



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
DTF: MA-LOCAL GOVERNMENT SUPPORT PROGRAM
APPROVED ON NOVEMBER 26, 2013
TO

GENERAL DIRECTORATE FOR LOCAL GOVERNMENTS, MINISTRY OF INTERIOR

SOCIAL, URBAN, RURAL AND RESILIENCE GLOBAL PRACTICE

MIDDLE EAST AND NORTH AFRICA

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|----------------------------------|-----------------------------|
| Regional Vice President: | Hafez M. H. Ghanem |
| Country Director: | Marie Francoise Marie-Nelly |
| Senior Global Practice Director: | Ede Jorge Ijjasz-Vasquez |
| Practice Manager/Manager: | Ayat Soliman |
| Task Team Leader: | Augustin Maria |



ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| CRAMO | Regional Support Centers (<i>Centres Régionaux d'Assistance à la Maitrise d'Ouvrage</i>) |
| MDH | Moroccan Dirhams |
| PDO | Project Development Objectives |
| PMU | Project Management Unit |



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BASIC DATA

Product Information

| | |
|--|--|
| Project ID P144438 | Financing Instrument Investment Project Financing |
| Original EA Category Not Required (C) | Current EA Category Not Required (C) |
| Approval Date 26-Nov-2013 | Current Closing Date 31-Aug-2018 |

Organizations

| | |
|---|--|
| Borrower General Directorate for Local Governments, Ministry of Interior | Responsible Agency General Directorate for Local Government, Ministry of Interior |
|---|--|

Project Development Objective (PDO)

Original PDO

The Objective of the Project is to set up a lasting program to provide Local Governments in the Project Area access to decentralized support services and assistance to institutionalize inter municipal cooperation.

Summary Status of Financing

| TF | Approval | Signing | Effectiveness | Closing | Net | | |
|----------|-------------|-------------|---------------|-------------|------------|-----------|-------------|
| | | | | | Commitment | Disbursed | Undisbursed |
| TF-16151 | 02-Dec-2013 | 02-Dec-2013 | 02-Dec-2013 | 31-Aug-2018 | 4.55 | 1.38 | 3.17 |

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Background

1. The proposed restructuring seeks a six-month extension of the closing date of the Morocco Local Government Support Program (TF016151 signed on December 2, 2013), from August 31st, 2018, to March 2nd, 2019. This extension is needed to complete three major studies under component 2, totaling MDH 9.9M (US\$ 1.1 million equivalent). The completion of these studies is important for the Project's development objectives, as they will set the basis for future reforms, providing roadmaps in key reform areas that will be important for the Government and the Bank's future agenda on decentralized services and inter-municipal cooperation. The extension would also extend the financing of the four Regional Support Centers (CRAMO) under Component 1, which were established later than initially planned, allowing these centers to better demonstrate their operating model and would strengthen the probability that the government will sustain this model over the long run.

B. Summary of Project Implementation

2. **The Morocco Local Government Support Program has overcome initial implementation delays and is progressing well.** After initial delays in implementation of program activities, project management has improved and procurement has moved forward, with full commitment of grant proceeds expected by end of March 2018. The project is on track to achieve its objectives, namely to provide municipalities with access to decentralized support services and assistance to institutionalize inter municipal cooperation, which remains highly relevant in the context of advanced regionalization. The proactivity of the implementing agency over the last year has proved successful and permitted to upgrade its performance rating to a satisfactory level. The Project is currently rated Moderately Satisfactory on Implementation Progress, and the team expects these ratings to be maintained or improved in the foreseeable future.

3. **Progress towards achievement of the Project Development Objectives (PDOs) is rated Moderately Satisfactory with all PDO-level indicator targets achieved or close to achievement.** The project has exceeded the targets:

- (a) For PDO-level indicator 1: The Local Government Support Program (PACT) is set-up and operational, i.e. support Centers are providing services to LGs according to the principles defined in the prepared design and deployment plan.
- (b) For PDO-level indicator 3: The number of direct project beneficiaries has been updated to a total of 8.65 million residents of municipalities benefitting from the Program, which already exceeds the end-target.
- (c) The target for PDO-level indicator 2 is close to achievement, as the financial incentive of the PACT has continued to be financed adequately, with the cumulative amount reaching MDH 2.60 million against an end target of 3 million.

4. **All pending procurement activities have been initiated and are expected to be completed by March 2018.** 85% of the grant proceeds are currently committed, and 100% are expected to be committed by the end of March 2018. 30% of the loan has been disbursed as of March 2018.

C. Rationale for restructuring

5. The Implementing Agency (Ministry of Interior, Government of Morocco) has submitted a request for a 6-month extension of the closing date, from August 31st, 2018, to March 2nd, 2019, through an official communication dated March 8 2018. This extension has



also been approved by the MENA Transition Fund Steering Committee as per a communication dated March 7 2018. This extension would allow the following:

- (a) **The extension of the financing of the four Regional Support Centers (CRAMO) under Component 1, which were established later than initially planned.** The demonstration of this model of Regional Support Centers is a key objective of the program. Four centers are now in operation and providing services to the local government within their geographic area, thus exceeding the end-target of 2 regional centers in operation. However, three out of four centers started operating in the second semester of 2017 and are still in their initial phase of operation. The six-month extension would allow these centers to better demonstrate their operating model and would strengthen the probability that the government will sustain this model over the long run.
- (b) **The completion of three major studies under component 2.** Two have been signed and initiated (MDH 7 million assessment of options to restructure distribution systems in Souss-Massa and MDH 1.7 million assessment of transport fare integration in Greater Rabat/Sale/Temara) and one is currently under procurement (MDH 1.2 million study on regulation of wholesale markets in Casablanca). The completion of these studies is important for the Project's development objectives; while the project's results indicators are almost fully achieved, the studies will set the basis for future reforms, providing roadmaps in key reform areas that will be important for the Government and the Bank's future agenda on decentralized services and inter-municipal cooperation.

6. The revised implementation plan prepared by the PMU provides for full utilization of available financing and achievement of PDOs by the proposed revised closing date of March 2, 2019.

D. Summary of Implementation Agency Performance

7. The performance of the implementation agency (Ministry of Interior, Government of Morocco) is satisfactory. Changes in leadership and difficulties in coordinating several divisions within the Ministry caused initial delays in implementation, but implementation has picked up significantly over the last year, as evidenced by regular meetings of the high-level project steering committee and the acceleration of procurement activities.



II. DESCRIPTION OF PROPOSED CHANGES

8. The proposed changes are the following:
- (a) A 6-months extension of the closing date, from August 31st, 2018, to March 2nd, 2019.

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III. SUMMARY OF CHANGES

| | Changed | Not Changed |
|--|---------|-------------|
| Change in Loan Closing Date(s) | ✓ | |
| Change in Implementing Agency | | ✓ |
| Change in Project's Development Objectives | | ✓ |
| Change in Results Framework | | ✓ |
| Change in Components and Cost | | ✓ |
| Cancellations Proposed | | ✓ |
| Additional Financing Proposed | | ✓ |
| Reallocation between Disbursement Categories | | ✓ |
| Change in Disbursements Arrangements | | ✓ |
| Change in Disbursement Estimates | | ✓ |
| Change in Overall Risk Rating | | ✓ |
| Change in Safeguard Policies Triggered | | ✓ |



| | | |
|--------------------------------------|--|---|
| Change of EA category | | ✓ |
| Change in Legal Covenants | | ✓ |
| Change in Institutional Arrangements | | ✓ |
| Change in Financial Management | | ✓ |
| Change in Procurement | | ✓ |
| Change in Implementation Schedule | | ✓ |
| Other Change(s) | | ✓ |

IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

| TF | Status | Original Closing | Revised Closing(s) | Proposed Closing | Proposed Deadline for Withdrawal Applications |
|----------|-----------|------------------|--------------------|------------------|---|
| TF-16151 | Effective | 31-Aug-2018 | | 02-Mar-2019 | 02-Jul-2019 |

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