

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report N.TBD

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Program Name	Casablanca Municipal Support Program
Region	MIDDLE EAST AND NORTH AFRICA
Country	Morocco
Sector	Urban / Subnational government administration
Lending Instrument	Program-for-Results
Program ID	P149995
Borrower(s)	Urban Commune of Casablanca
Implementing Agency	Urban Commune of Casablanca (CUC)
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Concept Review Decision	

I. Introduction and Context

A. Country Context

1. Cities are central to Morocco's future. Although rural fertility rates remain high (2.7% vs 1.8% in urban areas), sustained rural-urban migration makes population growth an essentially urban phenomenon. 60% of the population is urban, as opposed to 35% in 1970, and this share is expected to grow to 70% by 2050. Accounting for about 75% of total's GDP, cities generate positive spillovers for both their surrounding metropolitan areas and the country: 80% of total tax receipts and 60% of total employment stem from urban areas. With agriculture's share of GDP declining and subject to climatic variability, Moroccan cities are key to sustaining the country's recent positive economic performance (4.8 percent over 2001-2012 compared to 2.8 percent in the 1990s).

2. However, cities' role in driving Morocco's socio-economic progress confronts them with mounting challenges in terms of poverty and inequality. Whilst absorbing rural poverty (14.5% compared to 4.8% in urban areas¹) through in-migration, cities remain plagued by pockets of poverty. Roughly 1 million people in urban areas live below the relative poverty threshold (USD 1.3 per day) and an additional 13.6 % (2.3 million) is economically vulnerable, with higher likelihood of falling into poverty when exposed to shocks. Urban unemployment stands at 14% compared to 3.8% in rural areas.

3. Cities' shifting importance increasingly ties them to the country's political stability. In Morocco the Arab Spring reverberated mainly in urban areas, through a series of demonstrations underscoring citizens' demands for improved economic opportunities and public services. Youth unemployment remains an essentially urban phenomenon (36% vs 8.4% in rural areas)². Local service delivery is marred by a mismatch between municipal mandates and their technical and financial capacity, compounded by weak coordination between central and local agencies. If left unmanaged, urbanization will further strain

¹ Haut-Commissariat au Plan, Morocco, 2007

² National Employment Survey, Haut-Commissariat au Plan, 2013

urban infrastructure and service delivery, whilst leaving lagging areas behind, with both economic and political consequences.

4. In providing a framework for increased decentralization, Morocco's 2011 Constitution recognized the role of cities as the key interface between State and citizens. The Organic Law on Communes, currently under parliamentary discussion, essentially confirms their primary role in local governance and service delivery. To bolster this vision, the Government launched ambitious programs aimed at fostering investments, increasing capacity and improving central-local coherence in large agglomerations such as Marrakesh and Tangiers as well as, most recently, in Casablanca.

B. Sectoral and Institutional Context

5. As the country's largest city and economic capital, Casablanca embodies the opportunities of Morocco's urbanization. With roughly 35.000 additional people moving to the city every year, the Greater Casablanca conurbation today concentrates over 12% of the population (3.7 million people, compared to 1.1 million in 1960) on only 0.6% of national territory. It is the main economic engine of the country, directly generating a fifth of national GDP, nearly half of the country's industrial production, 55% of total net tax revenues and 40% of secondary sector employment. Its port provides the country's key commercial gateway between Europe and Africa, uniquely placing the city as the logistics node towards further integration in the world economy. As one of Africa's leading financial centers and the core of Morocco's industrial sector (60 percent of industrial workers and 55 percent of the country's production units), Casablanca is also the driver of the Moroccan economy's diversification and structural transformation.

6. Yet, Casablanca also encapsulates the country's urbanization challenges. The city is marked by rising inequalities, entrenched poverty (about 150.000 people) and vulnerability (450.000). At 0.52, Casablanca's Gini remains significantly higher than the national (0.41%), and places it as third most unequal city in Africa.³ A March 2015 survey highlighted the increasing marginalization of groups including widows, the elderly and the disabled. Youth unemployment remains high. Over 80% of the unemployed are less than 34 years old, and within the 15-24 age group unemployment has been close to 30% since 2007.

7. More than in other Moroccan agglomerations, weak financial and institutional capacities created important challenges to service delivery and a situation where, rather than leading urbanization, the city is suffering from its pressures. Despite its acceptable debt/operating income ratio (less than 10%), the financial capacity of the *Commune Urbaine de Casablanca* (CUC) remains weak. Both its operating income (about 900 MAD, or USD 100, per inhabitant) and its investment expenditures (440 MAD, USD 45 per inhabitant) ratios are insufficient to deliver the required urban services: 23.2% of households do not have access to safe drinking water and only 45% benefit from sewage treatment.⁴ Financial weaknesses largely depend on the untapped fiscal potential limiting net savings and investment capacity.⁵ In addition to financial constraints, Casablanca's development is marred by weak management

³ UN Habitat (2011). Gini figures are calculated here based on consumption. If based on income, the degree of inequality would be even larger.

⁴ Haut Commissariat au Plan (2012) Kingdom of Morocco

⁵ Improved fiscal administration to enhance tax revenues is a key challenge for Morocco's local and central authorities. In a recent report (May 2015) Morocco's Central Audit Institution (*Cour des Comptes* – CdC) highlighted the need to improve local tax collection systems by reinforcing cooperation between the different stakeholders: the National Tax Directorate (DGI), the Kingdom's General Treasury (TGR) and local authorities, reinforcing information system and reviewing performance incentives and responsibilities.

performance. The city moved towards a unified centrally managed municipality in 2002, but remains affected by the legacy of its former fragmented governance. At the same time, although rapid urban growth calls for addressing service delivery needs at metropolitan level in order to reap network synergies and scale economies, the necessary inter-municipal cooperation institutions are not yet operational.

8. Institutional and financial weaknesses raise the risk of the city turning into a bottleneck to Morocco's growth rather than its main driver. Over the last decade, Casablanca's contribution to national GDP shrank from 24% to 19% driven by a relative decline in secondary sector activities (particularly construction) without a commensurate increase in the service sector share. Its growth rate (3.4% between 2004 -2010) remains lower than the national average. In highlighting the city's weak capacity, Morocco's Central Audit Institution (*Cour des Comptes* – CdC) recently noted the need to streamline red tape affecting the city's enabling environment for entrepreneurship, in line with the results of the WB Doing Business assessment. This affects not only the city's attractiveness to external investors but also the viability and evolution of the city's existing firms, which are largely constituted by small and medium sized enterprises (90% of Casablanca's enterprises have less than 5 employees), operating mainly in the informal sector (60%).

9. Casablanca is today a national priority. The city finds itself at a cross-road between being the beacon of urbanization's promises and the example of its multi-faceted failures. Casablanca needs modernizing its infrastructure, improving the business environment, and strengthening the quality of its public services. With increasing global competition the largest city of Morocco has to act resolutely and rapidly to preserve its central position as the country main growth pole and main window to the world economy. In its October 2013 speech to open the parliamentary session, King Mohammed VI starkly highlighted past failures to address the city's mounting problems.

10. The authorities' renewed attention led to the September 2014 launch of the Greater Casablanca Development Plan (*Plan de Développement du Grand Casablanca*, PDGC) - a USD 3.4 billion initiative over eight years (2015-2023) aimed at increasing policy and investment coordination between central and local government in the Casablanca agglomeration. In addition to calling on the Casablanca Urban Commune to contribute 10% of the total investment envelope (USD 340 million), the PDGC mandates the CUC to implement a set of institutional reforms aimed at increasing its financial sustainability, business attractiveness and service delivery capacity.

C. Relationship to Country Partnership Strategy

11. The proposed PforR operation will contribute to achieving the objectives agreed with the Government of Morocco within the 2014-2017 Country Partnership Strategy (CPS) by supporting two of its strategic result areas, namely:

- Result Area 1: *Promoting Competitive and Inclusive Growth*, by improving the business environment in a major metropolitan area constituting the country's main engine of growth;
- Result Area 3: *Strengthening Governance and Institutions for Improved Service Delivery to all Citizens*, and specifically Strategic Outcome 3.3: *Improve Capacity to Plan, Manage and Assess the Delivery of Key Services, Especially at the Local Level*, through the reinforcement of institutional and investment capacities of a key local government.

II. Program Development Objective

A. Program Development Objective

12. The Program will increase the financial and institutional capacity of the Casablanca Urban Commune, enhance access and quality of municipal services and improve the ease of doing business in the city.

B. Key Program Results

13. A set of performance indicators will measure progress towards the achievement of the Program Development Objective. These include:

- PI1: % increase in municipal tax revenues;
- PI2: % of CUC's investments executed according to plan (budget execution & carry over rates);
- PI3: % of disadvantaged neighborhoods' residents reporting an improvement of selected public services;
- PI4: % reduction in the average clearance time for the delivery of selected commercial acts.

III. Program Description

14. The proposed PforR operation will provide technical and financial support to the CUC's program of expenditures and institutional reform measures (the Program). The operation will support the achievement of Program Results in the following three results areas (RAs):

Results Area 1: *Increasing institutional and financial capacities.* Under Result Area 1 (RA1), the Program will support activities (technical assistance services, investments and goods acquisition) aimed at increasing the CUC's fiscal position and management in order to strengthen its investment and service delivery capacity. This will include actions aimed at enhancing tax identification and collection, as well as valuation and valorization of existing municipal assets. Reassessing and broadening the tax base will require improving coordination between key stakeholders, strengthening fiscal information systems, and implementing the city's street addressing program. On the expenditure side, the Program will support activities aimed at strengthening the CUC's budget programming and execution in line with the new legal framework for financial management.

Results Area 2: *Enhancing access and quality of public services.* Under RA2, the Program will support technical assistance and investment activities aimed at improving the efficiency of the city's public street lighting infrastructure, providing sanitation access to peri-urban areas, enhancing infra-city road management and urban renewal initiatives. The Program will also support the setting up of an e-government platform, enabling citizen to access key administrative services such as birth certificates online. It will also strengthen citizen engagement by supporting the development of a Grievance Redress Mechanism (GRM).

Results Area 3: *Improving the business environment.* Within RA3, the Program will support municipal activities and reforms aimed at improving the ease of doing business in the Greater Casablanca area. The city relies on Casablanca's Regional Investment Center (CRI), and the CREA (Regional Committee for Business Environment) to identify and address binding constraints to competitiveness and export in key sectors and prioritize regulatory reforms. Activities under the Program will include technical assistance and investments (software and IT systems) aimed at speeding up key business transactions through simplification, automation and dematerialization of procedures relating to creating and operating a business, which fall under the city's responsibility.

IV. Initial Environmental and Social Screening

32. To inform the preparation of this PforR, an Environmental and Social System Assessment (ESSA) will be conducted by the Bank to identify potential environmental and social impacts of the Program. The ESSA will examine the CUC's environmental and social management systems with a view to evaluating their compliance with the provisions of OP/BP 9.00. The ESSA will consider the compliance of the Program's systems, by assessing: (i) national laws, regulations, and procedures; and (ii) the capacity of the Program's institutions to implement and operate laws, regulations and procedures efficiently.

33. Based on a preliminary assessment and available information the proposed operation is compliant with OP/BP 9.00 and is not expected to have significant adverse impacts on the environment and/or affected people. Potential negative, individual or cumulative environmental and social impacts associated with the Program are considered negligible to moderate. No physical population displacement is likely to occur, and temporary or permanent land requirements under the service delivery pillar (road management; water and sanitation; street lighting) are expected to be limited and will likely be met through public land. In fact, the Program is expected to generate positive social impacts, in the short term through increased quality and accessibility of municipal services including in disadvantaged neighborhoods, and in the longer term by improving the enabling environment for private investments and job creation. The operation will support the Program's capacity to identify potential negative effects in advance and implement effective mitigation measures.

34. Morocco has a legal arsenal concerning environmental and social management and impact assessments, and reliable country systems in place to manage the risks associated with the program's activities. The key legislative text is Law no. 12-03 of May 12, 2003, aimed at minimizing the negative impact of projects and improving ecological sustainability. The Moroccan legal land tenure regime refers to different land-use systems. Respect for property is a fundamental principle of Moroccan law, consecrated by Article 35 of the new Constitution of 2011 and implemented by numerous laws. Moreover, Morocco has recently (March 2014) adopted a National Charter of the Environment and Sustainable Development.

35. The results of the ESSA will inform program design and key measures to improve E&S risk management will be included in the Program Action Plan and/or in the results framework. The development of the ESSA will additionally provide a platform to engage program stakeholders in consultations regarding E&S aspects. National and local level consultations will be organized during the course of preparation (September 2015 till May 2016) and the final version of the ESSA document will be made public before appraisal (May 2016).

V. Tentative financing

Source:	(\$m.)
Borrower/Recipient	350.00
IBRD	200.00
IDA	0.00
Others (specify)	0.00
Total	550.00

VI. Contact point

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