level
Grievance management mechanism	If the parties agree to adopt another system other than Chikaya.ma: Evaluation then Strengthening existing grievance systems;	During the first year of the Program effectiveness	Establishment of a MGD at the level of the Fez Meknes/AREP Region	July 2024	UGP MEF / E&S focal point AREP region	-Evaluation of the existing -Reporting model submitted and approved by the World Bank -Number of stakeholders adopting the system
Environmental and social technical manual	Site monitoring tools (E&S monitoring sheets, anomaly sheets), Responsibilities for site monitoring Reporting methods and frequencies Application of the E&S Technical Manual	1st quarter after the Program effectiveness The entire duration of the Program from the 2nd trimester	Unchanged	July 2024	UGP MEF / E&S focal point AREP region MEF/DAAG All stakeholders with the support of their focal points	Environmental and social technical manual validated by the Bank. E&S monitoring sheets and reports
Measures aimed at strengthening capacities and monitoring, evaluation/monitoring in environmental and social management						
Capacity building of relevant stakeholders	Development of the training module on environmental and social management including	2nd quarter after the Program comes into force	N / A	1st semester Program effectiveness	MEF/DAAG	Training module developed.

	monitoring tools			From the first semester of the Program effectiveness		Training plan
	Organization of training sessions					

7. Disclosure

33. The parent project's SESSA was consulted with institutional stakeholders and civil society representatives on October 21, 2021. The SESSA was published on the Ministry of Finance website and on the World Bank portal.
34. Stakeholder consultations to inform the addendum to the ESSA began at the earliest stages of preparation. The conclusions and recommendations of the addendum to the ESSA were shared during a restitution and disclosure workshop on April 29, 2024, and these consultations will be supplemented by other meetings, if necessary, throughout the project cycle. The comments and suggestions received from participants were incorporated into the final version of the ESSA Addendum which will be published on the websites of the Ministry of Finance and that of the World Bank.