

DOCUMENT OF  
THE WORLD BANK

REPORT NO. 121432-MA

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EURO 172 MILLION

(US\$200 MILLION EQUIVALENT)

TO THE

MUNICIPALITY OF CASABLANCA

WITH A GUARANTEE

FROM THE

KINGDOM OF MOROCCO

FOR A

CASABLANCA MUNICIPAL SUPPORT PROGRAM-FOR-RESULTS

NOVEMBER 20, 2017

Social, Rural, Urban and Resilience Global Practice

Middle East and North Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rates Effective October 31, 2017)

Currency Unit	=	Moroccan Dirhams (MAD)
MAD 1	=	US\$ 0.105
US\$ 1	=	MAD 9.50
EUR 1	=	US\$ 1.1639

## FISCAL YEAR

July 1 - June 30

## ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency/ <i>Agence française de Développement</i>
AfDB	African Development Bank
BRT	Bus Rapid Transit ( <i>Bus à Haut Niveau de Service</i> )
CAS	Special Purpose Account/ <i>Compte d'Affectation spéciale</i>
CAS-TVA	Value-Added Tax Account/ <i>Compte d'Affectation spéciale - Part des Collectivités locales dans la Taxe sur la Valeur ajoutée</i>
CC	Municipality of Casablanca ( <i>Commune de Casablanca</i> )
CDC	Court of Accounts/ <i>Cour des Comptes</i>
CMP	Commission on Public Procurement/ <i>Commission des Marchés publics</i>
CNCP	National Commission of Public Procurement/ <i>Commission nationale de la Commande publique</i>
CPS	Country Partnership Strategy
DB	Directorate of Budget/ <i>Direction du Budget</i>
DFCAT	Directorate of Training/ <i>Direction de la Formation des Cadres administratifs et techniques</i>
DFL	Directorate of Local Finances/ <i>Direction des Finances locales</i>
DGCL	General Directorate of Local Governments/ <i>Direction générale des Collectivités locales</i>
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DPE	Directorate of Planning and Equipment/ <i>Direction de la Planification et de l'Équipement</i>
DPL	Development Policy Loan
DRSC	Directorate of Public Utilities and Concessions/ <i>Direction des Régies et des Services concédés</i>
ECI	Inter-municipal Cooperation Entities / <i>Établissements de coopération intercommunale</i>
ERR	Economic Rate of Return
ESMS	Environment and Social Management Systems
ESSA	Environmental and Social System Assessment
GDP	Gross Domestic Product

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

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Global Practice Vice President:	Laura Tuck
Country Director:	Marie Francoise Marie-Nelly
Practice Manager:	Ayat Soliman
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# MOROCCO

## Municipal Support Program – P149995

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**PAD DATA SHEET**

**Kingdom of Morocco**

**Casablanca Municipal Support Program**

**PROGRAM APPRAISAL DOCUMENT**

*Middle East and North Africa Region  
Social Urban Rural and Resilience Global Practice*

Basic Information			
Date:	November 20, 2017	GPs:	Social, Urban, Rural and Resilience (Lead); Governance, Trade and Competitiveness; Transport and ICT; Water (Contributing)
Country Director:	Marie Francoise Marie-Nelly	Themes:	Urban Infrastructure and Service Delivery (37%); Municipal Finance (23%); Municipal Institution Building (21%); Urban Transport (11%); Urban Water and Sanitation (8%);
Practice Manager	Ayat Soliman		
Global Practice Vice President:	Laura Tuck		
Program ID:	P149995		
Team Leader(s):	Andrea Liverani, Augustin Maria		
Program Implementation Period:		Start Date:	12/13/2017 End Date: 12/31/2021
Expected Financing Effectiveness Date:		01/15/2018	
Expected Financing Closing Date:		09/30/2022	
Program Financing Data			
<input checked="" type="checkbox"/> Loan	<input type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input type="checkbox"/> Credit			

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

Total Program Cost: US\$ 345 M

Total Bank Financing: US\$ 200 M

Other Financing:	US\$ 145 M	Financing Gap:	US\$ 0 M
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Financing Source	Amount (US\$ M)
BORROWER/RECIPIENT	145
IBRD/IDA	200
Total	345

Borrower: Municipality of Casablanca, with Guarantee from the Kingdom of Morocco

Responsible Agency: Municipality of Casablanca

Contact:	M. Abdelaziz El Omari	Title:	President of the Municipal Council of Casablanca
Telephone No.:		Email:	

Representative of the Guarantor: Directorate of Treasury and External Financing, Ministry of Economy and Finance

Contact:	Faouzia Zaaboul	Title:	Director
Telephone No.:	+212 537 67 73 54 / 55	Email:	

#### Expected Disbursements (in USD Million)

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23
Annual	18.5	41.5	53.95	64.65	21.4	0
Cumulative	18.5	60	113.95	178.6	200	0

#### Program Development Objective(s)

The Program Development Objective (PDO) is to increase the investment capacity of the Municipality of Casablanca, improve the business environment in the Municipality of Casablanca, and enhance access to basic services in the Program Area.

#### Compliance

##### Policy

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



<b>Overall Risk Rating:</b> Substantial			
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Program Institutions  (Loan Agreement, Schedule 2, Section I.A.1 a))	X		CONTINUOUS
<b>Description of Covenant</b>  The Borrower shall maintain, throughout the Program's implementation, a Strategic Committee, in charge of setting the Program's priority objectives and reviewing overall Program implementation, with decision making authority, under terms and conditions as described in the Program Operations Manual (POM);			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Program Institutions  (Loan Agreement, Schedule 2, Section I.A.1 b))	X		CONTINUOUS
<b>Description of Covenant</b>  The Borrower shall maintain, throughout the Program's implementation, a Steering Committee, responsible for overall Program implementation at the operational level and for coordination among key Program stakeholders, under terms and conditions as described in the POM; and			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Program Institutions  (Loan Agreement, Schedule 2, Section I.A.1 c))	No	30 days after effectiveness	Once
<b>Description of Covenant</b>  The Borrower shall no later than thirty (30) days after the Effective Date, or any other later date as shall be established by the Bank, enter into a memorandum of understanding with Casa Prestations, or any other entity as shall be proposed by the Borrower and agreed by the Bank ("PMU Memorandum of Understanding" or "PMU MoU") under terms and conditions acceptable to the Bank, including Casa Prestations' s or any such other entity's obligation to establish and thereafter maintain, throughout the Program's implementation, the Program Management Unit ("PMU")			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Implementation Arrangements  (Loan Agreement, Schedule 2, Section I.B.1)	X		CONTINUOUS

<b>Description of Covenant</b>  The Borrower shall ensure that each Participating Société de Développement Local (“Participating SDL”) and the Operator shall, pursuant to the terms and conditions of their respective Commitment Letter: (i) assist the Borrower in the implementation of the Program activities which fall within its administrative jurisdiction; and (ii) comply with the pertinent provisions of the POM.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Implementation Arrangements  (Loan Agreement, Schedule 2, Section I.B.2)	X		CONTINUOUS
<b>Description of Covenant</b>  Prior to the carrying out of any Program activity under Part 2 (a) of the Program within the territorial jurisdiction of any of the Beneficiary Municipalities, arrangements with each Beneficiary Municipality shall be executed for the implementation of the activities under Part 2(a) of the Program, under terms and conditions acceptable to the Bank and described in the POM.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Environmental and Social Aspects  (Loan Agreement, Schedule 2, Section I.C.4)	X		CONTINUOUS
<b>Description of Covenant</b>  If any works under the Program involve temporary taking of land or restriction of access to land which causes physical displacement and/or adversely affects the income source or means of livelihood and/or living standards of the affected persons, the Borrower shall, prior to any said temporary taking of land or restriction of access, ensure full payment of compensation and/or provision of relocation/restoration/livelihood assistance (as the case may be) to the affected persons, all in a manner acceptable to the Bank and as described in the POM.			
<b>Team Composition</b>			
<b>Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Augustin Maria	Senior Urban Specialist	TTL	
Andrea Liverani	Program Leader	Co-TTL	
Anastasia Touati	Urban Development Specialist	Urban Development	
Abdoulaye Keita	Senior Procurement Specialist	Procurement	

Moustapha Ould El Bechir	Senior Procurement Specialist	Procurement	
Ousmane Kolie	Senior Financial Management Specialist	Financial Management	
Laila Moudden	Financial Management Specialist	Financial Management	
Vincent Roquet	Senior Social Development Specialist	Social Development	
Africa Eshogba-Olojoba	Lead Environmental Specialist	Environment	
Philippe De Meneval	Program Leader	Trade and Competitiveness	
Nawal Filali	Private Sector Development Specialist	Trade and Competitiveness	
Anne-Lucie Lefebvre	Senior Public Management Specialist	Public Management	
Ziad El Nakat	Senior Transport Specialist	Transport	
Nabil Samir	Transport Specialist	Transport	
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Daniel Camos	Senior Infrastructure Economist	Water	
Manaf Touati	Energy Specialist	Energy	
Elena Segura	Senior Counsel	Legal	
Eric Ranjeva	Finance Officer	Disbursements	
Sahar Ghoussoub	Senior Financial Officer	Treasury	
<b>Non-Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>City</b>	
Herve Hocquard	Municipal Management Consultant	Bièvres	
Najat M'jid	Social Development Consultant	Casablanca	
Khalid Anouar	Environmental Management Consultant	Rabat	
Lamia Zaki	Urban Development Consultant	Marseille	
Guillaume Dulac	Infrastructure Consultant	Paris	



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Cities are central to Morocco's future, while confronted with social and economic vulnerabilities.** The share of urban population has increased from 35% to 60% since 1970. Despite higher rural fertility rates (2.7 compared to 1.8 in urban areas), sustained rural-urban migration makes population growth an essentially urban phenomenon. By 2050, 70% of Moroccans will live in cities. Accounting for about 75% of Morocco's total GDP, cities generate positive spillovers for both their surrounding metropolitan areas and the country at large: 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 (3.4% average annual GDP growth over 2008-2015 compared to 2.8% in the 1990s). However, cities' role in driving Morocco's socio-economic progress confronts them with mounting challenges. Whilst absorbing rural poverty through incoming migration, cities remain plagued by important pockets of poverty. In 2014, roughly 325,000 people in urban areas lived below the poverty threshold (US\$3.1 in 2011 purchase power parity per day) and an additional 1.6 million were economically vulnerable<sup>1</sup>, with higher likelihood of falling into poverty when exposed to shocks<sup>2</sup>. Urban unemployment stands at 14% compared to 3.8% in rural areas.

2. **Cities' shifting importance increasingly ties them to the country's political stability.** Youth unemployment remains an essentially urban phenomenon (36% compared to 8.4% in rural areas)<sup>3</sup>. Local service delivery is marred by a sharp mismatch between municipal mandates and cities' technical and financial capacity, compounded by poor coordination between central and local agencies. If left unmanaged, urbanization will further strain urban infrastructure and service delivery, with both economic and social consequences.

3. **The Government's decentralization agenda stems from the recognition of local governments' pivotal role in renewing the social contract in Morocco.** Municipalities' responsibilities put them at the forefront of the interaction between citizens and their administration. Their mandate for the provision of key basic services and infrastructure, taxation, standard administrative services, and the reception and treatment of citizen grievances make them the first point of contact between citizens and public authorities. 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 2015 Organic Law on Communes confirms cities' primary role in local governance and service delivery.

4. **Strengthening municipalities, both financially and institutionally, is key to allowing them to fulfill their service provision mandate.** Municipalities have seen their autonomy increased by the reforms, but they still face mounting challenges to step up to the task of delivering the infrastructure needed to accommodate the continued increase in urban population. From a financial perspective, it is estimated that cities will need to multiply their current level of investment by five in order to

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<sup>1</sup> Vulnerability to poverty is the share of the population whose per capita consumption is in the range between the poverty line and one and a half times that threshold.

<sup>2</sup> Morocco Systematic Country Diagnostic, World Bank, 2017.

<sup>3</sup> National Employment Survey, Haut-Commissariat au Plan, 2013.

accommodate future investment needs<sup>4</sup>. The estimated investment requirements for urban infrastructure, equipment and services in Moroccan cities amount to around MAD 320 billion (US\$33.6 billion equivalent) over the 2017-2027 period, with an estimated 69% of this - or MAD 22.2 billion (US\$2.33 billion equivalent) per year over the ten-year period - to be financed by urban municipalities themselves. In comparison, the total capital expenditure of urban municipalities has stagnated at around MAD 4.5 billion (US\$0.47 billion equivalent) per year over the 2009-2015 period, around 20% of the estimated annual investment required to provide cities with the infrastructure, equipment and services they need to support improved living standards and economic activity in their territories. Although challenging, the objective of bridging this investment gap can be achieved through realistic improvements in the way municipal revenues and expenditures are managed, and through increased mobilization of commercial financing through borrowing and public-private partnerships (PPP).

5. **Recognizing the primary role of Municipalities in local governance and service delivery, the Government launched ambitious integrated urban development plans in Morocco's largest cities.** Integrated urban development plans (*plans de développement urbain intégré*) have been launched for the cities of Rabat, Sale, Tangier, Tetouan, and Marrakech in 2014, and for the cities of Casablanca and Kenitra in 2015. These plans have been prepared based on participative diagnostics, and involve the formalization of partnerships between the Central Government, Local Governments and other local stakeholders through Memoranda of Understanding (*Conventions Cadres*). All plans include an investment program aimed at improving spatial connectivity, access to basic services, urban environment, and social inclusion in the respective cities. Beyond investments, the plans also aim at increasing local governments' institutional and financial capacity and improving coordination between central and local governments.

## **B. Sectoral (or multi-sectoral) and Institutional Context**

6. **As the country's largest city and economic capital generating 20% of the national GDP, Greater Casablanca embodies the opportunities of Morocco's urbanization.** With roughly 35,000 additional people moving to the city every year, over 12% of the population (4.3 million people, compared to 1.1 million in 1960) is concentrated in the Greater Casablanca conurbation today on only 0.6% of national territory. As one of Africa's leading financial centers and the core of Morocco's industrial sector (60% of industrial workers and 55% of the country's production units), Casablanca is also the driver of the Moroccan economy's diversification and structural transformation. As the main economic engine of the country, it directly generates one-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.

7. **Casablanca also encapsulates the country's social inclusion challenges.** The city is marked by inequalities, and persistent pockets of poverty (about 150,000 people) and vulnerability (450,000 people) equivalent to about 31% of the total urban poor and vulnerable population of the country. At 0.52, Casablanca's Gini coefficient remains significantly higher than the national average (0.395), and ranks it as the third most unequal city in Africa.<sup>5</sup>

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<sup>4</sup> Making Urbanization Work for Growth and Shared Prosperity in Morocco – Urban and Regional Development Policy Note, World Bank, 2017.

<sup>5</sup> UN Habitat (2011). Gini figures are calculated here based on consumption. If based on income, the degree of inequality would be even larger.

8. **Casablanca epitomizes Morocco's challenges in terms of generating economic opportunities for its youth.** Youth unemployment is recognized as one of the key challenges facing the country. Morocco counts approximately one million unemployed (9 to 10 percent of the working-age population), the vast majority of whom are young men living in cities. Despite Casablanca being the country's economic powerhouse, youth unemployment in the city 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. Casablanca hosts 784,287 youth who are considered "Not in Education, Employment, or Training" (NEETs) – equal to roughly 11% of its total population and 17% of the total NEET population of Morocco.

9. **Weak financial and institutional capacity prevents the Municipality of Casablanca from meeting the growing demands of its citizens.** Despite its acceptable debt/operating income ratio (less than 10%), the financial capacity of the Municipality of Casablanca (*Commune de Casablanca*, CC) remains weak. Both its operating income (about MAD 1,000, or US\$100 equivalent, per inhabitant) and its investment expenditures (MAD 183, US\$19 equivalent, per inhabitant) ratios are insufficient to deliver on the rapidly increasing demand for urban services. In addition to limiting the investment capacity allowed by the generation of operating surpluses, the city's untapped fiscal potential<sup>6</sup> limits its capacity to attract commercial financing to address the municipal infrastructure gap<sup>7</sup>.

10. **The business environment needs to be improved for the city to realize its economic growth potential.** 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 and 2010) remains lower than the national average. In highlighting the city's weak performance, Morocco's Central Audit Institution (*Cour des Comptes* – CdC) recently noted the need to streamline red tape affecting the enabling environment for entrepreneurship, the city's attractiveness to external investors and the viability and evolution of the city's existing firms, which are largely constituted by small and medium sized enterprises (90% of Casablanca-based firms have less than five employees), operating mainly in the informal sector (60%). The annual World Bank Doing Business (DB 2017) survey for Morocco also concluded that red tape and lengthy procedures result not only in bottlenecks for business and entrepreneurs, but also in low transparency, encouraging rent seeking behaviors. The World Bank's latest (2013) Enterprise Survey - which measures the perception of businesses in Morocco and in Casablanca in particular – confirms these results. Casablanca-based companies point out long, complicated and opaque local procedures due to complex regulations as one of the main obstacles to doing business.

11. **Casablanca has become a national priority. The city finds itself at a crossroads between being the beacon of urbanization promises and the example of its multi-faceted challenges.** With increasing global competition, Morocco's largest city must act resolutely and rapidly to preserve its central position as the country's main growth pole and main window to the world economy. The

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<sup>6</sup> The untapped fiscal potential was estimated at a minimum of US\$150 million per year in 2008 by Charles Riley Consultants International.

<sup>7</sup> Improved fiscal administration to enhance tax revenues is a key challenge for Morocco's local and central authorities. In its May 2015 report, Morocco's Central Audit Institution 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.

authorities' renewed attention led to the September 2014 launch of the Greater Casablanca Development Plan (*Plan de Développement du Grand Casablanca*, PDGC) - a US\$3.4 billion initiative over six years (2015-2021) aimed at increasing policy and investment coordination between central and local government in the Casablanca agglomeration. In addition to calling on the CC to contribute directly to PDGC investments through own revenues and external borrowing, the PDGC mandates the CC to implement a set of institutional reforms aimed at increasing its financial sustainability, business attractiveness and service delivery capacity.

**12. The proposed operation would pilot a model to support municipalities in addressing their main challenges.** The Government of Morocco (GoM) values the demonstration effect of the integrated package of reforms and investments being supported in Casablanca, and sees it as the pilot that could be replicated in other large cities in Morocco. The model being piloted in Casablanca enables the Municipality to address its key challenges with focus on how to: (a) maximize private investment to help the city close its urban infrastructure gap; and (b) reduce intra-city disparities in term of access to municipal services.

### **C. Relationship to the CAS/CPF and Rationale for Use of Instrument**

**13. The proposed PforR operation will contribute to achieving the objectives of the 2014-2017 World Bank Group's Country Partnership Strategy (CPS)<sup>8</sup>.** Specifically, the operation will support two of the CPS strategic result areas, namely: (i) 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; and (ii) 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.

**14. The operation supports the pillar on renewing the social contract of the World Bank Group (WBG) Strategy for the Middle East and North Africa Region.** The reforms promoted by the proposed operation will help empower the largest Moroccan municipality to take key actions aimed at improving transparency and accountability. Although there are precedents of subnational PforRs, in which the borrower is a subnational entity, this operation would be the first Bank-financed operation in more than 20 years involving lending to a municipality with the sovereign guarantee of the Government of Morocco. The operation would constitute a model which could be replicated in other cities to support key reforms to: (i) increase the institutional and financial capacity of the CC; (ii) improve access to basic services and citizen accountability with special attention to lagging neighborhoods; and (iii) improve the business environment. By doing so, it will demonstrate how local governments can fulfill their new mandates when provided with increased capacity and autonomy, as envisaged under the Constitution. In particular, the operation promotes fiscal, citizen engagement and e-government reforms aimed to increase the accountability of municipal decision makers and administration vis-à-vis citizens and entrepreneurs.

**15. The operation will contribute to the WBG's twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner.** Together with local employment opportunities, access and quality of local public services are essential to the well-being of poor and vulnerable groups. The proposed operation will contribute to achieving the twin goals, both within and beyond the city's

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<sup>8</sup> The World Bank Group CPS for FY14-17 (Report No. 86518-MA) was discussed by the Board on April 29, 2014. A Performance Learning Review of the CPS (Report No. 105894-MA) was presented to the Board on May 24, 2016.



boundaries. In addition to facing the immediate challenge of providing jobs and reliable services to the poorest segments of its own population, Casablanca's institutional and financial performance has a wider national bearing. It will shape its capacity to retain its role as growth driver for the whole country and to absorb rural poverty, by welcoming future job-seeking migrants; sustaining the demand for rural produce; and generating tax revenues capable of financing investments nationwide, including in lagging areas.

16. **The operation applies the WBG Maximizing Finance for Development/"cascade" approach in Morocco at the subnational level.** The PDGC acknowledges that innovative institutional and financial models are critical to achieve the program's investment objective. This operation provides integrated support to the mobilization of private capital for investments in Casablanca in three complementary ways: (i) by supporting the development of municipal PPP operations, (ii) helping establish the Municipality's creditworthiness, and (iii) de-risking private investment. A specific Disbursement Linked Indicator (DLI-3) will measure the amount of private capital mobilized for investments through PPP transactions. A pipeline of potential PPPs has been identified, including the renewal and operation of city buses, the construction of underground parking, and the development of new Bus Rapid Transit (BRT) lines. A contract has been signed with a consortium of reputable firms for the provision of transaction advisory services to support the structuring of the PPP transaction for the renewal and operation of the city buses. IFC advisory is expected to support the Municipality in the structuring of selected PPP transactions. Specifically, the CC has expressed interest – through a letter signed by its mayor – in the structuring of a PPP transaction for the construction of underground parking. Based on the letter of interest signed by the mayor, IFC advisory has initiated the internal process for the preparation of a mandate to this effect. Furthermore, by strengthening the financial and institutional capacity of the CC, this operation will address key upstream identified constraints that limit the potential public and private investments needed for the city's development. Strengthened municipal revenues would decrease the payment risks for existing and future PPPs in which the Municipality has a financial responsibility in terms of capital investment or at the operational level. Improved creditworthiness would also allow the Municipality of Casablanca to leverage its increased revenues for investments through commercial borrowing.

17. In addition, the support provided to the CC through this operation complements the ongoing dialog between the WBG and Casablanca on the financing of planned Bus Rapid Transit lines on a PPP basis. Based on the letter of request from the Casa Transport, the Municipal Development Company (*Société de Développement Local*) was tasked by the Municipality to oversee mobility investments under the PDGC, and the WBG is initiating a Value for Money Analysis to compare public and private financing options for the proposed investments in Bus Rapid Transit.

18. **Rationale for use of the PforR instrument.** The proposed PforR has been identified as the most appropriate lending instrument for the following reasons:

- a. The Government of Morocco has specifically requested the use of the PforR to provide concrete incentives to the achievement of Program results. The two champions of the operation – Casablanca's mayor and the regional Wali<sup>9</sup> – both signaled their intention to use DLIs to incentivize and mobilize the different stakeholders contributing to achieve the results;

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<sup>9</sup> Walis are Morocco's regional governors. They represent the state at the regional level and have control over the deconcentrated agencies of the national Government.

- b. The operation supports a government program composed of investments and institutional reforms. The PforR provides the framework for the Bank's implementation support to focus on fostering institutional building.

## II. PROGRAM DESCRIPTION

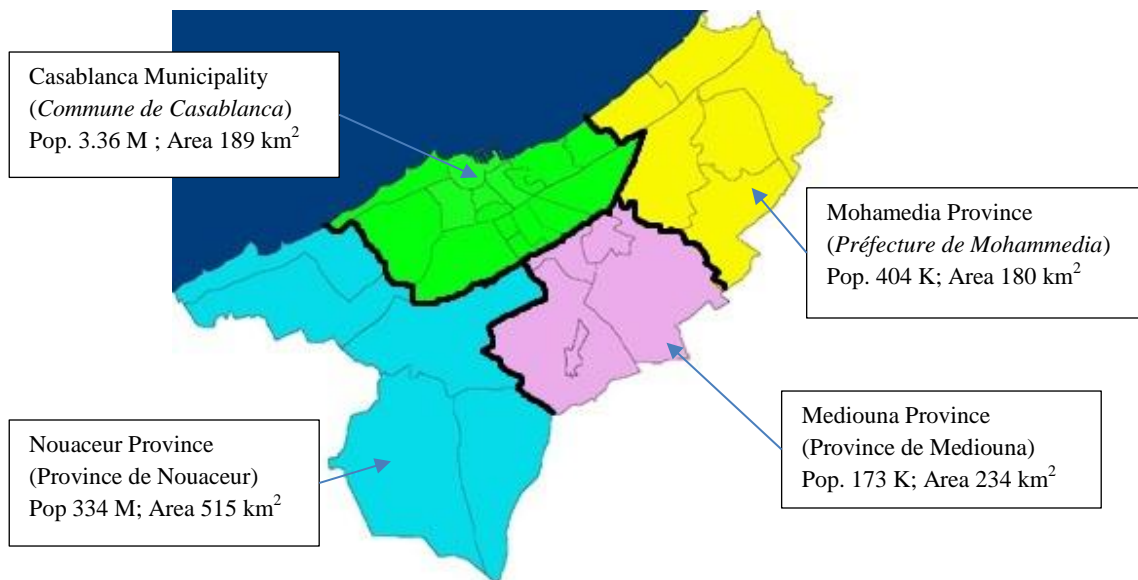
### A. Government program

19. **The Greater Casablanca Development Plan.** With a budget of US\$3.5 billion (MAD 33.6 billion) and a six-year overall programming (2015-2021), the Greater Casablanca Development Plan (PDGC) lays out a strategic and integrated investment and reform program for the Greater Casablanca (See Box 1 for a description of the Greater Casablanca). The PDGC mandates the municipality to implement a series of institutional reforms aimed at increasing its financial sustainability, its capacity to deliver quality services and to attract private investment. In addition to strengthening coordination between central departments and local governments (LGs), the PDGC aligns policy and investment decisions with local needs. Its formulation relied on a six-month long participatory process based on the mobilization of several hundred participants. In addition to receiving input from the City Council (*Conseil de la Ville*) and District Councils (*Conseils d'Arrondissements*) members, the deliberations of the nine working groups were shaped by civil society representatives, local entrepreneurs, academics and technical experts.

20.

#### Box 1. Greater Casablanca

Greater Casablanca is constituted of the CC and the surrounding provinces of Nouaceur, Mediouna and Mohammedia. When the PDGC was formulated, the Greater Casablanca corresponded to the regional subdivision of Greater Casablanca Region. Following the new territorial division set in place in 2015 to further reinforce the regions as a key level of decision-making, the Greater Casablanca region was replaced by the Casablanca-Settat region, with extended boundaries. The PDGC has kept its initial denomination, initial activities and geographical focus.



21. **The PDGC objectives revolve around four strategic pillars:** (1) Improving living conditions, especially in the most vulnerable communities, through the upgrading and extension of basic services; (2) Enhancing urban and regional mobility, through the development of public transport and the rehabilitation of key urban roads and associated infrastructure; (3) Promoting the economic competitiveness of the Greater Casablanca through the rehabilitation and development of industrial, logistics and service areas, as well as through the improvement of the business environment; and (4) Developing the city's attractiveness through investments to improve urban safety, cultural and sports infrastructure, as well as green spaces. A set of Framework Memoranda of Understanding (MoUs) (*conventions-cadre*) was signed between the central, regional and local governments in 2015 with the launch of the PDGC, for a total investment amount of MAD 33.6 billion<sup>10</sup>.

22. **In addition to investments, the PDGC also mandates the city to implement a set of institutional and financial reforms aligned with the Government's decentralization agenda** and its objective of strengthening municipalities and making them more accountable to their citizens. These include actions to enhance local institutions and governance, strengthen municipal finances and make the municipality more responsive to citizens and private sector demands.

23. **The PDGC relies on a strong inter-institutional cooperation and financing framework.** As is typical in Morocco with any large integrated Government program, the financial commitments behind the PDGC were formalized through the signature of several MoUs amongst central departments, the Regional Council of the Casablanca-Settat region and the Municipality. Based on these agreements, the Municipality will finance its share of projected PDGC activities through: (i) its own resources, including both municipal taxes and central government transfers from the Value-Added Tax (VAT) Special Purpose Account (*Compte d'Affectation Spéciale - Part des Collectivités Locales dans la Taxe sur la Valeur Ajoutée* – CAS TVA); (ii) domestic or external borrowing; and (iii) leveraging commercial financing, including through new PPPs. Since its launch, the overall progress in the execution of the PDGC investments has been satisfactory, and it was estimated in June 2017 that the overall budgetary execution was around 29%. However, the Municipality has been facing difficulties to meet its financial commitments in terms of contribution to the PDGC investments from its capital budget. Through its focus on the financial and institutional strengthening of the Municipality, this operation would address the main existing bottleneck in the PDGC's implementation.

## **B. Program Development Objective/s (PDO) and key results**

24. **The Program Development Objective (PDO)** is to increase the investment capacity of the Municipality of Casablanca, improve the business environment in the Municipality of Casablanca, and enhance access to basic services in the Program Area.

25. **PDO indicators.** Progress towards achieving the PDO will be measured through four key results indicators:

- PDO Indicator 1: Percentage increase in municipal revenues, excluding transfers from a baseline of 0% in CY 2015;

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<sup>10</sup> See Annex 1 for a detailed presentation of the PDGC strategic pillars and the planned investments under the framework MoUs.

- PDO Indicator 2: Private capital mobilized for investments through new or additional value of PPP contracts from a baseline of 0;
- PDO Indicator 3: Households in disadvantaged neighborhoods<sup>11</sup> provided with improved access to basic services<sup>12</sup> (at least one of the following: water supply, sanitation, or electricity), from a baseline of 0;
- PDO Indicator 4: Reduction in the average number of days required for the issuance of a building permit at the Municipality's one-stop-shop.

### C. PforR Program Scope

26. **Program Boundaries.** As a subset of the Government program (the PDGC), the Program is defined according to the following boundaries:

- **Activities:** The Program finances a subset of the PDGC investments, including technical assistance, transaction advisory services for development and structuring of PPPs; studies and information technology (IT) systems to support the financial and institutional strengthening of the CC and the improvement of the business environment in the CC, as well as activities to improve the urban environment and access to basic services in the Program Area (see Table 1). The estimated cost of Program activities is US\$345 million, of which US\$200 million are expected to be financed with the loan proceeds. The subset of PDGC activities included in the Program has been identified based on the following criteria: (i) the Program activities directly support the achievement of the PDO, (ii) the CC has a clear role in the implementation and the financing of the Program activities.
- **Duration:** Matching the PDGC programming period, the Program covers the period between January 1, 2016 and December 31, 2021.
- **Program Area:** The Program's geographical scope corresponds to the Government program scope and includes the Casablanca Municipality, as well as the neighboring provinces of Mohammedia, Nouaceur, and Mediouna (Program Area). Casablanca Municipality is fully urbanized and concentrates 3.36 million inhabitants, around 79% of the population of the Greater Casablanca. The rest of the population is spread in the urban and peri-urban areas in the provinces of Mohammedia (9%), Nouaceur (8%), and Mediouna (4%). The Program's geographical scope is in line with the geographic scope in which the CC has been mandated to intervene under the PDGC MOUs. The CC has a direct stake in promoting economic efficiency, mobility, and social inclusion at the metropolitan level, and has a lead role – as the largest municipality in the Greater Casablanca – in promoting and supporting inter-municipal cooperation at the metropolitan level.
- **Beneficiaries:** Under Results Area 1, the Program activities aimed at increasing the municipality's investment capacity will benefit the entire population of the Casablanca Municipality. Program investments aimed at improving access and quality of service delivery under Results Area 2 (see below) will be particularly targeted to disadvantaged neighborhoods of the Program Area. Under Results Area 3, the Program measures activities at improving the business environment that will benefit all businesses and residents of the Casablanca Municipality.

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<sup>11</sup> The target neighborhoods are peri-urban settlements identified as target neighborhoods under the National Social Development Program (*Initiative Nationale de Développement Humain*, INDH), which applies a robust targeting mechanism for the identification of disadvantaged neighborhoods. In addition to low levels of access to basic amenities, the target neighborhoods display high rates of economic and social vulnerability.

<sup>12</sup> The beneficiary households will receive formal connections to water supply, sanitation, and/or electricity from the utility in charge of providing these services in the Program Area (Lydec).

- **Accountability:** Several agencies of the Government of Morocco contribute to the PDGC under the coordination of the Wali. In the case of the Program, the Municipality of Casablanca has the main accountability for implementation and results achievement, with the Wilaya (regional governorate) in a supporting role to ensure Program stakeholders' buy-in.
- **Results:** Building on the PDGC areas of focus for both investments and reforms, the Program results are organized under three results areas: (1) Increasing municipal investment capacity, (2) Improving the urban environment and access to basic services, and (3) Improving the business environment.

**Table 1. Program expenditures**

<b>Activities</b>	<b>Estimated Budget (US\$ M)</b>
Technical assistance, IT systems, and incremental operating costs for the improvement of fiscal resources management and institutional strengthening of the Municipality of Casablanca, including towards the improvement and development of e-government platforms for citizen engagement as well as commercial and administrative services, and support for the development and structuring of municipal PPP operations	40
Extension of water supply, sanitation, and electricity networks in disadvantaged neighborhoods in the Program Area	25
Repair and upgrading of the urban road network and surrounding areas, including traffic lanes, sidewalks, drainage, green spaces, street lighting, buildings and signaling in the Municipality of Casablanca	240
Development of an integrated traffic management system in the Municipality of Casablanca.	40
<b>Total</b>	<b>345</b>

27. **Program Results Areas.** The Program activities are grouped under three Results Areas (RA) described below. The Program's results chain is presented in Table 2, and the allocation of Program financing to the different Results Areas is presented in Table 3.

- **RA1: Increasing the investment capacity of the Municipality of Casablanca.**
  - (a) Strengthening the Borrower's revenue management systems through, *inter alia*: (i) the carrying out of capacity building activities, (ii) the establishment and implementation of an integrated information system; (iii) the carrying of an inventory of taxpayers and inventory and valuation of the municipal real-state assets; and (iv) the implementation of an Addressing System (*Système d'Adressage*).
  - (b) Increasing the mobilization of private investment through the establishment of public-private partnerships<sup>13</sup>.
- **RA2: Improving the urban environment and access to basic services in the Program Area.**

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<sup>13</sup> The specific investments financed through these PPPs will be considered outside the boundaries of the Program.

- (a) Improving the access of households located in Disadvantaged Neighborhoods to electricity, water and sanitation services in the Program Area.
- (b) Developing effective and transparent Borrower's grievance redress mechanisms and an e-government platform in accordance with specifications and criteria set forth in the Program Operational Manual.
- (c) Improving Selected Public Spaces in the Borrower's territory by, inter alia, upgrading/building of roads, sidewalks, pedestrian ways, installation of public lighting, road markings and road signs, rainwater drainage systems, landscaping, green areas management and rehabilitation, and traffic management equipment.

• **RA3: Improving the business environment in the Municipality of Casablanca.**

Supporting the acceleration and digitization of administrative procedures through the simplification, automation and dematerialization of the procedures for the issuance of business licenses and the authorization related to urban planning.

**Table 2. Results Chain**

Result Area	Inputs	Outputs	Outcomes
1. Increasing the investment capacity of the Municipality of Casablanca	<ul style="list-style-type: none"> <li>• Technical assistance, IT systems, and incremental operating costs for the modernization of the CC's revenue management systems and other Public Financial Management (PFM) systems.</li> <li>• Technical assistance for the identification and development of PPP transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved PFM systems are deployed.</li> <li>• PPP transactions are identified and structured</li> </ul>	<ul style="list-style-type: none"> <li>• Increased municipal revenues</li> <li>• Private capital is mobilized through PPP transactions</li> </ul>
2. Improving the urban environment and access to basic services in the Program Area	<ul style="list-style-type: none"> <li>• Studies, small and medium works for the extension of water supply, sanitation and electricity networks</li> <li>• Studies, small and medium works for comprehensive street upgrading</li> <li>• Studies and information systems for improvement of platforms for citizen relationship management</li> </ul>	<ul style="list-style-type: none"> <li>• Increased water supply, sanitation, and electricity coverage in selected disadvantaged neighborhoods</li> <li>• 116 km of street is upgraded</li> <li>• Platforms for citizen engagement are strengthened or created</li> </ul>	<ul style="list-style-type: none"> <li>• 10,000 households in disadvantaged neighborhoods are provided with formal access to water supply, sanitation, and electricity</li> <li>• Urban environment, as well as pedestrian and vehicular mobility is enhanced in upgraded streets</li> <li>• CC accountability to citizens is increased</li> </ul>
3. Improving the business environment in the Municipality of Casablanca.	<ul style="list-style-type: none"> <li>• Studies and IT systems for the dematerialization of administrative processes for the issuance of urban planning approvals and</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative processes are dematerialized</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced time required to process transactions, and increased transparency</li> </ul>

	business licenses		
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**Table 3. IBRD Financing (US\$ million)**

Results Area	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	Total
<b>RA1</b>	12	23.2	39.35	40.45	10	125
<b>RA2</b>	0	13.3	10.6	24.2	11.4	59.5
<b>RA3</b>	6	5	4	0	0	15
<b>Subtotal – DLI disbursements</b>	18	41.5	53.95	64.65	21.4	199.5
<i>Front-end Fee</i>						0.5
<b>Total IBRD financing</b>						200

**Table 4. IBRD Contribution to the Program (US\$ million)**

Source	Amount	% of Total
Borrower	145	45%
IBRD	200	55%
Other Development Partners	-	-
<b>Total Program Financing</b>	<b>345</b>	<b>100%</b>

28. **Exclusions.** The Program does not include any activities assessed to have a significant adverse impact on the environment and/or affected people as defined in the World Bank Policy and Directive on PforR Financing, nor works, goods, and consultancy contracts above the Operations Procurement Review Committee (OPRC) thresholds.

29. **Gender-oriented benefits.** Under RA2, improving the urban environment and access to basic services in the Program Area, women in disadvantaged neighborhoods will directly benefit from the extension of water supply, sanitation and electricity networks. Women are often the primary users, providers and managers of water in their households<sup>14</sup>. They are also more impacted than men by the absence of a reliable and convenient access to water supply, being forced to travel long distances and/or wait in line to meet their family needs, or having to stay at home to take care of children affected by water borne diseases. Improved access to water supply and sanitation for those specific households will help reduce time associated with health and care-giving burden and give women more time for productive endeavors, adult education, empowerment activities and leisure<sup>15</sup>. Improved access to electricity is also known to free up women's time by increasing their efficiency in completing the household chores that typically are their responsibility. This creates possibilities for them to invest more in childcare and housework, increase leisure including reading, participate in social and community activities, and earn income. These have the potential to increase women's well-being<sup>16</sup>. Female members of households in disadvantaged neighborhoods provided with improved access to basic services under the Program will be

<sup>14</sup> World Bank, 2010, *Mainstreaming Gender in Water and Sanitation*, Water and Sanitation Program Report

<sup>15</sup> UN Water, 2006, *Gender, water and sanitation, A policy brief*.

<sup>16</sup> World Bank, 2012, *Energy, Gender and development. What are the linkages? Where is the evidence?* Social development papers.



specifically tracked as a sub-indicator under PDO indicator 3 (number of households in disadvantaged neighborhoods provided with improved access to basic services). Moreover, repair and upgrading of the urban network will incorporate typical safety, security, and universal access features that have a positive impact on women's well-being in urban areas, such as improved lighting, road safety grids for dedicated lane.

30. **Role of development partners.** IFC has joined forces with the International Bank for Reconstruction and Development (IBRD) during Program preparation, specifically in relation to its urban mobility investments. IFC is expected to support Program implementation by providing advisory services to Casa Transport, the Municipal Development Company (*Société de Développement Local*) tasked by the Municipality to oversee mobility investments under the PDGC. In particular, IFC is expected to support Casa Transport in the development of selected urban mobility related PPPs being considered. The CC has formalized its interest in receiving IFC support in the structuring of a PPP for the development of two underground parking areas. The Program's focus on increasing municipal investment capacity is in line with the priorities of other development partners in Morocco. Building on the implementation of the ongoing Local Government Support Project (*Projet d'Appui aux Collectivités Locales*), financed by a grant from the MENA Transition Fund, the Bank has convened a coordination group of donors involved in supporting municipal development, including the French Development Agency (*Agence Française de Développement* - AFD), the African Development Bank, the European Investment Banque (EIB), and the German Development Agency (*Gesellschaft für Internationale Zusammenarbeit* - GIZ). USAID and GIZ have provided training for local development planning, participatory governance, government transparency, and the organization and management of municipalities. AFD is supporting the Government's proposed reform of Local Governments' financing framework. AFD and the EIB have contributed to financing the light rail systems in Casablanca. EBRD has expressed interest in coordinating with the Bank to support specific sector investments during Program implementation. In addition, the Multilateral Investment Guarantee Agency (MIGA) would be able to facilitate the Municipality's access to commercial borrowing through the provision of a risk guarantee, conditioned on the Municipality's credit rating which is part of the Program Action Plan (PAP).

31. **Citizen engagement.** The Program will emphasize local ownership. It has already integrated consultations with Program beneficiaries and key local stakeholders upfront during the preparation and will continue to do so during the implementation of the Program. Citizens will be consulted and included throughout the Program duration through a participatory approach that will lay the ground for ownership. Beneficiary feedback will also be mainstreamed at the local level, especially through using ICT platform and tools to strengthen access to information, consultation and inclusive participation, right to petition, appropriated grievance redress mechanisms, as well as monitoring user satisfaction pertaining to municipal utilities. In particular, the Program's results framework includes an indicator to monitor deployment of a system to manage citizen requests (IRI 2.3 in Annex 2).

#### **D. Disbursement Linked Indicators and Verification Protocols**

32. **Disbursement Linked Indicators (DLIs) have been selected to reflect critical elements of performance required to achieve the PDOs.** Table 5 presents six Program DLIs, their link with the three Program Results Areas, and the amount allocated to each DLI. DLIs 1 to 6 are drawn from the Program's results framework – the first, second, and third are also PDO indicators.

**Table 5. Disbursement Linked Indicators**

<i>Results Area</i>	<i>Disbursement Linked Indicator</i>	<i>Amount allocated (US\$ M)</i>
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<b>Results Area 1 - Increasing the investment capacity of the Municipality of Casablanca</b>	DLI#1 – Percentage increase in municipal revenues, excluding transfers from a baseline of 0% in CY 2015	50
	DLI#2 – Modernization of the CC's revenue management systems	15
	DLI#3 - Private capital mobilized for investments through new or additional value of PPP contracts from a baseline of 0	60
<b>Results Area 2 - Improving the urban environment and access to basic services in the Program area</b>	DLI#4 – Households in disadvantaged neighborhoods provided with improved access to basic services (at least one of the following: water supply, sanitation, or electricity), from a baseline of 0	40
	DLI#5 – Number of kilometers of comprehensive street upgrading (works to include at least three (3) of the following elements: (i) roadway, (ii) sidewalk or pedestrian path, (iii) road drainage systems, (iv) road markings and signs, (v) street lighting, (vi) urban furniture, and (vii) landscape), from a baseline of 0	19.5
<b>Results Area 3 - Improving the business environment in the Municipality of Casablanca</b>	DLI#6 – Simplification and digitalization of administrative transactions for the issuance of: (i) authorizations related to urban planning, and (ii) business licenses	15
<i>Front-end Fee</i>		0.5
<b>Total</b>		<b>200</b>

33. **Measurability plays a key role in the definition of DLIs.** All DLIs rely on solid measurement systems allowing for reliable verification. A detailed definition of the DLIs, their verification protocols and the basis for the determination of disbursements are provided in Annex 3.

#### **E. Capacity Building and Institutional Strengthening**

34. **Consistent with the Program's objective of strengthening the CC's investment capacity, the Program will have a strong focus on developing the Municipality's revenue management systems.** Actions related to tax base identification and revenue collection include updating registries and carrying out a full census of taxpayers, the establishment of a common fiscal address repository, and the operationalization of a geographic information systems developed by the CC for the purpose of municipal tax administration. Other institutional strengthening activities will include computerization and review of processes for sharing of tasks and data.

35. **Empowering the municipality to deliver on the objectives of the PDGC and the needs of its citizens and entrepreneurs revolves around strengthening CC staff capacities.** To address this specific challenge, the Program supports the development of a strategic human resource plan to align the CC needs to its evolving responsibilities.

36. **The implementation of the Program will also benefit from dedicated IFC advisory support on structuring selected PPP transactions.** Casa Transport confirmed its interest in receiving support from IFC advisory in structuring selected PPP transactions, and in particular the construction and operation of two underground car parks. IFC support would involve: (i) technical, legal, and financial due diligence, (ii) structuring of the transaction, and (iii) support to tender implementation.

37. **The Program will provide the city with a PFM framework meeting the requirements of efficiency, transparency and accountability.** Building on the results of the 2016 Casablanca Public Expenditure Financial Accountability (PEFA) assessment, Program activities include the setting up of a multiannual investment budget, the application of rules of good governance provided for in the Organic Law 113-14 on municipalities, the orderly and comprehensible publicity of accounts and municipal decisions, an internal audit department with sufficient capacity, and the improvement of the CC's capacity to control the performance of delegated services.

38. **The Program Implementation Support Plan will focus on specific aspects of Program systems.** Support will focus on systems strengthening activities that will contribute to the achievement of the PDO through: (i) capacity building to improve transparency, effectiveness of financial management and procurement; (ii) institutional strengthening for municipal services responsible for the monitoring and control of public services concessions holders and SDLs; and (iii) guidance for the operationalization, organization and development of the Inter-municipal Cooperation Entity (*Etablissement de coopération Intercommunale*, ECI). To strengthen Program implementation support, the Bank will seek opportunities to leverage trust fund resources, as well as external partners to mobilize additional TA resources. Capacity strengthening activities will seek synergies with the ongoing Local Government Support Project (*Projet d'Appui au Collectivités Territoriales – PACT*) grant, funded by the MENA Transition Fund, which recently funded a local government support center in Casablanca. The Program Action Plan also includes several activities aimed at strengthening the environmental and social management system, as well as technical and fiduciary capacity building.

### III. PROGRAM IMPLEMENTATION

#### A. Institutional and Implementation Arrangements

39. **The Program implementation arrangements reflect the multi-stakeholder and partnership-based nature of the PDGC, which relies on a close collaboration between actors across three government tiers - local, regional and national.** The implementation arrangements reflect the following roles and accountabilities:

- *Leadership.* The CC, represented by its mayor (President du Conseil de la Ville), is ultimately responsible for the achievement of Program results. Given the intersectoral nature of Program activities and existing institutional mandates, the CC works in partnership with the Wilaya, to ensure overall Program coordination and the needed support by other entities (see below);
- *Coordination.* As the representative of the central government at the regional level, the Wilaya (Regional governorate) coordinates other entities' support provided to the CC in Program implementation, including the de-concentrated services of the national Government;
- *Execution.* Given the nature of Program activities and existing institutional mandates, Program execution relies on several agencies. The National Treasury (*Trésorerie Générale du Royaume*, TGR), and the Directorate General of Taxes (*Direction Générale des Impôts*) are involved in the achievement of results on fiscal management under RA1. The Regional Investment Centre (*Centre Régional d'Investissement*, CRI) plays a key role, together with the CC, in defining policies oriented towards the improvement of the business environment in the Program Area, notably for results to be achieved under RA3. Implementation of RA3 will be led by the municipality, and executed by Ribatis, a firm contracted by the municipality to help automate building permits and licensing procedures, in cooperation with relevant stakeholders (municipality, borough and *Ordre des Architectes*). In addition, three municipal development companies (Casa Prestations, Casa Aménagement, Casa Transport), in which both the mayor and the Wali enjoy board level representation, act as executing agencies for specific aspects of RAs 1 and 2.

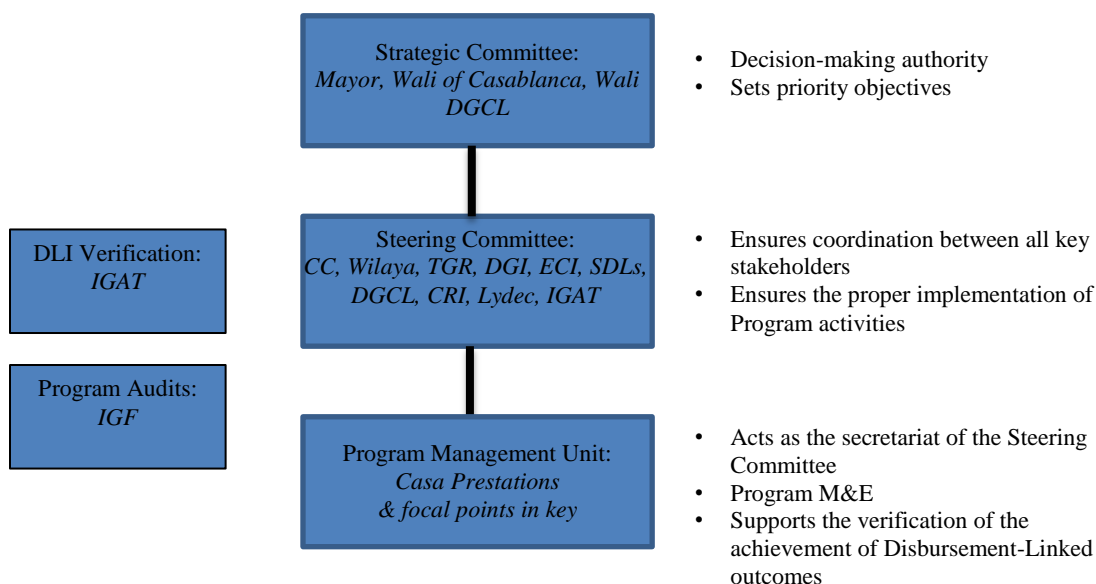
40. In addition to reflecting the accountabilities above, the Program implementation arrangements are designed to ensure joint ownership of the Program by all stakeholders. The implementation arrangements involve a three-tiered structure including: (i) a Strategic Committee, (ii) a Steering Committee, and (iii) a Program Management Unit.

41. The Strategic Committee (SC) is the Program decision-making authority in charge of setting the Program's priority objectives and reviewing overall Program implementation. The SC is composed of the mayor, the Wali of Casablanca, and the Wali Director General of Local Governments (DGCL), and it meets twice a year.

42. The Steering Committee (*Comité de Pilotage – COPIL*) includes the representatives of the mayor, the Wali of Casablanca, and of the Wali DGCL, and includes all entities associated with Program implementation and verification (TGR, DGI, CRI, SDLs, Lydec, ECI, and IGAT). In addition to being responsible for Program implementation at an operational level and ensuring coordination among key Program stakeholders, the COPIL oversees overall Program reporting, including the results verification process, results achievement notification and Program audits. To this effect, COPIL discusses the draft Annual Program Report submitted by the Program Management Unit. COPIL meets quarterly or on an as needed basis.

43. The Program Management Unit (PMU) acts as the secretariat of the Steering Committee. Nested within Casa Prestations - one of the SDLs operating in Casablanca – the PMU includes focal points from Program stakeholders. It ensures day-to-day coordination of the Program's stakeholders; Program monitoring and evaluation (through aggregating the results sent by the various stakeholders involved in its implementation), drafting of annual Program reports; and technical support to the DLI verification process. A MoU between the CC and Casa Prestations is expected to be signed by loan effectiveness, and will mandate Casa Prestations to staff and operate the PMU's core team. Other relevant agencies participating in the COPIL will be required to nominate a specific officer and an alternate to act as the PMU's focal point.

**Figure 1. Program Implementation Arrangements**



## **B. Results Monitoring and Evaluation**

44. The results framework (Annex 2) provides key measures of Program achievements against its stated objectives. All indicators rely on solid measurement systems managed by the various entities in charge of execution and participating in the Program Management Unit.

45. The PMU will be responsible for Program results monitoring and evaluation (M&E). It aggregates M&E data stemming from executing agencies and ensures that this is backed by evidence of overall progress on all dimensions of the results framework, with a particular emphasis on results related to DLIs, and compliance with Program Action Plan requirements.

46. The PMU produces a draft Annual Program Report based on compiled M&E data and any other evidence related to Program implementation. The PMU submits the draft Annual Program Report to the Steering Committee for validation, which then presents it to the Strategic Committee for approval. The PMU submits the approved Annual Program Report to the World Bank no later than 60 calendar days after the end of each calendar year. The Annual Program Report provides the basis for the Bank's implementation support missions, as well as the Program mid-term review.

## **C. Disbursement Arrangements**

47. *Disbursement arrangements.* Disbursement of Bank loan proceeds is made at the request of the Borrower upon achievement of Disbursement-Linked Indicators (DLIs). Disbursements for DLI1, DLI3, DLI4, and DLI5 are scalable, thus allowing for disbursements to be proportional to the progress towards achieving the targeted DLI value. Disbursements under DLI2 and DLI6 are not scalable, as the indicators relate to actions that are either achieved or not. The specific amounts to be disbursed against achieved and verified results is determined in accordance with the formulas provided in Annex 3.

48. *Advances and prior results financing.* An advance, representing US\$50 million equivalent (25% of the loan amount) will be available for disbursement once the Program becomes effective to facilitate the achievement of DLI results. This advance would be available throughout Program implementation on a revolving basis. In addition, a disbursement of up to a maximum amount of EUR 20 million can be made upon effectiveness on account of DLIs achieved prior to the date of the loan agreement but on or after January 1, 2016. The Borrower intends to avail itself of the full advance of the loan upon effectiveness, and will submit a request for prior results achievement for DLI1, DLI5, and DLI6. Bank proceeds and related costs will be reflected in the annual general budget of the CC.

49. *Verification protocols.* The verification of progress towards the achievement of the Program's objectives is carried out by IGAT. IGAT has developed a solid reputation as a reliable verification agent in Morocco, thanks to its involvement in several PforRs. For each verification request, the PMU compiles and makes available to IGAT the data and documentation necessary for the verification. The verification report is submitted to COPIL and the World Bank.

50. *Results achievement notification.* The PMU on behalf of the CC notifies the World Bank of DLI achievement, supported by the relevant evidence and documentation. Following the World Bank's review of the complete documentation, including any additional information considered necessary to confirm the achievement of the DLI results, the World Bank confirms the achievement of the DLI(s) and the level of Program financing proceeds available for disbursement against each particular DLI, including any incremental disbursement.

51. *Disbursement requests* (Withdrawal Applications) are submitted to the World Bank by the CC using the World Bank's e-disbursement system and standard disbursement form along with request for advance signed by the CC's authorized signatory. A copy of the World Bank's official communications confirming the DLI achievement is attached to the disbursement requests.

#### IV. ASSESSMENT SUMMARY

##### A. Technical

###### *Program strategic relevance*

52. **The Program's strategic relevance is high.** As noted in the 2017 Country Economic Memorandum for Morocco<sup>17</sup>, urbanization and decentralization are two critical transformations which contribute to framing the challenges of boosting economic growth and promoting social equity. Given the role of Casablanca as an engine of economic growth for the country, Program investments, institutional strengthening reforms and expected results are highly relevant.

53. **The Program operationalizes the WBG's Maximizing Finance for Development/"cascade" approach to infrastructure financing at the subnational level, by promoting the effective use of public resources and leveraging private capital for infrastructure financing.** The Municipality is constrained in its capacity to address mounting demands for infrastructure and service delivery. Private participation in infrastructure financing has been limited, and the city has in the past struggled to broaden its resource base. The Program will support the following measures under RA1:

- a. Strengthening the financial and institutional capacity of the CC by addressing key upstream reforms to increase its revenues and execution capacity, and ultimately allowing the municipality to access financial markets at more favorable rates;
- b. Mobilizing commercial financing for investments based on new PPP transactions.

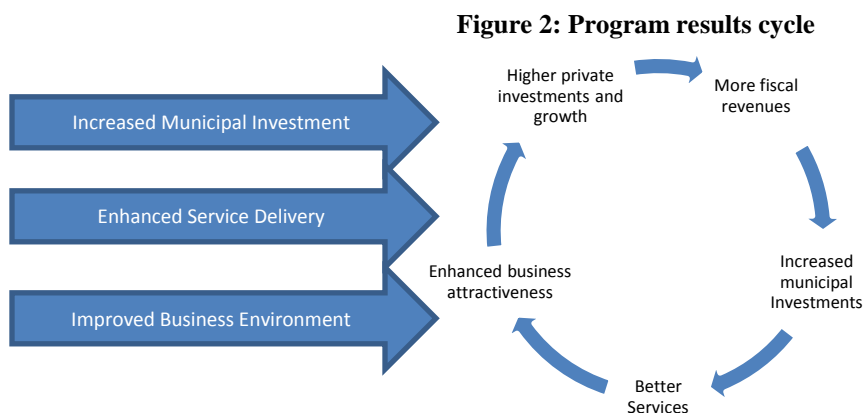
54. **The Program design rests on solid technical basis and a robust stakeholder consultation process.** In recent years, Morocco has acquired experience developing territorial development programs anchored around large urban agglomerations such as Tangiers, Rabat and Marrakesh. A large body of analytical work on the challenges facing Casablanca has emerged since the mid-2000s. In addition to reflecting these foundations, the Program design is aligned with the lessons learned from the Bank's global experience with similar operations, including: (i) need for a strong institutional champion: the Program relies on solid leadership by both municipal and regional authorities; (ii) continued support from central ministries in policy-making and oversight functions: the Program benefits from strong ownership by the Directorate General of Local Governments (DGCL) of the Ministry of Interior (MoI), in terms of financial contributions to investments and support to key reforms, as well as the Ministry of Economy and Finance, which agreed to grant a sovereign guarantee backing the proposed operation; (iii) attention to jointly strengthening the interlocking elements of municipal capacity: the Program includes reforms addressing essential aspects of decision-making, financing and management. Similarly, the PforR operation places concomitant incentives on institutional, fiscal and investments objectives, in line with other municipal support PforRs.

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<sup>17</sup> Chauffour, Jean-Pierre. 2018. Morocco 2040 : Emerging by Investing in Intangible Capital. Directions in Development—Countries and Regions. Washington, DC: World Bank

55. **The design of activities contributing to the different results areas is technically sound.** The reforms and activities aimed at increasing municipal revenues under RA1 are based on a detailed analysis of the existing sources of revenues, their potential, and the actions required to improve the base, collection, and administration of the different taxes and fees. The financial management actions to be implemented under the Program are based on the PEFA diagnostic developed for Casablanca in 2016. All these actions are in line with the 2015 Organic Law on Municipalities, and are supported by relevant stakeholders and the local and central level. The design of the activities contributing to RA2 is technically sound, and the activities can be implemented by the Municipality of Casablanca and its municipally-owned enterprises (Casa Transport and Casa Aménagement), with the assistance of expert consultants, as and when needed, for feasibility studies, design studies, and construction supervision. Technical standards for the Program's sub-projects, in particular, design standards and criteria for completion and acceptance of works compare favorably to applicable norms and standards. The Municipality of Casablanca plans in addition to ensure technical quality by recruiting when needed qualified consultants and firms, ensuring quality designs and cost estimates, and strengthening contract administration and technical supervision. The activities being implemented under RA2 and RA3, to improve e-government systems for citizen engagement, as well as business and administrative services are also technically sound. The design of the systems is based on a thorough review of existing processes and legal environment, and adequate processes for development, testing, and implementation of online processes.

56. **Program's results framework and monitoring and evaluation capacity.** The Bank has worked with municipal and regional authorities to develop the Program's results framework. The link between Program expenditures, activities and objectives follows robust results chains. DLIs stem fully from the Program's results framework. The CC's monitoring and evaluation capacity relies on clear M&E responsibilities assigned to implementing stakeholders, with the Program Management Unit within Casa Prestations providing overall coordination and supervision.



57. **The expenditure framework and flow of funds builds on the PDGC budgeting framework.** All activities planned under the PDGC are subject to the signature of MOUs (*Conventions*) outlining respective responsibilities of central, regional, and local governments in financing and implementing the proposed activities. The CC contributes in two ways to the financing of Program activities: (i) with the CC's own source revenues channeled through the CC's own budget, and (ii) with the CC's share of transfers from the VAT revenues earmarked for local government, channeled through the CAS-TVA. Approximately 90% of expenses are physical assets. Other expenses include technical studies, consulting or IT. All expenses are programmed between 2016 and 2021, though actual cash flows may occur during subsequent years.

58. **The Program investments provide a clear rationale for public provision and financing.** The investments in improvement of public spaces are public goods and clearly fall under the Municipality's mandate. The quality of urban spaces is a critical factor in the social integration and economic performance of any city, just as connective infrastructure is key to allowing cities to generate agglomeration economies and raise productivity by connecting people and firms. The proposed investments for the provision of water supply, sanitation, and electricity build on the experience and the commercial and social approach developed by the concessionaire in charge of water supply, sanitation, and electricity distribution (Lydec) over the last decade. The share of public financing is adequate and takes into account the beneficiaries' ability to contribute to the financing of the connections, and the public benefits of access to services. Furthermore, key reforms and systems improvement being pursued under RA3 would aim to lift constraints to the private sector's growth at city level, by incentivizing reforms to enhance the city's business environment, removing red tape and improving the interface between the commercial sector and the administration. Rather than displacing private investment opportunities, the Program would promote commercial finance to key investments.

59. **The proposed investments are estimated to have positive economic returns.** An economic analysis was carried out for the typical investments proposed for extending connections to water supply, sanitation and electricity in disadvantaged neighborhoods, and for the improvement of public space and mobility. Improved access to water supply, sanitation, and electricity brings several benefits to residents including reduced expenses in non-network modes of access to these services, health costs, and time savings. The value of these benefits is reflected in the increase of property values once connections are provided. Conservative estimates indicate that the increase in property values resulting from gaining access to water supply, sanitation, and electricity largely offsets the cost of providing the connections. The economic benefits of the investments in improved urban space and mobility include: (i) time savings, (ii) reduced Vehicle Operating Costs (VOC), (iii) reduction in greenhouse gas emissions from vehicular traffic, and (iv) increase in property values resulting from improved urban space (mainly for urban upgrades along mass transit corridors given the specific nature of this subproject). Based on typical investments, improvements of urban roads are estimated to have an Economic Rate of Return (ERR) of 14%, improvement of urban space along transit corridors are estimated to have an ERR of 25%, and traffic management system are estimated to have an ERR of 25%.

60. **Program activities will generate climate change co-benefits.** Under RA1, identified PPP investments to be incentivized through DLI3 include investments in public transit (BRT and city buses) with mitigation co-benefits in terms of urban transport modal change. Under RA2, investments in road drainage will have adaptation benefits in terms of increased resilience to flooding. Investments in the improvement of sidewalks, pedestrian path, signs, and street lighting will also have mitigation co-benefits through the improvement of pedestrian mobility. Finally, the installation of energy efficient street lighting will have mitigation co-benefits in terms of improved energy efficiency.

## **B. Fiduciary**

61. **A Fiduciary Systems Assessment (FSA) was conducted, building on the results of a recent PEFA diagnostic and the assessment of capacity of the entities involved in the Program.** The assessment objectives were to ascertain whether the Procurement and financial management (FM) system capacity and performance of these entities are adequate to provide reasonable assurance that the funds are used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The assessment was conducted based on (i) the knowledge of the financial management and procurement in force in Morocco, (ii) the recent PEFA report at the national and municipal level (Casablanca) completed in 2017 and 2016, respectively, (iii) annual audit reports of the entities involved in the Program, and (iv) the past experience of the entities involved in the Program.



The 2016 PEFA diagnostic of the CC was supported by the World Bank, the AfD, and PPIAF. Casablanca was the first city globally to test the updated 2015 PEFA framework.

62. **Risk assessment.** The Program's fiduciary systems require strengthening to provide reasonable assurance on the use of the loan proceeds for the intended purposes. The initial risks were associated with: (i) the multiplicity of agencies involved, making the financial reporting of the Program in a unique and harmonized format more complex, and (ii) the limited fiduciary capacity of the CC. These risks have been mitigated during the preparation of Program. The review of the Program expenditure framework revealed a significant share of Program expenditure to be executed by the Program entities to which the CC has delegated the management of specific investments, and whose fiduciary performance is satisfactory. In addition, a pre-defined format of financial statement was agreed with the entities involved in the Program. Residual risk related to the limitations in the investment budget execution of the CC may affect the execution of the Program and the timeliness of payments. The fiduciary risk is therefore assessed as Moderate.

63. **Mitigation measures included in the Program Action Plan and the result framework.** To mitigate the risk associated with the reporting of the Program, a pre-defined financial statements format to be filled by the entities involved in the Program has been agreed. These financial statements will be published to increase transparency on the Program's execution. The risk of low budget execution and possible delays of payment by the CC to the SDL/LYDEC will be mitigated by: (i) the inclusion of indicators measuring the improvement of budget execution (IRI 1.2), (ii) the revision of the CC budget preparation and execution procedures (issuance of a revised budget circular that will include provisions on sufficient time for the integration of capital expenditures in the budget preparation, and in year budget review), and (iii) the close monitoring of the Program's payment lead time as part of the fiduciary key performance indicators included in the manual of procedures. The additional mitigation measures to strengthen the Program fiduciary arrangements will be as follows: (a) the operationalization of the internal audit unit of the CC, and (b) the deployment at the CC of the integrated budgeting/accounting system.

64. **Exclusions.** Procurement under the Program will be executed in accordance with the implementing agencies' (CC, SDLs and LYDEC) respective procurement procedures<sup>18</sup>, within the institutional framework of the country. The Program does not include any activities assessed to have a significant adverse impact on the environment and/or affected people, as defined in the World Bank Policy and Directive on PforR Financing, nor works, goods, and consultancy contracts above the Operations Procurement Review Committee (OPRC) thresholds (high risk activities). All projects requiring acquisition of private lands will be excluded from the Program.

65. **Program fiduciary arrangements.** The Program will follow the PDGC planning and budgeting processes concerning municipal resources – CAS TVA and city's own budget. However, weaknesses in the budgeting and planning processes will be mitigated to facilitate Program implementation. To this end, indicators measuring enhancing budget execution, transparency and accountability are included in the results framework (IRI 1.2) and in the Program Action Plan. The Program will apply the PDGC's budget

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<sup>18</sup> The *Sociétés de Développement Local (SDL)* which have a status of SOE, are not automatically subject to the PPD and may establish and apply their own procurement rules once the rules are adopted by their respective Boards and approved by the Ministry of Finance.

execution procedures combined with the adoption of a pre-defined reporting format to be prepared by each entity in charge of the execution of Program activities. The Program will rely on the PDGC's internal control procedures implemented by the CC, and SDL/LYDEC which were found adequate. To assess the soundness of the control environment over Program implementation, external audit reports of the Program will include a management letter on internal control. The Loan Agreement will be signed by the CC and covered by a sovereign guarantee of the Kingdom of Morocco, hence the funds will be disbursed directly to the CC within its Treasury Account opened in the books of the Public Treasury based on the achievement of results agreed up front. Each entity in charge of the execution of Program expenditures (CC, SDLs, and LYDEC) will produce an annual financial statement on their respective share of Program expenditures. The General Inspectorate of Finance (IGF) will carry out the financial audits of the Program expenditures incurred by the CC, the SDLs, and LYDEC based on the annual Program financial statements produced by each entity. To this end, a pre-defined financial reporting format has been agreed with each entity. The audit will cover Program expenses incurred on or after January 1, 2016. The audits will be carried out following the audit terms of reference (TORs) agreed between IGF and the Bank. The production of audit reports will be no later than nine months after the closure of accounts.

66. **Governance risks.** As to broader governance risks, the Program will rely on local and national institutions such as: (i) the National Commission of Public Procurement (*Commission Nationale de la Commande Publique* - CNCP) - Morocco's new public procurement regulatory body in charge of handling public procurement complaints and regulatory oversight, including for municipalities; and (ii) the Central Body for Corruption Prevention (*Instance Centrale de Prevention de la Corruption* - ICPC). The ICPC has recently drafted a National Strategy on Anticorruption based on the International Convention on Anticorruption. The Borrower will use the existing country systems to take all appropriate measures to prevent fraud and corruption in connection with the Program. The World Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing", dated February 1, 2012, and revised on July 10, 2015, will apply.

### C. Environmental and Social Effects

67. **The Environmental and Social System Assessment (ESSA) has been prepared by the World Bank for the proposed PforR.** The ESSA assessed, against the requirements of the World Bank Policy and Directive on PforR Financing, the national and municipal environmental and social management systems applicable to the Program. The pipeline of projects to be undertaken was also analyzed to identify potential environmental and social effects. The ESSA was supported by a broad consultation with Program stakeholders and on information collected during on-site visits. The assessment also drew on experience from previous Bank-funded projects in Morocco. The draft ESSA report was shared with counterparts and discussed during a consultation workshop held in Casablanca in September 2017. The draft and final ESSA reports have been publicly disclosed through the World Bank's website and on the Casablanca Municipality website, advertised in the national press, and public comments will be solicited during a defined comment period.

68. **The Program's supported activities will have positive social and environmental impacts on the populations living in the city of Casablanca,** through improving:

- (i) Living conditions through access to drinking water, electricity and sanitation for 10,000 households in disadvantaged neighborhoods;
- (ii) Living environment through rehabilitation and building of public urban spaces (green spaces, efficient street lighting);
- (iii) Urban mobility and safety, mainly for pedestrians including blind persons and people with reduced mobility (appropriate sidewalks and roads, road signs);

- (iv) Citizen engagement, through using ICT platform and tools to strengthen access to information, consultation and inclusive participation, right to petition, appropriate grievance redress mechanisms, as well as monitoring user satisfaction pertaining to municipal utilities;
- (v) Enhanced access to administrative documents such as birth certificates and administrative authorizations through streamlined online procedures;
- (vi) Performance and governance of the municipality, which aims to establish an efficient local administration, delivering better services, and closer and accountable to citizens (including youth, women and vulnerable persons).

59. **Adverse environmental and social risks stemming from the Program's supported activities are anticipated to be low to moderate.** Based on the type, scope and scale of works under this Program, adverse social and environmental effects are expected to be typical construction risks that are site-specific and generally limited to the construction phase. All the activities will be developed inside the urban perimeter where no site of biological or ecological interest will be impacted.

60. **All projects requiring acquisition of private lands will be excluded from the Program.** Physical investments will be systematically carried out within the public domain to avoid temporary or permanent private land acquisition. Remaining resettlement risks to be managed will be limited to temporary restriction of access to sites or to sources of income (such as commercial occupants of public lands and rights-of-way) during the construction phase. To prevent or mitigate these risks, mitigation measures will be implemented, including planning and sequencing of works, alternative access options, information and consultation of affected people, and easy access to appropriate grievance redress mechanisms. These specific mitigation actions will be clearly included in the contractual specifications for private construction work involved in construction works related to Program activities. In addition, adequate support and/or compensation will be provided prior to the launch of civil works to people affected by temporary loss or temporary restriction of access to income sources or means of livelihood, all in a manner acceptable to the Bank and as described in the POM.

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

62. Morocco has a number of institutions responsible for grievance handling and resolution. The available national GRS mechanisms and institutions have been recently elevated to constitutional bodies to provide them with more independence and financial autonomy, necessary to validate their power of self-referral. The World Bank's GRS mechanism does not affect the efficiency of the Moroccan complaints and resolution system.

## **D. Risk Assessment**

**Table 6. Systematic Operations Risk Rating (SORT)**

<b>Risk</b>	<b>Rating</b>
Political and Governance	Moderate
Macroeconomic	Moderate
Sector Strategies and Policies	Moderate
Institutional Capacity for Implementation and Sustainability	Substantial
Technical Design	Substantial
Fiduciary	Moderate
Environmental and Social	Moderate
Stakeholders	Substantial
Disbursement Linked Indicators	Moderate
<b>Overall Risk</b>	<b>Substantial</b>

63. The risk rating for the proposed operation is assessed as Substantial, driven mainly by the substantial risks associated with institutional capacity for implementation and sustainability, stakeholders, and technical design. The CC's limited financial and institutional capacities provide the rationale for the operation, but also the main risk to the achievement of Program's results. The large number of entities involved in the implementation of the Program activities drives the substantial stakeholder risk rating. The substantial technical design risk rating is associated with the design of the key institutional and financial strengthening reforms under Results Area 1. A key mitigating factor is the continued focus on Casablanca by central and regional authorities and their high ownership of the PDGC and the Program, as well as at the highest level of the Moroccan state. This ownership is made visible by the presence and joint leadership of the Wilaya in the Program. The Bank will mitigate capacity gaps through technical assistance built into the Program, as well as external TA opportunities leveraged through trust fund resources as well as external partners. The technical design risk is mitigated by the identification of a set of specific activities to be carried out by the CC to improve its systems, and the inclusion of these activities as disbursement linked results (DLRs) or actions under the PAP.

## **E. Program Action Plan**

64. Based on the technical, fiduciary, and environmental and social assessments, a timebound PAP, detailed in Annex 8, has been agreed with the Government and the Municipality. The inputs to the PAP, stemming from the three assessments, focus on the most critical actions expected to best support the Program to deliver its results. As part of Program implementation support, the Bank will monitor adequate and timely implementation of the PAP.

## Annex 1: Detailed Program Description

### A. Government Program

1. With a budget of US\$3.8 billion (MAD 35.8 billion) and a six-year programming (2015-2021), the Greater Casablanca Development Plan (PDGC) aims at ensuring strategic and integrated development at the level of the Greater Casablanca<sup>19</sup>. It also ambitions to reinforce public policy and investment coordination between the central state, local governments (LGs), and other key local/regional development stakeholders. The PDGC has been defined through an ambitious participatory approach which saw the mobilization of several hundred participants. Nine working groups were created in this framework, which included economic players, academics and experts, as well as representatives from civil society. This has enriched the contributions of the City Council (*Conseil de la Ville*) and District Councils (*Conseils d'arrondissement*) (see Box 1).

#### Box 1 : Governance of the Municipality of Casablanca

Casablanca is one of the six municipalities (*communes*) subject to the district system (*régime d'arrondissements*) set into place in the Moroccan cities with more than 500 000 inhabitants in order to strengthen their integrated development (the system also applies to Marrakech, Tangiers, Rabat-Salé and Fès). Since the 2003 local elections, the 27 *communes* of Casablanca were unified into a unique municipality (*Commune de Casablanca, CC*) with a deliberative body, the City Council (*Conseil de la Ville de Casablanca*), comprising 147 elected counselors. The previous *communes* have been reorganized into 16 *arrondissements* which are not endowed with legal personality and do not have their own budget (i.e. their resources are allocated by the City Council). They are in charge of three main areas: (i) proximity policy (consisting mainly in the maintenance of the road, electricity, water and sanitation networks); (ii) civil status; (iii) delivery of building permits for individual housing.

2. The main commitments of PDGC have been formalized through the signature of 10 Framework Agreements (*conventions-cadre*) in front of King Mohamed VI in September 2014. Through these agreements involving several key players in regional development, the Casablanca Municipality (*Commune de Casablanca, CC*) will contribute to the financing of projected interventions on its own resources, external borrowing, and through the special fund (*dotations spéciales*) from the Value-Added Tax (VAT) Special Purpose Account (*Compte d'Affectation Spéciale - Part des Collectivités Locales dans la Taxe sur la Valeur Ajoutée – CAS TVA*)<sup>20</sup>. The remaining funds are provided by other stakeholders – i.e. the region and central government. The PDGC also mandates the CC to implement a set of institutional reforms aimed at increasing its financial sustainability, business attractiveness and service delivery capacity.

3. **PDGC Strategic Pillars.** The Government program (PDGC) revolves around four pillars:

- ***Pillar 1: Reconciling the City and its Inhabitants.*** Pillar 1 has been designed to improve the living conditions in the Moroccan economic capital through the development of more inclusive services, especially for the most vulnerable communities (see Box 2). Conceived as a complement to the sectoral programs implemented by the Government of Morocco (GoM) in the Casablanca-Settat region, the PDGC places special emphasis on the following activities targeting under-equipped areas/neighborhoods: improving access to municipal services (water, electricity, sanitation, etc.);

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<sup>19</sup> Following the new territorial division set in place in 2015 to further reinforce the regions as a key level of decision-making, the Greater Casablanca region was replaced by the Casablanca-Settat region, with extended boundaries. The PDGC has kept its initial denomination and geographical focus while a new development plan region has been voted by the Regional Council of Casablanca-Settat in March 2017 (worth an estimated 115 billion DH, its financing sources still need to be confirmed).

<sup>20</sup> In its Budget Law, the General Budget of the State (*Budget Général de l'Etat*, BGE) annually allocates 30 % of the amount of VAT collected nationwide to the CAS-TVA managed by the Ministry of Interior on behalf of local governments (LGs).

slum upgrading; rehabilitating facades; providing socio-cultural facilities, etc. The interventions planned under this pillar were primarily defined by the following framework agreements: (i) Building of Public Facilities in Connection with Upgrading Operations (*Construction des équipements publics dans le cadre des opérations de lutte contre l'habitat précaire*); (ii) Regional Integrated Social Upgrading Program (*Programme régional intégré de mise à niveau sociale*); (iii) Restructuring of 72 Under-Equipped Neighborhoods (*Restructuration de 72 quartiers sous-équipés*); (iv) Development and Protection of Greater Casablanca Coastline (*Mise en valeur du littoral du Grand Casablanca*); (v) Harmonization of Water, Electricity and Sanitation Delivery Area (*Mise en place d'un processus d'harmonisation des périmètres de la gestion des services de distribution d'électricité, d'eau potable et d'assainissement liquide dans la région du Grand Casablanca*).

- **Pillar 2: Optimizing Mobility.** This second pillar focuses on enhancing mobility at the regional level through the development of public transport and that of key urban roads and associated infrastructure. The projected activities would primarily benefit economic players and inhabitants of peripheral neighborhoods. They include the improvement and extension of the public transport network (including through the development of a second tramway line and the extension of the first line) as well as the development of urban and peri-urban roads and the rehabilitation of bridges and tunnels, for a total investment of MAD 27 billion or USD 2,8 billion (i.e. 75% of the PDGC total investment volume). These priority interventions are an integral part of two framework agreements on: (i) Mobility and Improved Transit (*Convention relative à la mobilité et à l'amélioration du transport en commun*) and on (ii) the Development of Roads and Related Infrastructure and the Improvement of Traffic Conditions (*Convention relative à l'aménagement de la voirie et des infrastructures routières et à l'amélioration des conditions de circulation*).
- **Pillar 3: Promoting Economic Excellence.** The third pillar aims at making the region economically more attractive through: (i) the restructuring of existing industrial areas; (ii) the development of new industrial, logistics and service areas and; (iii) the improvement of the business environment. It is especially covered by the Framework Agreement on Territorial Marketing and City Promotion (*Convention-cadre relative au marketing et à la promotion territoriale*) and will be funded through public-private partnerships. The planned investments include the creation of business areas and university campuses; activities to promote territorial marketing and infrastructure to further connect the port with the logistics area.
- **Pillar 4: Developing the City Attractiveness.** This fourth pillar seeks to consolidate Casablanca as a national and international destination through: (i) investments to improve urban safety; (ii) the creation of major cultural and sports infrastructure (*Convention relative à la mise à niveau des infrastructures culturelles, sportives et d'animation* and *Convention cadre relative au programme intégré pour la mise à niveau sociale*); (iii) enhancement of green spaces throughout the economic capital.

4. In order to organize the financing and the implementation of the investments articulated under the PDGC's four pillars, a set of Framework Memoranda of Understandings (MoUs) (*conventions-cadres*) was signed by the central, regional and local governments in 2015 with the launch of the PDGC, for a total amount of MAD 33.6 billion (US\$3.53 billion equivalent). The investments planned under these MoUs are presented in the table below.

**Table 1. Total PDGC Planned investments**

<b>Planned investments</b>	<b>Budget (US\$ million)</b>
Improvement of basic infrastructure in disadvantaged neighborhoods, including: - Extension of water supply, sanitation and electricity services in disadvantaged neighborhoods	202

- Construction of access roads and upgrading of internal streets and public spaces (including paving, public lighting, and green spaces) in disadvantaged neighborhoods.	
Development of social infrastructure (schools, health and community centers) in disadvantaged neighborhoods	75
Improvement of local social infrastructure (schools, health and community centers) in Greater Casablanca	180
Development of city-level cultural, recreation and sports infrastructures in Casablanca (just clarifying—not Greater?)	113
Extension of public transit (light rail) network: extension of Line 1, and construction of Lines 2, 3, and 4.	1,600
Upgrading of public spaces, road infrastructure, and traffic regulation	1,090
Upgrading of coastal roads and coastal protection	70
Development of city’s attractiveness, including events organization city marketing and urban branding	30
<b>Total</b>	<b>3,359</b>

5. ***PDGC Development Levers.*** The PDGC also identifies four cross-cutting development levers to support investment and strengthen its impact in the longer run through the implementation of a number of key institutional reforms.

- ***Lever 1: Efficient Governance.*** The Organic Law 113-14 on Municipalities has made “good governance of the City” a requirement. This lever is designed to maximize the impact of the recent reforms implemented in Casablanca in order to improve urban management and urban development (e.g., creation in November 2015 of an Inter-municipal Local Authority – *Etablissement de Coopération Intermunicipale*, ECI; recent development of Local Joint-Ownership Companies – *Sociétés de développement local*, SDL, etc.). In the wake of the two studies launched to define (i) a new master plan and (ii) a new human resources management framework at the scale of Greater Casablanca, several activities could be initiated by the CC to contribute to the rationalization and pooling of resources, including: the development of the human resources management function (e.g., through tighter management of absences, holidays, etc.); the organization of staff mobility, career management and training modules; the computerization of administrative and technical data and processes (GIS, etc.) within the framework of a digital master plan at the scale of Greater Casablanca; the definition of activity and performance indicators for each of the City Departments; the clarification of the division of powers between the ECI and the City; the clarification of the relationship between the City and the Arrondissements; and the development of the CC E-portal (with detailed and updated information on the City activities and offering interactive and remote services in terms of claims management, etc.).
- ***Lever 2: Sustainable Finance.*** This lever aims to realize the considerable potential for improving the revenues of the City, which could be doubled or even tripled according to several recent studies. In order to improve the municipal tax base and the tax collection rates, an action plan has been defined and is being implemented and supervised by the Wilaya in coordination with three key stakeholders, namely the Local Tax Administration (Municipality of Casablanca), the regional Tax Directorate of the National Tax Directorate (*Direction Générale des Impôts*, DGI) at the MoF, the regional Directorate of the General Treasury of the Kingdom (*Trésorerie Générale du Royaume*, TGR) at the MoF. The action plan includes: (i) general measures (modernization of the addressing system – *adressage* – and setting up of a single repository – *référentiel unique*, etc.); (ii) measures related to the Municipality’s own taxes and revenues (e.g. reorganization and strengthening of the municipal tax administration; formalization of procedures, etc.); and

(iii) measures pertaining to taxes administered by the central state and transferred to LGs (*taxes rétrocédées*)<sup>21</sup> (development of a common information system, etc.).

- *Lever 3: Bringing the Municipality Closer to Citizens and the Private Sector* (“une administration au services des citoyens et du secteur privé”). This lever specifically targets the organization of the CC and *arrondissements*, particularly through: (i) dematerializing administrative procedures and using new Information and Communication Technologies (ICT) tools to improve the quality of services provided to citizens and firms (Rokhas, CASAURBA); (ii) establishing one-stop shops; (iii) introducing mechanisms for public participation (e.g., online grievance redress mechanisms /e-claims); and (iv) monitoring user satisfaction pertaining to municipal utilities.
- *Lever 4: Promoting the City’s Identity*. Through this lever, the PDGC ambitions to better define the identity of Casablanca for its population to further appropriate the city. This work will also contribute to the new positioning of the economic capital city as an international and regional financial hub, while allowing Casablanca to showcase its economic and social progress.

## **B. PforR Program (the Program)**

6. The Program is defined by: (i) the Program duration; (ii) the Program area; and (iii) the Program activities supported.

7. **Program Boundaries:** As a subset of the government program (the PDGC), the Program is defined according to the following boundaries:

- *Duration:* Matching the PDGC programming period, the Program covers the period between January 1, 2016 and December 31, 2021.
- *Area:* The Program’s geographical scope corresponds to the government program and includes the Casablanca Municipality, as well as the neighboring provinces of Mohammedia, Nouaceur, and Mediouna. Casablanca Municipality is fully urbanized and concentrates 3.36 million inhabitants, around 79% of the population of the Greater Casablanca. The rest of the population is spread in the urban and peri-urban areas in the provinces of Mohammedia (9%), Nouaceur (8%), and Mediouna (4%). The Program’s geographic scope is in line with the geographic scope which the CC has been mandated to intervene in under the PDGC MOUs. The CC has a direct stake in promoting economic efficiency, mobility, and social inclusion at the metropolitan level, and has a lead role – as the largest municipality in the Greater Casablanca – in promoting and supporting inter-municipal cooperation at the metropolitan level.
- *Beneficiaries:* Program investments aimed at improving access and quality of service delivery under Results Area 2 (see below) will be particularly targeted to disadvantaged neighborhoods.
- *Accountability:* The PDGC is an integrated program which several agencies of the Government of Morocco contribute to under the coordination of the Wali. In the case of the Program, the Municipality owns the main accountability for implementation and results achievement, with the Wilaya in a supporting role to ensure Program stakeholders’ buy-in.

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<sup>21</sup> There are three main “*taxes rétrocédées*” in Morocco: tax on municipal services; professional tax; local residence tax (*taxe d’habitation*). They represent together more than half the income of the city budget.



- *Results:* Building on the PDGC areas of focus for both investments and reforms, the Program results are organized under three results areas: (1) Increasing municipal investment capacity, (2) Improving the urban environment and the quality of public services, and (3) Improving the business environment.
- *Activities:* The Program finances a subset of investments included in the MoUs presented in Table 1, as well as technical assistance, studies and IT systems to support the financial and institutional strengthening of the CC and the improvement of the business environment.
- As a subset of the PDGC, the Program supports both selected PDGC investments included in the PDGC's four pillar, as well as key reforms included in the PDGC development levers. Table 2 below describes how the activities and results identified under the Program's three Results Areas relate to the PDGC's pillars and levers.

**Table 2. Linkages between Program Results and Activities and PDGC Pillars and Levers**

<b>Program Result Areas</b>	<b>PDGC Pillars and Levers supported through Program activities</b>
RA1: Increasing municipal investment capacity	<p><b>Lever 1 - Efficient Governance:</b> supported through improved revenue management systems and other PFM systems, improved coordination between national and local agencies in charge of tax administration</p> <p><b>Lever 2 - Sustainable Finance:</b> supported through increased municipal revenues, private capital mobilized through PPPs, improved city creditworthiness</p>
RA2: Improving the urban environment and the quality of public services	<p><b>Pillar 1 - Reconciling the City and its Inhabitants; and Lever 3 - Bringing the Municipality Closer to Citizens and the Private Sector:</b> supported through increased citizen engagement, increased access to basic services in disadvantaged neighborhoods</p> <p><b>Pillar 2 - Optimizing Mobility:</b> supported through pedestrian and vehicular mobility increased through comprehensive street upgrading</p> <p><b>Pillar 4 - Developing the City Attractiveness:</b> supported through improved urban environment through comprehensive street upgrading</p>
RA3: Improving the business environment	<p><b>Pillar 3 - Promoting Economic Excellence; and Lever 3 - Bringing the Municipality Closer to Citizens and the Private Sector:</b> supported through improved business environment through dematerialization of administrative processes</p>

**Table 3. Program Expenditures**

<b>Activities</b>	<b>Entities in charge of execution</b>	<b>Estimated Budget (US\$ M)</b>
<p>Increasing municipal revenues of the CC</p> <ul style="list-style-type: none"> <li>- Municipal fiscal administration reorganization and capacity building: Technical assistance and IT systems for the improvement of fiscal resources management and institutional strengthening of the municipality</li> <li>- Implementation of an integrated information system and</li> </ul>	CC & Casa Prestations	40

of an addressing system - Inventory of real-estate assets belonging to the CC - Support for the development and structuring of municipal PPP operations  Capacity Building in the CC - Implementation of the new organization and of Human Resources Master Plan - Implementation of the Digital Master Plan - Improvement and development of e-government platforms for citizen engagement  Improving the business environment in CC - Digitization and dematerialization of key administrative processes (building permits and commercial licenses)	CC & Casa Patrimoine CC & Casa Transport  CC & Casa Prestations  CC	
Extension of water supply, sanitation, and electricity networks in disadvantaged neighborhoods in the Program Area	Lydec	25
Improving mobility and urban space - Upgrading and construction of urban roads, sidewalks and footpaths (including, but not limited to, rainwater drainage systems, green spaces, horizontal and vertical signaling, street lighting, street furniture and landscaping) - Development/ upgrading façade to façade along public transit corridors (including but not limited to sidewalks, street lighting, street furniture and urban landscape)	Casa Aménagement  Casa Transports	240
Development of an integrated traffic management system	Casa Transports	40
<b>Total</b>		<b>345</b>

8. **Program Results Areas.** The Program activities are grouped under three Results Areas (RA):

- ***RA1: Increasing the investment capacity of the Municipality of Casablanca.***

- (a) Strengthening the Borrower's revenue management systems through, *inter alia*: (i) the carrying out of capacity building activities, (ii) the establishment and implementation of an integrated information system; (iii) the carrying of an inventory of taxpayers and inventory and valuation of the municipal real-state assets; and (iv) the implementation of an Addressing System (*Système d'Adressage*).
- (b) Increasing the mobilization of private **investment** through the establishment of public-private partnerships<sup>22</sup>.

- ***RA2: Improving the urban environment and access to basic services in the Program Area.***

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<sup>22</sup> The specific investments financed through these PPPs will be considered outside the boundaries of the Program.

- (a) Improving the access of households located in Disadvantaged Neighborhoods to electricity, water and sanitation services in the Program Area.
- (b) Developing effective and transparent Borrower's grievance redress mechanisms and an e-government platform in accordance with specifications and criteria set forth in the Program Operational Manual.
- (c) Improving Selected Public Spaces in the Borrower's territory by, inter alia, upgrading/building of roads, sidewalks, pedestrian ways, installation of public lighting, road markings and road signs, rainwater drainage systems, landscaping, green areas management and rehabilitation, and traffic management equipment.

- ***RA3: Improving the business environment in the Municipality of Casablanca.***

Supporting the acceleration and digitization of administrative procedures through the simplification, automation and dematerialization of the procedures for the issuance of business licenses and the authorization related to urban planning.

9. **Program Expenditures:** The Program will finance the following categories of activities:

- a. Goods and services for the improvement of fiscal resources management and institutional strengthening of the municipality, including towards the improvement and development of e-government platforms for citizen engagement and commercial and administrative services;
- b. Small and medium scale civil works, goods, and services for extension of water supply, sanitation, and electricity networks in disadvantaged neighborhoods;
- c. Small and medium scale civil works, goods, and services for the repair and upgrading of the urban road network and surrounding areas including traffic lanes, sidewalks, drainage, green spaces, street lighting, buildings and signaling;
- d. Small and medium scale civil works, goods and services for the improvement of traffic regulations on major streets.

10. **Exclusions.** The Program does not include any activities assessed to have a significant adverse impact on the environment and/or affected people as defined in the World Bank Policy and Directive on PforR Financing, nor works, goods, and consultancy contracts above the Operations Procurement Review Committee (OPRC) thresholds. As part of the implementation support, the Bank will screen Program activities to ensure that no high-risk activity is included in the Program to ensure compliance with the PforR policy requirements.

## Annex 2: Results Framework Matrix

<p><b>The Program Development Objective (PDO)</b> is to increase the investment capacity of the Municipality of Casablanca, improve the business environment in the Municipality of Casablanca, and enhance access to basic services in the Program Area.</p>												
PDO Level Results Indicators	CRI	DLI	Unit of Measure	Base-Line	Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
					CY17	CY18	CY19	CY20	CY21			
<p><b>PDO Indicator 1:</b></p> <p>Percentage Increase in Municipal Revenues excluding transfers from a baseline of 0% in CY 2015</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	% increase compared to CY2015 baseline	Municipal revenues (excluding transfers, CAS TVA) in 2015	9.6%	18%	25%	32%	40%	Annual	Annual accounts / For each CY: Percentage increase as recorded in the financial statements of the previous CY, compared to the baseline of CY15.	Municipal treasurer / Casa Prestations
<p><b>PDO Indicator 2:</b></p> <p>Private capital mobilized for investments through new or additional value of PPP contracts, from a baseline of 0</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Number (MAD millions)	0	0	100	500	900	900	Annual	PPP contracts	CC/ Casa Transports

<b>PDO Indicator 3:</b> Households in disadvantaged neighborhoods provided with improved access to basic services (at least one of the following: water supply, sanitation, or electricity), from a baseline of 0	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Number	0	0	1,500	3,000	6,000	10,000	Annual	Lydec customer registry	CC / Lydec
<b>PDO Indicator 4:</b> Reduction in the average number of days required for the issuance of a building permit at the Municipality's one-stop-shop	<input type="checkbox"/>	<input type="checkbox"/>	Number	25	25	20	15	15	15	Annual	Activity reports of the provider for the dematerialization procedures	CC
<b>Intermediate Results Area 1: To increase the investment capacity of the Municipality of Casablanca</b>												
<b>IRI 1.1:</b> Increase in revenues administered by the municipality	<input type="checkbox"/>	<input type="checkbox"/>	%	Revenues administered by the municipality in 2015	15%	25%	40%	50%	55%	Annual	Amount of revenues per year, certified by the Municipal Treasurer	Municipal treasurer / Casa Prestations
<b>IRI 1.2:</b> Annual rate of execution of the Municipality's investment budget	<input type="checkbox"/>	<input type="checkbox"/>	%	Rate of implementation of the Municipality's budget in 2015	55%	60%	65%	75%	80%	Annual	Annual accounts; R= Expenditure Executed / Total Budget	Municipal treasurer / Casa Prestations
<b>IRI 1.3:</b> Increase in operating surplus on the municipal budget	<input type="checkbox"/>	<input type="checkbox"/>	%	Operating surplus of the Municipality's budget in 2015	50%	75%	100%	125%	150%	Annual	Annual accounts; R = (Operating revenue - Operating expenses)/	Municipal treasurer / Casa Prestations

											Baseline	
<b>Intermediate Results Area 2: To improve the urban environment and access to basic services in the Program Area</b>												
<b>IRI 2.1:</b> Number of kilometers of comprehensive street upgrading (works to include at least three (3) of the following elements: (i) roadway, (ii) sidewalk or pedestrian path, (iii) road drainage systems, (iv) road markings and signs, (v) street lighting, (vi) urban furniture, and (vii) landscape), from a baseline of 0	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Number (km)	0	0	37	57	116	116	Annual	Review of Program Progress Report; field visits	Casa Aménagement/Casa Transport / CC
<b>IRI 2.2:</b> Female members of households in disadvantaged neighborhoods provided with improved access to basic services under the Program in the Program Area	<input type="checkbox"/>	<input type="checkbox"/>	Number	0	0	5,000	10,000	20,000	28,000	Annual	Lydec customer registry	CC / Lydec
<b>IRI 2.3:</b> Deployment of a system to manage citizen requests	<input type="checkbox"/>	<input type="checkbox"/>	Actions	No standard GRM procedure	Egovernment masterplan adopted by the CC	Standard GRM procedure Developed	Standard GRM procedure integrated in all systems	More than 80% of requests are addressed	More than 90% of requests are addressed	Annual	GRM systems operations	Casa Prestations
<b>Intermediate Results Area 3: Improving the business environment in the Municipality of Casablanca</b>												

<b>IRI 3.1:</b> Simplification and digitalization of administrative transactions for the issuance of: (i) authorizations related to urban planning, and (ii) business licenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Text	Platforms for the dematerialization of administrative procedures are not deployed	“V2: full numeric” version of the Casaurba platform is deployed in the central single window of the CC	“V2: full numeric” version of the Casaurba platform is deployed in the single window of all CC <i>arrondissements</i>	Dematerialized procedures for all business licenses have been effectively deployed in the single windows of all CC <i>arrondissements</i>			Annual	Activity reports of the provider for the dematerialization procedures	CC
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### Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

#### Disbursement-Linked Indicator Matrix

	<i>Total Financing Allocated to DLI</i>	<i>As % of Total Financing Amount</i>	<i>DLI Baseline</i>	<i>Indicative timeline for DLI achievement</i>				
				<i>CY2017</i>	<i>CY2018</i>	<i>CY2019</i>	<i>CY2020</i>	<i>CY2021</i>
<b>DLI 1 – Percentage Increase in Municipal Revenues excluding transfers from a baseline of 0% in CY 2015</b>			0%	9.6%	18%	25%	32%	40%
Allocated amount:	50	25%		12	10.5	8.75	8.75	10
<b>DLI 2 – Modernization of the CC's revenue management systems</b>			The improved revenue systems are not operational	-	Installation of an integrated information system for the administration of taxes on non-built land, beverage licenses and tourism  Carrying out of a census of taxpayers and elements of taxation relating to the revenues administered by the CC	Establishment and operationalization of a single Addressing System ( <i>Système d'Adressage</i> )	Integrated information system for revenue administration is fully operational  Completion of an inventory and valuation of the Borrower's real estate assets	
	15	7.5%		0	6	4	5	0
<b>DLI 3 – Private capital mobilized for investments through new or additional value of PPP contracts from a baseline of 0</b>			0	0	100	500	900	900



Allocated amount:	60	30%		0	6.7	26.6	26.7	0
<b>DLI 4 – Households in disadvantaged neighborhoods provided with improved access to basic services (at least one of the following: water supply, sanitation, or electricity), from a baseline of 0</b>			0	0	1,500	3,000	6,000	10,000
Allocated amount:	40	20%		0	7.1	7.2	14.3	11.4
<b>DLI 5 – Number of kilometers of comprehensive street upgrading (works to include at least three (3) of the following elements: (i) roadway, (ii) sidewalk or pedestrian path, (iii) road drainage systems, (iv) road markings and signs, (v) street lighting, (vi) urban furniture, and (vii) landscape), from a baseline of 0</b>			0	0	37	57	116	116
Allocated amount:	19.5	9.75%		0	6.2	3.4	9.9	0
<b>DLI 6 – Simplification and digitalization of administrative transactions for the issuance of: (i) authorizations related to urban planning, and (ii) business licenses</b>			Platforms for the dematerialization of administrative procedures are not deployed	“V2: full numeric” version of the Casaurba platform is deployed in the central single window of the CC	“V2: full numeric” version of the Casaurba platform is deployed in the single window of all CC <i>arrondissements</i>	Dematerialized procedures for all business licenses have been effectively deployed in the single windows of all CC <i>arrondissements</i>		

						<i>nts</i>		
Allocated amount:	15	7.5%		6	5	4	0	0
<b>Total Financing Allocated:</b>	199.5			18	41.5	53.95	64.65	21.4

***DLI Verification Protocol Table***

#	<b><i>DLI</i></b>	<b><i>Definition/ Description of achievement</i></b>	<b><i>Scalability of Disbursements (Yes/No)</i></b>	<b><i>Protocol to evaluate achievement of the DLI and data/result verification</i></b>		
				<b><i>Data source/agency</i></b>	<b><i>Verification Entity</i></b>	<b><i>Procedure</i></b>
1	DLI 1 – Percentage Increase in Municipal Revenues excluding transfers from a baseline of 0% in CY 2015	<p>DLI 1 measures the increase in operating municipal revenues – excluding transfers – of the CC compared to the baseline of CY2015. These revenues (excluding transfers and resources from the CAS TVA) include the taxes, fees, and other operating revenues administered directly by the CC as well as the taxes administered by the Central Government on behalf of the CC (<i>taxe professionnelle, taxe sur les services communaux, and taxe d'habitation</i>).</p> <p>The annual target for each year corresponds to the increase in revenues for the previous calendar year compared to the Baseline of CY2015, as documented in the annual financial statements. (e.g.: For CY2021, the target is expressed as the expected increase recorded in CY2020 compared to the baseline of CY2015).</p> <p>The baseline (0%) in 2015 is based on a total amount of MAD 2,482,668,699.90 in operating revenues excluding transfers and resources from</p>	Yes	Municipal Treasurer / CC's financial statements	IGAT	IGAT will review the financial statements approved by the Municipal Treasurer as of the 31 <sup>st</sup> of December of each CY, and will confirm the % increase in the operating municipal revenues - excluding transfers and resources from the CAS TVA – compared to the baseline of CY2015.

		<p>the CAS TVA, based on the 2015 municipal accounts as of 31/12/2015.</p> <p>The annual targets are</p> <p>CY2017: 9.6%</p> <p>CY2018: 18%</p> <p>CY2019: 25%</p> <p>CY2020: 32%</p> <p>CY2021: 40%</p>				
2	DLI 2 – Modernization of the CC's revenue management systems	<p>DLI 2 measures the actions taken by the CC to improve and modernize the administration of its own revenue. These measures may be directly managed by the municipality and / or entrusted to a local development company of which it is a shareholder, under a specific agreement.</p> <p>The Disbursement Linked Results (DLR) are planned to be achieved as follows:</p> <p>In CY 2018:</p> <p>-DLR 2.1: Installation of the integrated information system for the administration of taxes on non-built land (TNB), beverage licenses and tourism, including: (i) relevant CC's staff have been equipped and trained to operate the system, and (ii) the system's functionalities have been successfully activated.</p> <p>-DLR 2.2: Carrying out of a census of taxpayers and elements of taxation relating to the revenues administered by the CC, including upgrading tax bases undertaken for each of the tax revenues, when applicable (as described in the POM)</p> <p>In CY 2019:</p> <p>-DLR 2.3: Establishment and operationalization of a single Addressing System (<i>Système d'Adressage</i>)</p> <p>In CY 2020:</p> <p>-DLR 2.4: Integrated information system for revenue administration is fully operational and the revenues administered by the CC (but excluding small volume revenues and cash</p>	No	CC	IGAT	<p>DLR 2.1: The CC or SDL sends to IGAT the PV of reception of the integrated information system. IGAT then checks on site the full operationalization of the system (equipment, staff, functionalities activated) for the taxes and fees concerned.</p> <p>DLR 2.2: IGAT verifies that the inventory of taxpayers and elements of taxation for the TNB, tax on beverage licenses, tourist tax (taxe de séjour), is carried out by the services of the municipality and / or by the service providers, in accordance with the stipulations in their Terms of Reference.</p> <p>DLR 2.3: To certify the implementation of this action, IGAT will rely on the validation by the monitoring committee of this action, Poste Maroc, Lydec and ANCFCC will be members of this Committee.</p> <p>DLR 2.4: IGAT ensures on site the full operationalization of the system (equipment, staff, functionalities</p>

		<p>revenues, inter alia, as described in the POM) are able to be administered through the integrated information system.</p> <p>This result will be achieved when the following taxes and fees will be administered through the integrated information system: TNB, tax on beverage licenses places, tourist tax (taxe de séjour), public domain occupancy fees (RODP), tax on construction operations, tax on subdivided urban operations (taxe sur les opérations de lotissement), tax on road pavement degradation.</p> <p>-DLR 2.5: Completion of an inventory and valuation of the CC's real estate assets, in form and substance as set forth in the POM</p> <p>This inventory will mainly focus on the private domain of the CC, and will cover assets already registered with the National Land and Property Management Agency (<i>Conservation Foncière</i>) as well as those only inscribed in the CC's asset registries (<i>sommiers de consistances</i>). This inventory should identify the main characteristics of each property, including the exact location, consistency and physical condition of the property, ownership status, registration when it is made, current occupants, rent amount, the main elements of the lease contract, and the market value.</p>				<p>activated) for all the taxes and fees concerned.</p> <p>DLR 2.5: IGAT will ensure the completeness of the inventory and valuation of the property of the municipality. The details of the audit are detailed in the POM. In order to carry out this verification, the municipality will have transmitted to IGAT in 2018 the list of properties already registered with the ANCFCC, which are in the process of being registered or only inscribed in the CC's asset registries (<i>sommiers de consistance</i>)</p>
3	DLI 3 – Private capital mobilized for investments through new or additional value of PPP contracts from a baseline of 0	<p>DLI 3 measures the amount of private investments committed through the signature of new PPP contracts, or additional amounts of private capital mobilized through the revision of existing PPP contracts.</p> <p>The total target for the Program Implementation Period is MAD 900 million</p>	Yes	CC	IGAT	<p>IGAT will review the contracts, or contract amendments signed by the CC, a SDL or the ECI. IGAT will verify the amount of private investment committed in the contract, or the additional amount committed in the case of amendments to an existing contract. The amount taken into account will be the total amount, or additional amount over the full term of the contract or</p>

						contract amendment.
4	DLI 4 – Households in disadvantaged neighborhoods provided with improved access to basic services (at least one of the following: water supply, sanitation, or electricity), from a baseline of 0	<p>DLI 4 measures the cumulative number of households in disadvantaged neighborhoods provided with access to at least one of the three following basic services: water supply, sanitation, or electricity, from a baseline of 0, up to 10,000 households.</p> <p>The eligible disadvantaged neighborhoods are the 72 neighborhoods subject of the MoU signed by the authorities under the PDGC (<i>Convention de Rehabilitation de Quartiers Sous Equipés</i>), and any other disadvantaged neighborhoods as agreed between the CC and the Bank.</p> <p>The end of line target amounts to 10,000 households.</p> <p>The annual (cumulative) targets are  CY2018: 1,500 households  CY2019: 3,000 households  CY2020: 6,000 households  CY2021: 10,000 households</p>	Yes	LYDEC	IGAT	<p>In 2018, 2019, 2020, and 2021. Review by IGAT of:</p> <ul style="list-style-type: none"> <li>- The list of beneficiaries established by Lydec, validated by the authorities indicating the connection water and / or sanitation and / or electricity</li> <li>- Reception records of works completion in civil engineering of water / and or sanitation and / or electricity in the eligible disadvantaged neighborhoods.</li> </ul> <p>On-site verification by IGAT:</p> <ul style="list-style-type: none"> <li>- Verification of the commissioning of sanitation: On-site verification of the physical connection based on a random sample of at least 5% of beneficiary households.</li> <li>- Verification of water and electricity services: verification of customer contracts based on a random sample of at least 5% of beneficiary households and field visits.</li> </ul>
5	DLI 5 – Number of kilometers of comprehensive street upgrading (works to include at least three (3) of the following elements: (i) roadway, (ii) sidewalk or pedestrian path, (iii) road drainage systems, (iv) road markings and	DLI 5 measures the cumulative number of kilometers of comprehensive street upgrading completed (works to include at least three (3) of the following elements: (i) roadway, (ii) sidewalk or pedestrian path, (iii) road drainage systems, (iv) road markings and signs, (v) street lighting, (vi) urban furniture, and (vii) landscape), as described in the POM), from a baseline of 0, up to 116 kilometers	Yes	Casa-Aménagement Casa-Transport	IGAT	In 2018, 2019, 2020, and 2021. Review by IGAT of the physical progress reports and invoices submitted by Casa Aménagement and Casa Transport, and on-site verification of a sample of sections.

	signs, (v) street lighting, (vi) urban furniture, and (vii) landscape), from a baseline of 0	<p>These works include the projects covered under the MoU for the upgrading of public spaces and road infrastructure in the city of Casablanca (<i>Convention spécifique pour l'aménagement de la voirie à l'intérieur de la ville de Casablanca</i>), as well as the upgrading of street infrastructure within the framework of the development of the light rail network of Casablanca.</p> <p>The end of line target amounts to 116 km.</p> <p>N.B.: any given street section may only be counted once as contributing to the achievement of this DLI under the Program.</p>				
6	DLI 6 - Simplification and digitalization of administrative transactions for the issuance of: (i) authorizations related to urban planning, and (ii) business licenses	<p>DLI 6 measures the improvement of the business environment through the simplification and dematerialization of the following administrative transactions: (i) the issuance of authorizations related to urban planning (<i>autorisations d'urbanisme</i>), and (ii) the issuance of business licenses (<i>autorisations commerciales</i>).</p> <p>The Disbursement Linked Results (DLR) are planned to be achieved as follows:</p> <p>In CY 2017:</p> <ul style="list-style-type: none"> <li>- DLR 6.1: "V2: full numeric" version of the Casaurba platform is deployed in the central single window of the CC</li> </ul> <p>In CY 2018:</p> <ul style="list-style-type: none"> <li>- DLR 6.2: "V2: full numeric" version of the Casaurba platform is deployed in the single window of all CC <i>arrondissements</i></li> </ul> <p>In CY 2019:</p> <ul style="list-style-type: none"> <li>- DLR 6.3: Dematerialized procedures for all business licenses have been effectively deployed in the single windows of all CC <i>arrondissements</i></li> </ul>	No	CC	IGAT	<p>For DLR 6.1, DLR 6.2., and DLR 6.3., IGAT will review the activity reports submitted by the platforms' operator to the PIU.</p> <p>For each stages of deployment, the operator will submit the full list of transactions processed during the last month preceding the verification, and will make available upon request the full records of any transaction. IGAT will verify transaction records for a random sample of individual transactions and will confirm that all steps of the transaction have been dematerialized.</p>

**Bank Disbursement Table**

<i>#</i>	<i>DLI</i>	<i>Bank financing allocated to the DLI</i>	<i>Of which Financing available for Prior results</i>	<i>Deadline for DLI Achievement<sup>1</sup></i>	<i>Minimum DLI value to be achieved to trigger disbursements of Bank Financing<sup>2</sup></i>	<i>Maximum DLI value(s) expected to be achieved for Bank disbursements purposes<sup>3</sup></i>	<i>Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)<sup>4</sup></i>
1	DLI 1 – Percentage Increase in Municipal Revenues excluding transfers from a baseline of 0% in CY 2015	50	0	December 31 <sup>st</sup> of each year.	n.a.	40%	Formula-based  CY17-CY21 disbursements will be made based on the evidence of increase in municipal revenues – excluding transfers – compared to CY15. For each percentage increase, US\$1.25 million may be made available for withdrawal by the CC.
2	DLI 2 – Modernization of the CC's revenue management systems	15	0	Before closing date	n.a.	n.a.	Based on the achievement of the DLRs identified under this DLI.  Amounts allocated to each DLR may be made available to the CC based on the evidence that the DLR has been achieved.  The amounts allocated to each DLR are the following.  DLR 2.1: US\$3 million DLR 2.2: US\$3 million DLR 2.3: US\$4 million DLR 2.4: US\$2 million DLR 2.5: US\$3 million
3	DLI 3 – Private capital mobilized for investments through new or additional value of PPP contracts from a baseline of 0	60	0	Before closing date	n.a.	MAD 900 million	Formula-based  CY17-CY21 disbursements will be made based on the evidence of new amounts of private investments committed. For each MAD 1,000,000 committed,

							US\$66,666 may be made available for withdrawal by the CC.
4	DLI 4 – Households in disadvantaged neighborhoods provided with improved access to basic services (at least one of the following: water supply, sanitation, or electricity), from a baseline of 0	40	0	Before closing date	0	10,000	Formula-based  CY17-CY21 disbursements will be made based on the evidence of new households benefitting from improved access to water supply, sanitation and electricity. For each beneficiary household, US\$4,000 may be made available for withdrawal by the CC.
5	DLI 5 – Number of kilometers of comprehensive street upgrading (works to include at least three (3) of the following elements: (i) roadway, (ii) sidewalk or pedestrian path, (iii) road drainage systems, (iv) road markings and signs, (v) street lighting, (vi) urban furniture, and (vii) landscape), from a baseline of 0	19.5	0	Before closing date	0	116	Formula-based  CY17-CY21 disbursements will be made based on the evidence of the km of comprehensive street upgrading completed. For km of street upgraded, US\$168,103 may be made available for withdrawal by the CC.
6	DLI 6 - Simplification and digitalization of administrative transactions for the issuance of: (i) authorizations related to urban planning, and (ii) business licenses	15	0	Before closing date	n.a.	n.a.	Based on the achievement of the DLRs identified under this DLI.  Amounts allocated to each DLR may be made available to the CC based on the evidence that the DLR has been achieved.  The amounts allocated to each DLR are the following.



							DLR 6.1: US\$6 million DLR 6.2: US\$5 million DLR 6.3: US\$4 million
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## Annex 4: Technical Assessment

### A. Strategic Relevance

1. **The Program's strategic relevance is high.** As noted in the Country Economic Memorandum for Morocco released by the Bank in 2017, urbanization and decentralization are two critical transformations which contribute to framing the challenges and opportunities faced by Moroccan policy makers when considering policy options to pursue the two objectives of boosting economic growth and promoting social equity. In this context, and given the role of Casablanca as an engine of economic growth for the country, the Program's support to the Greater Casablanca Development Plan (PDGC), and its specific emphasis on the financial and institutional strengthening of the CC is highly relevant.
2. **The Program provides integrated support to the mobilization of private capital for infrastructure financing in the Program Area, as part of the operationalization of the WBG Maximizing Finance for Development/"cascade" approach in Morocco.** The PDGC acknowledges that innovative institutional and financial models are critical to achieve the program's investment objective. This operation provides integrated support to the mobilization of private capital for infrastructure financing in Casablanca in three complementary ways: (i) by incentivizing PPPs, (ii) helping establish the Municipality's creditworthiness, and (iii) de-risking private investment. A specific Disbursement Linked Indicator (DLI-3) will measure the amount of private capital mobilized for investments through PPP transactions. IFC advisory is expected to support the Municipality in the structuring of selected PPP transactions. Furthermore, by strengthening the financial and institutional capacity of the CC, this operation will address key upstream identified constraints that limit the potential public and private infrastructure investment needed for the City's development. Strengthened Municipal revenues would decrease the payment risks for existing and future PPPs in which the Municipality has a financial responsibility in terms of capital investment or at the operational level. Improved creditworthiness would also allow the Municipality of Casablanca to leverage its increased revenues for investments through commercial borrowing. In addition, the support provided to the CC through this operation complements the ongoing dialog between the WBG and Casablanca on the financing of planned Bus Rapid Transit (BRT) lines on a PPP basis.
3. **Casablanca is a key engine of growth for the Moroccan economy.** The proposed operation will contribute to achieving the objectives of the Greater Casablanca Development Plan (PDGC), an integrated regional development plan (worth US\$3.4 billion) aimed at fostering investments, increasing capacity and improving central-local coherence at the regional level. Through supporting the financial and institutional capacities of the CC in the PDGC framework, the proposed operation will participate in consolidating the central position of the economic capital as the country's main growth pole and window to the world economy. Today the city finds itself at a cross-road between being the beacon of urbanization's promises and the example of its multi-faceted challenges. With roughly 35,000 additional people moving to the city every year, the Greater Casablanca conurbation today concentrates over 12% of the population (4.2 million people, compared to 1.1 million in 1960) on only 0.6% of national territory. As one of Africa's leading financial centers and the core of Morocco's industrial sector (concentrating 60% of industrial workers and 55% of the country's production units), Casablanca is also the driver of the Moroccan economy's diversification and structural transformation. As the main economic engine of the country, it directly generates one 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.
4. **Casablanca is also an economic capital encapsulating the country's urbanization challenges.** Yet, Casablanca is also marked by rising inequalities, entrenched poverty (about 150,000 people) and vulnerability (450,000). 1% of the Casablanca population is considered to be living under conditions of

“extreme vulnerability” (*précarité extrême*)<sup>23</sup> according to the 2014 poverty mapping<sup>24</sup>, with the vulnerability pockets concentrated in the outskirts of the agglomeration (the provinces of Mediouna, Nouaceur and Mohammedia being the most affected areas). At 0.52, Casablanca’s Gini coefficient remains significantly higher than the national (0.41%), and places it as third most unequal city in Africa.<sup>25</sup> The housing gap is estimated to reach 500,000 units by 2020, and unmatched housing demand keeps leading to the proliferation of informal settlements. Per the last official census (2014), about 20% of the Greater Casablanca population (4.2 million people) lived in substandard housing in 2014. Although the unemployment rate is lower than the average national rate (11.3% as opposed to 16.2% in 2014), youth unemployment remains high in the economic capital. 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.

5. **It is also a city with weak financial capacities and large investment needs.** Both the operating income of the CC (about MAD 1,000 in 2016, or US\$105 equivalent, per inhabitant) and its investment expenditures (MAD 183 in 2016, or US\$19 per inhabitant) ratios are largely insufficient to deliver the urban services required at the metropolitan scale to insure social inclusion. Sustained urban growth combined with a lack of investment over the past decades has led to very unequal levels of access to services throughout the economic capital. A large proportion of urban roads leading to suburban areas (often housing disadvantaged population groups) is of low quality and/or unpaved, limiting citizen access to jobs and overall social integration. The city’s untapped fiscal potential (estimated at US\$150 million over the 2016-2021 period)<sup>26</sup> limits the generation of an operating surplus and the Municipality’s investment capacity.<sup>27</sup> By improving the resources of the CC without necessarily increasing the tax burden, the proposed operation ambitions to substantially increase the city’s investment capacities. The proposed operation will also provide incentives to encourage the development of public-private partnerships and significantly scale up private investment in public infrastructure where appropriate. Following the improvement in the CC fiscal position, a longer-term objective would be to allow the CC to be rated and have access to loans to further develop efficient investment policies at the metropolitan scale.

6. **Casablanca faces significant management issues.** In addition to financial constraints, weak management hampers Casablanca’s development performance. The city moved towards a unified and 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 and reap network synergies and scale economies, horizontal and multi-level governance tools remain very scarce. In asserting the institutional and financial role of the CC in the implementation of the PDGC, the proposed operation confirms the city’s role in local governance and the joint leadership of municipal and regional authorities on metropolitan development.

7. **A local business environment affected by uncertain administrative practices.** The CGEM barometer of the first quarter of 2017 reflects a negative perception of the business climate by Moroccan

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<sup>23</sup> Defined as a situation of vulnerability (*précarité*) resulting in isolation and exclusion, due to the lack of one or more securities (be it in the economic, social, or cultural fields, or in terms of bodily integrity). Extreme poverty prevents individuals or families from fulfilling their work, family or social obligations and from enjoying their human rights.

<sup>24</sup> HCP, 2014, Recensement général de la population et de l’habitat au Maroc, 2014.

<sup>25</sup> UN Habitat (2011). Gini figures are calculated here based on consumption. If based on income, the degree of inequality would be even larger.

<sup>26</sup> Philippe Laurent Consultants-Charles Riley Consultants International, 2008

<sup>27</sup> Improved fiscal administration to enhance tax revenues is a key challenge for Morocco’s local and central authorities. In its May 2015 report, 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.

business leaders. Only 24% of them have a favorable opinion of the business climate. This perception is notably related to providing transparency in Government to Business services (G2B). The enterprise survey carried out in 2013 by the World Bank highlights the constraints to the development of business in the metropolis of Casablanca. It stands out that the most important obstacle for the economic activity of enterprises is lack of transparency in administrative procedures and process. Indeed, for 49.5% of companies surveyed in the greater Casablanca, lack of transparency represents the greatest constraint to business. This perception is particularly widespread in Casablanca in comparison with other economic centers such as Rabat where only 25.7% of companies share this feeling.

8. **Casablanca is a test case in deepening decentralization in Morocco.** Moroccan cities have a limited control and a small share of public spending, though relatively to other MENA countries they are entitled with more responsibilities. Despite the Government's push towards decentralization, weak subnational capacity entrenches a bias to centralize decision making, in turn diluting local responsibilities for policy and weakening investment coherence and coordination. The Program's strategic relevance also lies in it being a test case in addressing the challenges above. The proposed operation would lead to the first direct loan conceded by the Bank to a local government in the MENA region. The sovereign guarantee granted by the Moroccan Ministry of Finance to the CC well illustrates the importance of this pilot operation for the GoM who also contemplates it as a pilot for a business model that could be replicated to other cities. The proposed operation also contributes to the operationalization of the decentralization agenda in Morocco. The ambitious reform of local taxation currently under preparation by the Directorate of Local Finance (DFL) at MoI (which should contribute to increase LGs' own resources) is another illustration of central government ownership over the proposed Program.

## B. Technical Soundness

9. **The Program's design rests on solid technical bases.** In recent years, Morocco has acquired experience with developing territorial development programs anchored around large urban agglomerations such as Tangiers, Rabat and Marrakesh. A large body of analytical work on the challenges facing Casablanca has emerged since the mid-2000s. In the framework of the PDGC, and in order to bring to fruition these analytical foundations and increase ownership of key stakeholders, the authorities organized a large consultative process involving think tanks, associations, academic institutions, NGOs and government agencies over a nine-month period.

10. **The Program's design reflects lessons learned from the Bank's global experience with similar operations.** These include: (i) *Need for a strong institutional champion*: the Program relies on solid leadership by both municipal and regional authorities; (ii) *Continued support from central ministries' policy-making and oversight functions*: the Program benefits from strong ownership by the Directorate General of Local Governments (DGCL) of the Ministry of Interior (MoI), in terms of financial contributions to investments and support to key reforms, as well as the Ministry of Economy and Finance, which agreed to grant a sovereign guarantee backing the proposed operation; (iii) *Attention to jointly strengthening the interlocking elements of municipal capacity*: the Program includes reforms addressing essential aspects of decision-making, financing and management. Similarly, the Program places concomitant incentives on institutional, fiscal and investments objectives, in line with other municipal support PforRs.

11. **Program Activities.** Program activities and expenditures are aligned with the Program's overall objectives and Results Areas.

- **Results Area 1:** RA1 activities aim at improving the investment capacity of the CC by: (i) increasing its tax collection capacity; (ii) improving municipal financial governance and management in order to maximize the quality and efficiency of public expenditure; and (iii) identifying new public-private partnership initiatives for investment in municipal infrastructure, equipment, and services. Increasing fiscal resources is key to ensuring sustained development of

the economic capital: in 2016, the CC net saving amounted to MAD 190 million or US\$20 million, i.e. 7% of its operating budget. In the same year, municipal investment expenditure only reached MAD 600 million or US\$63 million, which is largely insufficient in relation to the investment needs, estimated at MAD 4 billion or US\$420 million over a 10-year period for Casablanca. Recent assessments show a considerable growth potential of municipal fiscal resources. This potential has been only partially captured, and the Program provides incentives to further boost the CC resources. Other RA1 activities supporting multiannual investment programming, definition of performance indicators, evaluation of public policies, development of internal audit, etc. are aligned with the transparency and governance requirements foreseen under the 2011 Constitution and 2015 Organic Law 113-14 on municipalities. Activities to promote the transparency and accountability framework for budgetary, accounting and control stem from the recommendations of the WB Casablanca Public Expenditure Financial Accountability (PEFA) study.

- Results Area 2:** Urban transport/mobility expenditures of the Program include the upgrade and construction of urban roadways, sidewalks and pedestrian paths (including inter alia drainage systems, markings and signs, street lighting, and urban furniture and landscape where relevant), upgrades along mass transit corridors (including inter alia sidewalks, street lighting, and urban furniture and landscape), and the installation of traffic management systems in targeted areas of Casablanca. Urban transport/mobility expenditures are technically appropriate and can be implemented by the CC and its municipally-owned enterprises/SDLs (*Casa Transport* and *Casa Aménagement*), with the assistance of expert consultants for feasibility studies, design studies, and construction supervision. Technical standards - in particular design standards and criteria for works reception - compare favorably to international experience and practice. In addition, the CC through its SDL - ensures technical quality by recruiting the best-qualified available consultants and firms in order to develop careful designs and solid cost estimates, as well as to strengthen contract administration and technical supervision. The investments in extending water supply, sanitation, and electricity in disadvantaged neighborhoods build on the experience of the local authorities and Lydec in implementing similar programs. Following the launch of the government's flagship social development program (*Initiative Nationale pour le Développement Humain*, INDH), A specific subprogram (INMAE) was initiated in 2005 aimed at extending access to water supply, sanitation, and electricity to disadvantaged neighborhoods in Casablanca. Today, more than 40,000 households of the greater Casablanca have gained access to basic services through the INMAE program. Part of these connections benefitted from subsidies financed under a GPOBA pilot (Improved Access to Water Supply and Sanitation Project – P102527). Based on the experience of the INMAE Program, the technical standard, implementation capacity, and social and commercial strategy of the operator (Lydec) is considered adequate.
- Results Area 3:** A clear and transparent business environment is essential to cities' private sector attractiveness and dynamism. The annual Doing Business (DB) survey for Morocco essentially assesses key administrative procedures as implemented in the Commune of Casablanca. Despite recent overall progress on DB indicators, the assessment concluded that red tape and lengthy procedures result not only in bottlenecks for business and entrepreneurs, but also in a certain lack of transparency which can encourage rent seeking behaviors and malfeasance. The latest enterprise survey - which measures the perception of businesses in Morocco and in Casablanca in particular – confirms these results. Casablanca based companies point out long, complicated and opaque local procedures due to poorly readable regulations giving discretionary interpretation to a plethora of administrative units, identified by entrepreneurs as key constraints to their activity. Program's activities under RA3 are not only in line with local entrepreneurs' demands and the results of key Bank analytics, but also with standard e-government/smart city approaches to digitalizing procedures, with a view not only speed up the time requirements which entrepreneurs

face in obtaining key administrative acts, but also in increasing transparency and reducing the administration's discretionary power.

### ***Climate co-benefits***

12. Evidence<sup>28</sup> indicates that Morocco is facing increasing variability in rainfall due to climate change, which leaves Morocco (and Casablanca in particular due to its density and location on the coast) vulnerable to increased flooding. WBG risk screening overview states that Morocco's rainy season extends from October through April, often resulting in devastating floods. Within the past decade (2002-2011), nine out of the top ten natural disasters in Morocco were floods<sup>29</sup>. More specifically, the Greater Casablanca is built on a low-lying coastal area, which has increased its urban density through the growth of large informal settlements as infill areas, and is well served by the national highway and by a number of major roads, as well as by the railway lines.<sup>30</sup> Urban flooding is a major vulnerability in Casablanca which has manifested itself with increasing intensity in the past decade, with similar changes in the urban locations of the seasonal patterns of precipitations, causing short and very intense episodes of rainfall which overwhelm the existing drainage systems. The areas hit the worst have been the low-lying informal neighborhoods as well as the industrial area of Mohammedia. In addition to the new magnitude of precipitation episodes, Casablanca has been experiencing: (a) an unplanned urbanization with building encroachment on flood-prone and drainage areas; (b) insufficient works to manage watershed upstream runoff; and (c) poorly calibrated drainage systems. With rainfall expected to be increasingly variable, and with Casablanca population expected to grow from 4 to 5 million by 2030 and increasing urbanization with exposure to coastal erosion, Casablanca will be increasingly vulnerable to flooding. The Program intends to address this vulnerability as part of its activities.

13. Program activities will generate climate change co-benefits. Under RA1, identified PPP investments to be incentivized through DLI3 include investments in public transit (BRT and city buses) with mitigation co-benefits in terms of urban transport modal change. Under RA2, investments in road drainage will have adaptation benefits in terms of increased resilience to flooding. Investments in the improvement of sidewalks, pedestrian path, signs, and street lighting will also have mitigation co-benefits through the improvement of pedestrian mobility. Finally, the installation of energy efficient street lighting will have mitigation co-benefits in terms of improved energy efficiency.

### **C. Institutional Framework**

14. ***The Program's institutional architecture relies on clear roles, accountability lines and high-level ownership.*** Good implementation of the Program will be based on the combined intervention of key stakeholders including: (i) the MoI through the DGCL (responsible for LGs' oversight); (ii) the Wilaya representing the Government at the regional level and in charge of the broader PDGC implementation; (iii) the CC, which will be executing the Program activities either directly (such as investments in IT infrastructure, road renovation and maintenance, and urban environment) or through (iv) agencies under its authority such as Municipal Development Companies (SDL) or companies in charge of delegated public services (Lydec).

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<sup>28</sup> UNEP/UNISDR, 2013, Global Risk data Platform.

<sup>29</sup> World Bank, 2017, Morocco dashboard, Natural Hazards.

<sup>30</sup> World Bank (Anthony Bigio), 2009, Adapting to climate change and preparing for natural disasters in the coastal cities of North Africa.

15. The **Ministry of Interior** (MoI) is responsible for providing technical and financial support to LGs' policies, initiatives and management throughout the country. The General Directorate of Local Governments (*Direction Générale des Collectivités Locales*, DGLC) within the MoI is the main institution entrusted with such missions. It comprises several Directorates including the Directorate of Local Finances (*Direction des Finances Locales*, DFL) ; the Directorate for Water and Sanitation (*Direction de l'Eau et de l'Assainissement*, DEA) ; the Directorate of Assets (Direction du Patrimoine, DPAT) ; the Directorate of Legal Affairs, Studies, Documentation and Cooperation (*Direction des Affaires Juridiques, des Etudes, de la Documentation et de la Coopération*, DAJDEC). The Central Secretariat of the MoI also holds a responsibility to “accompany” LGs (*rôle d'accompagnement*) through its Directorate of Public Utilities and Concessions (*Direction des Régies et des Services Concédés*, DRSC), in charge of designing and monitoring the contractual framework of public service delivery by the private sector. The MoI is also in charge of formulating central level policies and measures for public services as well as for coordinating the policies of the different line Ministries (at the regional and local levels) pertaining to local governance and municipal development.

16. As the highest representative of the central Government at the territorial level, the **Wali of the Casablanca-Settat region** is responsible for proper implementation of the PDGC. *Walīs* are responsible for coordinating different line Ministries' policies and interventions at the regional and local level, including those pertaining to local governance and municipal development. Responsibility for design and implementation of the overall PDGC (the government program) rests with the Wali, who can coordinate the different State external services (*services extérieurs de l'Etat*). The Wali directly supervises the work of local authorities in the region (governors and their staff) and relies on a team of high-level collaborators (a special unit has been created to ensure PDGC follow-up). He chairs all the SDLs involved in implementing the PDGC and the Program and can take direct action on the most sensitive issues. The Wali is therefore a key stakeholder in Program implementation, and specifically in supporting the CC in the necessary coordination of Program stakeholders.

17. As described in the 2015 Organic Law on municipalities, and as any other Moroccan city, Casablanca has a specific mandate in the following areas:

- (i) the financing, development and management<sup>31</sup> of municipal services regarding the provision of drinking water and electricity services; urban public transport; public streetlighting; sanitation and solid waste management; traffic regulation, road signaling and vehicle parking; maintaining hygiene, equipment and services in the social and leisure sector, economic services (wholesale markets, slaughterhouses, bus station for inter-urban routes);
- (ii) urban planning, including to regulations comprised in the various urban development plans and control of compliance; review and approval of building regulations in accordance with existing law; street addressing (*système d'adressage*).

18. The CC also holds a “shared mandate”, together with central and regional authorities, on areas including local economic development and support to job creation; as well as promotion and support of private investment through the development and maintenance of infrastructure and development of economic activity areas, critical areas targeted by the PDGC.

19. **Local joint-ownership companies** (*Sociétés de Développement Local*, SDLs) have been granted full legal and institutional status since the revision of the Municipal Charter in 2009 (confirmed by the Organic Law on Municipalities issued in July 2015). SDLs are entitled to act and intervene in the field of

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<sup>31</sup>The CC has authority to choose the management systems for the municipal public services (“in house” or delegated management).

competence of municipalities, especially in activities pertaining to urban public service delivery. Public stakeholders are majority stakeholders of SDLs. SDLs are subject to commercial law and not to public accounting rules, which gives them more management and financial flexibility (including for recruiting highly qualified staff. SDLs are however subject to public procurement rules and can be controlled by the Regional Audit Chambers (*Cours Régionales des Comptes*).

### ***Box 2 : Local Joint-Ownership Companies (SDLs) in Casablanca***

Most PDGC projected activities will be implemented through the following four SDLs:

**Casa Aménagement** was created in October 2008 following the presentation of the Urban Development Master Plan of Greater Casablanca (Schéma Directeur d'Aménagement Urbain, SDAU) with the objectives to: (i) carry out major urbanization and development projects for Casablanca Settat region; (ii) launch studies and support the different parties involved in defining development needs; (iii) participate in the evaluation of development projects; (iv) develop funding schemes, identify appropriate sources of funding and build the necessary partnerships. With a capital of MAD 40 million or USD 4.2 million, the SDL is owned by different shareholders including the CC (25%); the Greater Casablanca region (12.5%); the prefectural council (12.5%). In order to support the PDGC, Casa Aménagement has been entrusted by local authorities with carrying out a series of major structuring projects such as the Grand Théâtre de Casablanca, the “Western Super Collector” aimed at preventing flooding risks; the development of the Parc de la Ligue Arabe, the Mohammed V sports complex, the Zoological Park of Aïn Sebaa etc. Activities included in the Program to be implemented by Casa Aménagement (in MOD) include upgrading of roads and public spaces for the corresponding part of the CAS TVA funding.

**Casa Transport** was created in 2009 to build a set of public transport lines with dedicated routes identified in the municipal urban travel policy (PDU). The share capital of the company amounts to MAD 4 000 million or USD 420 million, and the Board of Directors is composed of representatives of the State (MoI and MeF), local authorities (region, CC) as well as large institutions (Fonds Hassan II, Caisse de Dépôts et de Gestion – CDG – and, Banque Centrale Populaire – BCP – and Moroccan Railways National Office, Office national des chemins de fer, ONCF). Following the successful completion of the first tramway line (T1) project, the authorities decided to speed up implementation of all the PDU recommendations. As a result, Casa Transport became the priority tool for achieving this objective. In this context, mobility has been defined as an integral part of the new PDGC and a financing agreement has been signed in the amount of MAD 16 billion or USD 1,7 billion in order to: (i) complement the public transport network with dedicated routes by 2020 and create relay car parks service the public transport network; (ii) upgrade the transport system, whether through the reorganization of traffic or the upgrading of public transport systems; (iii) carry out major road infrastructure improvements designed to streamline traffic and simplify access to the metropolis. Activities included in the Program to be implemented by Casa Transport include video surveillance and traffic regulation.

**Casa Prestations** was created in December 2014 with a capital amounting to MAD 12 million or USD 1.3 million in order to support the Casablanca local authorities in: (i) managing all the activities and institutions put under its responsibility; (ii) supporting, monitoring and evaluating the furniture of local public services in the framework of specific projects; (iii) ensuring the quality of the services provided by the delegates (délégués) which it is in charge of following up; (iv) supervising the development of studies commissioned by local authorities. Casa Prestations has been entrusted with several activities in the framework of the PDGC, including activities and studies pertaining to the modernization of local administration, human resources management, its digital transformation, as well as the support and monitoring of economic activities. Activities included in the Program to be implemented by Casa Prestations comprise: the development of the financial capacities of the CC, the improvement of its management effectiveness and accountability, as well as the development of citizen engagement.

**Casa Patrimoine** was created to rehabilitate and promote the historical and interest heritage of the City. This SDL, of which the municipality of Casablanca is a shareholder, has also been entrusted by the municipality to carry out a census of its real estate assets (in particular the private domain of the municipality) and has already intervened in 3 of the districts of the municipality.



20. A Delegated Service Provision (DSP) contract was signed in 1997 for the delegated management of the distribution of water and electricity; wastewater and rainwater collection, as well as public streetlighting since 2009. The contract was signed between a group of municipalities of the Greater Casablanca as the Delegating Authority (*autorité déléguante*), and Lydec - a subsidiary of the Suez Lyonnaise des Eaux group – as the operator (*délégataire*). Under the concession contract, Lydec is responsible for service provision as well as delegated project management of all investments, including overall maintenance and replacement of existing infrastructure and extension of tertiary distribution networks. The financing of the investments is provided by the operator through its contractual obligations, and by charges paid by other parties which are fed in a works fund (*fonds de travaux*) owned by the delegating authority. A permanent control service (*Service Permanent de Contrôle*, SPC) ensures the control and management of the delegated service provision on behalf of the delegating authority. In the framework of the Program, Lydec will be implementing the planned connections to water, sanitation, and electricity, under the control of the SPC acting on behalf of the Delegating Authority.

21. Key actors under Results Area 3 include the Municipality, the Wilaya, the Casablanca Urban Agency, *arrondissements*, the Regional Investment Center (Centre régional d'Investissement, CRI and the Board of Architects (*Ordre des architectes*). The Municipality in charge of delivering building permits and operating licenses and coordinating the automation of procedures. The CRI as a permanent secretariat for the CREA (Regional committee for business environment) is also playing a key role in these reforms. A private operator was selected through a competitive process to implement the dematerialization of the operating licenses and the building permit. Agreements were signed for both procedures between the above-mentioned parties.

#### **D. Program Institutional Arrangements**

22. Implementation and good governance of the Program will be ensured through the establishment of:

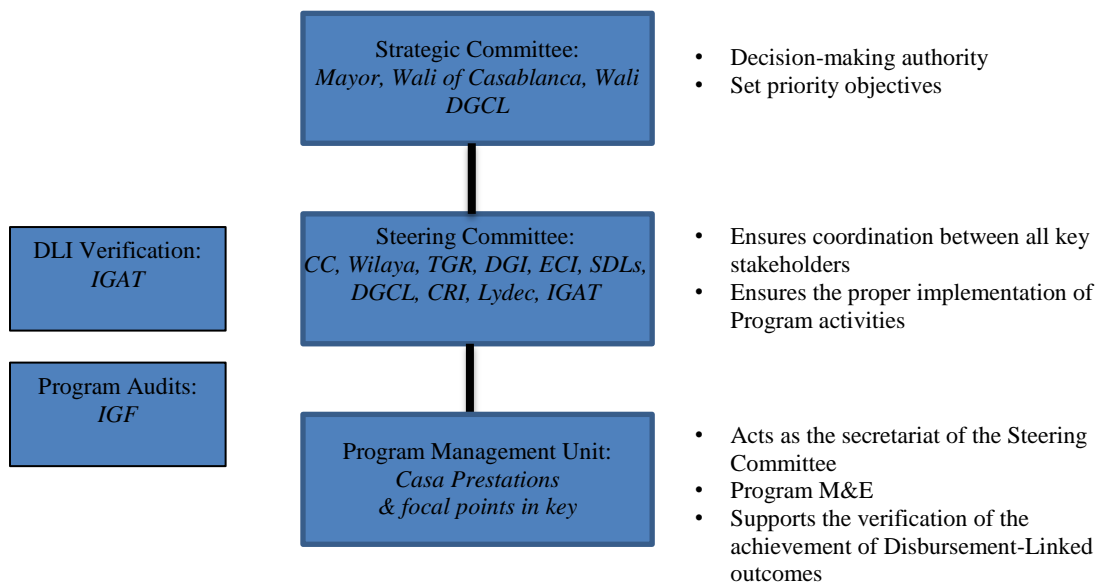
- **A Strategic Committee** (*Comité stratégique*, CS), comprised of the mayor, the Wali of Casablanca-Settat, and the Wali DGCL, will ensure the overall management of the Program. The CS will be entrusted with decision-making power to set priority objectives.
- **A Steering Committee** (*Comité de pilotage*, COPIL) includes the representatives of the mayor, the Wali of Casablanca, and the Wali DGCL, and includes all entities associated to Program implementation and verification (TGR, DGI, CRI, SDLs, Lydec, ECI, and IGAT). In addition to being responsible for Program implementation at an operational level and ensuring coordination among key Program stakeholders, the COPIL oversees overall Program reporting, including the results verification process, results achievement notification and Program audits. To this effect, COPIL discusses the draft Annual Program Report submitted by the Program Management Unit. COPIL meets quarterly or on an as needed basis.
- **The Program Management Unit** (PMU, or UGP) will be jointly managed by the CC and the Wilaya. The UGP will be housed into Casa Prestations and will include focal points from the relevant institutions. The CC has confirmed its commitment to sign a MoU with Casa Prestations to mandate the entity to operate the UGP. A draft MoU has been finalized and will be submitted to the Municipal Council's approval during the upcoming extraordinary session in November. The responsibilities of the UGP will include:
  - Coordination of the Program's stakeholders at the operational level;
  - Regular monitoring of Program's progress, which will be regularly reported (through annual reports);

- Program monitoring and evaluation (through aggregating the results sent by the various stakeholders involved in its implementation, such as the CRI, Lydec, the SDLs, etc.)
- Oversight of the validation of the results achievement linked to disbursements.
- The COPIL's secretariat.

23. **Results verification.** The General Inspection of Territorial Administration (IGAT) will act as Verification Agent under the Program. IGAT already acts as a verification agent in other World Bank-financed PforRs in Morocco (INDH2, Integrated Risk Management, Urban Transport) showing satisfactory performance. Also, given its specific mandate pertaining to the field of LGs, IGAT has confirmed its readiness to ensure this mission within the framework of the proposed Program.

24. **External audit:** The General Inspectorate of Finance (*Inspection Générale des Finances*, IGF) – a Department of the Ministry of Economy and Finance – will be responsible for the annual external audit of the Program's financial accounts. IGF has already performed this role satisfactorily under a range of other PforR operations in Morocco.

**Figure 1. Program institutional arrangements**



## E. Expenditure Framework

### *Alignment with Government priorities*

25. Activities contained in expenditure framework meet the directions set by the Government, the regional authorities and the CC under the PDGC. They are also in line with national efforts to improve public service delivery and social inclusion. Activities pertaining to improving governance, transparency, accountability and citizen participation fully meet the requirements of the new Constitution (Title XII) and of the Organic Law 113-14 on municipalities (in particular Title VIII and articles 119 to 125). They are also aligned with the recommendations made in the 2016 PEFA Report on Casablanca's financial management performance.

### *Budget structure*

26. The Program budget structure is clear in terms of sources of funding, budgetary vehicles and categories of expenditures. The Program budget is entirely funded by the city's municipal resources,

either via its own budget or central transfers and allocations via the Local Government Special Account. Around 75% of expenditures finance physical assets, the rest including technical studies, consulting and goods and equipment, including IT. All expenses are programmed and incurred between 2017 and 2021.

### ***Sustainability***

27. Funding sustainability is ensured by the high visibility and ownership of the government program and the Program itself – with two key ministries, Interior and Finance, directly invested into it – but more importantly through the measures taken under RA1 aimed at improving the investment capacity of the city, which will concomitantly contribute to further consolidating its ability to fund the Program.

28. Over the past twelve years Casablanca's financial outlook has acquired a degree of stability, with overall revenues and expenses growing in parallel and in a balanced way: +82.4% and 86.7% respectively. The keeping in check of operating expenditures is a remarkable achievement, also considering that the level of the municipal services also improved during the same period. It results from a strict human resources expenditures containment policy which led to the downsizing of staff expenses from 52% of the city's total operating budget in 2010 to 39% in 2016. Gross Operating surplus – before accounting for the debt servicing - has averaged MAD 450 million over the past years.

29. About 56% of the municipal budget stems from taxes managed by the central government (business tax, property tax, tax on communal services) on behalf of the city, 29% are directly managed by the city (other taxes, royalties, fees, rents, services, etc.) and the rest stems from central transfers (VAT Special Purpose Account). Taxes managed by the central government have increased by 40% over the past 5 years (2011-2016). Others increased to a lesser extent: 25% on the same period, with a stable profile for the past four years, yet their growth potential remains significant, providing that tax base identification and collection is streamlined through the computerization of databases and processes – a key gap and weakness under the current system. Providing key actions are taken in this regard, the overall target increase of 50% over the next five years (hence 8% yearly on average) can be considered within reach.

30. The other source of the CC funding, grants from the central government, has also proven stable and reliable. These allocations stem from a special purpose account fed by 30% of the total VAT at the national level (*Compte d'Affectation Special pour la Taxe sur la Valeur Ajoutée* - CAS TVA). The CAS TVA was put in place by the Finance Act of 1986 for the benefit of the local governments and is managed by the Direction of Local Finance within the DCGL of the Ministry of Interior (DGCL) on behalf of Moroccan Local Governments – regions, provinces and cities. The DGCL – represented at local level by the Wali - is closely monitoring the implementation of the PDGC and the corresponding transfers are prioritized in line with city's commitments under the program MOUs – (see *predictability* below).

31. In terms of medium term debt sustainability, assuming a business as usual scenario of constant operational surplus of MAD 500 million and only a 4% of increase in the municipal revenues over the next 5 years, together with a simultaneous increase of 2% of expenses (rows in grey below), the city's net savings shift from MAD187 million to MAD459 million to place it in a position to comfortably cover the loan repayment scheme. Under a second scenario assuming an average growth of the city own revenues of 8%, as targeted by the Program, Casablanca's operating surplus will move from MAD187 million to MAD1167 million. The stronger financial position of the city will also have significant leverage effect on the city's capacity to access commercial financing markets to cover the infrastructure gap – one of the key objectives of Results Area 1 - and a credit rating exercise would help further to strengthen the city's attractiveness to both local and international financiers.

### ***Predictability***

32. The financial contribution of the CC to the PDGC (Government program) follows a rigorous schedule defined in 14 MoUs (Conventions) signed together with the other financial contributors to the PDGC (city, region, provinces and central ministries). These commitments were taken towards the

highest State authorities, who closely monitor the Government program's progress as well as the adherence of its execution to the stated commitments for each participating entity, including the city. Five of these MOUs cover 93% of the Program's Expenditure Framework. This is a first important element ensuring the predictability of Program funding. As stated in the Organic Law 111-14 (article 181.6 and article 189), expenditures which represent "financial commitments resulting from agreements and contracts concluded by the municipality" are binding. When approving the budget of the CC, the Wali has to make sure all mandatory expenses are included. Without the Wali's approval (visa), the budget is not enforceable and the Wali of Greater Casablanca can, if necessary, include mandatory expenses in the budget (Article 195 of the Organic Law).

33. Lack of adequate human and technical resources can marginally impact funding predictability, in terms of execution capacity. Because of unattractive compensation conditions, hiring staff is a challenge for the city. Although this situation is not specific to Casablanca, it is particularly noteworthy given the importance of the economic capital. Efforts are still to be made by the Government to strengthen the capacities of LGs in the field of project management, for example through granting municipalities the possibility to hire qualified contract agents and to compensate them accordingly. The World Bank's Local Government Support Program – a MENA Transition Fund grant aimed at strengthening project management capacity within Moroccan municipalities – also targets Casablanca, where a resource centre is now in place. The recent Organic Law on Municipalities introduced positive measures on the budget management framework, internal and external audit, publicity of accounts, etc. Actions aimed at increasing budgetary efficiency of the CC can help reduce the risks pertaining to implementation by the Municipality of the activities included in the Program.

34. To specifically overcome the limits to hiring qualified staff within Moroccan cities, the 2009 Municipal Charter set up a specific institutional framework (adopted by the Organic Law 113-14), which allows municipalities to entrust Local Joint-Ownership Companies (*Sociétés de Développement Local*, SDLs) with the implementation of activities falling within the city's mandate. Within this legal framework, the CC legally delegates the ownership (*délégation de maîtrise d'ouvrage*) of the operations to SDLs of which it is a shareholder. The President of the Municipal Council is represented within the Board of Directors of each SDLs, which is shared by the Wali. The SDL framework supports the execution of a significant share of the of PDGC and the Program's activities.

35. As private law companies with a publicly owned majority shareholding structure, SDLs have significantly developed over the last five years, both in Casablanca and in the Kingdom's largest cities, proving to be an effective tool to enhance municipal project management capacities. SDLs are staffed with highly competent teams and are also bound by clear accountabilities. The construction of the first tramway line managed by the Casa Transport SDL was implemented within the deadline initially set (though it was widely considered beyond reach) while the initial cost was cut by 10%. Similarly, the building of Casablanca theatre was entrusted to Casa Aménagement, and delivered in time and within the initially programmed budget. Delegated management of Program activities to SDLs by way of a standard *délégation de maîtrise d'ouvrage* – thus minimizes both technical risks and predictability of Program implementation. Yet the CC will need to disburse funds in due time for SDLs to fully play their role.

### ***Effectiveness***

36. Activities included under the expenditure framework are subject to technical and financial assessments in order to ensure their timely execution at envisaged costs. They do not entail any land or legal issues that normally could pose a risk to implementation. In addition, all Program executing entities – including the SDLs – are subject to public procurement rules, allowing for Program activities to be executed at lowest cost.

37. The Program's own fiduciary risk control mechanisms (which are more fully assessed within the Fiduciary System Assessment) provide further driver of efficacy of expenditures under the Program. By law, all Program activities are subject to:

- The Court of Auditors – including the Regional Court of Auditors of Casablanca-Settat - which has a standing control mandate over local authorities but also over related bodies such as SDLs;
- The General Inspectorate of Territorial Administration (IGAT). Placed under the hierarchical authority of the Minister of the Interior, IGAT has a similar mission but in a non-judicial framework. Its mission also applies to the deconcentrated authorities of the MoI. It has been entrusted by the Organic laws with the mission of annual and systematic verification of the accounts of all local and regional authorities (Article 214 of the Organic Law on Municipalities);
- The General Inspectorate of Finance (IGF), under the authority of the Minister of Finance, is also called upon to audit the accounts of local and regional authorities.
- Administrative courts may also be seized by the Governor (or Wali);
- The Governor and the President of the Municipality can order external audit operations targeting the municipality itself as well as any entity for which it is responsible or in which the Municipality participates (Article 274 of the same Organic Law);
- The Local Authority (in Casablanca, the Wali) must approve the most important decisions of the CC, which cannot be enforceable without such approval (visa) (in particular those concerning the Budget, the Municipal Action Plan, the delegated management, the SDLs);
- The Municipal Treasurer, who reports to the Treasury General of the Kingdom and is a public accountant, checks the regularity of the expenses incurred by the CC and their compliance with the agreements it has signed before paying them;
- For Lydec, a Permanent Control Service (service permanent de contrôle) under the delegating authority (i.e. the authority of the CC) ensures compliance with the Lydec's obligations.
- Finally, private-sector bodies such as SDLs and Lydec (Delegate for the distribution of water, electricity and sanitation) are also required to publish their accounts, which must be approved by independent auditors.

## **F. Results Framework**

38. **Program progress will be monitored through a detailed results framework.** Program activities support three Results Areas linked to the Program Development Objectives (PDOs). These are:

- **Results Area 1- Increasing the investment capacity of the Municipality of Casablanca:** This will be achieved through a better management of public finance at the city level, including an increase in tax revenues and an enhanced monitoring of the city expenses. In addition, the execution of the municipal investment budget will be improved, while the city will also leverage on the private sector to further increase investments in municipal infrastructure, equipment and services. Furthermore, the municipality will improve its transparency and fiduciary performance. Together, these measures will compound one another and unlock an enhanced and sustained capacity to invest for the CC, from both public and private channels.
- **Results Area 2 - Improving the urban environment and access to basic services in the Program Area:** The second result area aims at providing essential municipal services, both material and immaterial, notably in deprived areas suffering from lower living standards. Thousands of households will be connected to drainage network, and water or electricity, notably in the deprived outskirts of the Nouaceur area; the urban environment will be improved throughout the city, notably through an increase in the standards of the public spaces (roads, sidewalks, places, green areas), in addition to the upgrading of sections in order to equip them with a tramway line that will enhance the city's connectivity. Furthermore, citizen participation and engagement will be developed through the set-up of a comprehensive system to manage

citizen requests. These measures are essential to ensure that structural investments in the CC do benefit to the greatest number, and that the urban development pattern of the CC seeks to be both socially inclusive and participative.

- **Results Area 3 – Improving the business environment in the Municipality of Casablanca:**  
The third result area aims at enhancing economic competitiveness by improving the transparency of key business procedures. This will be achieved through the use of IT solutions for requesting and issuing business licenses and building permits.

39. **Disbursement-linked Indicators (DLIs) have been selected to reflect critical elements of performance required to achieve the PDO.** All six Program DLIs are drawn from the Program's Results Framework, containing a set of intermediate results indicators monitoring key inputs, outputs and outcomes required to meet the PDO. DLIs identification was carried to ensure they are: (i) fully aligned with government priorities; (ii) owned and monitorable by the responsible implementation entities; (iii) achievable and yet challenging; (iv) clearly measurable and independently verifiable; and (v) conducive to a smooth disbursement profile over Program implementation. The table below presents the results chain which articulates how Program activities and their outputs support the Program objectives.

**Table 1. Results Chain**

Result Area	Inputs	Outputs	Outcomes
1. Increasing the investment capacity of the Municipality of Casablanca	<ul style="list-style-type: none"> <li>• Technical assistance, IT systems, and incremental operating costs for the modernization of the CC's revenue management systems and other Public Financial Management (PFM) systems.</li> <li>• Technical assistance for the identification and development of PPP transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved PFM systems are deployed.</li> <li>• PPP transactions are identified and structured</li> </ul>	<ul style="list-style-type: none"> <li>• Increased municipal revenues</li> <li>• Private capital is mobilized through PPP transactions</li> </ul>
2. Improving the urban environment and access to basic services in the Program Area	<ul style="list-style-type: none"> <li>• Studies, small and medium works for the extension of water supply, sanitation and electricity networks</li> <li>• Studies, small and medium works for comprehensive street upgrading</li> <li>• Studies and</li> </ul>	<ul style="list-style-type: none"> <li>• Increased water supply, sanitation, and electricity coverage in selected disadvantaged neighborhoods</li> <li>• 116 km of street is upgraded</li> <li>• Platforms for citizen</li> </ul>	<ul style="list-style-type: none"> <li>• 10,000 households in disadvantaged neighborhoods are provided with formal access to water supply, sanitation, and electricity</li> <li>• Urban environment, as well as pedestrian and vehicular mobility is enhanced in upgraded streets</li> </ul>

	information systems for improvement of platforms for citizen relationship management	engagement are strengthened	• CC accountability to citizens is increased
3. Improving the business environment in the Municipality of Casablanca.	<ul style="list-style-type: none"> <li>• Studies and IT systems for the dematerialization of administrative processes for the issuance of urban planning approvals and business licenses</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative processes are dematerialized</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in time required to process transactions and increased transparency</li> </ul>

40. Reporting progress on the Results Framework will be the responsibility of the Program Management Unit (Unité de Gestion du Programme, UGP), housed at Casa Prestations. The management unit will report to the Steering Committee (Comité de Pilotage) who will ensure the implementation of the objectives set by the Strategic Committee. The management unit will prepare an annual Program Results Report (including reporting on all PDO-level and intermediate results indicators, evidence of results related to DLIs, and evidence of compliance with requirements of the Program Action Plan). The Program Results Report will be reviewed by the Steering Committee and submitted to the Bank no later 90 days after the end of the calendar year.

41. **Verification Protocol.** Each DLI relies on a Verification Protocol, defined by a specific methodology for measurement and verification. All Verification Protocols foresee the following accountabilities:

- i. *DLI Data monitoring and collection.* Data collection is the responsibility of the various entities directly in charge of Program activities aimed at the attainment of Program results. They each feed results data under the Program's M&E system managed at PMU level by Casa Prestations. Under RA3 for instance, the CRI is accountable for providing results data on the four DB related results, as well as the two DLIs.
- ii. *DLI data aggregation and validation.* The PMU agglomerates the DLI data within the overall Program M&E system (which tracks and measures intermediate results indicators too) and supports the Verification Agent during the entire Verification Process.
- iii. IGAT will proceed to verify results.

## G. Economic Analysis

42. **The Program investments represent a judicious use of public resources, with a clear rationale for public provision and financing.** The investments in improvement of public spaces are public goods and clearly fall under the Municipality's mandate. The quality of urban spaces is a critical factor in the social integration and economic performance of any city. The quality of urban spaces and connective infrastructure is a key factor in allowing cities to generate agglomeration economies and raise productivity by connecting people and firms. The proposed investments for the provision of water supply, sanitation, and electricity build on the experience, and the commercial and social approach developed by Lydec over the last decade. The share of public financing is adequate and takes into account the beneficiaries' ability to contribute to the financing of the connections, and the public benefits of access to services. Key reforms and systems improvement being pursued under RA3 would aim to lift constraints to private sector's growth at city level, by incentivizing reforms to enhance the city's business

environment, removing red tape and improving the interfacing between the commercial sector and the administration. Rather than displacing private investment opportunities, the Program would promote commercial to key infrastructure, equipment and services investments.

43. **The World Bank has global expertise in key Program areas such as public finance management, PPP advisory, citizen engagement, and business environment, which justify its involvement.** Additionally, the value added of the Bank support is based on its experiences in consolidating global and regional experiences to finance and scale up urban development; coordinating and harmonizing the efforts of donors and development partners to leverage additional funding for enhancing good governance and municipal development; and utilizing previous experiences in Morocco to support public service delivery, especially in deprived areas, citizen engagement, enabling an environment conducive to economic growth and public finance support.

44. **The proposed investments are estimated to have positive economic returns.** An economic analysis was carried out for the typical investments proposed for extending connections to water supply, sanitation and electricity in disadvantaged neighborhoods, and for the improvement of public space and mobility. Improved access to water supply, sanitation, and electricity brings several benefits to residents including reduced expenses in non-network modes of access to these services, health costs, and time savings. The value of these benefits is reflected in the increase of property values when connections are provided. Conservative estimates indicate that the resulting increase in property values resulting from gaining access to water supply, sanitation, and electricity largely offsets the cost of providing the connections. The economic benefits of the investments in improved urban space and mobility include (i) time savings, (ii) reduced Vehicle Operating Costs (VOC), (iii) reduction in greenhouse gas emissions from vehicular traffic, and (iv) increase in property values resulting from improved urban space (mainly for urban upgrades along mass transit corridors given the specific nature of this subproject). Based on typical investments, improvements of urban roads were estimated to have an Economic Rate of Return of 14%, improvement of urban space along transit corridors are estimated to have an ERR of 25%, and traffic management system are estimated to have an ERR of 25%.

45. Although overall economic benefits induced by the Program are hard to quantify, it is possible to carry out specific quantitative assessments of economic benefits for selected Program activities, such as those supporting Results Area 2 objectives, including service delivery and enhancement of urban environment and mobility.

46. *Methodology used for service delivery investments.* The benefits of the connection to utility (water, sanitation, electricity) services are evaluated as the difference in real estate value for the connected flats or houses imputable to the connection. Prices of connected lots are compared to price prior to connection to utilities. The growth of the real estate market is deducted to capture only the added value of the connectivity.

47. Assumptions are as follows:

**Table 2. Assumptions for Economic Analysis of Connecting Households to Utilities**

Variables	Values	Source
Growth of local real estate market (5 years)	1%-5%	Market reports
Price per square meter prior to connection 20 years ago	1.75-2 kDH/m <sup>2</sup>	LYDEC
Price per square meter after connection	10 – 15 kDH/m <sup>2</sup>	LYDEC / Référentiel des Prix des Transactions Immobilières De Casablanca, DGI, 2015
Average surface of flat	40m <sup>2</sup>	Expert judgement estimate

48. *Results.* Under the conservative assumptions in the above table, the net effect of the connection to utilities for 10,000 households would be MAD 1 billion, as compared to an estimated cost of MAD 255 million, hence a benefit-cost ratio (B/C) of 5.6. A B/C of 5.6 is considered excellent profitability.



49. *Methodology used for urban environment and mobility investments.* Based on the analysis of available documentation (feasibility studies, urban mobility master plans, data from operators, etc.) and technical working sessions with the stakeholders of the Program, a model was built to carry out the economic evaluation<sup>32</sup> (or cost-benefit analysis) for the typical Program expenditures pertaining to urban transport/mobility. The incremental analysis compares the with-project scenario and the do-nothing scenario on a 15-year horizon (2017 to 2031). The economic evaluation is based from the point of view of society at large on savings in journey time, reduction in Vehicle Operating Costs (VOC), reduction in greenhouse gas – GHG (mainly CO<sub>2</sub>) and real estate appreciation in specific cases (mainly for urban upgrades along mass transit corridors given the specific nature of this subproject). Other externalities such as the monetary benefit derived from expected reduction of accidents impacts (fatalities, serious injuries, slight injuries, and property damages) were not included in the economic evaluation due to the lack of current data.

50. Time savings for beneficiaries mainly stem from speed improvements and reduced congestion for urban roads, traffic management systems and corridor upgrades. Reduction of VOC under the with-project scenario mostly stems from the modal shift displacing passengers from car-based transportation modes to public modes and operational efficiencies in the case of corridors upgrades and reduced fuel consumption for urban roads and traffic systems. Reduction of GHG emissions (mainly CO<sub>2</sub>) will mostly result from the modal shift from energy-inefficient car-based transportation modes to public urban transport modes such as urban rail-based ones in the case of corridor upgrades and from a reduction in congestion and therefore of fuel consumption in the case of urban roads and traffic management systems.

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

**Table 3. Investment Cost per Type of Subproject per Year**

<i>Type of Subproject</i>	<i>Investment Cost in US\$ million</i>				
	<i>CY 2017</i>	<i>CY 2018</i>	<i>CY 2019</i>	<i>CY 2020</i>	<i>Total</i>
Urban roads <sup>33</sup>	10	10	0	0	20 <sup>34</sup>
Traffic management systems	20	20	0	0	40
Corridors upgrades	10	10	0	0	20 <sup>35</sup>

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

**Table 4. Main Assumptions Used for Analysis (urban enhancement and mobility)**

Exchange rate USD/MAD	10
Annual inflation rate	1.5%
Annual income growth rate	2.5%
Discount rate	5%
Current hourly value of time saved (in USD)	1.5
Weighted average days of operations per year	300
Social value of carbon (in USD)	30
Kilometric emissions of cars (in grams)	360
Kilometric emissions of buses (in grams)	1,800
Average occupancy of private cars	2
Average occupancy of taxis	4

<sup>33</sup> With a cost of 1 M USD per kilometer on average.

<sup>34</sup> 20 kilometers of urban roads per typical section.

<sup>35</sup> 15 kilometers of mass transit corridor (rail-based) per typical subproject.

Average occupancy of buses	45
Average occupancy of urban light rail	100

53. Estimates of kilometric VOC per motorized mode used in the analysis are presented in the table below.

**Table 5. Estimated Kilometric Vehicle Operating Costs (VOC) per Motorized Mode**

<i>Mode</i>	<i>Estimated Kilometric VOC in US\$ per Mode</i>						
	<i>CY 2017</i>	<i>CY 2018</i>	<i>CY 2019</i>	<i>CY 2020</i>	<i>CY 2021</i>	<i>CY 2022</i>	<i>CY 2031</i>
Buses	1.6	1.6	1.6	1.6	1.7	1.7	1.7
Taxis	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Private cars	0.2	0.2	0.2	0.2	0.2	0.2	0.2

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

**Table 6. Estimated Beneficiaries by Type of Subproject**

<i>Type of Sub-project</i>	<i>Estimated beneficiaries</i>	
	<i>Beneficiaries - Year 1</i>	<i>Growth Rate for 2019-2031 (in %)</i>
Urban roads	150,000	2
Traffic management systems	500,000	
Corridors upgrades	150,000	

**Table 7. Typical Estimated Speeds per Type of Subproject**

<i>Type of Subproject</i>	<i>Speeds in Kilometers per Hour per Type of Subproject</i>				
	<i>CY 2017</i>	<i>CY 2018</i>	<i>CY 2019</i>	<i>CY 2020</i>	<i>CY 2021</i>
Urban roads	25	25	27	27	27
Traffic management systems	25	25	26	26	26
Corridors upgrades	17	17	20	20	20

55. *Program benefits.* Monetary value of time savings is calculated using the generalized time savings per year (in millions of hours per year) and the hourly value of time presented in the general assumptions. Generalized time savings are derived from the number of beneficiaries (or users) of subprojects, the anticipated increase in speed under the with-project scenario, the average distance per journey, and the length of the targeted section. Monetary value of VOC savings is calculated using avoided vehicles-kilometers traveled (VKT) and/or fuel consumption and modal kilometric VOC. Avoided VKT (or equivalent fuel saved) is derived from the size and/or source of modal shift with the project in the and/or from fuel saved from reduced idle time in traffic due to increased effective speed. Monetary value of GHG savings is calculated using modal kilometric emissions combined with saved VKT and/or fuel. Monetary value of real estate appreciation is derived from estimation of the stock of real assets that are anticipated to benefit from an increase in value and expected increase of value per square meter.

56. The below tables provide the average yearly estimated benefits per type of subproject.

**Table 8. Average Yearly Estimated Benefits per Subproject**

<i>Type of subproject</i>	<i>Estimated Benefits</i>		
	<i>Time savings in hours (million)</i>	<i>VKT (or equivalent) savings in kilometers (million)</i>	<i>Co2 savings in tons</i>
Urban roads	2.3	N/A	1,433

Traffic management systems	4.6	N/A	1,533
Corridors upgrades	0.7	20.6	8,064

**Table 9. Average Yearly Estimated Monetary Value of Benefits per Type of Subproject**

<i>Type of subproject</i>	<i>Estimated Monetary Value of Benefits</i>			
	<i>Time savings (US\$ M)</i>	<i>VOC savings (MUSD)</i>	<i>Co2 savings (kUSD)</i>	<i>Real estate appreciation (MUSD)</i>
Urban roads	4.2	0.6	4.3	N/A
Traffic management systems	8.7	0.7	4.6	N/A
Corridor upgrades	1.2	2.4	24.2	1.3

57. *Net economic benefits.* Based on the results presented above, an economic analysis was carried out for the proposed type of subproject. Program-supported urban roads typically have a positive NPV (Net Present Value) of USD 16 million and an ERR (Economic Rate of Return) of 15% while traffic management systems have a positive NPV of USD 34 million and an ERR of 14% and corridor upgrades have a positive NPV of USD 23 million and an ERR of 25%. The typical expenditures supported by the Program are consequently worthwhile and beneficial for society at large.

58. Other less quantifiable benefits include:

- Direct and indirect job creation as a result of an enhanced competitiveness through the easing of doing business, better connectivity, an enabling economic environment, impact on local and international investors
- A more positive city image as a result of a higher level of municipal services, including connectivity and utilities; higher consideration to citizens' perspectives; and a better enabling environment to grow businesses. In addition to job creation, these can lead to increases in value of real estate assets or a higher capacity to attract human and financial capital.

## **H. Technical Risk Rating**

59. **Technical risk is assessed as substantial.** Four main technical risks have been identified: (i) a risk of discrepancy between the organization and the staff capacity of the CC on the one hand and the CC evolving responsibilities in a trend of outsourcing of municipal services on the other hand; (ii) the lack of adequate information and organization leading to a slower than expected increase the tax revenues; (iii) limited ability to borrow due to the absence of a credit rating of the municipality, and (iv) a failure in unlocking the private sector investments in infrastructure, equipment and services due to a lack of understanding of the potential for PPP and weak ability to negotiate.

60. The Program supports the CC, consistently with a wider trend in Morocco to promote decentralization. The CC organization has significantly evolved over the past years, as a result of a continuous and ambitious transformation process. A number of services, formerly managed by the CC have been outsourced through delegated management contracts (DSP) and more recently to private companies owned by various instances of the government (SDLs), both central and local, resulting in more efficient technical implementation processes. In the same timeframe, in consistency with such transfer of responsibilities as well as for cost control purposes, CC staff steadily decreased. The CC does not directly implement a number of services anymore, but it needs to shoulder a different type of responsibility, related to supervision and monitoring of the SDLs and DSPs. This transformation process should be reflected in the organization design of the CC and the capacity and profile of its staff.

61. The overall strategy to increase investment in infrastructure, equipment and service delivery in the CC consists in increasing public funding and further involving the private sector, who is likely to lower its perceived risk in municipal investments if the municipality is assessed as a financially reliable counterpart. In this perspective, the management of tax revenues is pivotal. Such fiscal performance is much dependent on (i) the quality of the organization, the fluidity of relations between the administrations concerned, the motivation of the agents concerned, (ii) the capacity to extend the base of various taxes and have a better management of taxable units of all kinds. In this endeavor, the definition of clear and

accountable processes, the conduct of a coordinated and resolute action involving all parties, as well as the availability and performance of dedicated databases as parts of an integration information system, are important conditions. Lacking such efforts and instrument would jeopardize the objectives related to the increase of the tax revenues.

62. Increased commercial financing for infrastructure, equipment and services will depend on a number of factors, among which a broader and more refined knowledge of areas eligible to PPP transactions. The identification of such promising areas is a necessary condition. The lack of strategic assessment of this kind is likely to jeopardize such future dynamic for the market is currently not mature enough to make such information available without an initial public boost. Additionally, the municipality's capacity to tap into domestic and international financial markets is currently severely constrained by the absence of a credit rating for the city providing a clear indication of risk factors to investments, which can be reserved by a dedicated exercise.

63. Another risk is that elected officials and local authorities could not wish to put sufficient pressure in order to ensure the development of the commune's financial resources. In the short term, a resolute action to levy the due resources should indeed meet resistance from individuals or companies who today escape taxes. Sensitivity will increase as the elections will be approaching (they are scheduled in 2021). The municipality and the public authorities have of course every interest in facing these temporary resistances, since the means of action and the capacity to respond to the demands of citizens depend entirely on the development of resources. Appropriate responses should therefore be made to limit this risk of resistance and pusillanimity, and to facilitate the achievement of the Program's objectives.

64. Several decisions and regulations at the national level can improve or limit the performance of the Program. The conditions of employment of city agents, the conditions for control of outsourced services, the conditions of viability of the ECI to which several important competences of the city must be transferred are sensitive. More importantly, the way in which the DGI and the TGR work together to develop the collection of taxes administered by the state on behalf of the city. A clear definition of responsibilities, documented procedures and a well-linked information system between the DGI and TGR local branches and the city, are essential. Their implementation depends on the impulse and on decisions taken at the national level.

## **I. Suggested Inputs to the Program Action Plan**

65. A Program Action Plan (PAP) has been developed to identify key actions required to mitigate each of the risks identified (cf. previous section).

66. The CC requires a revamping of its Human Resource management systems to allow it to face existing and future challenges. Under the Program, the city should develop a strategic human resource plan aligning the CC mandate to these challenges and the governance framework in place. The transfer of responsibility for the implementation of services and equipment to SDLs and, more generally, the increasing trend of outsourcing (through external contracts and DSPs) requires a genuine technical control capacity for the City. This notably depends on national regulations, which must make it possible for the city to employ qualified employees under attractive wage conditions.

67. Efforts to increase tax base and collection rates critically depend on stakeholders' collaboration, for which shared information is key. Discussions on a choice of a technical solution to better manage fiscal information related to City-administered resources (by both the Local Tax administration at City level and the Régisseurs at the arrondissements level), have been ongoing for some time at both the DGCL level (Ministry of Interior) and the CC. Definitive technical orientations are expected by late 2017, and an implementation in 2018/2019. The deployment of this information system is a critical action under the PAP. This will also include establishing a more efficient organization and documented procedures for both City-administered and State-administered revenues, together with a unique addressing repository is

also crucial. The Program Action Plan could also include a large-scale communication and sensitization effort order to improve the public's acceptability towards municipal fiscal reforms/

68. Also, the PAP should include a credit rating of the city in the final years of the Program, in order to leverage the expected results in terms of fiscal consolidation and financial management reforms under the Program towards a higher commercial borrowing capacity.

69. Despite the overall good quality of municipal urban works and the high standards applied within the CC, the lack of unified technical norms can impede the development of a harmonious urban landscape and lead to technical and financial inefficiencies. The PAP should thus include the development of an "urban road regulation guide" (règlement de voirie) to be published by the CC in 2019 and followed by the different stakeholders in charge of developing municipal services (including maîtres d'ouvrage délégués, i.e. SDL).

**Table 10. Technical Assessment - Suggested Inputs to the Program Action Plan**

<i>Action Description</i>	<i>Due Date</i>	<i>Responsible Party</i>	<i>Completion Measurement</i>
Action#1. Definition of an adequate organization of the services responsible for the administration of taxes and other revenues	December 2018	CC	Finalization of the organization chart and job description of the services responsible for the administration of taxes and other revenues. Procedures manual finalized
Action #2. Credit Rating of the Municipality of Casablanca	December 2020	CC	Credit rating has been completed and published
Action # 3.1 Finalization of the new organization chart of the CC	December 2017	CC	The organization chart finalized
Action # 3.2 Implementation of the new organization chart of the CC	December 2018		Capacity building program has been delivered to ensure the profiles of the CC agents correspond to their job description
Action #4 Development of an urban streets manual (règlement de voirie)	December 2019	CC	Manual developed and the follow up of its implementation is ensured by the different entities through the designation and training of specific staff
Action # 5 Revision of the financing model of the ECI to ensure its financial sustainability	December 2019	CC	The CC has proposed the setting up of sustainable financial arrangements of the ECI

## Annex 5: Fiduciary Systems Assessment

### A. INTRODUCTION

1. As part of the preparation of the PforR Program, the World Bank task team carried out a Fiduciary Systems Assessment (FSA) of the Program in accordance with the Bank Policy on PforR financing. The objective of the assessment was to examine whether Program systems provide reasonable assurance that the financing proceeds will be used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. Accordingly, the Program procurement assessments were assessed to find out the extent to which the planning, bidding, evaluation, contract award and contract administration arrangements and practices provide a reasonable assurance that the Program procurement systems will enable the achievement of intended results.

2. The FSA was carried out by an experienced team of World Bank staff that included Financial Management and Procurement Specialists. The assessment was conducted based on (i) the knowledge of the financial management and procurement in force in Morocco, (ii) the recent Public Expenditure and Financial Accountability (PEFA) report at the national and municipal level (Casablanca) completed respectively in 2017 and 2016, and (iii) annual audit reports of the entities involved in the Program. The 2016 PEFA diagnostic of the CC was supported by the World Bank, the AfD, and the PPIAF. Casablanca was the first city globally to test the updated 2015 PEFA framework.

3. Based on the PEFA outcomes, the CC has identified and launched a number of priority actions to improve its PFM system including (i) the restructuring of the Municipal Administrative and Human Resources processes by the redesign of the organizational structure and procedures; (ii) the adoption of a new IT master plan and the implementation of an effective information system; (iii) the reorganization of the local tax administration through the launching of a census operation and better cooperation with other stakeholders (DGI and TGR) and the development of a system of management of the municipal taxation and (iv) the stock take of the city fixed assets. Support for the implementation of the recommendations of the PEFA is performed by the Ministry of the Interior (DGCL/DFL) by mean of bimonthly meetings with the CC, as well as training of the team of the municipality and the assignment of small cells of shares in order to act on various budget themes. A regularization of arrears of the Municipality, as well as the clearance of the inactive Special Treasury Accounts the recommendations of the PEFA 2016 the Municipality of Casablanca was also achieved. On enforcement budget of the CC, the cleanup of the carryover of budget appropriations on previous years has been completed. On the revenues side, encouraging progresses are being made with support from DGCL including the reinforcement of the capacity of the Treasury in charge of managing the revenues.

4. **Risk assessment.** The Program's fiduciary systems require strengthening actions to provide reasonable assurance on the use of the program proceeds for the intended purposes. The initial risks were associated with: (i) the multiplicity of agencies involved, making the financial reporting of the Program in a unique and harmonized format more complex, and (ii) the limited fiduciary capacity of the CC. These risks have been mitigated during the preparation of Program. The review of the Program expenditure framework revealed a significant share of Program expenditure to be executed by the Program entities to which the CC has delegated the management of specific investments, and whose fiduciary performance is satisfactory. In addition, a pre-defined format of financial statement was agreed with the entities involved in the Program. Residual risk related to the limitations in the investment budget execution of the CC may affect the execution of the Program and the timeliness of payments. The fiduciary risk is therefore assessed as **Moderate**.

5. **Mitigation measures included in the Program Action Plan and the result framework.** To mitigate the risk associated with the reporting of the Program, a pre-defined financial statements format to be filled by the entities involved in the Program has been approved. These financial statements will be published to increase transparency on the Program's execution. The risk of low budget execution and

possible delays of payment by the CC to the SDL/LYDEC will be mitigated by: (i) the inclusion of indicators measuring the improvement of budget execution (IRI 1.2), (ii) the revision of the CC budget preparation and execution procedures (following the planned issuance by the MoI of a revised budget circular that will include provisions on sufficient time for the integration of capital expenditures in the budget preparation, and in year budget review), and (iii) the close monitoring of the Program's payment lead time as part of the fiduciary key performance indicators included in the manual of procedures. The additional mitigation measures to strengthen the Program fiduciary arrangements will be as follows: (a) the operationalization of the internal audit unit of the CC, and (b) the deployment at the CC of the integrated budgeting/accounting system.

## **B. PROGRAM FIDUCIARY ARRANGEMENTS**

### *At the country level*

6. **Overall, Morocco's PFM system suffers from two interrelated weaknesses: the shortcoming in the selection of the investments projects which affects the programming and planning processes and the mixed impact of these investments on the quality of the public services.** In addition, the publication of the budget execution report in a desegregated manner remains another area of improvement in spite of the ongoing efforts. The Supporting New Governance Framework Project and the Improving Infrastructure Service Delivery and PPPs in Morocco Project, both financed by the MENA Transition Fund, are two complementary projects aiming to address the PFM issues at national level. The first project strengthens capacity in procurement and financial management in the context of the implementation of the new PFM Organic Law which introduces program budgeting approach. The second project focuses on the establishment of a revised public investment management system and the improvement of the efficiency of state-owned enterprises in the infrastructure sector, including mobilizing the private sector investment for infrastructure. As such, the Program will benefit from the technical assistance activities under the two abovementioned projects.

7. **Other Morocco's fiduciary areas are considered as exemplary with a moderate risk. This will create an enabling fiduciary environment for the implementation of the Program.** The main conditions for fiscal and financial discipline are indeed met, as evidenced by the credibility of the budget and the achievement of the planned objectives. Budget execution benefits from an adequate information management system, as well as, from robust internal controls which includes an *ex-ante* control of expenditures based on a risk model. Internal audit function is more than adequate using a risk based audit with an acceptable completion rate of the audits planned including a proper follow up of the recommendations. Procurement reforms also translate Government's efforts to ensure a more strategic and efficient of resources with the establishment of a National Commission for Public Procurement (CNCP) and the harmonization and simplification for the regulatory framework for procurement. The financial supervision of the local authorities, the public institutions of the State-Owned Enterprises is adequate and brings an essential contribution to the State financial stability. The Supreme Audit Institution (SAI), whose independence is well guaranteed, (even if the rules of appointment and replacement of the first President are not defined in the Act), ensures an effective ex post control.

### *At the level of the entities involved in the Program*

8. The entities involved in the Program expenditure are the Commune of Casablanca "CC" and the **Local Joint-Ownership Companies** ("Société de Développement local"-**SDLs**) in Casablanca as described in the implementation arrangement: Casa Aménagement, Casa Transport, Casa Prestations, Casa Patrimoine, and Lydec.



9. **The Commune of Casablanca “CC”:** The CC works under the Organic Law No. 113 (as of July 14, 2015,) related to municipalities. As per this law, the municipality is a territorial unit as part of the administrative organization of the Kingdom. The budget allocation of the municipalities, may be either own or shared with the State, or transferred by the latter through the CAS VAT. The management of communal affairs is based on the principle of free management which confers on the commune the authority to deliberate democratically. The CC has the following organs: the Municipal Council; the Council commissions; The Council Sessions; and the Administrative entities.

10. **The “Société de Développement local”-SDLs:** The SDL, as per the communal Charter, which was revised in February 2009, can be created and dissolved by the Municipal Council “*Conseil communal*”, in association with one or more several legal entities of public or private law. SDLs are governed by the provisions of Law No. 17-95 related to limited liability companies, promulgated by Dahir No. 1-96-124 (August, 30, 1996), and by the Law 69-00 on the financial control of State-Owned Enterprises. SDLs are subject to conditions that the participation of local authorities or their associations in the capital of the SDL may not be less than 34%, and, in any case, the capital of the company must be held by legal entities governed by public law.

<i>SDL</i>	<i>Year of creation</i>	<i>Total Share</i>	<i>Share of local authorities</i>
Casa Aménagement	2008	40 Million MAD	10 Million MAD (CC) 5 Million MAD (Région Casa-Settat) 5 Million MAD (Préfecture de Casablanca)
Casa Transport	2009	4 Billion MAD	40 Million MAD (CC)  5 Million MAD (Préfecture de Casablanca)
Casa Prestations	2014	12 Million MAD	10 Million MAD (CC) 1 MAD (Préfecture de Casablanca)
Casa Patrimoine	2015	31 Million MAD	21 Million MAD (Région, Préfecture, CC)

11. Like the SDLs LYDEC, is a Moroccan limited liability company. The Company is listed on the Casablanca Stock Exchange, and a Moroccan subsidiary of the French multinational Suez. The company has been managing water, electricity and sewerage in Greater Casablanca for 4.2 million inhabitants. Its missions were entrusted through a delegated management contract signed in 1997 by the Delegate Authority (Casablanca Urban Communities, Mohammedia and Ain Harrouda), and the Ministry of the Interior. The contract was revised in 2009. The execution of the contract has been subject to several controls and audits, notably by the Morocco Central Audit Institution in its 2014 report. Observations and recommendations of the audit and control reports are taken into account through the clarification of the operating rules between the parties to the contract, the evolution of Lydec's internal procedures and the contractual review processes. The governance and decision-making body of delegated management is its Monitoring Committee, which decides unanimously on investment budgets, any issues related to pricing, and endorsements. The Monitoring Committee is made up of 9 representatives of the elected representatives, 9 representatives of the delegates, and 2 representatives of the Ministry of the Interior. The Committee agreed, in the context of the second revision of the delegated management contract, which is a contractual and legal requirement, to organize systematic meetings outside the Monitoring Committee with the elected representatives constituting the Delegating Authority. The third revision of the delegated management agreement should make it possible to evaluate achievements and

performances, to identify and resolve any dysfunctions or points of disagreement and to take into account new development needs. Finally, the Committee also decided to freeze the water rate increases initially planned for early 2016 and early 2017, as a result of the government's decision to freeze the increase granted to producers.

### ***Review of Public Financial Management Cycle***

12. **Planning and budgeting.** The PDGC amounted to 3.4 billion dollars, including 200 million US dollars that will be funded by the Program. The Program will be implemented mainly by the CC which has signed different MoU with the SDLs and the LYDEC for some activities; others activities are directly implemented by CC. The planning and budgeting of the PDGC between the Ministry of Finance, the Ministry of the Interior and the actors is done on yearly. The PDGC is budgeted in the general budget of the State through the CAS TVA which is its main source of funding. Predictability of the resources of the PDGC is dependent on the CAS TVA resources. The planning and operational budgeting of the PDGC are aligned with to the corresponding processed in effect at the level of each entities of the Program. The assessment of the planning and budgeting processes in effect at the level of each entity of the Program is as follows.

a. **CC.** The planning and budgeting processes at the CC suffers from deficiencies. A budgetary timetable is not established to mark the process of preparation of the budget of the CC. The budget circular issued each year applies only on operating expenses, does not contain guidance on spending ceilings and guidelines to be followed by units for the preparation of their budget proposals. The Municipal Council does not seem to discuss budget policy before the completion and transmission of the draft budget. In addition, the budget only covers operating expenses (first part). Capital expenditures are not included in the budget. These expenses are integrated on case by case basis during the year. Special Purpose Account (CAS) are still in the budget and are not cleared in accordance with the provisions of the local PFM Act.

Moreover, the CC's ability to contribute to the financing of its budget in the PDGC remains a challenge because of two main weaknesses. First, the absence of triennial budget programming, and second, the insufficient leveraging of the fiscal potential mainly due to the shortcomings in the organization of the municipal tax administration, and the information system on management of municipal taxation. Progress was measured on the implementation of the PEFA recommendations under the leadership of the Direction des Finances Locales "DFL" at the DGCL. Bi-monthly meetings between the DFL and the CC were held, as well as trainings of the municipality team and the creation of small units to act on different budgetary themes. In addition, a specialized training action plan developed by DGCL is being delivered for the benefit of the players involved in the fiscal revenues management. This will be complemented by the update of the taxes survey and the rental value review.

b. **SDLs & LYDEC.** The planning and budgeting processes at the level of the SDLs and the LYDEC are drawn from the private sector as these entities are limited liability companies with public capital (SDLs) and with the private capital (LYDEC). These rules require the elaboration of a budget and its approval by the Board of Directors in year N-1. In the case of Lydec, annual budgets are submitted each year to the CPS. The Program's expenditures are included in the budgets of these entities based on the MoU signed with CC. In addition, there is a multi-annual budgetary programming which is included in the MoU signed with the CC and approved annually at by the SDL/LYDEC Boards. A periodic evaluation of MoU is agreed with the CC to enable take stock on the progress.

13. The planning and budgeting process of the PDGC through the CAS TVA will require some corrections as to ease the implementation of the Program. To this end, some actions associated with the credibility of the budget have been identified. These actions include: (i) the adoption of a revised budget calendar, and (ii) the integration of capital expenditure into the CC's budget.

14. **Procurement planning**

*a. CC.* Procurement Planning and the publication of the plans are made mandatory by the Public Procurement Decree (PPD). Each public procuring entities is required according to the PPD, to publish its procurement plan which shall include all contracts planned for the fiscal year, under their budget. The publication should be done at least in two national newspapers (one in Arabic and one in foreign language) and on the procurement electronic portal, no later than the end of the first quarter of each fiscal year. This requirement fosters the access to information on procurement opportunities for all potential bidders.

*b. SDLs.* In the same way as the municipalities, SDLs whose procurement rules are essentially drawn from the public procurement decree are also subject to the obligation of preparing and publishing procurement plans in the same forms and following the same requirements as for entities subject to the public procurement decree (i.e. State, local governments).

*c. LYDEC* publishes its annual investment programs for all the areas covered by the delegated management contract signed with the Delegating Authority, namely: water supply, sanitation, Electricity and street lighting.

15. **Procurement profile of the Program.** Each of the implementing entities (CC, SDL and LYDEC) will handle part of the Program using the resources allocated through transfers received on behalf of the CC. Procurement under the Program involve mainly the following Consultant services, Goods, Works and non-consulting services:

- Technical assistance and IT systems for the improvement of fiscal resources management and institutional strengthening of the municipality;
- Technical assistance and IT systems for improvement and development of e-government platforms for citizen engagement and commercial and administrative services;
- Studies and small and medium scale civil works for extension of water supply, sanitation, and electricity networks and connections in disadvantaged neighborhoods;
- Studies and small and medium scale civil works for the repair and upgrading of the urban road network and surrounding areas including traffic lanes, sidewalks, drainage, green spaces, street lighting, buildings and signaling;
- Small and medium scale civil works and traffic regulation equipment for the improvement of traffic regulations on major streets;

These Consultant services, Goods, Works and non-consulting services are not expected to have a significant adverse impact on the environment and/or affected people, as defined in the Policy and Directives on PforR Financing, and the resulting contracts are below the Operations Procurement Review Committee (OPRC) thresholds (high risk activities). During the implementation, the Bank will screen Program execution to ensure that no high-risk activity is included in the Program and there is compliance with the PforR policy requirements.

16. **Budget execution, accounting and reporting.** The PDGC budget is executed through the CAS TVA using two ways. First, direct transfers of resources to the SDLs and the LYDEC on behalf of the CC. Before the subsequent transfers, activity reports on the physical and financial progress are discussed and reviewed between the Ministry of the Interior authorizing officer of the CAS VAT, the SDLs, the

LYDEC and the CC. Second, execution by the CC for some activities. The PDGC's consolidated budget execution is monitored by the Infrastructure Division of the Wilaya.

a. CC. Over the last three years, CC budget execution rate has been strongly influenced by the practice in the CC that is to not register in the budgets, forecasts in respect of capital expenditures. Also, it should be noted, the low rates of execution of operations expenses in the case. The execution of the expenditure is also, one of the main risks identified at the districts “arrondissements” which are included in the CC scope. These entities do not spend and accumulate arrears. Several actions are being undertaken to address these shortcomings. The DFL is providing technical assistance on the regularization of the arrears of the CC, as well as the clearance of the inactive treasury special accounts following the Casablanca PEFA 2016 recommendations. Adequate progresses are being recorded in this area. The clearance of carryovers of the investment budget appropriation from very old contracts was completed and the accounting documents are published by the CC. Although not fully in line with international standards, budget classification is adequate for the management of the Program spending. The accounting standards are those prescribed by the accounting regulation issued on 2010 which calls for the use of cash basis. The updated of this accounting regulation as to give more responsibility to the budget managers and the accountant is ongoing. Budget execution are monitored using GID (Integrated Financial Management System for the expenditures) and GIR (Integrated Revenue Management System), designed to the central level<sup>36</sup>. The in-year review of the budget execution against forecasts is not embedded. The CC financial statements which comprises a budget execution report and the balance sheet/P&L are established on yearly basis. However, these reports are not published. According to the Casablanca PEFA 2016, the CC does not receive the annual financial statements of the SDLs. In addition, the CC does not prepare a detailed report on the financial situation of the SDLs and does not have an individual and consolidated analysis of the results of the SDLs to present them to the sessions of the Municipal Council with the budgetary documentation. *SDLs/LYDEC*. The SDLs’ Managing Director, as a corporate officer, has the power to implement and execute budget approved by the Board. The SDLs have their own procurement regulation approved by their Boards and by the Ministry of the Economy and Finance. There is a main procurement body as the Tender Board of the SDL. The SDLs/LYDEC use a budgetary and accounting system able to report on the execution of the MoU signed under the PDGC. This system (Moroccan General Accounting Standards) is based on accrual basis. However, a uniform format of presentation of the financial statements of MoU signed with the CC has not been established to give a consolidated view of the financial execution of the PDGC. Annual physical inventories are also made of the stocks attended by the auditors.

17. **The following actions will need to be implemented for the Program to rely on the CC and SDLs/LYDEC budget execution:** (i) the revision of the CC’s budget circular to include provisions on (a) sufficient time for the integration of capital expenditures in the budget preparation, and (b) in year budget review, (ii) the monitoring of the payment lead time to the contractors/SDLs/LYDEC, (iii) the definition of format to ease the synthesis of the Program financial information. To this end, the adoption of a pre-defined financial reporting format between CC and the SDLs/LYDEC was agreed during the appraisal. The report will comprise the financial and physical progress of the Program’s execution. In addition, the

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<sup>36</sup> To compensate for the shortcomings related to adaptations of these applications at the level communities, a project for the acquisition of a new system dedicated to the decentralized level is ongoing under the leadership of the Ministry of the Interior.

publication within a period of 90 days of semester execution budget reports prepared by each entity in the program will be monitored during the Bank supervision. Special attention will be given to the implementation of the proposed acquisition of the budgetary and accounting system dedicated to the decentralized level for which the CC will be one of the first beneficiaries.

18. **Funds flow.** PDGC funds come from multiple funding sources: (i) from the CC's own resources, (ii) the resources transferred by the Ministry of the Interior through the CAS TVA, subsidies from ministries, income from the sale of assets and bank loans, as well as resources from the Delegating Authority.

19. The Program financing agreement will be signed with the CC and covered by a sovereign guarantee of the Kingdom of Morocco. Therefore, the Program's funds will be directly disbursed to the CC upon achievement of the DLI in a dedicated account to be opened at Treasury of the Kingdom. This account will be reflected in the CC financial statements and be part of the Treasury Account. From this account, the CC will make the payments/transfers the contractors/SDLs/Fonds de Travaux based on the provisions of the MoU and the contracts. To mitigate the risk of delay in the release of the transfer and the payment, a monitoring mechanism between the CC and the contractors/SDLs/LYDEC will be put in place. This system will help to keep track on the payment lead time against the services standards. Additional information on the disbursement arrangements are provided in Section C of the Program Appraisal Document.

20. **Procurement processes and procedures / contract administration/ Integrity and transparency**

a. CC. Procurement by CC under the Program will be carried out according to Morocco existing systems and processes for Public Procurement Management, including the oversight of the Ministry of Interior and the Ministry of Finance. The main procurement methods are Open National Competitive Bidding (ONCB), and Shopping (purchase orders). The use of this later method is limited to a list of works, goods and services which amount for individual PO could not excess 250,000.00 MAD or USD 26,250.00 (ref. list in annex 4 of the Decree No.2-12-349 dated 8 "Joumada" 1434 (March 20, 2013). Procurement by CC will be subject to the review of the "Contrôleur des Engagements" with regard to the respect of procedures and provisions of the Decree. In addition, the new Decree reinforces the legal basis for e-procurement in Morocco. The e-portal has increased the availability of information, especially in terms of making calls for proposals widely available, making contract-related documentation available to all potential bidders, disclosing an estimated cost for the goods or projects to be procured, and publishing the results of tendering contests. Additional features have been included which are now in use since very recently: electronic submission of bids and electronic reverse auctions. The portal includes also a database of suppliers.

b. *SDLs*. As limited liability companies, the SDLs have their own procurement regulations, which are largely inspired by the Public Procurement Decree. The specific procedures and details of execution related to contracts are set out in the respective procedures manuals, which define the roles and responsibilities of the various stakeholders.

c. *LYDEC*. Lydec's procurement procedures are governed by the Contract Regulations (Annex 7 of the Delegated Management Agreement), the latest update of which was a reconciliation with the provisions of the new Public Procurement Decree, and which was effective May 2017. Lydec's internal procedures manual is designed to meet the requirements of both the Contract Regulations, the requirements for public limited companies, and the requirements imposed by majority shareholder Suez. These procedures are based on efficiency and on the following three pillars: (i) economic and operational efficiency, to meet needs, (ii) respect for ethical rules, as a basis for relations with suppliers, and (iii) sustainable development. Lydec's procurement rules

are based on respect for universal procurement principles, namely economy, efficiency, transparency, fairness, and so on. Lydec's purchases are governed by the contractual and regulatory requirements of the SUEZ group and are based on the principle of free competition, mainly using open tenders, guaranteeing transparency and free competition between suppliers. etc.

### ***Contract administration***

a. **CC.** The capacity of the CC for contract management will need to be strengthened to ensure the effective implementation of program activities, ensuring the achievement of the expected results within the stated timeframes. To this end, particular attention will be paid to the training of people in charge of contract management and follow up of their execution. Contract monitoring mechanisms will also be strengthened through adequate staffing and improved internal organization.

b. **SDLs.** They have generally procedures for good contract management and are equipped with qualified staff. However, depending on the activities planned and the imperative for results, the necessary adjustments should be made, both in organizational and staffing terms. In all cases, annual training programs established on the basis of the audit recommendations will be implemented.

b. **Lydec.** The “Support Functions” Department is responsible for Lydec's purchases. Upstream and downstream of the procurement process, the Project Management Department is responsible for the definition of the needs, the preparation and control of the technical specifications, the management of the assets, and the Works Management Department is responsible for the implementation of investments. Roles and responsibilities for contract procurement, implementation and monitoring are well defined in Lydec's organizational and operational framework (see procedures manual). With relatively large annual acquisitions (more than 1.2 billion dirhams in 2016), Lydec has adequate human resources, rules and procedures and operating environment for fiduciary management and in particular contract management. It should be noted that as part of the works implementation of the INDH-INMAE program (connection of informal populations to basic services), and in accordance with the INDH-INMAE framework agreement of 2005, Lydec bears the costs of delegated project management. and project management of connection works.

### ***Integrity and transparency***

21. **Arbitration in procurement.** The country arbitration system is required by law. As part of the 2007 reforms, a law for arbitration and mediation procedures was introduced but many of its provisions have remained unsatisfactory (not reflected in the existing General Contract Conditions (GCCs)).

22. **Complaint management.** The “*Commission Nationale de la Commande Publique*” (CNCP), has the mandate to handle and manage complaints in procurement and contract execution. It replaces the CDM, but is still not yet effective (designation of members underway) Its membership includes key stakeholders such as the Ministry of Economy and Finance, the TGR, representatives of private sector, etc.

23. **Internal control.** The assessment of the PDGC internal control arrangements (which are aligned with the ones in force at CC and SDLs/LYDEC) is as follows.

a. **CC.** Internal control rules are laid down in the Decree No. 2-09-441 of 03 January 2010 on regulation of public accounting of local authorities. Execution of non-salary expenditures follows the steps of engagement, liquidation, approval and payment. The first three steps that make up the

administrative phase are under the responsibility of the president of the Municipal Council, (budget holder). The payment is the responsibility of the Treasurer of the commune. Overall effectiveness of the control system is satisfactory and 93,26% of non-salary expenditures are performed according to the normal procedure, and the exceptional procedures are well established and justified. The PPD lays out various control and oversight over the procurement and contract award process. The first control is an ex-ante and is performed by the controller who represents the MEF (respectively “*Contrôleur des Engagements*” from TGR. It mainly consists in checking compliance with the provisions of the PPD (in terms of quality of bidding documents, respect of bidding procedures including advertisement and opening, etc.). The second control, which consist in the review and approval/formal clearance (“*Visa préalable*”) of the evaluation report and the draft contract by the controller is ex ante. As a local governments (LG), procurement conducted by CC. are subject to other controls (review and approval) by the MI (Wali).

b. *SDLs/LYDEC*. The *SDLs/LYDEC* internal control procedures are those of the private sector. *SDLs*’ manuals were adopted and revised by their Boards. There are aligned with the provisions of the law n° 9-88 on the accounting obligations in Morocco. These manuals also include procurement guidelines for works, goods and services. Their overall effectiveness was confirmed through the analysis of the audit reports of the Board of Auditors.

24. The Program will apply the internal control procedures of the PDGC implemented by the CC, the *SDLs* and the *LYDEC* which are found acceptable. To assess the soundness of the control environment over the Program implementation, the external audit reports of the entities of the Programme will include management letters on the internal control. To assess the soundness of the control environment over the Program implementation, the external audit reports of the entities of the Programme will include management letters on the internal control.

25. **Internal audit.** The assessment of the internal audit arrangements in effect at the level of each entity of the Program is as follows.

a. *CC*. While the law 113.14 on the Organization of local communities includes provision on the establishment of an internal audit function in the communes, this entity is not yet operational at the *CC*.

b. *SDLs/LYDEC*. *LYDEC* is endowed with an internal audit department and a general inspectorate well-staffed which reports to the Managing Director. A risk map, a code of ethics and an audit chart have been developed and is being used for the audit mission. An audit committee is set up within the Board and oversees the management of the risk by the Managing Director. The *SDLs* are also endowed audit committee.

26. The Program will apply the internal audit arrangement of the *SDLs/LYDEC* which are found acceptable. The establishment of an operational internal audit function at the *CC* will be part of the Program Action Plan.

27. **Auditing.** So far, the PDGC is not subject to external audit on the consolidated financial statements. However, each entity involved in the Program has an acceptable audit arrangement. The *CC* is subject to the external audit of the Supreme Audit Institution and the General Inspection of Finance (IGF). Those of the Supreme Audit Institution focus on themes related to the performance does cover aspects related to financial audit, internal controls and procurement Moreover the related reports are not timely published. Pursuant to the law 113 - 14 on the Organization of local communities, the Inspectorate General of Finance and the Inspectorate General of Territorial Administration must perform audits of all these communities. The *SDLs/LYDEC* have external auditors recruited per a competitive basis. Their audit reports are included in the management report approved by their respective Board of Directors. A rotation of external auditors is ensured. These auditors apply local auditing standards that even if they are

not totally in line with the international auditing standards of IFAC are acceptable. LYDEC 2015 audit report was unqualified with some disclaimers on the ongoing dispute following an audit carried out by the Government on the compliance with the provisions of the MoU signed for the water management.

28. Each entity in charge of the execution of Program expenditures (CC, SDLs, and LYDEC) will produce an annual financial statement on their respective share of Program expenditures. The IGF will carry out the financial audits of the Program expenditures incurred by the CC, the SDLs, and LYDEC based on the annual Program financial statements produced by each entity. To this end, a pre-defined financial reporting format has been agreed with each entity. The audit will cover Program expenses incurred on or after January 2016. The audits will be carried out following the Audit Terms of Reference (TORs) agreed between IGF and the Bank. The production of audit reports will be no later than 9 months after the closure of accounts.

29. **Procurement and financial management capacity.**

CC. The CC staffing is adequate in number but requires strong capacity building as to ensure a smooth implementation of the Program. The Program Action Plan will include the development and enforcement of the training program for the CC staff.

b. SDLs. SDLs staff is in average adequate both in number and quality.

c. LYDEC. As part of the human resources development program and the development of individual skills for its employees, LYDEC has set up training and career management programs in line with the challenges identified by management, namely: the matching of skills with the requirements and changes in the business lines and the construction and structuring of career paths. In 2015, more than 80,000 hours of training, including on fiduciary aspects, was provided to staff (almost 50% provided by in-house trainers). The general reports of the auditors (2014, 2015) show no deviation in the area of procurement. In 2015, LYDEC was certified four times by the certification bodies, IMANOR and AFAQ AFNOR and doubly accredited by the SEMAC.

***Program governance and anti-corruption arrangements***

***CC and SDLs***

30. **Morocco's Constitution, enacted on July 1, 2011**, sets the ground for more transparency and efficient use of public resources. This is done through Title II on conflict of interest, misconduct in public procurement, misuse of public funds, greater transparency, accountability, and fight against fraud and corruption and through Title XII for good governance. The institutional framework for fighting against fraud and corruption includes several entities, among which:

31. **The *Instance Centrale de Prévention de la Corruption (ICPC)***. Pursuant to the provisions of Article 6 of the United Nations Convention against Corruption which it signed in 2003 and ratified in 2007, Morocco created the “*Instance Centrale de Prévention de la Corruption (ICPC)*” by Decree No. 2-05-1228 (13 March 2007). The ICPC is responsible for coordinating, supervising and monitoring the implementation of corruption prevention policies, collecting and disseminating information in this field. To this end, it shall in particular be responsible for: (i) proposing to the government the main orientations of a policy of prevention of corruption, particularly in the area of cooperation between the public and private sectors to fight against corruption; (ii) Proposing measures to raise public awareness and organize information campaigns to this effect; (iii) contributing, in cooperation with the administrations and entities concerned, to the development of international cooperation in the field of prevention of corruption; (iv) ensuring a monitoring and evaluation of the measures taken to implement government's policy in this area and making recommendations to the public administration, public agencies, private companies and all those involved in the prevention of corruption policy; (v) providing advices to the administrative authorities on possible measures to prevent corruption; (vi) collecting all information



related to the phenomenon of corruption and managing the related database and (vii) informing the competent judicial authority of all the facts brought to its attention during the performance of its duties, which it considers may constitute acts of corruption punishable by law. The number of complaints or anonymous whistle blowing cases declared by ICPC is usually small: about 100 allegations at national level after the first year the launch of ICPC secured electronic site. This is a sign of lack of bidders' confidence in the systems with regard to appeal mechanisms or judicial process, and of their fear to be penalized. At the level of the Program, any allegation of fraud and corruption can be reported to the ICPC.

32. *The Institution of the Ombudsman (L'Institution du Médiateur)* is a constitutional body that was established by the new Constitution<sup>37</sup> to replace the former Grievances Office (*Diwan Al Madalim*). The Ombudsman's mandate covers handling complaints and grievances of citizens, domestic or foreign individuals or legal entities against the administration (including regional and local governments) and organizations which benefit from financial support of the State (CC, SDL). The Ombudsman is, in addition, empowered with capacity of investigation on its own initiative (*autosaisine*). It is free and easily accessible as grievances, complaints and claims can be introduced through regular or registered mail, fax or internet. According to its latest annual report, the total number of complaints and grievances treated by the institution reached 1,919 in 2013. Complaints brought to the Ombudsman mostly related to administrative, real estate and financial and legal cases.

33. **Anti-corruption arrangements.** The Borrower will use the existing country systems to take all appropriate measures to prevent fraud and corruption in connection with the Program. The Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 1, 2012 and revised July 10, 2015 (the Anti-Corruption Guidelines) will apply.

34. **Reporting.** The CC will handle and report to the Bank allegations occurring under the Program via the annual reports during Program implementation. The World Bank's prerogative of administrative inquiry for allegations of fraud and corruption has been clarified to the borrower during the Program preparation. The CC's collaboration with the Bank on the administrative inquiries into allegations which the Bank intends to pursue has been confirmed during preparation. In accordance with the Bank's Anti-Corruption guidelines for PforR operations, the Program will take steps to ensure that "any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension". During the procurement processes, each of the implementing entities will verify the names of the contractor against the Bank's database<sup>38</sup> of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program.

**Actions related to fraud and corruption.** The Borrower will: (a) take all appropriate measures to ensure that the Program is carried out in accordance with the Bank's Anti-Corruption Guidelines; (b) take all appropriate measures to prevent fraud and corruption in connection with the Program, including (but not limited to) adopting and implementing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted; (c) promptly inform the Bank of all credible and material allegations or other indications of fraud and corruption in connection with the Program that come to its attention, together with the investigative and other actions that the Borrower proposes to take with respect thereto; (d) unless otherwise agreed with the

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<sup>37</sup> Article 162 of the 2011 Constitution and Royal Decree n° 1-11-25 of March, 17th 2011.

<sup>38</sup> [https:// www.worldbank.org/debarr](https://www.worldbank.org/debarr)

Bank with respect to a particular case, take timely and appropriate action to investigate such allegations and indications; report to the Bank on the actions taken in any such investigation, at such intervals as may be agreed between the Borrower and the Bank; and, promptly upon the completion of any such investigation, report to the Bank the findings thereof; (e) if the Borrower or the Bank determines that any person or entity has engaged in fraud and corruption in connection with the Program, take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its recurrence; and (f) ensure that any person or entity debarred or suspended by the Bank is not awarded contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension. The Bank's debarment list, which is easily accessible, will be checked by all procuring entities before awarding contracts.

35. LYDEC has adopted a charter of ethics and has put in place a system for monitoring the application of the ethical and compliance systems to which all its personnel are subject. Suspicions of incidents or ethical incidents are monitored and documented in reports shared with the company's ethics committee and audit committee. LYDEC has put in place a mechanism for the inventory of ethical risks and, in this sense, a mapping of ethical risks. For better information and awareness of its managers, LYDEC organized in 2015 a training course on corruption and competition rules. An e-learning training module on ethics has been prepared and is available at the company level, in addition to other training modules.

36. **Contribution to the Program Action Plan.** The Table below details the PAP's fiduciary actions.

<b>Risk</b>	<b>Mitigation action</b>	<b>Timing</b>	<b>Type of action (PAP, DLI)</b>
Weaknesses in the budget execution and reporting	Prepare periodic reports with a performance analysis, on budgetary and contract execution (including SDL/LYDEC).	Annual / Recurrent	PAP
Insufficiencies of the CC budgetary/accounting system	Deployment at the CC of the integration budgeting/accounting system including procurement and contract management modules	During the fourth year	PAP
Absence of internal audit function at the CC	Operationalization of the CC's internal audit unit	During the third year	PAP

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

### **Introduction**

1. This annex summarizes the findings of the Environmental and Social Systems Assessment (ESSA) undertaken for the Casablanca Municipality Support Program-for-Results. The ESSA assessed, against the requirements of the World Bank Program-for-Results Policy, the national and municipal systems with respect to institutional capacity and performance, policy and regulatory bases, consultation mechanisms and GRM to manage and mitigate the risks. The portfolio of Program activities to be undertaken was also analyzed to identify typical environmental and social effects. The ESSA was based on a review of the legal, regulatory and institutional framework related to environmental and social matters, broad consultation of the Program stakeholders, and information collected during on-site visits. The assessment also drew on experience from previous Bank projects in Morocco.

2. The draft ESSA report was shared with counterparts and discussed during a large consultation workshop with technical staff from the municipality and government (both national and municipal levels), partners and civil society organizations held in Casablanca on September 5, 2017. Feedback from the workshop has been incorporated into the ESSA and a full list of participants and summary of their feedback attached in ESSA Annex. The draft and final ESSA reports have been publicly disclosed through the World Bank's website and on the Casablanca Municipality website, advertised in the national press, and public comments will be solicited during a defined comment period.

### **Program environmental and social anticipated effects**

#### Social and environmental benefits

3. The Program's supported activities will have positive social and environmental impacts on the populations living in the city of Casablanca, through improving:

- 65. Living conditions through access to drinking water, electricity and sanitation for 10,000 disadvantaged households living in poor and substandard neighborhoods;
- 66. Living environment through rehabilitation and building of public urban spaces (green spaces, efficient street lighting);
- 67. Urban mobility and safety, mainly for pedestrians including blind persons and people with reduced mobility (appropriate sidewalks and roads, road signs);
- 68. Citizen engagement, through using ICT platform and tools to strengthen access to information, consultation and inclusive participation, right to petition, appropriated grievance redress mechanisms, as well as monitoring user satisfaction pertaining to municipal utilities;
- 69. Enhanced access to administrative documents such as birth certificates and administrative authorizations through streamlined online procedures;
- (vii) Performance and governance of the municipality, which aims to establish an efficient local administration, delivering better services, and closer and accountable to citizens (including youth, women and vulnerable persons).

#### Environmental and social risks and mitigation measures

4. Adverse environmental and social risks stemming from the Program's supported activities are anticipated to be low to moderate. Based on the type, scope and scale of works under this Program,

adverse social and environmental effects are expected to be typical construction risks that are site-specific and generally limited to the construction phase. All the activities will be developed inside the urban perimeter where no site of biological or ecological interest will be impacted.

5. The Program does not entail any resettlement. Physical investments are systematically carried using the public domain to avoid resettlement and expropriation, or to modify initial plans in view to avoid temporary or permanent private land acquisition. The main social risks will be low to moderate and related to temporary restriction of access to income sources or means of livelihood (commercial occupants of public lands and rights-of-way) during the construction phase. To prevent or mitigate these risks, mitigation measures will be implemented, including planning and sequencing of works, alternative access options, information and consultation of affected people, and easy access to appropriate grievance redress mechanisms. These specific mitigation actions will be clearly included in the contractual specifications for private construction work involved in construction works related to Program Activities. In addition, adequate support and/or compensation will be provided prior to the launch of civil works to people affected by temporary loss or temporary restriction of access to income sources or means of livelihood, including non-authorized commercial occupants of public lands and rights-of-way.

6. The table below provide an overview of the key risks and their mitigation measures:

<b>Key social risks and mitigation measures</b>		
	<b>Risks</b>	<b>Mitigation measures</b>
Land acquisition/ Involuntary resettlement	<b>No risk</b> Physical investments are systematically carried using the public domain to avoid resettlement and expropriation	
Restriction of access to services, assets, income sources or means of livelihood	<b>Risk low to moderate</b> Temporary restriction of access to income sources or means of livelihood, mainly for the commercial occupants of public lands and rights-of-way, could occur during the construction phase	Information /consultation of affected people grievance redress mechanisms easily accessible and population informed on this mechanism and on how to reach it Appropriate construction work planning to mitigate restriction access  Inclusion of specific mitigation actions in the contractual specifications for companies involved in construction works related to Program Activities.  Adequate support and/or compensation will be provided prior to the launch of civil works to people affected by temporary loss or temporary restriction of access to income sources or means of livelihood, including non-authorized commercial occupants of public lands and rights-of-way.

<p>Cultural appropriateness</p> <p>Equitable access to program benefits, giving special attention to the needs or concerns of vulnerable groups.</p>	<p><b>Low risk</b></p> <p>The Program pay particular attention to equitable access and to social inclusion; The activities associated to the Program will have positive social impacts on the populations living in the city of Casablanca, through improving: access to drinking water, electricity and sanitation for 10;000 disadvantaged households living in poor and substandard neighborhoods; rehabilitation and building of public urban spaces (green spaces, efficient street lighting); Urban mobility and safety, mainly for pedestrian including blind and people with reduced mobility ;</p> <p>Berber-speaking populations are considered as integral part of the population and the Constitution recognize Amazigh as one of the Moroccan official languages. In Casablanca, the speaking language is dialectal Arabic</p>	
<p>Exacerbation of social conflicts</p>	<p><b>Low risk</b></p> <p>The Greater Casablanca development plan was elaborated through an inclusive and participative approach in view to consider all the needs and concerns of Casablanca population, including vulnerable persons, women and youth;</p> <p>The activities associated to the Program will improve: (i) Citizen engagement, through using ICT platform and tools to strengthen access to information, consultation and inclusive participation, right to petition, appropriated grievance redress mechanism, as well as monitoring user satisfaction</p>	

	pertaining to municipal utilities; (ii) Performance and governance of the municipality, which aims to establish an efficient local administration, delivering better services, close and accountable to citizens (including youth, women and vulnerable).	
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<i>Key environmental risks and mitigation measures</i>		
	<b>Risks</b>	<b>Mitigation measures</b>
Environmental sustainability	<p><b>Moderate Risk</b></p> <p>Environmental sustainability is about avoiding, minimizing or mitigating negative risks, and promoting informed decision-making about the environmental risks of the Program.</p> <p>The capacity of DEDD needs to be strengthened. The support of prime contractors (SDL, Lydec) who possess the necessary skills and experience must be formalized.</p>	<p>Within the framework of the Program, specific measures will be provided for:</p> <p>(i) Assessing risks during the identification and design phases of sub-projects;</p> <p>(ii) Avoiding, mitigating and compensating them should they occur; and</p> <p>(iii) Making sub-contractors accountable for damage caused by work to workers and local residents</p>
Risks to natural habitats and physical cultural resources	<p><b>Low risk</b></p> <p>All the activities of the Program will be developed within the urban perimeter of Casablanca and on the rights of way of the existing roads.</p>	
Workers and public security	<p><b>Low risk</b></p> <p>The terms of reference of the sub-contractors for carrying out certain activities of the Program shall detail the measures to be implemented in accordance with the Labor Code to mitigate the risks to workers and local residents.</p>	<p>Follow-up of implementation of these actions will be carried out on the basis of site monitoring sheets. These sheets will be presented in the Environmental and Social Technical Guide.</p>

7. Although, the environmental and social risks are anticipated to be low to moderate, and principally limited to the construction phase, the ESSA Action Plan includes actions aiming at strengthening environmental and social systems related to the Program, including an Environmental and Social Technical Guide providing guidance, procedures and tools, as well as capacity building actions.

8. This Environmental and Social Technical Guide that will be part of the Program Operation Manual (POM), will aim to strengthen Program systems in order to prevent and mitigate key risks. Risks

will be identified and documented at design phase through the screening tool (see ESSA annex), with a view to establishing mitigation measures and ensuring follow up and monitoring of their implementation.

### **Assessment of Environmental and Social Systems**

9. The ESSA assessed Morocco's social and environmental systems for consistency with the core principles of the World Bank Program for Results Policy. In terms of environmental risk management systems, the ESSA found that Moroccan environmental systems are relatively comprehensive and consistent with the core principles of the Policy. Morocco's legal framework is conducive to both environmental protection and natural resources conservation. It includes guidelines for the development of environmental management tools to address environmental aspects connected to development activities and investments. The key weakness in the implementation of the Program's environmental systems stems from the lack of stakeholders' capacity, mainly at the local level. Weaknesses have been identified in collection, analysis and interpretation of environmental information, identification of environmental risks, and monitoring of mitigation measures and environmental management plans.

10. Key capacity building initiatives to strengthen the capacity of the stakeholders have been included in the Program. This will include: (i) training modules on the Environmental and Social Technical Guide and environmental and social management procedures; (ii) how to identify, implement and monitor good practices in social and environmental management; and (iii) procedures for monitoring construction sites.

11. Although environmental follow up is part of work specifications for companies, the various Program stakeholders do not currently have dedicated resources to identify environmental risks and mitigation measures during the design phase and to ensure the follow up of their implementation during the construction phase.

12. Morocco also has a relatively strong comprehensive framework regulating procedures for land acquisition and expropriation. Regarding expropriation, Morocco's system contains provisions for consultation and compensation of people with formal or customary titles affected by resettlement. Livelihood restoration and extension of assistance to informal users as part of the resettlement efforts are areas identified for greater attention and strengthening. The 2011 Constitution, the broad regionalization and its organic local authorities' laws, based on the principles of participation, nondiscrimination, equity, gender equality, social inclusion and accountability, includes many provisions for public consultation (including of women, youth and the most vulnerable populations), the right to petition, the access to information and grievance redress mechanisms.

13. Key Program stakeholders have experience and procedures to address social aspects associated with development activities and investments, including public information and consultation, social mobilization and accompaniment as well as grievance redress mechanisms. The key weakness in the implementation of the Program's Social Systems stems from stakeholders' capacities and coordination in monitoring social risks and mitigation measures.

14. To strengthen the stakeholders' capacity and coordination, key capacity building initiatives such as the ESSA systems and procedures under the Program Operational Manual, training sessions for Program stakeholders, particularly implementing agencies, and the establishment of a dedicated social and environmental focal point within the PMU, have been included in the Program (see below).

### **Identified measures to Strengthen Environmental and Social Systems**

15. While the environmental and social risks of the activities under the Program are low - to moderate-impact, the PforR modality offers an opportunity to strengthen both the gaps in procedures identified above in order to identify and mitigate risks, but also to strengthen the overall system in three areas: (i) strengthening environmental and social management, (ii) ensuring implementation of good environmental and social management, and (iii) providing oversight of environmental and social management. To address gaps identified by ESSA, the Program will support specific measures for strengthening the performance of the municipality's environmental and social management system.

16. These measures are through several mechanisms that are built into the Program through the following actions:

- An environmental and social technical guide (ToR in ESSA annex) including screening, assessment follow up, monitoring files and tools will be elaborated through a participative approach, disseminated to all the actors involved in the Program implementation; this technical guide will be part of the Program Operational Manual, which will be used by municipal local governments in assessing and managing environmental and social risks;
- Capacity Building in environmental and social management, of the technical staff of the Municipality, SDL and other stakeholders involved in the Program implementation; these activities include tooling, training, monitoring;
- A dedicated social and environmental focal point within the Program Management Unit will ensure the coordination, follow up, monitoring and reporting, according to ToR established in the Op Manual. This focal point will have prime accountability for ES risk management, but will liaise and work closely with the services in charge of social and environmental aspects within the relevant agencies Municipality, SDL, Lydec, Wilaya, ...), under the authority of Program Steering Committee (Mayor and Wali).

### **Suggested inputs to the Program Action Plan**

17. It is recommended to embed the measures below in the overall Program design as inputs to the Program Action Plan. Recommended actions are grouped into three areas: (i) Actions to strengthen the environmental and social management system; (ii) Actions to strengthen implementation and oversight of that system; (iii) Actions to build capacity in environmental and social management. ESSA-related inputs to the Program Action Plan are articulated as follows:

<b>Action</b>	<b>Timing</b>	<b>Responsibility</b>	<b>Measurement</b>
Preparation and dissemination of a practical guide for environmental and social management, including social (such as resettlement /compensation) and environmental procedures and tools, in form and substance acceptable to the Bank compliant with WB policies	During the first quarter following effectiveness.	CC/UGP	Guide has been prepared, approved and disseminated among all the entities actors involved in the Program implementation, including the Borrower, Casa Prestations, Casa Transport, Casa Aménagement, Casa Patrimoine, Lydec. programme
Capacity building of all the actors involved (CC, E&S	During the first year		Annual Planning of training sessions submitted (during



Focal point, SDL, Lydec) on the E&S technical guide			the first three months after effectiveness); reports on organized trainings submitted (in the first year of Program implementation)
Selection and appointment of an environment and social focal point within the PMU	<p>No later than ninety (90) days after the effective date of the Loan Agreement</p> <p>During the first quarter of coming into force of the Program</p>	CC	<p>Environmental and social focal point has been appointed and trained under terms and conditions acceptable to the Bank</p> <p>Appointment and training of the Focal point</p>
Preparation and implementation of a Communication strategic plan, to ensure wide information and mobilization of local populations (including women, youth, vulnerable groups, etc.) and associations	<p>Preparation of the plan no later than one year after the effective date of the Loan Agreement</p> <p>Implementation: throughout Program implementation the Program</p>	CC	<p>Communication strategic plan submitted and approved</p> <p>Annual reports on the communication actions implemented</p>

### Annex 7: Systematic Operations Risk Rating (SORT)

<b>Risk</b>	<b>Rating</b>
Political and Governance	Moderate
Macroeconomic	Moderate
Sector Strategies and Policies	Moderate
Institutional Capacity for Implementation and Sustainability	Substantial
Technical Design	Substantial
Fiduciary	Moderate
Environmental and Social	Moderate
Stakeholders	Substantial
Disbursement Linked Indicators	Moderate
<b>Overall Risk</b>	<b>Substantial</b>

### Annex 8: Program Action Plan

<i>Action Description</i>	<i>Due Date</i>	<i>Responsible Party</i>	<i>Completion Measurement</i>
<b><i>Thematic Area 1 - Technical</i></b>			
Action#1. Definition of an adequate organization of the services responsible for the administration of taxes and other revenues	December 2018	CC	Finalization of the organization chart and job description of the services responsible for the administration of taxes and other revenues. Procedures manual finalized
Action #2. Credit Rating of the Municipality of Casablanca	December 2020	CC	Credit rating has been completed and published
Action # 3.1 Finalization of the new organization chart of the CC	December 2017	CC	The organization chart finalized
Action # 3.2 Implementation of the new organization chart of the CC	December 2018		Capacity building program has been delivered to ensure the profiles of the CC agents correspond to their job description
Action #4 Development of an urban streets manual (règlement de voirie)	December 2019	CC	Manual developed and the follow up of its implementation is ensured by the different entities through the designation and training of specific staff
Action # 5 Revision of the financing model of the ECI to ensure its financial sustainability	December 2019	CC	The CC has proposed the setting up of sustainable financial arrangements of the ECI
<b><i>Thematic Area 2 - Environmental and social</i></b>			
Action #6. 1 Preparation and dissemination of a practical guide for environmental and social management, including social (such as resettlement /compensation) and environmental procedures and tools, in form and substance acceptable to the Bank	During the first quarter following effectiveness.  During the first year	CC/UGP	Guide has been prepared, approved and disseminated among all the entities actors involved in the Program implementation, including the Borrower, Casa Prestations, Casa Transport, Casa Aménagement, Casa Patrimoine, Lydec. programme

compliant with WB policies  <i>Action #6. 2: Capacity building of all the actors involved (CC, E&amp;S Focal point, SDL, Lydec on the E&amp;S technical guide</i>			Annual Planning of training sessions submitted (during the first three months after effectiveness); reports on organized trainings submitted (in the first year of Program implementation)
<i>Action #7. Selection and appointment of an environment and social focal point within the PMU</i>	No later than ninety (90) days after the effective date of the Loan Agreement  During the first quarter of coming into force of the Program	CC	Environmental and social focal point has been appointed and trained under terms and conditions acceptable to the Bank  Appointment and training of the focal point
<i>Action #8. Preparation and implementation of a Communication strategic plan, to ensure wide information and mobilization of local populations (including women, youth, vulnerable groups, illiterate, etc.) and associations</i>	Preparation of the plan no later than one year after the effective date of the Loan Agreement  Implementation: throughout Program implementation the Program	CC	Communication strategic plan submitted and approved  Annual reports on the communication actions implemented
<b><i>Thematic Area 3 – Fiduciary</i></b>			
<i>Action #9. Operationalization of the CC's internal audit unit</i>	During the third year	CC	Internal audit report prepared by the established internal audit unit is produced.
<i>Action #10. Deployment at the CC of the integration budgeting/accounting system including procurement and contract management modules</i>	During the fourth year	CC	Report confirming the deployment of the new budgeting/accounting system (road map to be prepared with achievement for each year)
<i>Action #11. Preparation of periodic reports with a performance analysis, on budgetary and contract execution (including SDL/LYDEC).</i>	Annual	CC, SDLs, LYDEC	Reports prepared and submitted

## **Annex 9: Implementation Support Plan**

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

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

<i><b>Time</b></i>	<i><b>Focus</b></i>	<i><b>Skills Needed</b></i>	<i><b>Resource Estimate (US\$)</b></i>
<i><b>First twelve months</b></i>	Technical assistance to the CC management of local taxes and budget planning and execution.	Municipal Management, Public Financial Management	150,000
	Technical supervision of infrastructure programs	Municipal engineering, urban transport, water supply and sanitation	
	Support to the elaboration of a practical guide on environmental and social management, including screening, assessment follow up, monitoring files and tools	Social, Environment	
	Capacity Building in environmental and social management, of the technical staff of the Municipality, SDL and other stakeholders involved in the Program implementation	Social, Environment	
	Fiduciary support and monitoring	Procurement, Financial Management	
	M&E support and capacity building	M&E	
<i><b>12-56 months</b></i>	Technical support and capacity building	Municipal engineering, urban transport, water supply and sanitation	
	Fiduciary support and capacity building	Procurement, Financial Management	

	Social management support and capacity building	Social	
	Environmental management support and capacity building	Environment	
<i>Other</i>			

### **Task Team Skills Mix Requirements for Implementation Support (template)**

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>	<i>Comments</i>
Task Team Leader	10	-	Based in country office
Urban Specialist	8	2	Based in HQ
Urban Transport Specialist	2	-	Based in country office
Private Sector Development Specialist	2	-	Based in country office
Municipal Management Expert	5	4	International consultant
Financial Management Specialist	4	-	Based in country office
Procurement Specialist	4	-	Based in country office
Social specialist	1	1	Based in HQ
Social consultant	4	-	Based in country office
Environment specialist	1	1	Based in HQ
Environment consultant	4	-	Based in country office

### **Role of Partners in Program implementation (template)**

<i>Name</i>	<i>Institution/Country</i>	<i>Role</i>
<i>IFC Advisory</i>	<i>IFC</i>	IFC advisory is expected to support Casa Transport in structuring selected PPP transactions. IFC support for each transaction will involve (i) technical, legal, and financial due diligence, (ii) structuring of the transaction, (iii) and support to tender implementation.

