Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 02-May-2024 | Report No: PIDA293814

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BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Program Name	Parent Project ID (if any)
Morocco	P181679	Morocco Public Sector Performance (ENNAJAA) Program Additional Financing	P169330
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
MIDDLE EAST AND NORTH AFRICA	09-May-2024	20-Jun-2024	Governance
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Program-for-Results Financing	Kingdom of Morocco	Ministry of Economy and Finance	

Program Development Objective(s)

The Program Development Objective is to improve performance and transparency of government operations and service delivery

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	367.00
Total Operation Cost	367.00
Total Program Cost	367.00
Total Financing	367.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	250.00
World Bank Lending	250.00
Total Government Contribution	117.00

B. Introduction and Context

1. **After almost two years of implementation, the ENNAJAA Program is on track both from a results and disbursement perspective**. Progress towards achievement of the Program's Development Objective (PDO) is rated satisfactory, as is Implementation Progress (IP) as per the latest Implementation Status and Results (ISR) report (archived on April 26, 2024). The disbursement rate is at 41 percent (including 18 percent net advance) not accounting for a sizeable disbursement under verification.

Country Context

2. **Since ENNAJAA's approval in 2021, government ambitions regarding public sector performance have been upgraded, prompting more support.** The implementation of the 2015 Organic Law of Finance (LOF), which underpins the Program, has been successful as reflected in improvements in Morocco's ratings in the 2024 PEFA assessment from 2015 to date. Conversely, the PEFA report – as well as other key diagnostics such as the Public Finance Review – suggests areas for improvement on which The Government of Morocco (GoM) is basing the increased scope and reach of its program. Many of these are embedded in new strategies or reform intentions – such as new amendments in the LOF, more ambitious scopes for gender and climate budgeting, reforms of the SOE sector, or new strategies for Customs, Taxes and upcoming ones on local revenue mobilization. In addition, the impetus for improved service delivery against far-reaching ongoing reforms (e.g., social protection, health etc.), pressing infrastructure needs (e.g., transport bottlenecks, hydric stress etc.) and various concurrent challenges (Al Haouz Earthquake, Russia's invasion of Ukraine etc.) leads the GoM to being bolder in its drive to instill a performance culture in public policy as per the LOF, and in addressing public revenue management.

Sectoral and Institutional Context

3. **To address its expanded ambition to reform its administration, the government requests the approval of the Board of Executive Directors for (i) an Additional Financing (AF) through a loan from the International Bank for Reconstruction and Development (IBRD) in the amount of US$250 million, and (ii) a concurrent restructuring for the Morocco Public Sector Performance (ENNAJAA) Program for Results (the Program) (P169330).** The Program was the first national public sector results-based financing operation in the MNA region. Approved in the amount of US$450 million on December 15, 2021, it was declared effective on June 6, 2022, with a closing date of December 31, 2025. The Program supports the implementation of the ENNAJAA government program across three Results Areas (RA): (i) improving the efficiency of public expenditure (RA#1), (ii) improving public revenue management (RA#2), and (iii) improving the foundations of digital transformation through interoperability and Open Data (RA#3). Its Development Objective is to improve the performance and transparency of government operations and service delivery. The proposed AF aims to accompany the scaling up of government ambitions across key results areas.

4. **Considering the increased breadth and depth of its program, and cognizant of ENNAJAA's performance, the borrower has requested a combination of additional financing and restructuring**. The

additional financing will be underpinned by the *scale-up of Program* results *to enhance development impact.* The proposed light restructuring will include an extension of the Program implementation period by thirty-six (36) months, with a new closing date of December 31, 2028, as well as changes in Disbursement Linked Indicator 2 (DLI#2) on Climate Budgeting and an adjustment in DLI#5. While the AF will focus on RA#1 and RA#2 through new and scaled up DLIs, RA#3 will remain within the program albeit with not extended scope.

PforR Program Scope

5. **The PforR will keep on supporting the GoM's program to enhance government performance and transparency, adopting a comprehensive approach to modernize Moroccan public administration.** The focus stays on PFM and government operations modernization through digitization for better service delivery. The program encompasses strategies and legislative reforms, including the 2015 LOF, public procurement reform, the Advanced Regionalization Act, and the Digital Development Agency's (ADD) 2025 strategic orientation. The expansion of the program includes proposed amendments to the LOF, the 2024-2028 Customs administration (ADII) strategy and the State Domaine Directorate's (DDE) 2022-2026 strategic plan.

6. **The proposed additional financing will prioritize public spending efficiency (RA#1) and revenue management (RA#2) for a deeper and more impactful engagement.** It will deepen engagement in key economic governance reforms, leveraging the World Bank's expertise, particularly in the reform of the Organic Budget Law, informed by the 2024 PEFA and ongoing Public Finance Review (PFR). Tax management will focus on sub-national levels, customs, and non-tax revenues through State Asset Management, as the national DGI Strategic Action Plan is still being prioritized. Although digitization remains a priority, the new national digital strategy will proceed separately from the ENNAJAA-supported program. While the additional financing will exclude RA#3 (Digital administration) but will include digital components in other areas.

C. Program Development Objective(s)

The Program Development Objective remains unchanged: ***Improved performance and transparency of government operations and service delivery.***

Program Development Objective(s)

7. **At PDO-level, indicators will be changed to reflect amplified ambitions, or restructured in order to better capture the increased scope covered by the program**. For three PDO-level indicators, targets are updated to reflect either increased performance requiring more ambition, or a recalibration of previously low targets. Three new PDO level indicators have been added to reflect new areas covered under the additional financing. Attempts have been made to align the operation with the corporate scorecard and the ongoing retrofitting exercise. Discussions were held to include the "Share of fully digitalized services" (RA#3), yet the impossibility of informing this indicator with data from the client's side could not allow for its inclusion.

Changes to PDO-level indicators.

PDO-level indicator under the parent Program	Considered revisions / additions	Rationale
Share of performance indicators for which annual targets have been achieved (with a target of 50%)	Increased target to 60%	The increased ownership of performance projects by ministerial departments – notably through the application of management charters and quality standards (DLRs #1.3 and #1.4) – underpins increased ambitions.
Share of gender-related indicators for which targets have been achieved (with a target of 50%)	Increased target to 60%	As above.
Increase revenue from local taxes in targeted municipalities (with a target of 8%)	Increased target to 20%	Past trends suggest that the target needs to be recalibrated upwards.
-	Addition of a new indicator on increased revenues from State Assets mobilisation (excluding Innovative financing)	This indicator is also a DLI and would capture the increased capacity of central administration in managing revenue collection in line with RA#2.
-	Addition of a new indicator: Morocco's rating under the Open Budget Survey (objective 61/100)	As above

D. Environmental and Social Effects

8. **The environmental and social risk associated with Additional Financing remains Substantial.** 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.

9. **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, MTNRA 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).

10. **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. 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.

E. Financing

11. **The proposed Additional Financing consists of US$ 250 million of IBRD financing, complemented by a government contribution of US$ 117 million.** It will thus scale up the overall program volume from US$ 625 million to US$ 992 million.

Program Financing ($)

Financing Source	Original Program	AF	Total	Percentage
BORROWER/RECIPIENT	175	117	292	29.43
IBRD/IDA	450	250	700	70.56
OTHER	-	-	-	
TOTAL	**625**	**367**	**992**	**100**

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Borrower/Client/Recipient

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