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Report No.: PAD5622

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EUR 326.3 MILLION
(US\$350 MILLION EQUIVALENT)

TO THE

KINGDOM OF MOROCCO

FOR A

SUPPORTING THE IMPLEMENTATION OF STATE-OWNED ENTERPRISES REFORM IN MOROCCO
PROGRAM-FOR-RESULTS

May 30, 2024

Finance, Competitiveness and Innovation Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2024)

Currency Unit = MAD

MAD 10.05 = US\$1

EUR 0.93 = US\$ 1

FISCAL YEAR

January 1 – December 31

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ABBREVIATIONS

AMMC	Capital Markets Authority of Morocco (<i>Autorité Marocaine des marchés de capitaux</i>)
ANGSPE	<i>National Agency for the Strategic Management of State Participations (Agence nationale de gestion stratégique des participations de l'Etat et de suivi des performances des établissements et entreprises publics)</i>
AREF	Regional Academy for Education and Training (<i>Académie régionale d'éducation et formation</i>)
CA	Court of Accounts (<i>Cour des Comptes</i>)
CC	Competition Council
CDSB	Climate Disclosure Standards Board
CNSS	National Social Security Facility (<i>Caisse Nationale de Sécurité Sociale</i>)
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
CSR	Corporate Social Responsibility
DAAG	Department of Administrative and General Affairs (within the MEF – <i>Direction des Affaires Administratives et Générales</i>)
DB	Department of Budget (within MEF – <i>Direction du Budget</i>)
DEPP	Department of Public Entities and Privatization (within the MEF – <i>Direction des Entreprises Publiques et de la Privatisation</i>)
DLI	disbursement-linked indicator
DLR	disbursement-linked result
DTFE	Department of Treasury and external Financing (<i>Direction du Trésor et des financements extérieurs/MEF</i>)
EIA	Environmental Impact Assessment
E&S	Environmental and social
ESG	environmental, social, and governance
ESMS	Environmental and Social Management System
ESSA	Environmental and Social Systems Assessment
FY	fiscal year
GDP	Gross Domestic Product
GHG	greenhouse gas
GoM	Government of Morocco
GRI	Global Reporting Initiative
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
IEG	Independent Evaluation Group
IFRS	International Financial Reporting Standards
IGF	Finance Inspection Agency (<i>Inspection Générale des Finances</i>)
IIRC	International Integrated Reporting Council
INPPLC	National body for probity and the prevention of corruption (<i>Instance Nationale pour la Probité et la Prévention et la Lutte contre la Corruption</i>)
IRI	Intermediate Results Indicator
IT	information technology
KPI	Key Performance Indicator
MAD	Moroccan dirham
M&E	monitoring and evaluation
MEF	Ministry of Economy and Finance
MENA	Middle East and North Africa
MFD	Maximizing Finance for Development
NDC	Nationally Determined Contribution
NDM	New Development Model
ONEE	National Agency for Electricity and Drinking Water (<i>Office National de l'Electricité et de l'Eau</i>)
PAP	Program Action Plan
PCU	Program Coordination Unit

PEF	program expenditure framework
PEFA	Public Expenditure and Financial Accountability
PFM	public financial management
PforR	Program-for-Results
POM	Program Operations Manual
PPP	public-private partnership
PSO	public service obligation
RA	Results Area
SASB	Sustainability Accounting Standards Board
SCSF	Solidarity and Social Cohesion Fund
SEA/SH	sexual exploitation, abuse, and harassment
SOE	State-Owned Enterprise
SOP	State Ownership Policy
SORT	systematic operations risk-rating tool
TA	technical assistance
TCFD	Taskforce on Climate-related Financial Disclosures
TGR	General Treasury of the Kingdom
UNFCCC	United Nations Framework Convention on Climate Change



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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name		
Morocco	Supporting the implementation of SOE Reform in Morocco		
Operation ID	Financing Instrument	Does this operation have an IPF component?	
P181522	Program-for-Results Financing (PforR)	No	

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Small State(s)	<input type="checkbox"/> Conflict
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)	

Expected Approval Date	Expected Closing Date
21-Jun-2024	29-Jun-2029
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

Proposed Program Development Objective(s)

The Program Development Objective is to improve the governance, restructuring, competitive neutrality and performance monitoring of States Owned Enterprises.

**Organizations**

Borrower:	Ministry of Economy and Finance
Implementing Agency:	Direction des Etablissements Publics et de la Privatisation (DEPP)
Contact:	Khalid Sbia
Title:	Director
Telephone No:	000000
Email:	ksbia@depp.finances.gov.ma
Implementing Agency:	National Agency For the Strategic Management of State Participations
Contact:	Abdellatif Zaghoun
Title:	Director General
Telephone No:	00000
Email:	a.zaghoun@angspe.ma

COST & FINANCING (US\$, Millions)**Maximizing Finance for Development**

Is this an MFD-Enabling Project (MFD-EP)?	No
Is this project Private Capital Enabling (PCE)?	No

SUMMARY

Government program Cost	3,000.00
Total Operation Cost	1,416.40
Total Program Cost	1,415.53
Other Costs (Front-end fee,IBRD)	0.88
Total Financing	1,416.40
Financing Gap	0.00

Financing (US\$, Millions)**World Bank Group Financing**



International Bank for Reconstruction and Development (IBRD)	350.00
Non-World Bank Group Financing	
Counterpart Funding	1,066.40
Borrower/Recipient	1,066.40

Expected Disbursements (US\$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029
Annual	0.00	86.00	80.00	80.00	64.00	40.00
Cumulative	0.00	86.00	166.00	246.00	310.00	350.00

PRACTICE AREA(S)

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Governance

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial



7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Overall	● Substantial

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

LEGAL

Legal Covenants

Sections and Description

No later than one thirty (30) days after the Effective Date, establish and thereafter maintain throughout the implementation of the Program, a Program Coordination Unit (“PCU”) and a Steering Committee.

No later than one hundred twenty (120) days after the Effective Date, or such later date as agreed by the Bank, prepare a Program Operations Manual under terms and conditions acceptable to the Bank.

Furnish to the Bank Program Report and Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Furnish, or cause to be furnished ACG Report to the Bank together with the Program Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Conditions

Type	Citation	Description	Financing Source
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I. STRATEGIC CONTEXT

A. Country Context

1. **Reforms implemented in Morocco since the turn of the century paved the way for 20 years of economic expansion and social progress.** Per capita income doubled between 2000 and 2019, sustained by large public investments and a set of political, institutional, and sector reforms that gradually opened the economy and maintained overall robust macroeconomic fundamentals. As a result, the poverty rate decreased substantially; average life expectancy increased; and access to basic public services, including universal access to primary education, expanded. Infrastructure quality and related services also improved, with Morocco's global ranking moving from 64th in 2007 to 42nd in 2017.¹

2. **Starting in 2009, social and economic progress in Morocco experienced a slowdown, caused by structural limitations in the development model and external shocks, including the COVID-19 pandemic.** Challenges include low efficiency in public investment and slow private sector transformation, leading to modest growth compared with countries with similar levels of investment. Morocco attracted foreign direct investment (FDI), but domestic investment remained limited, hindering inclusive growth. The government responded with the New Development Model (NDM), which aims to spur inclusive growth, improve public services, and reduce disparities by 2035. The NDM, which is being operationalized in the 2021–26 agenda of the Government of Morocco (GoM) prioritizes public sector efficiency, private sector promotion, and human capital development.

3. **To boost long-term growth and foster a more sustainable and inclusive future, Morocco must enhance the effectiveness of the state's role as an economic enabler.** Doing so involves (i) improving the efficient management of public assets, (ii) enhancing the quality of the enabling environment for private investment and (iii) setting clear and predictable boundaries for the state's involvement in commercial markets. Better managing the size, performance, and governance frameworks of Morocco's state-owned enterprise (SOE) sector is at the core of the Kingdom's transition toward a reduced and more effective role of the state in the economy and more private sector-driven investment, as highlighted in the NDM.

B. Sectoral (or Multisectoral) and Institutional Context

4. **SOEs operate in major economic sectors in Morocco, playing a critical role in delivering services, achieving the country's socioeconomic objectives, and channeling public investment.**² State ownership in Morocco is rooted in the nationalization of strategic sectors after independence, in 1956. It has gone through several stages of reform since, including major privatization programs since the 1980s, as part of efforts to liberalize the economy. SOEs continue to play a prominent role in implementing public policies and providing social and economic services in infrastructure, utilities, finance, agriculture, and natural resources, as well as in social sectors, including education, health, and housing. In 2022, SOEs accounted for 4 percent of total employment and generated aggregate annual revenues of MAD 332 billion (about US\$34 billion), equivalent to 20 percent of GDP. They invested MAD 77 billion in 2022, 31.4 percent of public investment.³

5. **The public portfolio is diverse in terms of legal form, size, financial performance, and fiscal impact.** Of the 272 SOEs as of the end of September 2023, 227 are *établissements publics* and 45 are limited liability companies (*sociétés*

¹ Data from the World Bank's 2020 *Morocco Infrastructure Review*, using the World Economic Forum Index.

² An SOE is a corporate entity that is recognized by national law as an enterprise and in which the state exercises ownership. SOEs can include joint stock companies, limited liability companies and partnerships limited by shares. Statutory corporations, the legal personality of which is established through specific legislation, are also considered SOEs if their purpose and activities, or parts of their activities, are of a largely economic nature (OECD 2015). In Morocco, some SOEs organized as public enterprises with a commercial mandate (*établissements publics*) also carry out noncommercial public service functions.

³ Data from Note on regional investment, Fiscal law 2022, MEF



anonymes) directly held by the Treasury.⁴ About a quarter (26.5 percent) of SOEs perform commercial activities; the remainder are tasked largely with administrative or policy roles (also called “noncommercial,” not falling under the definition of SOE by the Organization for Economic Co-operation and Development (OECD)). SOEs also hold stakes in 517 subsidiaries, of which 53 percent are majority owned by the SOEs. Financial performance of SOEs in Morocco varies widely: the portfolio was profitable in 2021 then registered losses in 2022. Profits originate in a limited number of SOEs. Most noncommercial SOEs do not generate their own financial resources and are subsidized by the state. In 2022, state transfers to SOEs amounted to MAD 56 billion (4.2 percent of 2022 GDP), with MAD 40 billion allocated to operational and equipment costs of noncommercial SOEs, including for services such as education and health. The SOE portfolio is significantly leveraged, with total debt estimated at MAD 640 billion (48.1 percent of 2022 GDP). The state guarantees a considerable portion of their debt, with significant fiscal impacts.

6. **Some SOEs have suboptimal performance and allocation of public resources, as well as impacts on competition and crowding out of the private sector.** Several evaluations have been conducted by Moroccan authorities and their partners, including a major report on SOEs by the Court of Accounts (CA) in 2016. These evaluations identified inefficiencies in the management and governance of SOEs, which can be summarized as follows:⁵

- **Weak corporate governance at both the enterprise and portfolio level and lack of transparency:** Performance of SOEs is adversely affected by the (i) uneven quality of corporate governance, with board members sometimes lacking required professional qualification and boards having conflicting mandates, and (ii) strong focus on compliance rather than performance.
- **Lack of clarity on state–SOE financial relations and internal cross-subsidization of commercial activities and public mandates:** For SOEs that engage in commercial activities, weak financial performance is often complicated by the bundling of commercial and noncommercial activities, limited separation of accounts, partially unfunded policy mandates, reliance on internal cross-subsidization, and the absence of a framework to account and compensate for public service obligations.
- **Unclear rationale for SOE creation, leading to unnecessary expansion of the portfolio:** Decisions to create new SOEs are not systematically subjected to feasibility studies or ex ante evaluation of impacts of institutional structures of the state. As a result, SOEs suffer from redundancies and overlapping mandates.
- **Unclear rationale for state participation in competitive and partially contestable sectors:** SOEs are present in several markets, including competitive markets in which there is no clear economic rationale to justify state participation.⁶ State participation across markets may preempt the entry of new firms and the expansion of existing ones.

7. **To address these weaknesses and in a context of tightened fiscal space, Morocco has embarked on an ambitious reform of the strategic ownership and management of its SOE portfolio.** Building on the 2016 report of the CA and the initial orientation of the NDM, a major SOE reform was announced by His Majesty King Mohamed VI in 2020, targeting the enhancement of the State’s strategic ownership, governance, and management of SOEs as well as the creation of a governing entity to embody the shareholding function of the state. A new framework law (Law 50.21, published in 2021) established principles and overall objectives for SOE reform; Law 82.20, published in 2021, established the National Agency for the Strategic Management of State Participations (ANGSPE) and put it in charge of exercising ownership functions on a subset of 57 SOEs, in large part commercial. These laws mandated that all *établissements publics* engaged in commercial activities be corporatized with boards of directors within 5 years of the publication of the framework law.

⁴ These firms are private companies whose capital is held directly by the state, in whole or in part. They are legal entities under public law, with legal personality and financial autonomy, qualified as public establishments by their founding documents.

⁵ The evaluations included the 2016 report on SOEs from the Court of Accounts; the New Development Model Report; the World Bank’s 2020 Morocco Policy Note on SOEs; the World Bank SOE Governance Review of 2022; and the Roland Berger diagnostic document in support of the National Agency for the Strategic Management of State Participations (ANGSPE).

⁶ Examples include accommodation industries, logistics, and real estate.



ANGSPE itself will be transformed into a public limited company, to which the State's shareholdings of SOEs within its scope will gradually be transferred in full ownership. In parallel, 213 mostly noncommercial SOEs remain under the supervision of the *Direction des Entreprises Publiques et de la Privatisation* (DEPP) within the Ministry of Economy and Finance (MEF), which executed Morocco's SOE ownership functions before the creation of ANGSPE.⁷ Through DEPP, the MEF performs monitoring and financial control functions SOEs and prepares the annual report on SOEs to Parliament. DEPP is also in charge of preparing framework State-SOE contracts (*contrats-programmes*) between the state and SOEs. Building on regulatory and institutional progress, the priority of the GoM is to accelerate implementation of critical aspects of the SOE reform.

8. **This operation will support the GoM in building the capacity and systems (regulations, guidelines, methodologies, monitoring systems) for a detailed technical design and implementing the reform.** It will work with the two ownership agencies in charge of SOEs (ANGSPE and DEPP) to (i) strengthen their capacity on key technical aspects of the reform (particularly over the first two years); (ii) start implementation of selected aspects of reform within on defined number of SOEs (in years 3–5); and (iii) draw lessons for later stages of implementation for such a reform, which is expected to span a 10-year period, based on experience in other countries. The operation will also provide a platform for coordination of key stakeholders.

C. Relationship to the CPF/CPS and Rationale for Use of Instrument

9. **SOE reform is a cross-cutting theme in both the Country Partnership Framework (CPF) and the country's New Development Model (NDM).** The CPF 2019–2024, extended to 2025 with the World Bank's 2023 Performance and Learning Review, focuses on SOE reforms through two angles. Under its first objective, it aims to create a “more efficient environment for business and competitiveness”; under its 11th objective, it seeks to improve the efficiency of public spending through “better governance and a control framework for SOEs, both at the macro level and in specific sectors where SOEs deliver critical social services.” This approach aligns with the principles of Maximizing Financing for Development (MFD) in infrastructure financing. SOE reform is also aligned with competitive neutrality concerns, per guidance from the NDM.

10. **The Program is consistent with Morocco's Nationally Determined Contribution (NDC) and the recommendations of the Country Climate Development Report (CCDR).** The latest NDC was submitted in 2021 to the United Nations Framework Convention on Climate Change (UNFCCC); a new one, due in 2025, is under preparation. This operation contributes to the current NDC by (i) enhancing the application of Framework Law 99-12, which backs the NDC and underscores SOE responsibility in climate change adaptation and mitigation,⁸ and (ii) improving the efficiency, performance, and climate reporting of SOEs in several sectors in which both mitigation and adaptation measures are relevant (e.g., energy, transport, habitat, forest management). The latter aligns with the first principle of the CCDR, on pursuing a low-carbon pathway, based on an approach that facilitates the coordination of planning and policies across multiple sectors.⁹ The CCDR also highlights the importance of reforming key sectors where SOEs are active, such as water and energy, in order to unleash the potential of private participation in climate action.

11. **The Program-for-Results (PforR) financing instrument is best suited to supporting implementation of SOE reform in Morocco for several reasons.** First, there is a clear government program, supported by the highest level of the Kingdom with Framework Law 50.21 of 2021 at its core. It is complemented by subsequent regulations and the creation

⁷ Based on Decree No. 2-07-995 (October 23, 2008). Despite recent changes (the creation of ANGSPE), the decree has not been amended, and competencies and attributions stay superseded only per Law 82.20 of 2021, which created ANGSPE and carved out distinct SOE perimeters.

⁸ The law sets the fundamental objectives of government action in relation to environmental protection, climate change adaptation and mitigation, and sustainable development. Per Article, 2, principles set out in the law should be applied when developing and implementing strategies and programs by the state, including SOEs.

⁹ See also Annette I. De Kleine Feige. 2021. *State-Owned Enterprises and Climate Action*. Washington, DC: World Bank Group.



and operationalization of the ownership agency ANGSpe to implement the reform. Second, most of the targeted activities are sequential and will require three to five years to implement and achieve results. Third, the most significant legal underpinnings, which could have been supported by a strong Development Policy Operation (DPO) have already been achieved. The GoM's challenge is now on deriving tools and frameworks and proceeding with the actual and well-sequenced implementation of the reform, which the PforR is most suited to support. Fourth, the government program requires collaboration and coordination between ANGSpe and DEPP. The PforR is well suited to facilitate that coordination, through strong monitoring and evaluation of program implementation. Fifth, use of the PforR instrument builds on Morocco's experience using results-based financing to implement key reforms in several sectors, and on an ongoing World Bank technical assistance (TA) program on SOE reform, which provides strong underpinning for the PforR. The TA is provided under Morocco SOE Governance ASA (P501101), the Joint Capital Market Program (JCAP) trust fund which supports the reform of frameworks for the management of state participations (P178690), and a Competitiveness for Jobs and Economic Transformation (CJET) grant on competitive neutrality (TFOC4065).

12. **The operation is closely connected with other Bank support at the sector level that will benefit from SOE reform.** In the education sector, the Bank supports governance arrangements for service delivery through the Regional Agencies for Education and Training (AREFs) ([P179637](#)). AREFs qualify as *Etablissements Publics* and fall under the purview of DEPP. The proposed Program will also improve the governance of critical entities such as tertiary hospitals supported through the Morocco Health Reform Program ([P179014](#)). It is also closely aligned with the Climate Operation / Support to the NDC ([P178763](#)), which is helping place DEPP as a key stakeholder in the newly created climate unit of the MEF, and with the Morocco Public Sector Performance (ENNAJAA) Program ([P181679](#)) on budgetary performance.

II. PROGRAM DESCRIPTION

A. Government Program

13. **The proposed operation supports the government program defined as the (i) SOE reform framework law; (ii) its subsequent regulations and (iii) implementation plans.** The Framework Law n°50-21 on the SOEs reform was adopted in July 2021. The supporting regulations and action plans for implementation are being prepared by the government¹⁰. The main principles underpinning the government program (as articulated in the Framework Law's art.6) are: (i) continuity and adaptability of public service, (ii) free competition and transparency, (iii) protection of acquired rights, (iv) good governance and the close connection between responsibility and accountability, (v) resource sharing, (vi) autonomous management of public establishments and companies, (vii) results-based management, (viii) progressiveness in the implementation of SOE restructuring, and (ix) participation of all relevant parties in the achievement of the fundamental objectives of the framework law.

14. **ANGSpe is preparing a State Ownership Policy (SOP), as mandated by Law 82-20, under the coordination of the consultation body chaired by the Head of Government.** The SOP is expected to cover the essential parameters of the reform, such as the justification of the role of the state as shareholder, the definition/categorization of SOEs, the modalities for selecting priority sectors for intervention, the imperative of competitive neutrality, and transparency, among others. ANGSpe will finalize the SOP and a roadmap for its implementation after the strategic orientations for the SOP are approved. Box 1 explains the preparation steps of the SOP.

¹⁰ Some of the subsequent regulations to the framework law, such as Law 82-20, creating ANGSpe, have already been passed; other texts (the decree defining portfolio operations and the review mandate of ANGSpe, the law on financial control, the decree on performance contracts, the review of privatization legal framework) are in advanced preparation.



Box 1 Preparation of Morocco’s State Ownership Policy

The SOP is a key component of the SOE reform. Law No. 82-20, which created ANGSpe, defines the SOP as “the policy that reflects the strategic orientations and overall objectives of the state’s shareholding, its role in the governance of public establishments and companies, and the way in which it implements this policy.” This definition is also enshrined in Article 50 of SOE Framework Law No. 50-21. Preparation of the SOP follows three steps: 1) Approval of strategic orientations by the Council of Ministers and on that basis 2) preparation and validation by the board of directors of the ANGSpe of the draft SOP to be proposed by ANGSpe to the MEF and 3) submission by MEF of SOP, after the opinion of the Consultative Body, for approval to the Government Council. ANGSpe is actively involved in the SOP preparation process, following a participatory and concerted approach involving ministries, relevant government entities and SOEs. The Agency is also responsible for preparing the SOP implementation roadmap and will submit it to its board of directors for approval.

The World Bank provided support through a review of international practices as well as a benchmarking exercise of eight countries that have SOPs. In parallel, the European Bank for Reconstruction and Development (EBRD) is providing support to ANGSpe for the development of the SOP project that will cover the following pillars: (i) improved transparency, governance, and performance monitoring of SOEs; (ii) clarification of state–SOE objectives and commitments; (iii) separation of public service obligations and commercial activities; (iv) promotion of competitive neutrality; and (v) criteria for the creation of subsidiaries. Disclosure and further discussion of the SOP are expected after the Council of Ministers approves the strategic orientations.

15. **ANGSpe and the MEF (DEPP) also shared with the Bank priority activities, including their rationale, objectives, and expected results.** ANGSpe priorities are made public on its [website](#) and summarized in the program boundaries table.

16. **Reform design and implementation is also informed by Morocco’s participation in the MENA SOE Compact.** The MENA SOE Compact is a platform for peer-to-peer learning and support to SOE reform based on international good practices. Morocco was among the first countries to formally join the Compact.

Development Partner Support

17. **Many development partners are engaged in targeted and complementary activities to the proposed operation (table 1).** Partners have been consulted to ensure both complementarity and the leveraging of actions. In addition, an ad hoc working group of donors has been set up and is being coordinated by the World Bank.

Table 1. Development partner support to Morocco’s SOE reform

Partner	Type of support	Area of support
African Development Bank	Development policy lending (in the pipeline)	Three-year budget support, with a focus on water and energy (mainly to the National Agency for Electricity and Drinking Water [ONEE])
Agence Française de Développement (AFD)	Technical assistance and budget support (ongoing)	Green management of SOEs, including: <ul style="list-style-type: none"> • support to the MEF/DEPP for integrating climate/green considerations in State-SOE contracts. • technical assistance to improve systems for monitoring and steering the SOE portfolio and climate reporting. • training for SOE financial controllers and DEPP representatives, managers, and directors (2025).
European Bank for Reconstruction and Development (EBRD)	Technical assistance (ongoing)	<ul style="list-style-type: none"> • Support to ANGSpe in the development of the SOP once the strategic orientations have been approved. • Support to corporatization of SOEs.
European Union (EU)	Technical assistance	<ul style="list-style-type: none"> • Support to SOEs at the sector level (energy, transport).
International Finance Corporation (IFC)	Technical assistance	<ul style="list-style-type: none"> • Support of specific SOEs on improving governance at the board level • Support to environmental, social, and governance readiness and to competition policy.

B. PforR Program Scope

18. **The proposed Program is fully aligned with the core principles of the framework law.** Both strategic objectives and underlying core activities are within the scope of the government program, as summarized in table 2. The narrower



scope of the Program relative to the government program reflects the difference in timeframe. The government program provides for medium- to long-term reform (over 10 years); the proposed Program focuses primarily on setting its foundations and achieving outputs and outcomes within a five-year timeframe.

Table 2: Program boundaries

	Government program under framework law No. 50-21	PforR-supported Program
Overall objective	“Correct the structural dysfunctions of SOEs, ensure complementarity and coherence between their missions, and enhance their economic and social performance.”	Improve the governance, restructuring, competitive neutrality, and performance monitoring of SOEs
Duration	Unlimited; started 2021, partially 2021–26	2024–29
Targeted results	Articles: <ul style="list-style-type: none"> • Consolidate/redimension the SOE portfolio (Article 50). • Strengthen SOE autonomy (Articles 16, 18, 49). • Improve SOE governance (Articles 22, 23). • Reinforce financial control and oversight (preamble and Article 39). • Enhance SOE assets and own resources (Article 52). • Ensure a level-playing field (Articles 6, 54) • Create space for private investment (Articles 2, 9, 10, 15, 17, 34, and 52) • Decrease budgetary burden/increase spending efficiency (Articles 7 and 18) • Improve SOE performance on service delivery (Articles 5, 39). 	Selected prioritized interventions structured around three Results Areas (RA): RA1: Strengthening State Ownership Policy and functions, frameworks for corporate governance, and financial discipline of SOEs. RA2: Resizing the state footprint and the fiscal impact of SOEs, and enhancing competition and competitive neutrality. RA3: Enhancing SOEs’ performance monitoring and climate reporting.
Activities	<ol style="list-style-type: none"> 1. Preparation of a draft State Ownership Policy 2. Adoption and implementation of the code of good governance practices 3. Professionalization and transparency of boards 4. Improved protocols for state–SOE contractualization 5. Strengthening of financial control 6. Promotion of a fair competitive landscape and rationalization of public support to SOEs 7. Restructuring of SOEs 8. Preparation of the new juridical framework for liquidations 9. Corporatization of SOEs 10. Consolidation of SOEs’ accounts 11. Performance monitoring systems 12. Implementation of mechanism for monitoring strategic risks 13. Introduction of climate reporting practices 14. Transitioning of SOEs toward an integrated sustainable development model 15. Digitization of SOEs 	All except 15.
Scope	All SOEs (commercial and noncommercial)	All SOEs for reform frameworks; rollout/implementation on limited number of SOEs
Beneficiaries	Ownership agencies (ANGSPE and MEF/DEPP) and all SOEs	Ownership agencies, with results observed on limited number of SOEs
Financing	US\$3,000 million	US\$1,416 million

19. **In alignment with the GoM’s gradual approach, the operation will support preparation of the frameworks needed by the ownership agencies to conduct the reform (regulations, guidelines, methodologies, monitoring systems) and their implementation on a limited number of commercial and noncommercial SOEs.** The rationale for the gradual approach is to support the GoM in (i) finalizing and rolling out the toolbox for reform implementation and (ii) building a



demonstration effect and supporting the learning of ownership agencies. This logic is reflected in the sequence of most disbursement-linked indicators (DLIs), which aim to incentivize the development of frameworks and capacity building over the first two years and then incentivize effective implementation over years three to five.

20. **Each activity will be implemented in a defined number of SOEs, where results are achievable within the operation's timeframe.** For instance, the operation will support the restructuring of 14 SOEs, considering the technical and legal prerequisites and political economy challenges and complexity to conduct the restructurings. At the same time, it will support the professionalization of boards of a larger number of SOEs, as it is as an essential input to improved governance, that could be potentially achieved within 20 to 30 percent of the SOEs portfolio within the timeframe of the operation.

21. **The operation targets the portfolio of SOEs through the implementing agencies (ANGSPE and DEPP); it will not work directly or specifically with preidentified SOEs in specific sectors.** Some of the DLIs, will target SOEs that operate commercial activities; other DLIs will target all types of SOEs, including noncommercial. The operation will give the implementing agencies flexibility as to the choice of SOEs, while the choice of SOEs will be guided by the following criteria: (i) high potential SOE and relevance to the reform supported under this operation, (ii) consensus among key stakeholders, (iii) demonstration effect allowing for replication in other SOEs/sectors, (iv) implementable within project timeline, and (v) not involving substantial social issues with implementation or reputational risks. On aggregate, the selected SOEs should reflect the diversity of the portfolio in terms of sectors, size, and legal status. For some DLIs, a longlist of SOEs will be agreed on, from which a subset will be chosen by implementing agencies. The selection criteria and possible DLI-specific longlists will be specified in the Program Operations Manual (POM).

Program Financing (Template)		
Source	Amount (US\$ million)	Percent of total
International Bank for Reconstruction and Development (IBRD)	350.00	24.7
Total Program Financing	1,416.4	100

C. Program Development Objective (PDO) and PDO-Level Results Indicators

22. **The PDO is to improve the governance, restructuring, competitive neutrality, and performance monitoring of SOEs.**

23. Achievement of the PDO-level results will be assessed through four indicators:
1. SOE corporate governance practices improved (composite indicator).
 2. Number of SOEs restructured.
 3. Number of SOEs with public service obligations formalized (defined, costed, and transparently financed).
 4. Number of SOEs that follow high standards of financial or climate reporting.

Program Description

Reflecting Morocco’s ambitious SOE reform commitments, the program is structured around three complementary Result Areas (RA). A set of intermediate results indicators, including DLIs, will be used to monitor the progress of intermediate steps within each Results Area.

24. **RA1: Strengthening the SOP and the functions, frameworks for corporate governance, and financial discipline of SOEs.** The focus of this RA is to strengthen the state’s role as an owner, with a view to improving SOEs’ corporate governance practices. This result will be achieved through issuance and implementation of the SOP, the strengthening of governance arrangements of ANGSPE, implementation of stronger corporate governance frameworks for SOEs, improvement of state-SOE strategic and financial contractualization frameworks, and reform of financial control of SOE with a performance-oriented approach.



- **Subcomponent 1.1: Adopting the SOP and strengthening the independence of the newly created state ownership agency.** By law, the newly established ownership agency, ANGSpe, is mandated to develop a SOP, establish a roadmap for its implementation, and monitor its execution. The law also mandates ANGSpe to include at least three independent members on its board. In support of these objectives, this subcomponent is intended to ensure that (i) the SOP is adopted with provisions in line with international good practices; (ii) ANGSpe has adequate autonomy and governance to implement the SOP, including by appointing three independent board members, as foreseen in ANGSpe's foundational law; and (iii) ANGSpe reports annually on the implementation of the SOP, including on the governance of SOEs and sustainable development (climate risks identification, mitigation and adaptation measures, and contribution to climate vulnerability reduction).
- **Subcomponent 1.2: Strengthening corporate governance frameworks and practices and enhancing the quality and independence of boards.** This subcomponent will support the implementation of good corporate governance practices by (i) strengthening of processes for collecting compliance data, including data on environmental, social, and governance (ESG) issues, from all SOEs. This data will be reported in the MEF's Annual Report to parliament and any other relevant documentation; and (ii) training SOE management and board members on the requirements of the code of good corporate governance. On SOEs' boards in particular, this subcomponent will support the appointment of qualified, independent board members, with a 30 percent representation of women, and the development of a database of qualified, independent board members.
- **Subcomponent 1.3: Strengthening contractualization frameworks for clear strategic and financial relations between the state and SOEs.** This subcomponent will support the development of a framework and guidelines for improved and more efficient SOE contracts with the state, correcting weaknesses from earlier experiences. It will streamline the contract preparation process with clear guidelines, depending on the contract type, including sustainable development objectives and operational aspects in these contracts.¹¹ Formalization of public service obligations will be addressed through contractualization guidelines. This subcomponent will also support implementation of stronger monitoring of contracts and the translation of the *contrats-programmes* at the strategic level into *contrats de performance* at the SOE operational level.
- **Subcomponent 1.4: Adopting and implementing the law on performance-oriented and risk-based financial control and governance.** This subcomponent supports implementation of the reform on financial control of SOEs, which aims to implement different standards of financial control of SOEs, depending on assessments of performance, management, governance, and risks management. It aims to (i) finalize the legislative framework for financial control and governance; (ii) establish smart criteria for the systematic performance monitoring of SOEs and segmentation of financial control; and (iii) develop a new module dedicated to financial control in DEPP's information system, with a focus on segmentation of the levels of control and scoring mechanisms.

25. **RA2: Resizing the state footprint and fiscal impact of SOEs and enhancing competition and competitive neutrality.** Resizing the state's footprint in the economy will be achieved by (i) applying the SOP justifying state presence, (ii) upgrading the regulatory framework to manage portfolio operations, (iii) conducting restructuring operations of SOEs, (iv) supporting SOEs in adopting best practices in financial reporting and procurement, and (v) helping create a level playing field with the private sector.

- **Subcomponent 2.1: Designing frameworks for portfolio management and restructuring operations, and implementation for a limited number of SOEs.** This subcomponent aims to provide ANGSpe and DEPP with a comprehensive framework for active management of the state's portfolio. It covers all types of restructuring

¹¹ On climate change, DEPP is supported through TA financed by *Agence Française de Développement*, in collaboration with the World Bank, in the context of a parallel financing on climate change and NDC deployment (P178763).



operations¹² likely to (i) rationalize the state's direct or indirect participation in the economy (distinguishing between capital transactions¹³ and portfolio transactions,¹⁴ depending on the nature, scale, and strategic nature of the transaction); (ii) enhance synergies and complementarities between existing SOEs; and (iii) facilitate and increase private sector (public-private partnerships (PPP), delegated management of public services, asset recycling,¹⁵ etc.). This subcomponent focuses on (i) conducting the preliminary studies, within the ANGSPÉ and DEPP perimeters, required to assess the relevance of the role and missions of the SOEs concerned and of the state's presence, according to a set of criteria (strategic role, the presence or absence of the private sector or a business model enabling private sector participation, redundancy, consolidation opportunities, etc.) and preparing targeted restructuring operations and (ii) adopting the main legal frameworks required to implement the main portfolio restructuring operations. It includes (i) reform of the legal and regulatory framework for privatization (Law 39-89 and implementing decrees); (ii) regulations governing ANGSPÉ's opinions on all operations involving the SOEs in its portfolio, including the creation of new subsidiaries, mergers, investments, and capital reductions or increases, in accordance with the SOP; and (iii) the framework law on the reform of SOEs, the law on the creation of new SOEs, and the adoption of a legal framework for liquidation. The program will support implementation of several operations of this type for a sample of public companies for demonstration purposes. The criteria of selection of this sample will be detailed in the project's POM.

- **Subcomponent 2.2: Strengthening SOEs' readiness to access market financing.** This subcomponent will support the improvement of SOEs' ability to access commercial financing instruments through (i) the transformation of SOEs into companies governed by Law No. 17-95, as amended notably by Law 20-19, and (ii) the adoption by SOEs under ANGSPÉ of International Financial Reporting Standards (IFRS) standards. The transformation into companies (*sociétés anonymes*) and the adoption of IFRS standards will help strengthen the governance, transparency, and performance framework of SOEs, improving the quality of their financial reports, boosting the confidence of national and international investors, creditors, and lenders and making it easier for SOEs to access market financing without state guarantees.
- **Subcomponent 2.3: Formalizing SOEs' public service obligations (PSO).** The operation will support the GoM in establishing and implementing standards to limit the cross-subsidization between SOEs' commercial and non-commercial activities and to ensure that the costs of public services are borne directly or indirectly by the state. Doing so will involve (i) identifying and costing the two types of activities, (ii) having the state finance¹⁶ transparently and fairly non-commercial activities engaged by SOEs to fulfill a public service obligation mandate, in line with best practices and (iii) requiring that commercial activities earn a market rate of return. Plans to standardize state-SOE contracts (subcomponent 1.3), improve the accounting and financial reporting of SOEs (subcomponent 2.2), and restructure/regroup the SOE portfolio (subcomponent 2.1) complement this process. Limiting cross-subsidization is expected to result in budget constraints on SOEs and thus contribute to competitive neutrality and better governance.
- **Subcomponent 2.4: Strengthening enforcement of competition law and competitive neutrality in markets with SOE presence.** This subcomponent will support (iii) the strengthening of enforcement of competition law in markets in which SOEs are present and (ii) compliance of SOEs with competition law. The Competition Council (CC) reviews mergers involving SOEs and challenges the granting of exclusive rights to them; it has the power to investigate abuses of dominant positions and concerted practices. This operation will support (i) the systematic notification to the CC and

¹² Restructuring operations are defined in Article 2 of Law 50-21, with the exception of transformations into limited companies (covered in subcomponent 2.2).

¹³ Capital transactions are any transaction resulting in a reduction in the state's direct or indirect shareholding in SOEs (nonparticipation in a dilutive capital increase, sale of the state's direct or indirect shareholding in an EEP, capital reduction, etc.).

¹⁴ Portfolio operations are operations leading to the rationalization of the state/EEP portfolio. They include mergers and spin-off and of SOEs, liquidation, consolidation under a single holding company, etc.

¹⁵ Asset recycling refers to operations aimed at monetizing revenues from existing public assets/infrastructures for reinvestment in new assets/infrastructures.

¹⁶ The financing by the State of public services or public strategies led by SOEs is provided for in framework law 50-21. Adequate financing arrangements in line with international best practice can be defined as part of the WB's technical assistance in this area.



the analysis of all transactions carried out by SOEs and legally subject to the Council's review, in partnership with ANGSpe; (ii) decision making by the Council in merger and competition cases involving SOEs, the execution of studies on sectors with a strong SOE presence, and the recommendation of pro-competitive changes in government policies where appropriate; and (iii) ANGSpe's efforts to improve the competition practices of SOEs. This subcomponent will help limit anticompetitive mergers, collusive practices, abuses of dominant positions, and distorting government interventions in sectors in which SOEs are present. It will help promote competition and competitive neutrality in markets where SOEs operate and contribute to increased private investment in these sectors, a better allocation of resources, and greater productivity and efficiency.

- **Subcomponent 2.5: Promoting efficient procurement practices by SOEs.** Procurement by SOEs in Morocco represented 10 percent of GDP in 2023.¹⁷ Through recent legislative and regulatory reforms, the GoM has provided the possibility to strategic SOEs under ANGSpe to develop their own procurement regulations. However, there is concern that the wide differences in governance and technical capacity across SOEs could weaken procurement practices, with missed opportunities in improving financial and operational performance. The Program will support the GoM in promoting good and efficient procurement practices for SOEs under ANGSpe. It will (i) develop standard procurement rules for SOEs built on the principles of non-discrimination, transparency, competitive neutrality, and fair competition, and (ii) enhance the procurement capacity of SOEs, in collaboration with key stakeholders (e.g., the General Treasury of the Kingdom and DEPP), to tailor and implement the framework while maintaining good practices.¹⁸

26. RA3: Enhancing SOE performance monitoring and climate reporting. The Program will support the strengthening of transparency of SOEs and the state shareholding function through improved mechanisms for performance monitoring and the adoption of recognized norms in climate reporting.

- **Subcomponent 3.1: Developing portfolio performance monitoring systems for commercial and noncommercial SOEs.** The program will support the (i) development by ANGSpe of its new performance monitoring system, including the design and selection of key performance indicators and the integration of risk management, and (ii) implementation of performance monitoring of SOEs in the portfolio, through digitalization strategies, stronger digital competencies, and the harmonization and integration of monitoring systems (including between ANGSpe and DEPP when relevant).
- **Subcomponent 3.2: Supporting climate change reporting and greenhouse (GHG) emissions reductions by SOEs.** This subcomponent will support (i) ANGSpe's assessment and classification of the climate contribution and climate risk exposure of SOEs within its portfolio; (ii) the integration of climate risks in the rules of procedures and committees' charters of a sample of boards of strategic SOEs; (iii) the development and piloting of climate change reporting standards for SOEs; and (iv) the implementation of climate change reporting for a subset of high-emitting SOEs, following internationally accepted methodologies and frameworks. These actions will be supported by reporting on sustainable development objectives and practices by SOEs within ANGSpe's annual report (subcomponent 1.1) and the annual report to parliament, and the introduction of sustainable development objectives in the State-SOE contracts (subcomponent 1.3). Technical assistance will be provided to train ANGSpe representatives and board members of high-emitting SOEs on climate risk and disclosure based on the framework of the Task Force on Climate-related Financial Disclosure (TCFD) and internationally recognized equivalents¹⁹ including frameworks of the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB).

¹⁷ See the Budget Presentation Note accompanying the 2023 Finance Law.

¹⁸ The framework will be developed based on a thorough diagnostic and a review of global and national good practices, including OECD Guidelines on Good Procurement Practices for SOEs and robust procurement regulations by Moroccan SOEs.

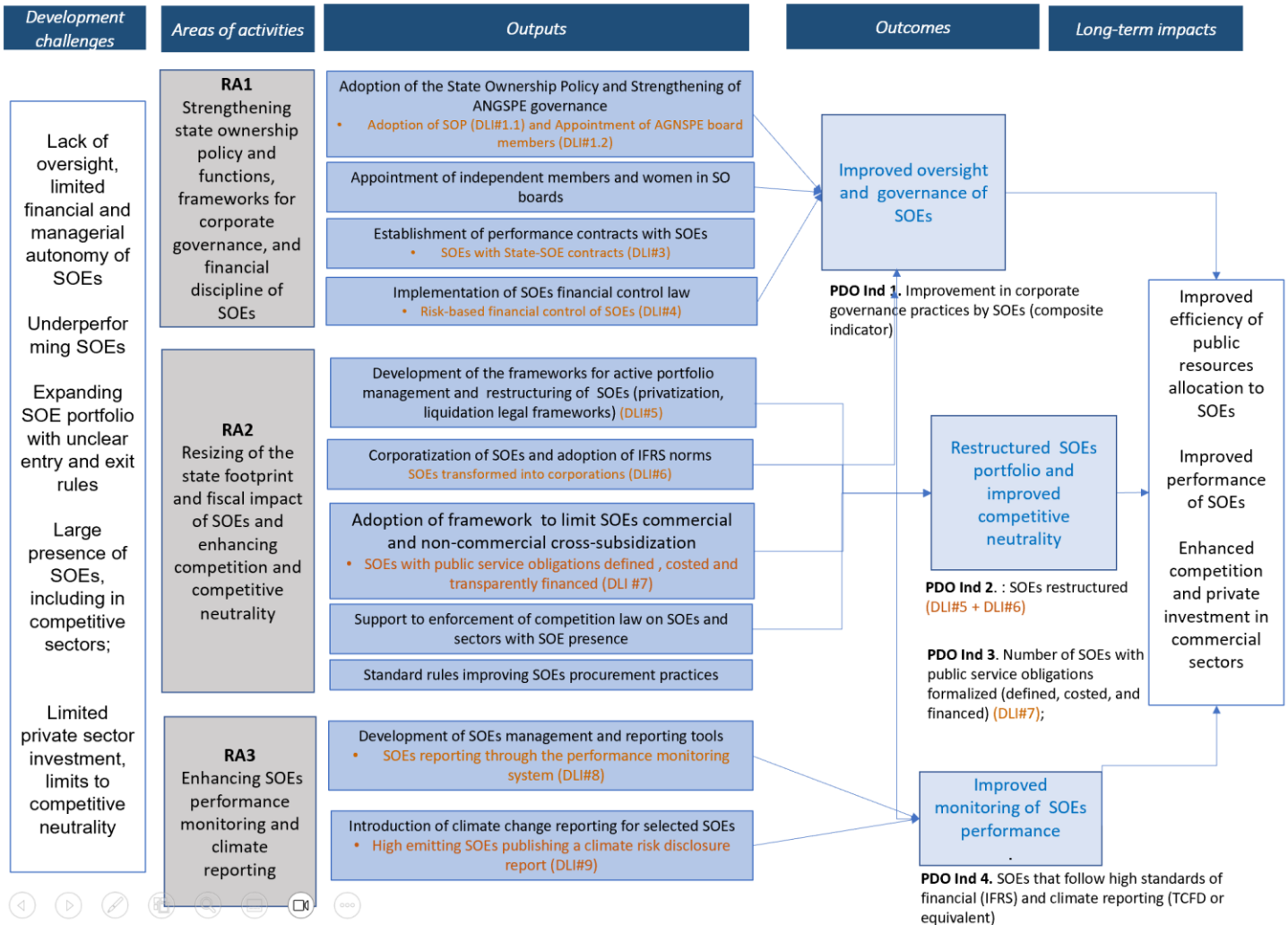
¹⁹ TCFD is a widely adopted framework recommended by the Central Bank of Morocco in its Directive No.5/W/21, on environmental risk management. It is appropriate for both financial and nonfinancial companies.



D. Theory of Change

27. The theory of change (figure 1) is anchored in the development challenges stemming from the suboptimal governance of SOEs and the market distortions they create. Over the long term, the reform program aims to stimulate competition and private investment in commercial sectors while improving the sustainability and service delivery of SOEs.

Figure 1. Theory of change for Morocco SOE Reform Program



E. Disbursement-Linked Indicators and Verification Protocols

28. Nine DLIs will be used to monitor the progress of intermediate steps within each program Results Area (table 3). They represent milestones in the achievement of program outcomes. They were selected based on the following criteria: (i) a realistic balance between output and outcomes indicators, (ii) a focus on highly strategic interventions whose implementation is key to achieving the PDO, and (iii) GoM's capacity to achieve them during the program implementation period. The Program results framework in Annex 1 presents the detailed sequence of DLRs under each DLI.



Table 3. Disbursement-linked indicators of this operation, by Results Area

Results area/ disbursement-linked indicator	Financing allocation	
	Millions of US\$	Percent of total
Results Area 1: Strengthening State Ownership Policy and functions, frameworks for corporate governance, and financial discipline of SOEs.		
DLI1: Adoption and publication of the SOP and strengthening of ANGSpe governance.	43	12.3
DLI2: Improving the operation and accountability of SOE boards, with independent members and improved gender balance.	25	7.1
DLI3: State–SOE contractualization framework upgraded and rolled out, with the integration of public service obligations and sustainable development objectives.	25	7.1
DLI4: Adoption and implementation of law on performance-oriented and risk-based financial control and governance	43	12.3
Results Area 2: Resizing the state footprint and fiscal impact of SOEs and enhancing competition and competitive neutrality.		
DLI5: Restructuring of SOEs ²⁰	70.1	20
DLI6: Transformation of SOEs into corporations following high standards of financial reporting (IFRS)	43	12.3
DLI7: Formalization of public service obligations of SOEs	30	8.6
Results Area 3: Enhancing SOE performance monitoring and climate reporting.		
DLI8: Strengthening of SOE performance monitoring	25	7.1
DLI9: Strengthening of climate reporting by high emitting SOEs, following internationally accepted frameworks.	45	12.9

Table 4. Justification for selection of disbursement-linked indicators

Results area/disbursement-linked indicator	Responsible entity	Justification
Results Area 1: Strengthening State Ownership Policy and functions, frameworks for corporate governance, and financial discipline of SOEs		
DLI1: Adoption and publication of the SOP and strengthening of ANGSpe governance.	ANGSPE	Adoption and publication of a SOP are crucial milestones for the implementation of the SOE reform, because it provides the detailed rules and guidelines for the strategic management of SOEs. It is expected to be a reference point for the exercise of the ownership functions, primarily by ANGSpe, for the “strategic SOEs” within its perimeter. The SOP is expected to include provisions on important aspects such as the management of public service obligations, the integration of climate risk management, and alignment with national climate objectives. Strengthening the governance of ANGSpe with the appointment of independent members at its board is also essential to establishing the credibility of the institution and its capacity to operate at arm’s length from government. This DLI aims to ensure that the SOP and ANGSpe governance are established early in the program and that there is regular reporting and disclosure on implementation of the SOP.
DLI2: Improving the operation and accountability of SOE boards, with independent members and improved gender balance.	DEPP, ANGSpe	Appointing independent board members in SOEs is vital for impartial decision making and effective issue resolution, aligning with OECD recommendations and local laws. Independent members offer unbiased perspectives, which foster transparent discussions and reduce conflicts of interest and political influence. This approach enhances governance quality, signaling a commitment to ethics and accountability, thereby bolstering investor confidence and stakeholder trust. This DLI mandates the increase of independent board members and a minimum of 30 percent female representation.

²⁰ Restructuring operations as defined in article 2 of law 50-21, with the exception of corporatization (accounted for separately under DLI6).



DLI3: State–SOE contractualization framework upgraded and rolled out with integration of public service obligations and sustainable development objectives.	DEPP, ANGSPÉ	State–SOE contracts are currently the main vehicle for the definition of strategic, operational, and financial commitments between an SOE, the MEF, and the sectoral ministry. As part of the new 50.21 framework law, contractualization is defined across the management chain, between SOE boards and CEOs, in an effort to ensure that strategic objectives are translated into operational strategies. This DLI aims to ensure that the new framework and guidelines for improved state–SOE contracts in Morocco (i) are appropriately used across the portfolio while bearing several key elements (inclusion of public service obligations in coherence with guidelines under DLI7, sustainable development objectives, strategic and operational aspects, stronger monitoring) and (ii) include clear processes for timely preparation.
DLI4: Adoption and implementation of law on performance-oriented and risk-based financial control and governance.	DEPP	Adoption of the law on financial control will provide SOEs, deliberative boards, and control bodies with a consolidated, explicit, and formalized legal framework, laying down the principles and regulations of sound governance. It will enable financial control geared toward performance assessment, governance evaluation, and risk mitigation. This DLI aims to support the efficiency enhancement of financial control by (i) finalizing the legislative framework for financial control and governance, (ii) setting up smart criteria for the segmentation of SOEs and systematic performance and governance monitoring, and (iii) digitalizing and monitoring financial control procedures to streamline law enforcement.
Results Area 2: Resizing the state footprint and fiscal impact of SOEs, and enhancing competition and competitive neutrality		
DLI5: Restructuring of SOEs	ANGSPÉ, DEPP	The resizing of the state portfolio is a fundamental objective of the reform that will require restructuring operations of eligible SOEs in order to rationalize the state’s direct or indirect participation in the economy, increasing synergies between SOEs and fostering greater private sector participation. This DLI aims to support the implementation of restructuring operations (as defined in Article 2 of Law 50-21, with the exception of transformations into limited companies, which are covered in DLI6), including by (i) conducting preliminary studies; (ii) developing frameworks for the active management of the state’s portfolio, in particular with regard to privatization, the liquidation of existing SOEs, and the creation of new entities; and (iii) implementing a limited number of operations (capital, portfolio, PPP/delegated management/asset recycling, etc.) for a subset of SOEs, with implementation of social and human resources management plans in line with Moroccan regulations and international best practices and as defined in the Program Action Plan.
DLI6: Transformation of SOEs into corporations following high standards of financial reporting (IFRS)	ANGSPÉ	Few SOEs in Morocco access commercial financing or capital markets, partly because of their noncompliance with international requirements of commercial financiers in matters of governance, the quality of statements, and transparency. This DLI aims to promote the transformation of SOEs into public limited companies and their adoption of IFRS reporting standards, as prerequisites and drivers for their access to nonstate financing without direct or indirect state guarantee.
DLI7: Formalization of public service obligations of SOEs.	ANGSPÉ, DEPP	Some SOEs in Morocco have mixed commercial and non-commercial mandates and are mandated to implement public service obligations. Formalizing PSOs and limiting cross-subsidization between commercial and public service mandates is critical to level the playing field in the markets in which SOEs operate and to track the performance of SOEs more reliably. The GoM has piloted reforms in this area as part of <i>contrats-programme</i> with select SOEs. This DLI will track the standardization and application of this policy across a wider portfolio of SOEs under the purview of ANGSPÉ and DEPP.
Results Area 3: Enhancing SOEs performance monitoring and climate reporting		
DLI8: Strengthening of SOE performance monitoring.	ANGSPÉ, DEPP	Establishing a strong and reliable performance monitoring system is central to the implementation of the SOE reform, and to fostering transparency and accountability. It will also support decision making by the boards, implementing agencies, and finance and sectoral ministries. This DLI aims to support the design, development, and operationalization of performance monitoring system of ANGSPÉ and the digital interfacing of ANGSPÉ and DEPP monitoring systems with SOEs within perimeters, to ensure timely and systematic reporting.
DLI9: Strengthening of climate reporting by high emitting SOEs, following internationally accepted frameworks.	ANGSPÉ	This DLI aims to incentivize the adoption of advanced climate reporting standards for SOEs and build capacity for their implementation and reporting by a limited number of high emitters, using internationally accepted standards particularly IIRC, GRI, CDSB, SASB.



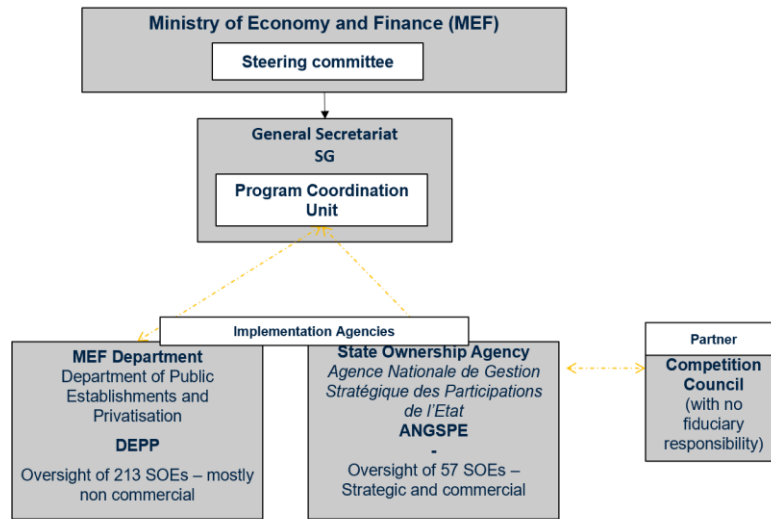
29. **Verification protocols.** The proposed program will disburse against the agreed set of DLIs shown in table 2. Annex 2 presents additional details on the definition of the DLIs and verification protocols. Verification will be done by the General Inspection Department (IGF), the independent audit body of the MEF, which has strong and recognized experience as a verification agency for PforRs in Morocco.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

30. **The institutional arrangement for implementation consists of three components:** implementing agencies, a Program Coordination Unit, and a steering committee (figure 2). The POM will detail the roles and responsibilities of each.

Figure 2. Institutional and implementation arrangement of the program



31. **Implementing agencies.** The PforR will be implemented over a period of five years. ANGSPÉ and DEPP are the two main implementing agencies. The Department of Administrative and General Affairs (DAAG) of the MEF will be responsible for the fiduciary functions of the MEF; it is the delegated authorizing officer of MEF departments, including DEPP. The Secretary General of the MEF will act as the lead coordination agency and will monitor the program with the two implementing agencies. The CC is considered a partner of the program. Although it has no fiduciary responsibility, it will support the achievement of intermediary non-disbursement linked results and report on their progress, either directly or through ANGSPÉ. This partnership arrangement is agreed upon considering (i) the independency of the CC Council from the government, as a constitutional body and (ii) the role and authority of the CC on activities supported by the program, in relation with competition and competitive neutrality under RA2.

32. **The Program Coordination Unit (PCU).** A PCU will be established and anchored at the Secretariat General of the MEF. It will consist of representatives of the Secretariat General of the MEF, of relevant MEF departments which are DEPP, Department of General and Administrative Affairs (DAAG), Department of Budget (DB), Department of Treasury and External Financing (DTFE), and of ANGSPÉ. The CC can be invited to PCU meetings when relevant. The PCU main mission will be to coordinate program implementation and report to the Bank based on consolidated inputs from implementing agencies. The PCU will include the designated program coordinator from the SG, an adjunct coordinator, and focal points from DEPP, DAAG, DB, DTFE, ANGSPÉ. Coordination among the implementing entities is essential, as all three result areas and most activities and DLIs will require coordination between DEPP and ANGSPÉ at either the output or the outcome level. Coordination will be facilitated by the fact that DEPP is part of the MEF, whose minister chairs the board of ANGSPÉ. The PCU will meet regularly, at least once per quarter. The verification protocols identify the responsible implementing



agency for each DLI.

33. **The steering committee.** A steering committee, chaired by the Minister of Economy and Finance, will be established to review program progress and provide guidance on strategic considerations or implementation issues if they arise. It will include the Secretary General of the MEF, the Director General of ANGSpe, the Director of DEPP, and representatives of DAAG, DB and DTFE. Its composition will be detailed in the POM and it will meet annually.

B. Results Monitoring and Evaluation

34. **The PforR will use the monitoring and evaluation (M&E) systems of each implementing agency.** ANGSpe as a newly created institution, is currently designing and building its M&E program and systems, including a portfolio performance monitoring and risks management system, which will be supported within the program activities under RA3. DEPP has a strong monitoring system in place, which it has been using to provide SOE annual reports. Both systems will be adjusted as needed to cover the targeted indicators and levels of disaggregation (gender, climate).

35. **Reporting by each entity to the MEF will be conducted upon completion of activities as well as on a semi-annual basis through existing reporting mechanisms.** The implementing agencies will prepare reports on program activities, in order to monitor overall performance and implementation progress. The reports prepared by the independent verification agency will also represent key inputs into the M&E of the program.

36. **The PCU will oversee the monitoring of results and consolidate reports from the implementing agencies.** Annex 2 presents the collection and verification protocols for result indicators. The PCU will prepare and submit to the World Bank (i) semi-annual progress reports that build on consolidated inputs from the implementing agencies (ANGSpe and DEPP) as well as fiduciary agencies (DAAG and the DB), (ii) a mid-term review report during project implementation, and (iii) a final report to inform the World Bank Implementation Completion and Results Report by program closing.

C. Disbursement Arrangements

37. **Disbursements will be made based on verification of DLIs.** Applications for withdrawal will be sent to the World Bank once it has notified the GoM in writing that it has accepted evidence of the achievement of the indicator and the amount of the eligible payment. The withdrawal amount against the DLIs achieved will not exceed the amount of the financing allocated by the World Bank for the specific indicator. Per PforR guidelines, DLIs achieved after the concept review and before the operation's legal agreement will be eligible for disbursement upon verification.

38. **The IGF, the audit and control body under the MEF, will be responsible for verifying the DLIs.** It was selected based on its strong experience with previous PforR operations in Morocco. The IGF team responsible for verification will be independent of the team that will conduct audits of the PforR.

D. Capacity Building

39. **The program will require targeted capacity strengthening of the implementing agencies to support achievement of the program's objectives.** Over the past year, ANGSpe has built and mobilized significant capacities to lead implementation of Morocco's SOE policy. Some of its staff were recruited from DEPP. Both implementing agencies will require TA to further develop tools and methodologies necessary for program delivery on specific technical aspects, to ensure alignment with best standards and frameworks.

40. **The ongoing TA program led by the Bank, which largely mirrors many activities under the program, will support these capacity-building needs.** It provides support to the domains identified in the technical assessment annex. Many development partners support capacity building on complementary aspects of SOE reform, as shown in table 1.

41. **The GoM has taken several other measures to ensure program implementation; further clarifications and appointments may be required.** The MEF has already appointed a program coordinator to lead the PCU for its duration,



with the responsibility of monitoring commitments under the program and consolidating information from the implementing agencies and entities with fiduciary responsibilities. The coordinator will need to be supplemented by at least one additional staff to facilitate coordination among agencies and preparation of implementation reports to the Bank, with the support and close collaboration of the implementing agencies and other UCP members, each in its own area of responsibility. Each of the two Implementing agencies has also assigned focal points responsible for program coordination and management. They are senior officials appointed and empowered by the chief executive of their respective agencies. They will report on progress and the achievement of results as well as any bottlenecks and challenges.

IV. ASSESSMENT SUMMARY

A. Technical (Including Program Economic Evaluation)

Strategic Relevance and Technical Soundness of the Program

42. **The operation is considered highly strategically relevant, for both Morocco and the World Bank.** SOE reform has potentially long-term structural impacts on Morocco's economy and development path, particularly in terms of the economic model, private sector participation, and service delivery to citizens. If well designed and implemented, the ongoing SOE reform supported by the proposed operation is expected to have positive long-term economic and social returns on investment, productivity, job creation, and fiscal space.

43. **The design of the program is informed by extensive analytical background, policy dialogue, and operational experience of SOE reforms in Morocco and global good practices. In recent years, the Bank prepared diagnostic and assessment reports on a range of SOE issues in Morocco.** They include the 2019 Country Private Sector Diagnostic (CPSD), which focused on the prominent role of the state in the economy, and the SOE Governance Review of 2022, which took a more detailed look at Morocco's corporate governance practices. Over the last three to four years, the Bank has been in an ongoing policy dialogue with Moroccan officials on various aspects of SOE reform, including developing a SOP, improving the Corporate Governance Code, strengthening fiscal control of SOEs, and improving contestability and competitive neutrality. Several of these activities are carried forward into an ongoing TA engagement. The proposed activities under this program are informed by and consistent with recommendations of the CPSD and the more recent SOE Governance Review. The program is also informed by the new World Bank flagship report *The Business of the State*²¹, which shows that the state as an owner of businesses competes and collaborates with the private sector at the firm level, market level, and economywide and that this involvement has profound implications for investment and growth. The report recommends and provides guidance on how to minimize the distortive effects of SOEs. The proposed Program does not support reforms that require a sector-specific approach, such as changes in sector regulations. It also does not cover implementation of changes in the tax regime that call for broader reforms beyond the scope of its institutional arrangement.

44. **The Program draws on lessons learned from World Bank Group interventions to support SOE reforms, as presented in the 2020 Independent Evaluation Group (IEG) report.**²² The program design puts a strong emphasis on success factors identified in that report, namely strengthening competition and competitive neutrality to level the playing field between SOEs and private sector players in commercial sectors. The program aims to build the foundations for increased mobilization of private finance by SOEs, mainly by improving their readiness and attractiveness for commercial financing and private capital markets. This program adopts the sequential approach recommended by the IEG report by focusing on strengthening the ownership and monitoring functions of the state over SOEs, a first important step for SOE reforms, which generally span 10 years or more. The program complements other World Bank engagements in Morocco,

²¹ *The Business of the State* (World Bank 2023)

²² Independent Evaluation Group. 2020 *State Your Business! An Evaluation of World Bank Group Support to the Reform of State-Owned Enterprises, FY08–18*. Washington, DC: World Bank.



such as (i) dialogue with the National Agency for Electricity and Water (ONEE) to restructure and reform its business model and (ii) work supporting the reform of the National Railways Agency (ONCF) (P173121), which focuses on its institutional transformation and the strengthening of the financial viability of its services delivery model.

45. **The government program is considered technically sound, although some areas will require capacity building;.** The Program’s principles and actions align with international best practices as well as World Bank and OECD guidelines. They include the strengthening ownership function and the placing of it at arm’s length of government; the independence and qualification of boards; the clarification of state–SOE financial and operational commitments; the clarification of rules to assess the relevance and management of the state portfolio, including entries and exits; the enforcement of competitive neutrality; and the building of strong performance and monitoring approaches and systems.

46. **Alignment with the Paris Agreement.** The operation is aligned with the goals of the Paris Agreement on both adaption and mitigation by addressing transition and physical climate risks.

47. **Assessment and reduction of transition risks.** The program has a low risk of preventing Morocco’s transition to low-carbon development pathways, given its support to activities that have a negligible impact on GHG emissions. The program will support the low-carbon pathway by strengthening the capacities of DEPP and ANGSPÉ in monitoring climate change risks and by integrating climate-related state expectations in the SOP. It will strengthen the capacities of board members and the management of SOEs by providing training on climate risk, to enable board members and management to monitor the translation of expectations and sustainability goals and commitments into SOEs’ operations. In addition to training, the program supports the development of instrumental governance tools that would help SOE board members fulfill their responsibilities in climate risk monitoring and in making decisions regarding climate-related risks. Climate risk targets in line with the NDC are integrated in state–SOE contracts supported by the program. Mandatory adoption by top carbon-emitting SOEs of the international reporting framework of the Task Force on Climate-related Financial Disclosure (TCFD), using scenario analysis that is aligned with the 1.5°C Paris agreement goal—a key part of the RA3 (enhancing SOE portfolio monitoring and climate reporting systems)—testifies to the integration of transition risks in the governance, strategic planning, and risk management of SOEs.

48. **Assessment and reduction of physical risks.** The Climate Change and Disaster Screening indicates that the program faces a low risk of climate-induced shocks. The main climate and disaster risks likely to affect the operation are floods, extreme heat, and drought, which could disrupt SOEs’ operations and cause property damage (at facility level; infrastructures, plants etc.). The program design mitigates these risks by (i) incentivizing SOEs to build risk management systems that integrate upstream and downstream assessment of their level of exposure and vulnerabilities to physical risks, as the SOP outlines specific expectations on climate risk identification, measurement, and management, and (ii) introducing mandatory climate reporting based on an international framework (the TCFD) that helps SOEs build a governance structure and performance management process that focus on risk and opportunities related to both physical and transition risks.

Program Expenditure Framework

49. **The program’s expenditure framework is consistent with its development objective and portfolio approach to SOEs.** The program will be financed over five years (2024–29) for a total of USUS\$1,416.3million, including an IBRD loan of USUS\$350 million (24.7 percent of the total) and financial contribution from GoM (75.3 percent). IBRD financing will be made available based on the achievement of DLIs. Program financing is based on the 2024 annual investment budgets presented by the entities involved in the program and approved by board or state budgeting.

50. **The proposed Program Expenditure Framework (PEF) is built on the core features of the program, which support the GoM’s broad reform initiative for SOEs (table 5).** Unlike operations that target specific SOEs or sectors, this program focuses on ownership agencies, ensuring a comprehensive and inclusive approach to reform. The PEF is structured around two primary components: (i) budget allocation for strategic management and performance monitoring



of commercial and noncommercial SOEs, managed either by ANGSpe or DEPP, and (ii) state transfers to a sample of commercial and noncommercial SOEs. In addition to ANGSpe and DEPP, the following entities are involved in the PEF: (i) the Solidarity and Social Cohesion Fund (SCSF) and the Social Security Fund (CNSS), overseen by the MEF/DB); (ii) the electricity branch of ONEE; and (iii) the Regional Education Academies (AREFs), with a focus on Casablanca-Settat and Rabat-Sale-Kenitra.²³ Their participation helps promote efficiency and transparency in SOE management.

Table 5. Program Expenditure Framework

Result area	Budget category	Program Budget line number	Activity	Annual amount	Annual amount	Total amount in million \$US
				In million MAD	In million \$US	(2024-2029)
RA#1						
ANGSPE Budget	Investment and operating costs budget		State subsidy to ANGSpe	24.3	2.4	12.0
Transfers lines to non-commercial SOEs	CNSS Subvention	3.2.0.0.1.13.024115 00 25 11	AMO contribution for citizens who cannot afford fees	320.0	31.6	158.0
RA#1 Total				344.3	34.0	170.0
RA#2						
ANGSPE Budget	Investment and operating costs budget		State subsidy to ANGSpe	72.9	7.2	36.0
Transfers lines to non-commercial SOEs	CNSS subvention	3.2.0.0.1.13.024115 00 25 11	AMO contribution for citizens who cannot afford fees	320.0	31.6	158.0
Transfers lines to commercial SOEs	ONEE – Electricity Branch	1.2.2.3.0.13.000 197 00 10 12	Program Contract State -ONEE	4,000.0	395.3	790.6 ²⁴
RA#2 Total				4,392.9	434.1	984.6
RA#3						
ANGSPE Budget	Investment and operating costs budget		State subsidy to ANGSpe	24.29	2.4	12
DEPP Budget	Investment and operating costs budget	P115	General Studies, digitalization, modernization, and support to missions	4.0	0.4	2.0
Transfers lines to non-commercial SOEs	Subvention to CNSS	3.2.0.0.1.13.024115 00 25 11	AMO contribution for citizens who cannot afford fees	160	15.8	79
Transfers lines to non-commercial SOEs	AREF - Aggregated line on governance and stakeholders' participations		System governance program and mobilization of stakeholders	341.6	33.8	168.8
RA#3 Total				529.9	52.4	261.8
Total (RA#1+RA#2+RA#3)				5,267.1	520.5	1,416.4

51. **The PEF encompasses the outcomes and specific targets of the program, regardless of whether they pertain to commercial or noncommercial SOEs.** Activities at the policy and regulatory levels, funded and initiated by either the MEF or ANGSpe, will affect outcomes across the portfolio. They emphasize the importance of maintaining policy coherence across the portfolio. The PEF is supported by an evaluation of budget management practices that considered the oversight and procedures at ANGSpe and the MEF, which were deemed appropriate.

²³ AREFs in the borrower’s regions are listed in the POM.

²⁴ Funding for the Electricity Branch of ONEE is part of the Program Expenditure Framework for the next two years (2024-2025).



Economic Evaluation

52. **The economic benefits from this program are numerous and significant.** Each of its activities will create cost-reducing opportunities and increased revenue-generation capabilities via higher efficiency and performance of SOE. Direct benefits include the following:

- **Improved financial performance of SOEs.** Good corporate governance practices, including a balanced approach to decision making and performance management, can improve the financial performance of SOEs, reduce rent capture by insiders, and promote cost control and profit maximization ([World Bank 2020](#)). Research by the International Monetary Fund ([IMF 2020](#)) in a cross-country setting shows that SOE reforms improve financial variables for all sectors except mining.
- **Improved public finances.** SOE reform can increase the net revenue the central government obtains from the sector in several ways. First, the reform will increase the profitability of some SOEs, reducing the need for government subsidies. Second, the reform will result in the liquidation of some SOEs, reducing the drain on public finances. Currently, 78 SOEs are on the list of entities to be liquidated, 6 are on the list of entities to be transferred fully or partially to the private sector ([MEF 2023](#)), and 15 are on the list of entities to be transformed into limited liability corporates. Third, the reform will result in a better management of fiscal risks associated with the SOE sector.
- **Improved productivity and economic growth.** Weak productivity growth is the main cause of the weakening growth and job creation performance of the Moroccan economy. Reform of the SOE sector will help spur productivity growth (and thus growth and jobs) by (i) improving the productivity of SOEs; (ii) limiting unfair competition from the public sector and levelling the playing field with private firms, which can help new firms enter markets and thrive and contribute to both allocative efficiency and private investment; and (iii) improving the performance of network sectors (telecoms, rail, electricity), creating spillovers that can facilitate economic activities in other sectors by enabling or reducing the cost of communication, energy, and transportation.
- **Improved service delivery.** Stronger governance frameworks can help SOEs provide critical infrastructure and financial and other services in a more efficient and cost-effective manner and help build trust around public service delivery. Where SOEs combine economic activities and public policy objectives, high standards of transparency and disclosure regarding their cost and revenue structures must be maintained, allowing for an attribution to main activity areas. Costs related to public policy objectives should be funded by the state and disclosed ([OECD 2015](#)). Following these principles should decrease costs via a more effective financial management of resources.

B. Fiduciary

53. **A Fiduciary Systems Assessment (FSA) was carried out in accordance with the World Bank Policy on PforR Financing to examine whether Program systems provide reasonable assurance that financing will be used for intended purposes, with attention to principles of value for money, economy, integrity, fit for purpose, efficiency, effectiveness, transparency, fairness, and accountability.**

54. **The assessment concluded that the Program fiduciary systems meet World Bank requirements and provide reasonable assurance that financing proceeds will be used for intended purposes.** The Program financial management (FM) and country procurement systems followed by the entities are acceptable to the World Bank and meet requirements for PforR implementation. However, there are opportunities to strengthen transparency, predictability of resources, budget execution including procurement, financial reporting, and anti-corruption mechanisms.

55. **The assessment of DB-SCSF included the evaluation of the CNSS which is limited to:** (1) arrangements for monitoring CNSS by the SCSF; (2) a broad assessment of the FM arrangements in place at the CNSS. Similarly, the assessment of the ONEE-Electricity Branch examined monitoring arrangements by the MEF and assessed broad FM



arrangements at ONEE-Electricity Branch. Concerning the AREFs, an aggregated line item related to "system governance program and mobilization of stakeholders" was chosen from nine AREFs, with a focus on representative samples from Rabat and Casablanca.

56. **The public financial management (PFM) system of the public entities responsible for implementation has been strengthened by a series of reforms.** The first reform of the state participation in State Owned Enterprises (SOEs) has entailed the establishment of the ANGSpe and is strategically managing state investments and monitoring the performance of commercial SOEs. The second reform pertains to the revision of the State's financial control system, which shifts the focus from strict ex ante compliance control to performance and governance systems assessment, and risk prevention and is implemented by the DEPP. Upon its establishment, the ANGSpe receives an annual funding support of US\$10 million from the State budget.

57. **The overall fiduciary risk is deemed to be Substantial, and appropriate mitigation measures are included in the PAP.** The risks are associated with several factors : (i) challenges are identified at the level of the IAs in terms of (a) the procurement-related complaints handling mechanism; (b) the suspension and debarment check mechanism, which might result in awarding a contract to firms and individuals debarred or suspended by the Bank; and (c) lack of experience in World Bank projects; (ii) the nascent stage of ANGSpe, which is in the process which is currently in the process of strengthening its workforce, and whose financial, accounting, and budgetary management systems are recent; (iii) the absence of a functional internal audit department within ANGSpe but is well planned in the agency's organizational structure and will be provided with resources as soon as the agency ramps up its operations; (iv) the centralized organization of the DEPP leading to challenges in oversight of financial control and monitoring of the public portfolio, (v) the DB, managing SCSF/CNSS and the ONEE-Electricity budget transfers, faces challenges with timely reporting from those SOEs due to the delayed preparation of annual financial statements and financial reporting for the Program; (vi) The financial management system at the Regional Education Academies (AREFs) of Casablanca-Settat (CS) and Rabat-Salé-Kenitra (RSK), representing the 9 AREFs included in the PEF²⁵, is generally adequate but requires strengthening fiduciary management; and (vii) the Program's progress is hindered by inefficient fiduciary coordination and the consolidation of financial statements, leading to Program's implementation delays.

58. **Specific systems and capacity-strengthening and mitigation measures, and time-bound actions are included in the Program design and the PAP** to address the above risks and aim to ensure adequate budget and procurement execution of the public expenditure framework, effective accountability and transparency mechanisms, and achievement of expected results.

59. **The main risk mitigation measures and actions in the program action plan to address fiduciary risks are as follows:** (i) implementing detailed guidelines on fiduciary responsibilities and anti-corruption measures; (ii) improving ANGSpe's risk management by establishing an effective internal control system as soon as it ramps up operations; (iv) enhancing the DEPP monitoring system to align with its revised mandate focused on non-commercial EEPs and financial control (RLD # 3.1); (v) improving the financial management system of the AREFs in Casablanca-Settat (CS) and Rabat-Salé-Kenitra (RSK) by implementing the measures described in DLIs #3 and 4 on adopting and implementing laws focused on financial control, performance, and risk, fiduciary management tools, and formalizing the State-EEP contracting framework; (vi) maintaining a register of all procurement complaints and ensuring timely resolution; (vii) preparing an instruction requiring implementing entities to ensure that any person or entity debarred or suspended by the Bank is not awarded a contract or otherwise allowed to participate in or benefit from the program during the period of exclusion or suspension by the Bank; and (viii) establishing a semi-annual reporting system to monitor program performance in procurement and financial management, using key performance indicators.

²⁵ The 9 AREFs are defined and listed in POM.



60. **The implementing entities will execute the activities following the World 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 Program ex-ante and ex-post arrangements were found adequate to address the risk of fraud and corruption. With support from the institutions in charge of the fight against corruption (e.g. the *Instance Nationale de la Probité, de la Prévention et de la Lutte contre la Corruption*, INPPLC), the implementing entities will share information with the World Bank regarding all allegations of fraud and corruption in connection with the Program together with the semi-annual Program reports, investigate all credible allegations received, report to the World Bank on actions taken, and cooperate in any inquiry that the World Bank may conduct into allegations or other indications of fraud and corruption in connection with the Program. Implementing entities will monitor and abide by the World Bank’s debarred/suspended firms list. A protocol/arrangement on compliance with the Anti-corruption Guidelines during Program implementation will be included in the POM, including the format and content of the reporting on fraud and corruption. It is worth emphasizing that discussions regarding the management of governance, fraud, and corruption aspects at the global portfolio level have taken place with the government. These arrangements could be applicable to this Program once the Memorandum of Understanding (MoU) is signed and implemented. An assessment of the INPPLC was carried out and finalized, with the conclusions outlined in the Annex containing detailed findings of the fiduciary system assessment.

61. **Procurement exclusion.** The Program is not expected to procure any large contracts valued at or above the Operational Procurement Review Committee (OPRC) thresholds (US\$75 million for works, US\$50 million for goods and non-consulting services, and US\$20 million for consultant services), which are based on a “Substantial” risk rating. This conclusion is drawn based on an analysis of procurement data of the implementing agencies. The latter shall report to the World Bank if large contracts appear throughout project implementation. In addition, the World Bank team will analyze and monitor the Program performance of fiduciary systems and contract management reports to identify any large-value contracts that may appear throughout the Program implementation.

C. Environmental and Social

62. **The World Bank team undertook an Environmental and Social Systems Assessment (ESSA) of the proposed program,** to (i) assess the capacity of government systems to plan and implement effective measures to manage environmental and social (E&S) impact and (ii) determine whether any measures are required to strengthen them. The ESSA report has been discussed with stakeholders; Annex 3 provides a summary of it.

63. **Based on information on the project design available to date, the E&S social risk of the proposed program is deemed Substantial.**²⁶ Activities likely to be financed by the program present low environmental risks, as the program is institutional; the PforR will not support any investment at the SOE-specific level. The implementing agencies will need to screen new business models or scale up activities to ensure that any environmental risks and impacts are properly screened and assessed during program implementation. In terms of social risks, the program is associated with substantial risks linked to the restructuring of SOEs and the resizing of portfolios, which may lead to job losses, changes in employment conditions, and discrimination during recruitment. Implementing agencies will be provided with a comprehensive set of actions and guidelines to ensure that any restructuring, including liquidation and retrenchment, is preceded by a human resources management plan and adheres to good international standards, as detailed in the annex of the ESSA. There is also a substantial risk of sexual exploitation and abuse, arising from power relations and the proximity of men and women in the workplace.

64. **Analysis of the regulatory and institutional frameworks that constitute the national environmental management system has shown their adequacy with the policy on PforR.** In 2019, the Capital Market Authority (AMMC)

²⁶ Within the World Bank’s risk assessment framework for Program-for-Results financing, the classification of “Substantial” is aligned with the “not significant” risk category, which is lower than the “high” risk categories.



introduced mandatory ESG reporting in annual financial reports of public debt issuers. In 2021, the central bank released a non-mandatory directive recommending that banks and financial institutions disclose the physical, transitional, and litigation-related risks and environmental impact of their portfolio. Morocco has a relatively advanced legal and regulatory framework for social management, crowned by the Constitution of 2011, which aims for systemic development articulated around the notion of sustainability and integrating economic, environmental, social, and cultural dimensions. ANGSP established by Law 82-20 adopted on July 15, 2021, does not have an environmental and social management system or experience in managing E&S projects of the World Bank. That said, the agency plans to establish an Environmental and Social Management System (ESMS) and to have confirmed expertise in managing E&S projects of the World Bank and other international financial institutions, in order to meet the increasing requirements for sustainability and social responsibility. The agency is in the process of recruiting an ESG manager, who will support the cross-cutting bodies in terms of E&S governance. Moreover, regarding the management of social impacts, and under Article 20 of the Framework Law No. 50-21 on the reform of public institutions and enterprises, all restructuring operations of public establishments and enterprises provided for in the Framework Law will be implemented in consultation with the supervisory government authorities and the concerned organizations, in strict compliance with the principle of the protection of acquired rights and the maintenance of social peace. Thus, the protection of acquired rights is one of the founding principles governing the reform of public institutions and enterprises (Article 6 of the framework law). The Directorate of Public Enterprises and Privatization (DEPP), on the other hand, applies national regulations and is committed to channeling national and international best practices for managing risks associated with its activities and includes an Audits and Evaluations Division and an Internal Audit Division in its organizational chart. It encourages a gender approach (40% women) and consolidates the skills of its teams and internal promotion.

65. **To manage the environmental and social risks identified, the ESSA includes an Action Plan to ensure the successful and sustainable implementation of the proposed activities.** The proposed plan contains specific measures and responsible parties to address the identified environmental and social risks, including the appointment of environmental and social focal points, development of SEA/SH prevention and intervention plans, elaboration of an E&S management system, and capacity building for relevant stakeholders etc.

D. Corporate Requirements

66. **Gender.** Morocco embedded gender equality in its 2011 Constitution (Article 19 provides that the state contributes to achieving parity between men and women). Gender inequalities still exist in employment and labor participation, however; in 2019, only 13 percent of businesses were run by women, and women accounted for just 23 percent of public sector employment. SOEs, which account for 4–5 percent of employment in Morocco, are expected to diversify their workforce and provide equal opportunities to men and women.²⁷ Morocco amended Law 17-95, which sets mandatory quotas for women on the boards of publicly traded companies. It seeks 30 percent representation of women in 2024 and 40 percent in 2027. In 2022, 21 percent of members of boards of publicly traded companies were women. The new code of governance of SOEs that will be enacted as a decree within the program recommends that 40 percent of the seats on SOEs boards be held by women no later than the third year of its implementation. In light of the impacts of board diversity on effectiveness and sustainable value creation, the program will incentivize and monitor implementation of this target in the whole SOE portfolio. ANGSP plans to develop and implement a diversity charter to support and monitor representation of women by categories of functions and qualifications.

²⁷ International Monetary Fund. 2021. *State-Owned Enterprises in Middle East, North Africa, and Central Asia Size, Role, Performance, and Challenges*.



Table 6. Gender gaps and actions

Gap	Gender activity	Monitoring and evaluation
Women in leadership	Ensuring the appointment of 30% of women in the boards of SOEs, along with the appointment of independent members Constitution of a boards independent members database, with 40% of women	Monitoring and verification as part of DLI#2
Diversity in the workplace	Implementation of a diversity charter or policy by ANGSpe and monitoring of male/female breakdown by type of functions (workers/employees/executives/managers) on SOEs under ANGSpe oversight	E&S Action Plan

67. **Climate change.** Morocco is highly vulnerable to climate variability and change, particularly rising temperatures, reduced precipitation leading to droughts, and coastal flooding. With more frequent and severe droughts, it will likely experience negative impacts on water supply, biodiversity, and agriculture; the potentially simultaneous increase in flooding poses a serious threat of water pollution. Mean annual temperature is projected to increase by 1.5°C–3.5°C by midcentury and possibly by more than 5°C by the end of the century.²⁸ Rises in temperature and other extreme weather events could affect the infrastructure of and access to education. Climate change is also projected to negatively affect food production, food prices, and nutritional quality.²⁹ This operation addresses these vulnerabilities and enhances climate resilience by supporting the adoption of recognized frameworks of climate risks and impact monitoring by SOEs in Morocco and the integration of climate considerations within their business strategies and operations. With SOEs leading 50 percent of public investment in Morocco and active in many economic sectors, strengthening their capacities for improved climate action will lead to significant impacts in the medium and longer term. The program will also support diffusing knowledge of and increasing accountability on climate in the SOP and at all SOEs, which is necessary to embed climate risk management in organizational process and decision-making processes and to set up an effective climate risk governance.

Table 7. Contribution of DLIs/DLRs/IRISs to climate change adaptation and mitigation

Disbursement-linked indicator (DLI)/Intermediate results indicator (IRI) and amount	Climate activity
DLI1: Adoption and publication of the SOP and strengthening of ANGSpe governance. US\$43 million	This DLI will support the preparation and publication by ANGSpe of annual reporting on achievement of sustainable development (including assessment of climate risks and adaptation and mitigation measures). SOEs are major operators in Morocco in sectors like energy, transport, water management, agriculture, and mining face high climate risk and vulnerability and/or contribute significantly to emissions. The overall objective is to (i) formalize the requirements for SOEs in terms of achieving the net-zero target by 2050, as specified in the NDC goals, and (ii) provide a framework for monitoring these requirements. The operation does not directly support climate policy measures; it aims to (i) mandate and enable SOEs to endorse sustainable development and address climate risks as a key part of their strategies and (ii) monitor these requirements and disclose achievements in the annual report of ANGSpe of all SOEs in its portfolio.
IRI 3.2: ANGSpe representatives in boards of top emitters' SOEs (e.g.,	This indicator will strengthen the capacities of board members, particularly those representing ANGSpe in each SOE board, in understanding and ensuring informed

²⁸ World Bank Group. 2021. *Climate Risk Country Profile*.

²⁹ Food and Agriculture Organization. 2018. *The Future of Food and Agriculture: Alternative Pathways to 2050*.



<p>power utility, electricity) are trained on climate risk and disclosure.</p>	<p>treatment of climate risks in SOEs strategies and operations. It will help embed climate risks in the governance and senior management of SOEs. The program will ensure that SOEs build capacities, capabilities, and practices that enable them to address climate risks and devise mitigation and adaptation tools in line with strategic corporate goals.</p>
<p>DLI3: State–SOE contractualization framework upgraded and rolled out with the integration of public service obligations and sustainable development objectives. US\$25 million</p>	<p>This DLI will support the integration of sustainable development objectives within all state–SOE contracts. State-SOE will provide the opportunity for the state ownership agencies to outline specific climate-oriented goals (monitored with science-based metrics) for all actions planned in these contracts (public investments, provision of public services etc.).</p>
<p>DLI9: Strengthening of climate reporting by high- emitting SOEs following the Task Force on Climate-related Financial Disclosure (TCFD) framework (or other internationally accepted frameworks such as IIRC, GRI, CDSB, SASB) US\$45 million</p>	<p>This DLI will reflect the conduct by ANGSPÉ of an assessment of contribution to GHG emissions by the SOEs in its portfolio, the development of strong climate reporting methodologies for all SOEs, and the implementation of internationally recognized standards by high-emitting SOEs. This will contribute to embedding climate in operations and risks management of all SOEs. For high emitting SOEs, requiring them to adopt an internationally recognized framework (such as TCFD or IIRC, GRI, CDSB, SASB) will help them better integrate and address climate risks and identify solutions and opportunities (in mitigation, adaptation) to make their organizations more resilient. Climate reporting covers physical and climate risks. The recommendations of the TCFD are based on four pillars: (i) governance: how boards and management address climate risk; (ii) strategy: how climate risks are integrated in the strategy and financial planning process and how climate scenario analysis is performed to explain transition plans and climate resilience of the company; (iii) risk management: the process used to identify, assess, prioritize, and manage climate-related risks and opportunities; and (iv) metrics and targets: disclosure of the metrics and targets used to assess and manage climate-related risks and opportunities. This DLI will also support the development of specific governance tools that will help board members improve climate risk management by SOEs.</p>

68. **Citizen engagement.** Enhancing the governance and performance of SOEs can significantly boost public contentment and trust. Autonomous SOEs that embrace transparency offer stakeholders, including citizens, deeper insights into their operational and decision-making frameworks, thereby encouraging public examination and participation. Such autonomy, coupled with adherence to high performance standards, ensures that SOEs remain accountable to their stakeholders, particularly citizens. The Code of Good Governance, which is supported by the proposed operation, went through a long process of public consultations with a broad range of stakeholders; the final version incorporates stakeholders’ feedback. Principle 10 asks SOE management to maintain ongoing dialogue with main stakeholders, including employees, customers, suppliers, public authorities, and local communities, and to report on its relations with stakeholders in its management report. The program will support the engagement of stakeholders, including citizens, through the design of effective consultation and grievances mechanisms and reporting on their effectiveness in SOE reports. In addition, a specific focus will be put on monitoring the satisfaction of SOEs’ suppliers in their relationship with SOEs, in relation to payment delays. Payment delays have been an important source of complaint from firms supplying SOEs; a Payment Delays Observatory has been set up within DEPP to reduce delays and ensure the timely treatment of grievances.

69. **The operation will contribute toward strengthening existing Grievance Redress Mechanism (GRM) mechanisms.** The ESSA action plan includes revision of the grievance management protocol of Chikaya to consider people who might be affected by the program. It includes channels for (i) employees (with specific confidential/anonymously



channel for grievances related to sexual violence or abuse of any kind), (ii) program workers, and (iii) people potentially affected by restructuring impacts.

70. **Grievance redress.** Communities and individuals that believe 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 mechanism or the Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Project-affected communities and individuals may submit their complaint to the Bank’s independent Accountability Mechanism. It houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank noncompliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted at any time after concerns have been brought directly to the Bank’s attention and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank’s Accountability Mechanism, please visit <https://accountability.worldbank.org>.

V. RISK

Table 8. Risks assessment

<i>Risk</i>	<i>Rating</i>
Political and Governance	Substantial
Macroeconomic	Moderate
Sector Strategies and Policies	Moderate
Technical Design of Program	Substantial
Institutional Capacity for Implementation and Sustainability	Substantial
Fiduciary	substantial
Environment and Social	Substantial
Stakeholders	Moderate
Overall	Substantial

71. **The overall risk of the operation is assessed as Substantial. In addition to fiduciary and environmental and social risks, the following risks are also assessed as Substantial:**

- *Political and governance:* This risk is assessed as Substantial because of the potential difficulties in aligning stakeholders—including implementing agencies; departments within the MEF, such as Budget and Treasury; and line ministries—in redistributing missions and powers. These parties may have conflicting objectives, which can lead to resistance, particularly on separations of strategic, policy, and regulatory roles. This risk can be particularly high for the reform of SOEs in sectors with high political and social stakes. It can be mitigated through coordination mechanisms involving all direct stakeholders, broader consultations, and analysis of the political economy of SOE reform to identify additional avenues for change management. Governance risk also relates to ANGSpe, which needs to be able to operate at arm’s length from government to execute its mandate, with the appropriate governance structures. The program addresses this risk directly under RA1.
- *Technical Design of the Program:* This risk is assessed substantial considering that some of the policy and regulatory frameworks that will be needed for reform implementation are still in the process of being designed and approved by the government. Such instruments include the SOP, the new law on financial control, as well as regulatory framework on privatization and on the creation of new SOEs. Mitigation measures include technical assistance to implementing agencies to support the design of such and frameworks and provide guidance on good practices.



- *Institutional capacity for implementation and sustainability:* This assessment reflects the capacity of Implementing agencies, and the potential difficulties of coordination between them, on areas of reform that require alignment and coherence. ANGSpe is a newly created agency. Following the appointment of its general director, in July 2022, and its first board meeting, in December 2022, chaired by the minister of the MEF, ANGSpe improved its policy and institutional capacity to mobilize resources (budget and human resources). DEPP, with proven capacity, adjusted its priorities following the creation of ANGSpe. This risk will be mitigated through support to ANGSpe to develop its systems and the establishment of coordination mechanisms between the two entities.



ANNEX 1. RESULTS FRAMEWORK

Program Development Objective(s)

The Program Development Objective is to improve the governance, restructuring, competitive neutrality and performance monitoring of States Owned Enterprises.

PDO Indicators by Outcomes

Baseline	Closing Period
Governance improvement	
SOEs corporate governance practices improved (composite indicator) (Number)	
Apr/2024	Jun/2029
0	100
SOE Restructuring	
Number of SOEs restructured (Number)	
Apr/2024	Jun/2029
0	22
Competitive Neutrality	
Number of SOEs with public service obligations formalized (defined, costed, and transparently financed) (Number)	
Apr/2024	Jun/2029
0	3
Performance Monitoring	
Number of SOEs that follow high standards of financial or climate reporting (Number)	
Apr/2024	Jun/2029
0	32

Intermediate Indicators by Results Areas



Baseline	Closing Period
Strengthening state ownership policy and functions, frameworks for corporate governance, and financial discipline of SOEs	
IRI 1.1 Training of DEPP and ANGSpe staff and a sample of SOEs on the methodology and practices for the preparation of contracts-programme and performance contracts. (Yes/No)	
Apr/2024	Jun/2029
No	Yes
IRI 1.2 Number of SOEs publishing an ESG report, including a section on relationships and consultation with stakeholders (staff, customers, suppliers, regulators, public and local authorities). (Number)	
Apr/2024	Jun/2029
0	5
IRI1.3 The annual report on SOEs submitted to Parliament includes a section on the measures taken by relevant SOEs to address climate risks and sustainable development. (Yes/No)	
Apr/2024	Jun/2029
No	Yes
IRI 1.4 Publication by MEF of documentation establishing instruments and mechanisms for the classification of SOEs by type of financial control. (Yes/No)	
Apr/2024	Jun/2029
No	Yes
Resizing of the state footprint and fiscal impact of SOEs and enhancing competition and competitive neutrality	
IRI 2.1 Adoption of guidelines for the liquidation of SOEs. (Yes/No)	
Apr/2024	Jun/2029
No	Yes
IRI 2.2 Percentage of SOE-led transactions that are notifiable to the Competition Council for prior opinion per law, that are effectively notified and processed by the CC. (Percentage)	
Apr/2024	Jun/2029
TBD	100%
IRI 2.3 Number of cases processed by the Competition Council concerning SOEs and opinions or studies concerning sectors with State participation. (Number)	
Apr/2024	Jun/2029
0	10
IRI 2.4 Number of SOEs with competition law compliance programs in place (Number)	
Apr/2024	Jun/2029
0	3
IRI 2.5 Standard rules for the procurement of SOEs are developed, integrating good principles of competitive neutrality, competition, non-discrimination, and transparency. (Yes/No)	
Apr/2024	Jun/2029
No	Yes



Enhancing SOEs performance monitoring and climate reporting	
IRI 3.1 Percentage of SOE providers' complaints related to payment delays responded within 1 month (Percentage)	
Apr/2024	Jun/2029
25%	45%
IRI 3.2 Training of ANGSpe representatives in SOEs boards on climate risks and climate disclosure. (Yes/No)	
Apr/2024	Jun/2029
No	Yes

Disbursement Linked Indicators (DLI)

Period	Period Definition
Period 0	FY2025
Period 1	FY2026
Period 2	FY2027
Period 3	FY2028
Period 4	FY2029

Baseline	Period 1	Period 2	Period 3	Period 4	Period 5
1:DLI 1: Adoption and publication of the state ownership policy and strengthening of ANGSpe governance (Text)					
No formal state ownership policy has been adopted.	DLR 1.1 Adoption of the SOP by the Government Council and publication of the SOP guiding principles. Baseline: No Target: Yes	DLR 1.2 Appointment of three independent board members and a minimum of 30% female board members on the ANGSpe board. Baseline: No Target: Yes	DLR 1.3 The first annual report of the State Shareholder prepared by the ANGSpe is published and includes sections or subsections on progress of implementation of the SOP, on SOEs governance and on SOEs actions for sustainable development. Baseline: No Target: Yes	DLR 1.4 The second annual report of the State Shareholder prepared by the ANGSpe is published and includes sections or subsections on progress of implementation of the SOP, on SOEs governance and on SOEs actions for sustainable development. Baseline: No Target: Yes	



0.00	15,000,000.00	10,000,000.00	9,000,000.00	9,000,000.00	0.00
DLI allocation		43,000,000.00	As a % of Total DLI Allocation		12.32%
2:DLI 2: Improving the operation and accountability of SOE boards, with independent members and improved gender balance (Text)					
No implementation of requirements for minimum portion of independent board members or female representation in SOE boards.	DLR 2.1 Establishment of a database of prospective board members with at least 40% women and dissemination of guidelines on board composition and professionalization requirements to all SOEs. Baseline: No Target: Yes	DLR 2.2 Number of SOEs with boards that include independent members and at least 30% of women (scalable). Baseline: 0 Target: 62 (of which 50 from ANGSpe and 12 from DEPP)			
0.00	10,000,000.00	15,000,000.00	0.00	0.00	0.00
DLI allocation		25,000,000.00	As a % of Total DLI Allocation		7.16%
3:DLI 3: State-SOE contractualization framework upgraded and rolled-out with the integration of Public Service Obligations and sustainable development objectives (Text)					
No contracts (either contracts of programs or contracts of performance) have been signed with sustainable development objectives and do not always include PSO compensation	DLR 3.1 Publication of contractualization methodological guide and template contracts, including on the formalization of PSOs and the integration of sustainable development objectives. Baseline: No Target: Yes	DLR 3.2 Number of SOEs in the ANGSpe and DEPP portfolio that have entered into program contracts in line with the methodological guide or performance contracts (scalable). Baseline: 0 Target: 12 (6 DEPP & 6 ANGSpe)			
0.00	10,000,000.00	15,000,000.00	0.00	0.00	0.00
DLI allocation		25,000,000.00	As a % of Total DLI Allocation		7.16%
4:DLI 4: Adoption and implementation of law on performance-oriented and risk-based financial control and governance ()					
N/A	DLR 4.1 Draft Law on Financial control is adopted by Government Council. Baseline: No Target: Yes	DLR 4.2 The information and performance monitoring system of DEPP includes an operational module dedicated to	DLR 4.3 Ex-post Financial Control (controle d'accompagnement ou controle a posteriori) is extended to additional		



		financial control of SOEs. Baseline: No Target: Yes	SOEs (scalable). Baseline: 0 Target: 12		
0.00	15,000,000.00	10,000,000.00	18,000,000.00	0.00	0.00
DLI allocation		43,000,000.00	As a % of Total DLI Allocation		12.32%
5:DLI 5: Restructuring of SOEs (Text)					
N/A	DLR5.1 Number of preparatory studies for the restructuring or repositioning of SOEs or a set of SOEs in a specific sector that have been realized. Baseline: No Target: 11 (7 ANGSPÉ & 4 DEPP)	DLR 5.2 Adoption by the Government Council of the revised legal and regulatory framework for privatization, comprising: (a) the draft law amending and supplementing law 39-89 authorizing the transfer of public enterprises to the private sector (b) the draft decree defining the criteria for identifying privatization operations and the strategic assets of SOEs and (c) the draft decree defining the terms of application of the provisions of articles 8 and 9 of law 39-89. Baseline: No Target: Yes	DLR 5.3 Adoption by the Government Council of the decree defining the terms of application of the provisions of Articles 7 and 8 of Law No. 82-20 establishing the ANGSPÉ, relative to the definition of the ANGSPÉ's opinion on operations led by SOEs, including the creation of subsidiaries, the acquisition of stakes in private companies, mergers, splits, increases or reductions in the State's ownership stake in SOEs' capital, and asset disposals. Baseline: No Target: Yes	DLR 5.4 Adoption by the Government Council of the draft Law on the creation of SOEs pursuant to Article 46 of Framework Law No. 50-21. .Baseline: No Target: Yes	DLR 5.5 Number of restructuring operations resulting in (a) a direct or indirect decrease in the state's ownership stake in SOEs, or (b) an increase in synergies between SOEs, or (c) private sector participation, with the relevant human resources management plan(s) as defined in the Program Action Plan). (scalable) Baseline: 0 Target: 14 (10 ANGSPÉ & 4 DEPP)
0.00	12,125,000.00	10,000,000.00	10,000,000.00	10,000,000.00	28,000,000.00
DLI allocation		70,125,000.00	As a % of Total DLI Allocation		20.09%
6:DLI 6: Transformation of SOEs into corporations following high standards of financial reporting (IFRS) (Number)					
A limited number of SOWs are corporatized, have adopted IFRS and resort to market financing.	DLR 6.1 Number of SOEs (among Etablissements publics) corporatized (converted into Société Anonyme) (scalable). Baseline: 0 Target: 8	DLR 6.2 Number of SOEs adopting IFRS (scalable) Baseline: 0 Target: 30	DLR 6.3 Number of SOEs corporatized under DLR#6.1, resorting to commercial financing or capital markets without sovereign guarantee or equivalent. Baseline: 0 Target: 2		



0.00	20,000,000.00	15,000,000.00	8,000,000.00	0.00	0.00
DLI allocation		43,000,000.00	As a % of Total DLI Allocation		12.32%
7:DLI 7: Formalisation of public service obligations (PSOs) of SOEs (Number)					
There are no guidelines for formalizing PSO and most PSO are not identified and formalized.	DLR 7.1 Preparation and dissemination of a methodological document to SOEs within the scope of ANGSPÉ, clarifying the definition of public service obligations and the principles for assessing their costs. Baseline:No Target: Yes	DLR 7.2 Number of activities carried out by SOEs for which public service obligations are formalized (defined, costed and transparently financed). Baseline: 0 Target: 5			
0.00	10,000,000.00	20,000,000.00	0.00	0.00	0.00
DLI allocation		30,000,000.00	As a % of Total DLI Allocation		8.59%
8:DLI 8: Strengthening of SOE performance monitoring (Text)					
No Performance and risk management monitoring systems exists for ANGSPÉ	DLR 8.1 The SOEs performance steering and monitoring system of ANGSPÉ is operational. Baseline: No Target: Yes	DLR 8.2 Number of SOEs whose performance monitoring system is interfaced with ANGSPÉ or DEPP (scalable). Baseline: 0 (ANGSPÉ) & 0 (DEPP) Target: 40 (ANGSPÉ) & 50 (DEPP)			
0.00	10,000,000.00	15,000,000.00	0.00	0.00	0.00
DLI allocation		25,000,000.00	As a % of Total DLI Allocation		7.16%
9:DLI 9: Strengthening of climate reporting by high emitting SOEs, following internationally accepted frameworks (Text)					
Most SOEs including high emitters not disclosing climate information	DLR 9.1 ANGSPÉ carries out a diagnosis of the climate risks and the contribution to GHG emissions of the SOEs within its scope. Baseline: No Target: Yes	DLR 9.2 ANGSPÉ develops and approves a framework for reporting on climate risks and GHG emissions for the SOEs within its scope, in accordance with recognized international frameworks and	DLR 9.3 Selected SOEs (among the high-emitting SOEs) develop their methodology to comply with internationally accepted frameworks and norms on climate disclosure (TCFD, IIRC, GRI,	DLR 9.4 High-emitting SOEs publish a report on climate risks and GHG emissions in accordance with internationally recognized climate reporting standards (IIRC,	



		standards. Baseline: No Target: Yes	CDSB, SASB), including for the establishment of a GHG protocol. Baseline: 0 Target: 4	GRI, TCFD, CDSB, SASB). Baseline: 0 Target: 2	
0.00	10,000,000.00	15,000,000.00	10,000,000.00	10,000,000.00	0.00
DLI allocation		45,000,000.00	As a % of Total DLI Allocation		12.89%



Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Outcome: Governance improvement																									
Indicator: Improvement in SOE corporate governance practices (composite indicator)																									
Description	<p>This composite indicator seeks to achieve four objectives, inspired by the MENA SOE Compact Good Corporate Governance Practice: (i) develop and publish an ownership policy; (ii) establish centralized oversight; (iii) issue annual aggregate reports; and (iv) ensure that boards have appropriate autonomy, accountability, independence, and diversity. The indicator is based on the achievement of DLIs 1 and 2. DLI1 will support the adoption of the State Ownership Policy and the strengthening of ANGSpe governance; DLI2 will support improvement of the quality and autonomy of SOE boards, with the inclusion of independent members and women.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;"></th> <th style="width: 50%;"></th> <th style="width: 15%; text-align: center;">Score</th> <th style="width: 15%; text-align: center;">Weight (percent)</th> </tr> </thead> <tbody> <tr> <td>1. Develop and publish an ownership policy</td> <td>Adopt and publish the SOP (DLR 1.1)</td> <td style="text-align: center;">0 or 1</td> <td style="text-align: center;">10</td> </tr> <tr> <td>2. Establish centralized oversight</td> <td>Maintain on a yearly basis at least three independent board members and three women in ANGSpe's board (DLR 2.2)</td> <td style="text-align: center;">0 or 1</td> <td style="text-align: center;">10</td> </tr> <tr> <td>3. Issue annual aggregate reports</td> <td>Include in the annual aggregate report a progress update on implementation of the SOP, on SOEs governance and on SOEs actions for sustainable (DLR 1.3 and 1.4)</td> <td style="text-align: center;">0 or 1</td> <td style="text-align: center;">40</td> </tr> <tr> <td>4. Ensure that boards have appropriate autonomy, accountability, independence, and diversity</td> <td>62 boards have at least one independent board member and 30 percent female representation (DLI2)</td> <td style="text-align: center;">Number achieved/end target</td> <td style="text-align: center;">40</td> </tr> <tr> <td>Final PDO1 score (0–100)</td> <td></td> <td style="text-align: center;">Weighted total of four dimensions) *100</td> <td></td> </tr> </tbody> </table>			Score	Weight (percent)	1. Develop and publish an ownership policy	Adopt and publish the SOP (DLR 1.1)	0 or 1	10	2. Establish centralized oversight	Maintain on a yearly basis at least three independent board members and three women in ANGSpe's board (DLR 2.2)	0 or 1	10	3. Issue annual aggregate reports	Include in the annual aggregate report a progress update on implementation of the SOP, on SOEs governance and on SOEs actions for sustainable (DLR 1.3 and 1.4)	0 or 1	40	4. Ensure that boards have appropriate autonomy, accountability, independence, and diversity	62 boards have at least one independent board member and 30 percent female representation (DLI2)	Number achieved/end target	40	Final PDO1 score (0–100)		Weighted total of four dimensions) *100	
		Score	Weight (percent)																						
1. Develop and publish an ownership policy	Adopt and publish the SOP (DLR 1.1)	0 or 1	10																						
2. Establish centralized oversight	Maintain on a yearly basis at least three independent board members and three women in ANGSpe's board (DLR 2.2)	0 or 1	10																						
3. Issue annual aggregate reports	Include in the annual aggregate report a progress update on implementation of the SOP, on SOEs governance and on SOEs actions for sustainable (DLR 1.3 and 1.4)	0 or 1	40																						
4. Ensure that boards have appropriate autonomy, accountability, independence, and diversity	62 boards have at least one independent board member and 30 percent female representation (DLI2)	Number achieved/end target	40																						
Final PDO1 score (0–100)		Weighted total of four dimensions) *100																							
Frequency	Annual																								
Data source	ANGSpe, DEPP, SOEs																								
Methodology for data collection	Relevant documentation (SOP, Official Gazette) to be transmitted by ANGSpe; refer to methodology of collection for referred DLIs.																								
Responsibility for data collection	ANGSpe, DEPP																								
Outcome: SOE Restructuring																									
Indicator: Number of SOEs restructured																									
Description	This indicator will measure the number of SOEs restructured (DLI5.5 + DLI6.1 for corporatization as a form of restructuring).																								
Frequency	Annual																								
Data source	SOEs, ANGSpe, DEPP																								
Methodology for data collection	Collection by ANGSpe and DEPP from SOEs in their perimeters																								
Responsibility for data collection	ANGSpe and DEPP																								
Outcome: Competitive neutrality																									
Indicator: Number of SOEs with public service obligations formalized (defined, costed, and transparently financed)																									
Description	SOEs with public service obligations identified and formalized following guidelines and methodologies developed by ANGSpe (DLI 7.2)																								
Frequency	Annual																								
Data source	SOEs, ANGSpe, DEPP																								



Methodology for data collection	Relevant documentation (contracts and agreements between the SOE and state including a section on definition and compensation of public service obligations to be collected from SOEs. (see verification protocols of DLI7)
Responsibility for data collection	ANGSPE and DEPP
Outcome: Performance monitoring	
Indicator: Number of SOEs that follow high standards of financial and climate reporting	
Description	SOEs following high standards of financial reporting (IFRS) and/or strengthening of climate reporting by high-emitting SOEs following the TCFD framework or internationally equivalent frameworks. (DLR 6.2 + DLR 9.4)
Frequency	Annual
Data source	SOEs
Methodology for data collection	Relevant documentation (Financial reporting, climate reporting) to be collected from SOEs by ANGSPÉ (see verification protocols of DLI6 and DLI9)
Responsibility for data collection	ANGSPE

Monitoring and evaluation plan: Intermediate results indicators by results areas

Result Area: Strengthening State Ownership Policy and functions, frameworks for corporate governance, and financial discipline of SOEs	
IRI1.1: IRI 1.1 Training of DEPP and ANGSPÉ staff and a sample of SOEs on the methodology and practices for the preparation of contract-programmes and performance contracts. (Yes/No)	
Description	Based on upgraded state–SOE contracts and performance contracts, DEPP staff and ANGSPÉ staff and a sample of SOEs will be delivered training sessions covering climate-related strategic and operational aspects in these contracts and other issues. The trainings should also cover the contractualization guidelines to be established.
Frequency	Once
Data source	DEPP
Methodology for data collection	Relevant documentation (training material, attendance sheets) to be transmitted by DEPP.
Responsibility for data collection	DEPP
IRI1.2: Number of SOEs publishing an ESG report, including a section on relationships and consultation with stakeholders (staff, customers, suppliers, regulators, public and local authorities).	
Description	Pursuant to the revised Code of Good Governance, SOEs will establish and implement mechanisms for engagement with stakeholders and management on complaints and report detailed actions to deliberative bodies and the public through the publication of their ESG reports.
Frequency	Annual
Data source	SOEs
Data collection methodology	ANGSPE to share relevant documentation (minutes to deliberative bodies, reports).
Responsibility for data collection	ANGSPE
IRI1.3: The annual report on SOEs submitted to Parliament includes a section on the measures taken by relevant SOEs to address climate risks and sustainable development (yes/no)	
Description	A section of the annual report on SOEs to be submitted to Parliament will cover the measures taken by SOEs to address climate risks and sustainable development.
Frequency	Annual
Data source	DEPP
Data collection methodology	DEPP to share report submitted to Parliament.
Responsibility for data collection	DEPP
IRI1.4: Publication by MEF of documentation establishing instruments and mechanisms for the classification of SOEs by type of financial control. (yes/no)	



Description	Publication of the MEF directive or <i>arrete</i> or other type of documentation establishing instruments and mechanisms for the classification of SOEs by type of financial control.
Frequency	Once
Data source	DEPP
Data collection methodology	Transmission of documentation by DEPP
Responsibility for data collection	DEPP
Result Area: Resizing the state footprint and fiscal impact of SOEs and enhancing competition and competitive neutrality	
IRI2.1: Adoption of guidelines for the liquidation of SOEs (yes/no)	
Description	Based on Framework Law 50-21, DEPP will develop and implement guidelines related to the liquidation of SOEs.
Frequency	Once
Data source	DEPP
Methodology for data collection	DEPP to transmit relevant documentation.
Responsibility for data collection	DEPP
IRI2.2: Percentage of SOE-led transactions that should be referred to the Competition Council for prior opinion that are effectively notified and processed by the Competition Council	
Description	The Competition Council should be consulted for opinion expression before SOE-led transactions are executed. The Competition Council will provide the list and number of cases notified and treated to ANGSpe. ANGSpe will identify all transactions led by SOEs in its perimeters that should have been notified to the Competition Council for prior opinion in accordance with competition law and calculate the targeted percentage.
Frequency	Annual
Data source	ANGSpe, the Competition Council
Methodology for data collection	ANGSpe will collect data from the Competition Council and from SOEs within its perimeter.
Responsibility for data collection	ANGSpe
IRI2.3: Number of cases processed by the Competition Council concerning SOEs and opinions or studies concerning sectors with state participation	
Description	The Competition Council is expected to process at least two cases involving SOEs every year. They can include (i) deliberation on cases of cartel or abuse of dominance involving SOEs and (ii) opinions or studies concerning sectors with state participation, with a focus on competition and competitive neutrality.
Frequency	Annual
Data source	Competition Council
Methodology for data collection	The Competition Council Relevant will transmit relevant documentation (decisions, studies conducted, opinion expressed).
Responsibility for data collection	Competition Council
IRI2.4: Number of SOEs with competition law compliance programs in place	
Description	SOEs are expected to develop programs to ensure their compliance with the law.
Frequency	Annual
Data source	ANGSpe
Methodology for data collection	Relevant documentation (compliance programs developed by SOEs, endorsement of such programs by SOEs' governing bodies) will be transmitted to ANGSpe.
Responsibility for data collection	ANGSpe
IRI2.5: Standard rules for the procurement of SOEs are developed, integrating good principles of competitive neutrality, competition, non-discrimination, and transparency. (yes/no)	
Description	ANGSpe is responsible for developing a unified SOEs procurement framework, integrating principles of competitive neutrality, competition, nondiscrimination, and transparency.
Frequency	Once
Data source	ANGSpe



Methodology for data collection	Relevant documentation (unified procurement framework, founding principles) will be transmitted to ANGSpe.
Responsibility for data collection	ANGSpe
Result Area: Enhancing SOE portfolio performance monitoring and climate reporting	
IRI3.1 Percentage of SOE providers' complaints related to payment delays responded within one month	
Description	Monitor provider's complaints related to payment delays management and ensure that they are responded within one month
Frequency	Annual
Data source	DEPP, payment delays observatory
Data collection methodology	DEPP to transmit relevant documentation (number of complaints received, complaints treatment timeline), relying on the Payment Delays Observatory.
Responsibility for data collection	DEPP
IRI3.2: Training of ANGSpe representatives in SOEs boards on climate risks and climate disclosure (yes/no)	
Description	Based on TCFD requirements for climate change reporting for SOEs in high-emission activities, including in terms of carbon emission reporting, ANGSpe will train board members and executive members of top emitters on climate risk and disclosure.
Frequency	Once
Data source	ANGSpe
Methodology for data collection	ANGSpe will collect information on training and list of participants.
Responsibility for data collection	ANGSpe

ANNEX 2. VERIFICATION PROTOCOL TABLE: DISBURSEMENT LINKED INDICATORS

Matrix of Disbursement Linked Indicators				
DLI1: Adoption and publication of the State Ownership Policy and strengthening ANGSpe governance				
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)	Percent of total financing
Output	No	Text	43	12.3
Period	Value		Allocated amount (USD million)	Formula
Baseline	No formal State Ownership Policy has been adopted.			
2025	DLR 1.1: Adoption of the State Ownership Policy (SOP) by the Government Council and publishing of the SOP guiding principles.		15	Yes/No
2026	DLR 1.2: Appointment of three independent board members and a minimum of 30 percent female board members in ANGSpe board.		10	Yes/No
2027	DLR 1.3: The first annual report of the state shareholder prepared by ANGSpe is published and includes sections or subsections on progress of SOP implementation, on SOEs governance, and SOE actions for sustainable development.		9	Yes/No
2028	DLR 1.4: The second annual report of the state shareholder prepared by ANGSpe is published and includes sections or subsections on progress of SOP implementation, on SOE governance, and SOE actions for sustainable development.		9	Yes/No
DLI2: Improving the operation and accountability of SOE boards, with independent members and improved gender balance.				
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)	Percent of total financing
Process	Yes	Text	25	7.1
Period	Value		Allocated amount (USD million)	Formula
Baseline	No requirement for minimum portion of independent board members or female representation on SOE boards.			
2025	DLR 2.1: Establishment of a database of prospective board members with at least 40% women and dissemination of guidelines on board composition and professionalization requirements to all SOEs.		10	Yes/No



2026–29	DLR 2.2: 62 SOEs (50 under ANGSpe and 12 under DEPP) with boards that include independent members (at least two independent members for 15 ANGSpe SOEs and at least 1 independent member for 35 ANGSpe SOEs and 12 DEPP SOEs) and at least 30 percent of women.	15	Pro-rated to target
DLI3: State–SOE contractualization framework upgraded and rolled-out with the integration of public service obligations and sustainable development objectives			
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)
Output	Yes	Text	25
Period	Value	Allocated amount (USD million)	Formula
Baseline	No contracts (either contracts of programs or contracts of performance) have been signed with formalization of public service obligations and sustainable development objectives.		—
2025	DLR 3.1: Publication of the contractualization methodological guide and template contracts, including on the formalization of public service obligations and the integration of sustainable development objectives in the contracts.	10	Yes/No
2026	DLR 3.2: Twelve SOEs consisting of six (6) SOEs in ANGSpe portfolio and six (6) SOEs in DEPP portfolio have entered into program contracts in line with the methodological guide in DLR#3.1 or performance contracts.	15	Pro-rated to target
DLI4: Adoption and implementation of law on performance-oriented and risk-based financial control and governance			
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)
Output	No	Text	43
Period	Value	Allocated amount (USD million)	Formula
Baseline	Financial control of SOEs is conducted primarily ex ante, without a risk-based or performance-oriented approach.		
2025	DLR 4.1: Draft law on financial control is adopted by the Government Council.	15	Yes/No
2026	DLR 4.2: The information and performance monitoring system of DEPP includes an operational module dedicated to financial control of SOEs.	10	Yes/No



2027–29	DLR 4.3: Ex-post financial control (<i>contrôle d'accompagnement</i> or <i>contrôle a posteriori</i>) is extended to twelve (12) SOEs.		18	Pro-rated to target
DLI5: Restructuring of SOEs				
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)	Percent of total financing
Outcome	Yes		70.1	20.3
Period	Value		Allocated amount (USD million)	Formula
Baseline	N/A			
2025	DLR 5.1: Eleven preparatory studies for the restructuring or repositioning of SOEs or a set of SOEs in a specific sector have been realized (7 in ANGSpe portfolio and 6 in DEPP portfolio)		12.1	Pro-rated to target
2026	DLR 5.2: Adoption by the Government Council of the revised legal and regulatory framework for privatization, comprising: (a) the draft law amending and supplementing law 39-89 authorizing the transfer of public enterprises to the private sector (b) the draft decree defining the criteria for identifying privatization operations and the strategic assets of SOEs and (c) the draft decree defining the terms of application of the provisions of articles 8 and 9 of law 39-89.		10	Yes/No
2027	DLR 5.3: Adoption by the Government Council of the decree defining the terms of application of the provisions of Articles 7 and 8 of Law No. 82-20 establishing the ANGSpe, relative to the definition of the ANGSpe's opinion on operations led by SOEs, including the creation of subsidiaries, the acquisition of stakes in private companies, mergers, splits, increases or reductions in the State's ownership stake in SOEs' capital, and asset disposals.		10	Yes/No
2028	DLR 5.4: Adoption by the Government Council of the draft Law on the creation of SOEs pursuant to Article 46 of Framework Law No. 50-21.		10	Yes/No
2028–29	DLR 5.5: Fourteen (14) restructuring operations carried out (10 SOEs in ANGSpe and 4 SOEs in DEPP) resulting in: (a) a direct or indirect decrease in the state's ownership stake in SOEs, or (b) an increase in synergies between SOEs, or (c) private sector participation (with the		28	Pro-rated to target



	relevant human resources management plan(s) as defined in the Program Action Plan.			
DLI6: Transformation of SOEs into corporations following high standards of financial reporting (IFRS)				
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)	Percent of total financing
Outcome	Yes	Text	43	12.3
Period	Value		Allocated amount (USD million)	Formula
Baseline	Most commercial state entities do not operate under company law, use inadequate financial reporting standards, and do not resort to commercial financing or capital markets without state guarantees.			
2025	DLR 6.1: Eight (8) SOEs (<i>établissements publics</i>) corporatized (converted into Société Anonyme).		20	Pro-rated to target
2026	DLR 6.2: Thirty (30) SOEs adopting IFRS.		15	Pro-rated to target
2027–29	DLR 6.3: Two (2) of the SOEs (<i>établissements publics</i>) corporatized under DLR#6.1, resorting to commercial financing or capital markets without sovereign guarantee or equivalent.		8	Pro-rated to target
DLI7: Formalization of public service obligations of SOEs				
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)	Percent of total financing
Output	Yes	Text	30	8.6
Period	Value		Allocated amount (USD million)	Formula
Baseline	No clear definition of commercial and noncommercial activities and the principles for costing and compensating noncommercial activities.			
2025	DLR 7.1: Preparation and dissemination of a methodological document to SOEs within the scope of ANGSpe, clarifying the definition of public service obligations and the principles for assessing their costs.		10	Pro-rated to target
2026	DLR 7.2: Five (5) activities carried out by SOEs for which public service obligations are formalized (defined, costed and transparently financed).		20	Pro-rated to target
DLI8: Strengthening of SOEs performance monitoring				
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)	Percent of total financing



Output	Yes	Text	25	7.1
Period	Value		Allocated amount (USD million)	Formula
Baseline	No digital performance and risk management monitoring systems exist within the ANG_SPE perimeter, and not all SOEs are digitally connected to DEPP or ANG_SPE monitoring systems.			
2025	DLR 8.1: he SOEs performance steering and monitoring system of ANG_SPE perimeter is operational.		10	Yes/No
2026–29	DLR 8.2: The performance monitoring system of 90 SOEs (40 in the ANG_SPE portfolio and 50 in the DEPP portfolio) is digitized and interfaced with ANG_SPE or DEPP.		15	Pro-rated to target
DLI9: Strengthening of climate reporting by high emitting SOEs, following internationally accepted frameworks				
Type of DLI	Scalability	Unit of measure	Total allocated amount (USD million)	Percent of total financing
Output	Yes	Text	45	12.9
Period	Value		Allocated amount (USD million)	Formula
Baseline	SOEs including high emitting ones do not report on climate risks and GHG emissions			
2025	DLR 9.1: ANG_SPE carries out a diagnosis of the climate risks and the contribution to GHG emissions of the SOEs within its scope.		10	Yes/No
2026	DLR 9.2: ANG_SPE develops and approves a framework for reporting on climate risks and GHG emissions for the SOEs within its scope, in accordance with recognized international frameworks and standards.		15	Yes/No
2027	DLR 9.3: Four (4) selected SOEs (among the high-emitting SOEs) develop their methodology to comply with internationally accepted frameworks and norms on climate disclosure		10	Pro-rated to target
2028–29	DLR 9.4: Two (2) high-emitting SOEs publish a report on climate risks and GHG emissions in accordance with internationally recognized climate reporting standards).		10	Pro-rated to target



Verification Protocol Table: Disbursement Linked Indicators

DLI1 : Adoption and publication of the State Ownership Policy and strengthening of ANGSpe governance

Data source/agency	ANGSPE
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 1.1 - ANGSpe shall provide a document with the SOP guidelines to the IGF. IGF shall ensure that the SOP has been approved by the Government Council and that its guidelines are published on a public institutional medium such as the ANGSpe website or other. The IGF shall prepare a report certifying that the SOP has been approved by the Government Council and that its guidelines are published.</p> <p>DLR 1.2 ANGSpe shall provide the IGF with an up-to-date list of the members of its Board, together with their respective appointment decisions, status and gender. IGF should confirm that three members of the ANGSpe Board are appointed as independents, after verification of the minutes of appointment by the Agency's Board. IGF to confirm that at least 30% of ANGSpe Board members are women.</p> <p>DLR 1.3 and 1.4 ANGSpe will provide the IGF with its annual reports on the State ownership. The IGF will be required to verify that the State Shareholder annual reports prepared by ANGSpe are published and include chapters or sub-chapters on the progress of the implementation of the SOP, on the governance of the SOEs and on SOEs actions in favor of sustainable development.</p> <p>Detailed verification protocol will be included in POM. IGF to prepare reports certifying the verification of the achievement of the above-mentioned results and attach all relevant supporting documents.</p>
DLI2: Improving the operation and accountability of SOE boards, with independent members and improved gender balance	
Data source/agency	DEPP, ANGSpe
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 2.1 - DEPP sends IGF a database of candidates for membership of governing bodies and boards, including at least 40% women, together with proof that guidelines on the composition of governing bodies and the professionalization requirements for members of these bodies have been distributed to all SOEs. The IGF must confirm that the database has been created, that it meets the criteria for gender composition and that the guidelines have been prepared and distributed to the SOEs.</p> <p>DLR 2.2 - ANGSpe and DEPP must provide IGF with a list of the SOEs in their respective portfolios that have appointed at least one or two independent members of on their boards or deliberative bodies (<i>conseils d'administration or Conseils de surveillance</i>) compliant with the breakdown (at least two independent members for 15 ANGSpe SOEs and at least 1 independent member for 35 ANGSpe SOEs and 12 DEPP SOEs), and 30% women, as well as the decision to appoint said members to the governing body of these SOEs. IGF must</p>



	<p>confirm, on the basis of the appointment decisions, that each SOE on the list has appointed independent members of the deliberative body and that it includes 30% women.</p> <p>Detailed verification protocol will be included in POM. IGF to prepare reports certifying the verification of the achievement of the above-mentioned results and attach all relevant supporting documents.</p>
DLI3: State–SOE contractualization framework upgraded and rolled out with the integration of public service obligations and sustainable development objectives	
Data source/agency	DEPP
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 3.1 - DEPP will provide the IGF with a copy of the methodological guide to contractualization and the template contracts, as well as proof of publication as required by <i>arrete</i>. IGF will confirm that the methodological guidelines and template contracts are published by <i>arrete</i> and that they cover the formalization of PSOs and the integration of sustainable development objectives.</p> <p>DLR 3.2 - DEPP and ANGSpe will provide IGF with a list of the SOEs in their respective portfolios that have signed either State-SOE contracts as defined in the contractualization decree and above said guidelines, memorandums of understanding (<i>Protocoles d'accord</i>), or performance contracts in line with these guidelines. IGF must confirm that the contracts have been formally signed by all parties (including the SOEs and MEF), or that the performance contracts have been approved by the SOEs governing body. The proposed contracts must respect the distribution described above. Target-based contracts (<i>contrats d'objectifs</i>) are excluded from this DLR.</p> <p>Detailed verification protocol will be included in POM. IGF to prepare reports certifying the verification of the achievement of the above-mentioned results and attach all relevant supporting documents.</p>
DLI4 : Adoption and implementation of law on performance-oriented and risk-based financial control and governance	
Data source/agency	DEPP
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 4.1- DEPP to provide IGF with a copy of the minutes of the Government Council's approval of the draft financial control law approved by the Government Council.</p> <p>DLR 4.2- DEPP to provide the IGF with a description of its new financial control module within its IT system (with all the functionalities and data it collects) and offer a demonstration of the system showing that it is operational, as well as a copy of the deliverables provided via the system. IGF must confirm that the system includes an operational module dedicated to the financial control of SOEs.</p> <p>DLR 4.3 - DEPP to provide IGF with a list of the SOEs that have implemented an “accompanying control” or “a posteriori control” in accordance with the legal framework of the new financial control law covered by DLR 4.1. DEPP must provide the IGF with the decrees identifying the SOEs subject to “contrôle d'accompagnement” or “contrôle a posteriori”.</p>



	A detailed verification protocol will be included in the MOP. IGF to prepare a report certifying that the above-mentioned results have been achieved, and attach all relevant supporting documents.
DLI5: Restructuring of SOEs	
Data source/agency	ANGSPE, DEPP
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 5.1- ANGSPE and DEPP will provide IGF with a summary of the deliverables of the preparatory studies for the restructuring or repositioning of SOEs or a group of SOEs in a specific sector, or the minutes of delivery to governing bodies, detailing the purpose and scope of the study. IGF will have to confirm that the preparatory studies cover the objective and prepare a report certifying verification of completion.</p> <p>DLR 5.2- ANGSPE will provide IGF with a copy of the revised draft legal and regulatory framework for privatization as approved by the Government Council. IGF to confirm that the revised legal and regulatory framework has been approved by the CoG.</p> <p>DLR 5.3- ANGSPE shall provide IGF with a copy of the decree adopted defining the terms and conditions of application of the provisions of articles 7 and 8 of law no. 82-20 creating the Agency and proof of adoption by the Government Council.</p> <p>DLR 5.4- ANGSPE to provide IGF with the draft law relating to the creation of SOEs in accordance with article 46 of framework law 50-21 and proof of its adoption by the Government Council. IGF must confirm that the revised legal and regulatory framework has been adopted by the Government Council.</p> <p>DLR 5.5- ANGSPE and DEPP will provide IGF with evidence of restructuring operations:</p> <ul style="list-style-type: none"> ○ IGF will determine the number of operations within the respective portfolios of ANGSPE and DEPP resulting in i) a direct or indirect reduction in the State's shares in the SOEs, or ii) an increase in synergies between SOEs or iii) private-sector participation, with the exception of transformations into limited companies (taken into account in DLI 6). ○ IGF must obtain evidence that the restructuring has been formally approved or implemented. Evidence of approval includes, as appropriate: i) draft laws or decrees relating to the restructuring under consideration, approved by the government council, or ii) a copy of the contractual documentation duly signed by the government authority concerned and committing it to carrying out the operation (subject, where applicable, to the lifting of suspensive requirements), or iii) an attestation from the relevant government authority justifying the signature of the relevant legal documentation and its binding nature (subject, where applicable, to the lifting of suspensive requirements), or iv) a legal opinion from a reputable national or international law firm justifying the signature of the relevant legal documentation and its binding nature (subject to the lifting of any external requirements). ○ IGF will check that the restructuring has been submitted to the Competition Council for ex-ante review, if applicable. ○ IGF will verify that, in the case of restructurings with potential social impacts, the restructuring is being carried out in compliance with national regulations on social management and impacts on employees, and with due respect for social dialogue, justified by any supporting documentation including i) agreements with social partners or ii) the social plan



	<p>relating to the restructuring or iii) a protocol with the stakeholders including commitments on the management of social impacts or iv) the inclusion in the specific law on to the restructuring operation of provisions on the treatment of employees.</p> <p>A detailed verification protocol will be included in the MOP. IGF to prepare a report certifying that the above-mentioned results have been achieved, and attach all relevant supporting documents.</p>
DLI6: Transformation of SOEs into corporations following high standards of financial reporting (IFRS)	
Description	<p>DLR 6.1: Eight SOEs corporatized (converted into Société Anonyme)</p> <p>DLR 6.2: Thirty (30) SOEs adopting IFRS</p> <p>DLR 6.3: Two (2) SOEs are resorting to commercial financing or capital markets without state guarantee or equivalent.</p>
Data source/agency	ANGSPE
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 6.1 ANGSPE to provide IGF with a list of <i>Etablissements Publics</i> transformed into <i>Sociétés Anonymes</i> under company law and the legal documents confirming the change of status. IGF must check the legal documents and confirm that the <i>Etablissements Publics</i> have been transformed into <i>Sociétés Anonymes</i> under company law.</p> <p>DLR 6.2- ANGSPE to provide IGF with a list of SOEs that have adopted IFRS. IGF should check the latest audit report of the SOEs and confirm that the auditor has certified that their financial statements are prepared in accordance with IFRS.</p> <p>DLR 6.3 - ANGSPE to provide IGF with a list of the 2 <i>Etablissements Publics</i> newly incorporated as <i>Societe Anonyme</i> that use commercial financing or capital markets. The IGF will have to verify the financial documents of the 2 entities and confirm that they use commercial or market financing or capital markets without a sovereign guarantee or equivalent. Commercial financing refers to non-state financing.</p> <p>A detailed verification protocol will be included in the MOP. IGF to prepare a report certifying that the above-mentioned results have been achieved, and attach all relevant supporting documents.</p>
DLI7 : Formalization of public service obligations of SOEs	
Data source/agency	ANGSPE
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 7.1 ANGSPE to provide IGF with a copy of the methodological document on formalization of PSO and proof of distribution to the SOEs within its scope. IGF must verify the content of this document as described in the DLR and check the proof of distribution.</p> <p>DLR 7.2 - ANGSPE should provide the IGF with a list of 5 activities in at least 3 separate SOEs – activities for which public service obligations have been identified, quantified and for which transparent financing is duly provided for in any type of agreement between</p>



	the SOE concerned and the State, together with supporting documents. Transparent financing means that funding sources for the PSO and methods of their payment are identified and made explicit. A list defining the types of financing may be defined in the MOP. The IGF will confirm that the PSOs for 5 activities have been formalized and prepare a report certifying this achievement.
DLI8 : Strengthening of SOE performance monitoring	
Data source/agency	ANGSPE, DEPP
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 8.1 ANGSPE to provide IGF with a report describing its system for monitoring the performance of the SOEs within its scope. IGF will review the report and confirm that it includes a clear description of this system, including definitions, roles and responsibilities for maintaining such a system. The steering system will cover both financial and non-financial dimensions, including key risk indicators. IGF must verify that the system is operational, i.e. that it produces at least one deliverable including an overview of the SOEs performance indicators.</p> <p>DLR 8.2 - ANGSPE and DEPP to provide the IGF with a list of the SOEs interfaced with their system (which means automatic interfacing without additional inputs (for DEPP) or KPI input by the SOEs via an input form (for ANGSPE)). IGF must verify the effectiveness of the interfacing with a sample of SOEs. IGF will determine the number of these SOEs in the respective portfolios of ANGSPE and DEPP, and will prepare a report certifying achievement. A detailed verification protocol will be included in the MOP.</p>
DLI9: Strengthening of climate reporting by high emitting SOEs, following internationally accepted frameworks	
Data source/agency	ANGSPE
Verification entity	Inspection Générale des Finances (IGF)
Procedure	<p>DLR 9.1 ANGSPE to provide IGF with the final diagnosis of climate risks and contribution to GHG emissions that it has carried out for its scope (at least in part, justifying any exclusions). IGF must confirm that this diagnosis is consistent with the objective and covers the SOEs within the scope of ANGSPE.</p> <p>DLR 9.2 ANGSPE to provide IGF with the reporting framework on climate risks and GHG emissions for the SOEs falling within its scope. IGF will verify that the reporting framework on climate risks and GHG emissions is in line with recognized international frameworks and standards.</p> <p>DLR 9.3 ANGSPE to provide IGF with a list of the highest emitting SOEs, which have developed a methodology to comply with recognized international standards in terms of climate reporting (IIRC, GRI, TCFD, CDSB, SASB,...), including the implementation of a GHG protocol. IGF must examine the methodology developed and confirm that 4 SOEs among the main issuers have developed a methodology to comply with recognized international standards in terms of climate reporting, including for the establishment of a GHG protocol. IGF will prepare a report certifying the verification of the achievement with all relevant supporting documents.</p> <p>DLR 9.4 - ANGSPE will provide IGF with a list of 2 of the highest-emitting SOEs that have published a report disclosing climate risks and GHG emissions. IGF will confirm that these two SOEs have published the climate risk and GHG emissions disclosure report on their</p>



official website in accordance with recognized international climate reporting standards (IIRC, GRI, TCFD, CDSB, SASB, etc.), using possible sources of recognition of said standards. IGF will prepare a report certifying that the above-mentioned results have been achieved, and will attach all relevant supporting documents, including proof of publication.

A detailed verification protocol will be included in the MOP

ANNEX 3. SUMMARY ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT

- 1. An Environmental and Social Systems Assessment (ESSA) was undertaken by the World Bank team for the proposed program as per the requirement of the Bank's Policy Program for Results Financing.** The aim of the ESSA was to review the capacity of existing government systems in Morocco to plan and implement effective measures for environmental and social impact and risk management and to determine any measures would bare required to strengthen them. Such measures are described in a Program Action Plan (PAP) as well as the ESSA action plan.
- 2. Scope.** This report assesses how national systems incorporate recognized elements of good practice in E&S assessment and risk management, through due diligence, including:
 - i. early identification of potential risks and impacts.
 - ii. consideration of strategic and technical alternatives.
 - iii. explicit assessment of induced, cumulative, and transboundary potential impacts.
 - iv. identification of measures to mitigate negative environmental or social risks and impacts that cannot otherwise be avoided or minimized.
 - v. clear articulation of institutional accountability and resources to support the implementation of the E&S action plan.
 - vi. responsiveness and accountability through stakeholder consultation, timely dissemination of project information, and responsive complaint-handling mechanisms, among others.
- 3. Approach and methodology.** The evaluation was prepared by the Bank team through:
 - i. a combination of detailed reviews of project documents.
 - ii. Available technical literature, including government policies and regulations.
 - iii. The preparation of an E&S questionnaire shared with proposed project implementing agencies.
 - iv. meetings with technical staff from implementation agencies during project preparation.
- 4. The World Bank organized two public consultation workshops with the participation of trade unions, civil society organizations, and technical staff from government agencies were invited.** The draft ESSA report was distributed sufficiently in advance of the public consultation to ensure informed participation. Comments provided during the consultation have been considered in the final report.
- 5. The findings, conclusions, and opinions expressed in the ESSA are those of the Bank.** Prior to the approval of the project, the ESSA report will be posted on the websites of the Ministry of Finance (MEF), ANSGPE, and the World Bank.
- 6. A review of the E&S risks of the proposed activities was undertaken at design stage to:**
 - a. Confirm that no activities meeting the defined exclusion criteria are included in the PforR, in line with the ESSA guidelines.
 - b. Establish the initial scope of the ESSA. This includes identifying relevant systems within the PforR and relevant stakeholders for engagement and consultation.
- 7. Program description.** The Project Development Objective (PDO) is to improve the governance, restructuring, competitive neutrality, and performance monitoring of states Owned Enterprises (SOE). Reflecting on Morocco's ambitious SOE reform commitments, the program is structured around three complementary Results Areas, focusing on (i) strengthening state ownership functions, frameworks for corporate governance, and financial discipline of SOEs; (ii) resizing the state's footprint in the economy active management of the portfolio, and by ensuring a leveled playing field with the private sector; and (iii) improving SOEs' monitoring and transparency at portfolio level and climate change reporting practices.



8. **A two-stage filter was applied regarding environmental and social risks;** in line with the Bank's PforR policy approved by the Board of Directors, activities deemed likely to have significant negative impacts that are sensitive, diverse, or unprecedented on the environment and/or affect people are not eligible for PforR financing and are excluded from the PforR program. As a first step, the list of activities proposed for program financing was analyzed considering the exclusion criteria set out in the World Bank Program-for-Results Environmental and Social Systems Assessment Guidance. The list of activities assessed is shown in a table below.
9. **Based on this analysis, all the activities defined are non-structural** (do not include construction, production, equipment, or rehabilitation work) and comprise activities designed to strengthen governance at the level of the SOEs, and to implement capacity-building components, support reforms to improve the business environment and strengthen the institutional and governance framework of the implementing agencies.
10. **The overall environmental risk of the program is assessed as Low.** The environmental risk analysis of the program shows that the activities likely to be financed under the program present low environmental risks. As indicated in the project design, the program is of institutional nature. The PforR will not support any investment at SOE specific level. The implementation agencies will need to screen new business models or scale-up activities to ensure that any environmental risks and impacts are properly screened and assessed during program implementation.
11. **In fact, it is expected that the program will generate positive environmental results** through the Enhancement of SOE portfolio monitoring and climate reporting systems under Results Area 3. By implementing climate change reporting and CO2 emission reduction measures within state-Owned Enterprises, such as power utilities and electricity companies, there will be a significant positive environmental impact. This initiative will contribute to increased awareness and understanding of climate risks among board members and executives, leading to more informed decision-making that prioritizes environmental sustainability. Furthermore, the implementation of climate change reporting will enhance transparency in environmental performance, encouraging accountability and facilitating the identification of areas for improvement. Ultimately, these efforts will support the reduction of CO2 emissions and promote the transition towards a more environmentally responsible and sustainable business model within SOEs.
12. **The implementing agencies will need to screen new business models or scale-up activities to ensure that any environmental risks and impacts are properly screened and assessed during program implementation, particularly:**
 - a. **Inclusion of climate-related aspects in contracts:** Ensure adequate consideration of environmental impacts or insufficient measures to mitigate climate-related risks.
 - b. **Cross-subsidization between commercial and non-commercial activities:** Ensure cross-subsidization between commercial and non-commercial activities within SOEs include environmental assessment.
 - c. **Climate change reporting and CO2 emission reductions:** Ensure effective implementation of climate change reporting standards and CO2 emission reductions.
13. **The social risks associated with the program are categorized as follows:**
 - a. Risks linked to the restructuring of SOEs and resizing of portfolio-**Not Significant:** As in any restructuring process, the transformation may lead to job losses or changes in employment conditions. Generally speaking, restructuring could also result in discrimination during recruitment processes and exacerbation of existing social inequalities if it only benefits few stakeholders. That said, the associated risks can be effectively managed by establishing a set of measures aimed at guaranteeing that any restructuring will not significantly affect employees or the communities in which the SOEs operate. Additionally, implementation agencies will be supplied with a comprehensive set of actions and guidelines to ensure that any restructuring, including liquidation and retrenchment, adheres to good international standards, as detailed in the annex of the ESSA.
 - b. Risk of SEA/SH- **Not Significant:** Arising from power relations (hierarchy, positioning, economic benefits, etc.) and in the context of proximity between male and female employees in the workplace.



- 14. It is expected that the program will generate positive social results** which will likely include:
- Improved service quality: Reforms can lead to better service delivery to the public, as SOEs often provide essential services like water, electricity, and transportation.
 - Job creation: Efficient and competitive SOEs can eventually expand their operations, potentially creating new employment opportunities.
 - Social Equity: Reforms can be designed to ensure that SOEs operate with a focus on social equity, providing services and goods to all segments of society, including the most vulnerable.
 - Environmental Sustainability: SOEs that adopt sustainable practices as part of their reform can contribute to environmental protection and sustainable resource use.
- 15. Environmental management systems.** The analysis of the regulatory and institutional frameworks that constitute the national environmental management system has shown their adequacy with the Policy on PFR. In fact, the central bank released a non-mandatory directive in 2021 recommending banks and financial institutions to disclose physical, transitional and litigation risks and environmental impact of their portfolio, and the Capital Market Authority (AMMC) introduced a mandatory ESG reporting in annual financial reports of public debt issuers in 2019.
- 16. Regarding the content of Environmental Impact Assessments (EIAs), the procedures and principles are generally in line with international practices.** The environmental management and EIA procedures are clear at the technical levels and robust at the institutional level. Law 12-03 relating to the EIA constitutes a legal tool that subordinates the administrative authorization of any project subject to the EIA to a decision of environmental acceptability. The national environmental regulations, particularly Law No. 11-03 (Protection and enhancement of the environment) as well as Law 49-17, emphasize projects generating significant negative impacts by proposing tools for management and monitoring while projects and activities with low negative impacts are now framed by the environmental impact notice. The application of the screening tools presented in Annex 2 of the ESSA will allow for the verification of the E&S eligibility of the SOEs, and the implementing agencies, as well as the E&S instruments related to each of the identified categories.
- 17. Social management system.** The regulations, procedures, institutions and practices relating to social management in Morocco are the result of an in-depth reform that has been underway for over two decades, with notable progress. The country is still striving and working towards a homogeneous and effective system for managing the social risks and impacts to which the population may be exposed during the implementation of development projects. The gaps identified require attention and concern: (i) the integration and strengthening of social aspects into impact studies (ii) the conduct of public consultations involving stakeholders and parties affected by the program, the integration of ESMPs into impact studies, and the documented monitoring and evaluation of the avoidance, mitigation and compensation measures recommended in the ESMP.
- 18. In terms of legislation, Morocco has a relatively advanced legal and regulatory framework for social management,** crowned by the Constitution of 2011, which aims for systemic development articulated around the notion of sustainability and integrating economic, environmental, social, and cultural dimensions.
- 19. Assessment of the E&S management capacity.** The newly created National Agency for Strategic Management of state Participation (ANGSPE) by Law 82-20 adopted on July 15, 2021, does not have an Environmental and Social Management System (ESMS) nor experience in managing E&S projects of the World Bank. That said, the agency plans to put in place an Environmental and Social Management System (ESMS) and to build expertise in the management of World Bank E&S projects and other international financial institutions, in order to meet the growing demands for sustainability and social responsibility. The agency is in the process of recruiting an ESG manager, who will support the transversal bodies in terms of E&S governance. With regard to the management of social impacts, and in accordance with Article 20 of Framework Law no. 50-21 on the reform of state-owned



enterprises (EEP), all restructuring operations of public establishments and companies provided for in the Framework Law will be implemented in consultation with the relevant government authorities and bodies, in strict compliance with the principle of protecting acquired rights and maintaining social peace. Thus, the protection of acquired rights is one of the founding principles governing the reform of public establishments and companies (article 6 of the framework law). The Department of Public Enterprises and Privatization (DEPP), for its part, applies national regulations and is committed to channeling national and international best practice in managing the risks associated with its activities, and includes an audit and evaluation division in its organizational chart. It encourages a gender approach (40% women) and consolidates the skills of its teams and internal promotion.

20. Environmental and Social risk management action plan. The PFR will be implemented over a five-year period. Implementation will be led by MEF, with a PMU anchored within the General Secretariat. The main implementing agencies are ANGSpe and DEPP. The PMU will oversee all program reporting, including coordination of program stakeholders, the results verification process, results achievement reporting and program audits, and will be the focal point for the World Bank. These actions include baseline data collection, impact assessment, mitigation measures, compliance with regulations, monitoring and reporting, emergency response planning, training and awareness, stakeholder engagement, continuous improvement, and planning for decommissioning and restoration.



SOE PforR environmental and social risk management action plan

Action	Responsibility	Due date	Measure
1. Environmental and social focal points appointed	DEPP/ANGSPE	1 st month after effective date	Letters of appointment of the environmental and social focal point
2. Incidents/accidents must be communicated to the WB no later than 48 hours after their occurrence	DEPP/ANGSPE	Continuous	Notifications/reports
3. Development and implementation of a prevention and intervention plan for sexual exploitation, abuse, and harassment as part of a program: The plan would apply to the implementing agencies and trickle down to the SOEs.	DEPP/ANGSPE	6 months after effective date and implemented throughout program duration	SEA/SH prevention and intervention plan
4. Prepare and implement E&S technical guidelines as part of the agency's Environmental and Social (E&S) management system	DEPP/ANGSPE	6 months after effective date	ESMS
5. Development and implementation of a corporate social responsibility/social inclusion strategy (including inclusion of women and people with disabilities)	DEPP/ANGSPE	12 months after effective date Monitoring indicators to put in place	Social responsibility and social inclusion strategy
6. Grievance management mechanisms: Strengthening the complaints management system by preparing a mechanism that allows the monitoring of complaints specific to the program, through tools that will make it possible to manage the	DEPP/ANGSPE	90 days after effective date and before the start of relevant activities supported by the program	Description of the system, communication and complaint management strategies taking into account the sensitivity and nature of the complaints (confidential complaints, complaints related to sexual harassment, GBV,



<p>different types of complaints, considering their sensitivity, confidential nature, anonymity, as well as those linked to verbal and sexual harassment, gender-based violence (GBV), and gender-related discrimination.</p>			<p>etc.) and system operating statistics</p>
<p>7. Social Management Plan: Elaboration of human resources management plans that will serve as a framework for managing the social impacts on employees who will be reassigned or made redundant as part of the restructuring process. Annexed in the main ESSA is a list of good international practices</p>	<p>DEPP/ANGSPE</p>	<p>Before implementation of any restructuring activity and before the start of relevant activities supported by the program</p>	<p>Description of the plan for reallocation of resources and post-dismissal management (reintegration actions, compensation, etc.)</p>
<p>8. Capacity building of relevant stakeholders, including identified SOEs: (i) Development of the training module on environmental and social management including monitoring tools; (ii) Organizations of training sessions</p>	<p>DEPP/ANGSPE</p>	<p>Throughout the duration of the program starting 1st semester date entry into force of the program</p>	<p>Training module of the developed program Training plan Reports on training carried out</p>



ANNEX 4. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing	Completion Measurement	
Adopt a Program Operation Manual (POM) including administrative and M&E procedures; E&S management, complaints and GRM; PAP; results and verification protocol; reports templates, fraud and corruption reporting; FM, procurement, Program area details.	Technical	NA	MEF/SG	Other	120 days after the Effective Date of the Loan Agreement	POM approved by MEF with Bank no objection is distributed to all entities involved in Program implementation and dissemination workshop conducted.
Establish and subsequently maintain throughout the implementation of the Program, (i) a Steering Committee and (ii) a Program Coordination Unit (PCU) with a composition and terms of	Technical	NA	MEF/SG	Other	30 days after the Effective Date of the Loan Agreement	Letter by MEF confirming establishment of steering committee and Program coordination unit detailing composition of its members and frequency of meetings.



reference acceptable to the Bank and described in the POM.						
Appointment of social and environmental focal points at the levels of ANGSpe and DEPP.	Environmental and Social Systems	NA	ANGSPE and DEPP	Other	No later than 90 days after the Effective Date of the Loan Agreement and before the start of new program activities.	Letters of appointment of the environmental and social focal point by ANGSpe and DEPP
Human resources management plan which will serve as a framework for managing social impacts on employees who will be reassigned or dismissed as part of SOEs restructurings.	Environmental and Social Systems	NA	DEPP/ANGSPE	Other	Before any restructuring activity and before the start of relevant activities supported by the Program.	Description of the plan for reallocation of resources and post-dismissal management (reintegration actions, compensation, etc.) by the entity coordination the restructuring (ANGSPE or DEPP)
Planning and Budgeting. Ensure adequate three-year budget allocations to achieve program results which will be clearly reflected	Fiduciary Systems	NA	ANGSPE, DEPP/(FSCS)/ONEE-Electricity	Recurrent	Continuous	Allocation is done and shared with the Bank.



in the program budget of of ANGSpe, DB/SCSF, DEPP/ONEE- Electricity Branch						
Budget execution. Implement a bi-annual reporting mechanism on the status of the Program expenditure And Financial management KPIs, included in the semi-annual Program activity report.	Fiduciary Systems	NA	PCU in coordination with ANGSpe/DEPP	Recurrent	Semi-Annually	A reporting is done and shared with the Bank semi-annually using a template to be developed with Bank's support in the POM.
Internal Control and Internal Audit. Set up the operational internal audit department in ANGSpe.	Fiduciary Systems	NA	ANGSpe	Due Date	31-Dec-2026	Internal audit unit adequately staffed; management tools of the function put in place.
Internal Control and Internal Audit. (a) Internal audit charter prepared and validated by the ANGSpe and (SCSF) boards. (b) A Tailored Manual of procedures validated by	Fiduciary Systems	NA	ANGSpe/FSCS	Other	31 December 2026	Manuals prepared and validated.



ANGSPE and implemented.						
Fraud & Corruption. Develop the procedures for collection, consolidation, reporting including frequency, on fraud and corruption in the POM and identify the responsible entity.	Fiduciary Systems	NA	PCU in coordination with ANGSPE and DEPP	Other	6 months after effectiveness	Number of cases of fraud and corruption systematically reported in Program activity reports.
Procurement reporting. Preparing a semi-annual reporting to track the program's procurement performance supported by key performance indicators.	Fiduciary Systems	NA	ANGSPE/DEPP/DB	Recurrent	Semi-Annually	Procurement reporting section within semi-annual report.
Procurement. Exclusion of suspended and debarred firms, Including in the bidding documents an eligibility check clause requiring procuring department to ensure that any person or entity	Fiduciary Systems	NA	ANGSPE	Recurrent	Continuous	Upon effectiveness, preparing an instruction requiring the IAs to ensure that any person or entity debarred or suspended by the Bank is not awarded a contract.



debarred or suspended by the Bank is not awarded a contract.						
Procurement complaints. keeping a log of all procurement-related complaints and ensuring their timely resolution.	Fiduciary Systems	NA	ANGSPE, DEPP, DB	Recurrent	Continuous	Complaints and resolutions.



ANNEX 5. IMPLEMENTATION SUPPORT PLAN

- The operation will be coordinated by the MEF and implemented by ANGSpe and the MEF/DEPP, with fiduciary responsibility with ANGSpe and MEF/DAAG.** ANGSpe and DEPP will have overall fiduciary responsibility and responsibility for and E&S safeguards for the operation. This will be their first experience implementing a Bank-funded operation; substantial support from the Bank team will be needed to ensure the PDO is achieved objective. The implementation support plan takes into account capacity-strengthening needs as well as risks identified in the Safeguards and Operational Risk Team (SORT) and highlighted in the assessments carried out for the program.
- Implementation support will consist of formal implementation support missions to be carried out every six months following program effectiveness;** additional technical missions as needed; regular monitoring and reporting of financial management, procurement, and E&S safeguards activities; review and verification of the progress and achievement of the PDO, DLIs, and IRIs; capacity-building activities to strengthen the Borrower’s institutional capacity; and support to resolve implementation bottlenecks.
- Fiduciary support** will consist of (i) monitoring implementation progress; (ii) supporting the Borrower’s efforts to resolve implementation issues and build institutional capacity; (iii) ensuring compliance with audit reports, including the implementation of the PAP; and (iv) monitoring compliance with the fiduciary provisions of legal covenants. In addition, the Bank’s financial management specialists will join the semi-annual implementation support missions to track compliance with financial management policy. **Procurement support** will be provided in semi-annual support missions.
- The Bank will provide periodic guidance to ANGSpe and DEPP on the development and application of relevant Environmental and Social Framework (ESF) instruments, which will also be included in the POM. In addition, Bank E&S specialists will join the semi-annual implementation support missions to track compliance with safeguards policy.

Main focus of implementation support

Focus	Skills needed	Estimated resources
Program readiness for implementation	Task management specialist; operations specialist; specialists in governance, financing, competitive neutrality, and monitoring	Supervision Bank budget
Development of tools for collecting budget execution, procurement, and accounting data and actions for capacity building	Fiduciary specialists	
Development of Program Operation Manual	Technical specialists	
Appointment of E&S focal points; preparation of monitoring tools (E&S technical manual, GRM); training and capacity for E&S focal points	E&S specialists	
Technical review/implementation support	Task management, operations, and technical specialists	Supervision Bank budget
Financial management, procurement, monitoring, and reporting	Financial management specialists	Supervision Bank budget
E&S monitoring and reporting	E&S safeguards specialists	Supervision Bank budget
Sustainability	Task management, operations, technical, fiduciary, and E&S support	Supervision Bank budget



Task team skills mix requirements for implementation support (template)

Skills Needed	Number of staff weeks	Number of trips	Comments
Team Leader	40	8	
Co-Team Leader	40	8	
Financial Management Specialist	10	-	Country Office-based
Procurement Specialist	10	-	Country Office-based
Environmental Specialist	10	-	Country Office-based
Social Development Specialist	10	-	Country Office-based
Economist	20	4	
Operations Officer	16	0	
Finance and Competitiveness Specialist	10	4	Country-based and HQ
Governance specialist	10	4	Country Office-based and HQ and HQ
Monitoring specialist	10	4	Country Office-based