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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT

FOR A

PROPOSED THIRD

PUBLIC ADMINISTRATION REFORM DEVELOPMENT POLICY LOAN

IN THE AMOUNT OF €66 MILLION

(US\$100 MILLION EQUIVALENT)

TO THE

KINGDOM OF MOROCCO

April 16, 2008

**Social and Economic Development Group
Middle East and North Africa Region**

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Currency Equivalents

US\$1 = 7.30 Moroccan Dirham (MAD)
(Exchange rate effective April 2008)

Government Fiscal Year

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ANRT	National Telecommunications Regulation Agency
AREFs	Regional Education and Training Offices
BADR	Automatic Customs Network Database (<i>Base Automatisée des Douanes en Réseau</i>)
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CGED	Comptroller General of Expenditures Commitments (<i>Contrôle Général des Engagements de Dépenses</i>)
CIO	Chief Information Officer
CMD	Modulated expenditure control
CSTI	Committee for the Development of Information and Communication Technologies (<i>Comité Stratégique pour le développement des Technologies de l'Information et de la Communication</i>)
DEPTTI	Department of Postal, Telecommunications and Information Technologies (<i>Département de la Poste, des Télécommunications et de Technologies de l'Information</i>)
DPL	Development Policy Loan
EMBI+	Emerging Market Index Bonds
ERP	Early Retirement Program
EU	European Union
FDI	Foreign Direct Investment
FHII	Hassan II Fund for Economic and Social Development (<i>Fonds Hassan II pour le développement économique et social</i>)
FOMAP	Administration Modernization Fund
FSAP	Financial Sector Assessment Program
FTA	Free Trade Agreement
GDP	Gross domestic product
GFS	Government Financial Statistics
GID	Integrated Budget Management (<i>Gestion Intégrée de la Dépense</i>)
GNFS	Goods and nonfactor services
GoM	Government of Morocco
GPEEC	Forward Management of Staffing, Jobs and Skills
G2B	Government to Business
G2C	Government to Citizens
HR	Human resources
HRM	Human Resources Management
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
ICT	Information and communications technology
IDARATI	(<i>Informatisation des Départements Administratifs et leur Mise en Réseau Adéquate via les Technologies de l'Information</i>)
IGF	Inspectorate General of Finance (<i>Inspection Générale des Finances</i>)

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IGM	Inspectorate General of the Ministries (<i>Inspection Générale de Ministère</i>)
IMF	International Monetary Fund
ISA	International Standards on Auditing
IT	Information technology
KoM	Kingdom of Morocco
LIBOR	London Inter-Bank Offered Rate
M&E	Monitoring and evaluation
MAD	Moroccan Dirham
MAEG	Ministry of Economic and General Affairs (<i>Ministère des Affaires Economiques et Générales</i>)
MEF	Ministry of Economy and Finance
MENA	Middle East and North Africa
MMSP	Ministry of Public Sector Modernization (<i>Ministere de la Modernisation des Secteurs Publics</i>)
MoH	Ministry of Health
MTEF	Medium-Term Expenditure Framework (<i>Tableau des Opérations Financières de l'Etat</i>)
MTFF	Medium-Term Fiscal Framework (<i>Tableau des Opérations Financières de l'Etat</i>)
NeGC	National e-Government Committee (<i>Comité National eGov</i>)
NGO	Nongovernmental organization
OBL	Organic Budget Law
OECD	Organisation for Economic Co-operation and Development
PARL	Public Administration Reform Loan
PARP	Public Administration Reform Program
PER	Public Expenditure Review
P-ESW	Programmatic Economic Sector Work
PFMS	Public Financial Management System
PPPs	Public-private partnerships
PPR	Kingdom's Principal Paymaster (<i>Paierie Principale des Rémunerations</i>)
PSIA	Project Social Impact Assessment
QAE	Quality at Entry
REC	Strategic Staffing Frameworks (<i>Référentiel des Emplois et des Compétences</i>)
SAP	Systems Applications Programs
SDD	Deconcentration Master Plans (<i>Schémas Directeurs de Déconcentration</i>)
SEP	Social and Economic Program
SIRH	Harmonization of Human Resource Information Systems
SOA	Services Oriented Architecture
SSF	Strategic Staffing Framework
TA	Technology assistance
TGR	General Treasurer of the Kingdom (<i>Trésorerie Générale du Royaume</i>)
TOFT	Table of Treasury Financial Operations
ToR	Terms of reference
VAT	Value-added tax

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KINGDOM OF MOROCCO
 PROPOSED THIRD PUBLIC ADMINISTRATION REFORM DEVELOPMENT POLICY LOAN
 (PARL-III)

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KINGDOM OF MOROCCO
PROPOSED THIRD PUBLIC ADMINISTRATION REFORM DEVELOPMENT POLICY LOAN
(PARL-III)

LOAN AND PROGRAM SUMMARY

Borrower: Kingdom of Morocco.

Amount: €66 Million (US\$100 million equivalent).

Terms: LIBOR-Based Fixed Spread Loan, repayable in 26 years, including four years of grace.

Description: The Government's public administration reform program, initiated in 2003, aims at: (a) improving government efficiency in the management of budget resources through greater transparency and accountability, and by introducing performance measurement; (b) improving government efficiency in the management of human resources through the preparation of a new management system for staffing and remuneration with performance measurement, while streamlining current human resources management; and (c) consolidating and controlling public payroll decrease. Per the Government's request, PARL-III introduces as new objective to (d) improve public services and simplify procedures through e-government.

From the World Bank perspective and in agreement with its internal procedures, the proposed loan will be the first of a new series of annual programmatic loans supporting the implementation of the reform program. However, the name PARL-III will be kept to show the continuity with the previous series of loans (PARL-I and II). The proposed loan is complemented and strengthened by an ongoing multiyear Programmatic Economic Sector Work activity through which the Bank is providing the Government with advice, training, and technical assistance as required in the areas of public finance management, civil service reform, and wage bill containment.

Benefits: Benefits would result from the increased effectiveness of public resources management in many complementary ways. First, it would increase both the efficiency of public spending and the civil service efficiency, which in turn should have a positive impact on economic growth. Second, the loan would contribute to improving governance and the delivery of public services through upgrading audit procedures, promoting a performance culture and broadening online government. And third, the operation would indirectly support macro-economic stability and the creation of fiscal space which could be devoted to increased social spending and infrastructures.

Risks: There are three risks associated with the program. Institutional fatigue to preserve the momentum of reform. As the new public management tools are in the process of being mainstreamed by the two leading ministries (Ministry of Economy and Finance and Ministry of Public Sector Modernization), some degree of institutional fatigue to preserve the momentum of reform by sectoral ministries might develop. The likelihood of this risk is low. However, this risk is mitigated through the multi-annual technical assistance provided by the World Bank P-ESW and the European Union, by the strengthening of human and financial resources devoted to implement

the reform in ministries, massive in-service continuous training, and closer and more effective mechanisms of interministerial monitoring and dissemination of the Public Administration Reform Program (PARP). Implementation delays. Delays in the passing of critical laws for consolidating the PARP in the medium term, like the new Organic Budget Law or the law modifying the general civil service personnel regulations and allowing redeployment of civil servants— which reduces the need for new hiring—release for assignment, secondment and recruitment per contract, may slow or impede the momentum for reform. The likelihood of this risk is low. To mitigate this, the Government expects that gradual and participatory preparation and validation of the draft laws should obtain the required endorsement from Parliament for passing required legislation. Furthermore, international experience indicates that the consultation process leading to a revised Organic Budget Law normally takes many years to materialize and can be an important tool to build consensus around reforms. Social pressure. The Government could still be subject to pressures to further increase salaries for some categories of civil servants, and to accelerate promotions and continue with sizable unplanned hiring. This might undermine its efforts to continue curbing the payroll ratio. The likelihood of this risk is high, even though the new Government has already engaged in its first Social Dialogue with Unions with the decision to keep tight control of the declining trend in the wage bill (as a share of gross domestic product, GDP). This risk is also mitigated by the new promotion system which limits the number of promotions in the medium term, the increasing number of civil servants retiring in the coming years, and new measures to improve wage bill control and management to be introduced under this operation.

Disbursements: The proposed loan would be disbursed in one installment upon Loan effectiveness.

Poverty Category: The proposed loan creates fiscal space for social spending.

Project ID No: P095759.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
PROGRAM DOCUMENT FOR
A PROPOSED THIRD
PUBLIC ADMINISTRATION REFORM DEVELOPMENT POLICY LOAN
TO THE KINGDOM OF MOROCCO

1. **This memorandum describes the first Public Administration Reform Loan (PARL-III) for €66 million (US\$100 million equivalent) to the Kingdom of Morocco.** From the Bank perspective and because of its internal procedures, the proposed loan will be the first of a new series of annual programmatic loans. However, the name PARL-III will be kept to show the continuity with the previous series of loans (PARL-I and II) supporting the Public Administration Reform Program (PARP) initiated in 2003. A PARL-I loan (€82.5 million) was approved by the Board in July 2004, and a PARL-II loan (€98.7 million) was approved in February 2006. The original reform program had three medium-term objectives: (a) to improve government efficiency in budget management, (b) to improve government efficiency in human resources management, and (c) to consolidate and control the decrease of the wage bill (as a share of GDP). PARL-III will continue supporting these three objectives, while adding a fourth one: (d) to improve service delivery and simplify public procedures through e-government.

I. OVERVIEW

RECENT EVENTS

2. **Since 2003, the Government has preserved price stability, raised growth, and improved the confidence of investors in the Moroccan economy.** It thus lifted the country from the fiscal, real, and external imbalances that negatively affected the economy at the end of the 1990s. As a result, unemployment rates are at record-low levels and poverty rates are also low. The country is definitely engaged in the fiscal consolidation process required by a transition toward inflation targeting, a flexible exchange rate regime, and a gradual opening of the capital account. This strategy consists of five clear courses of action: (a) tax reform, (b) reducing wage bill growth, (c) reducing energy subsidies, (d) phasing out inefficient food subsidies and replacing them with well-targeted programs focused on vulnerable groups, and (e) performance-based budgeting based on medium-term expenditure frameworks as part of an overall effort to modernize public administration. Two of these actions, in particular (b) and (e), are directly supported by the PARLs. As a share of GDP, the fiscal consolidation strategy aims at a sustainable fiscal deficit below 3 percent, a public debt below 60 percent, and a payroll share below 10.4 percent in 2009. The first two targets were reached in 2006 and 2007, and the payroll share is on track to meet its target. Building on such achievements, the Government intends to achieve fiscal consolidation in the medium term.

3. **In his first speech to the Parliament, when he took office in October 2007, new Prime Minister Abbas El Fassi presented the guiding directives of his Social and Economic Program (SEP).** The SEP seeks continuity of reforms, while accelerating and deepening their content. It seeks to improve economic productivity, efficiency, and human capital indicators with a view to enhancing Morocco's growth potential. To this end, the SEP aims at completing reforms launched by the previous government, while starting new ones on tax reform; modernization of agriculture; social protection to rationalize and better target the onerous food and petroleum subsidy program; judicial reform and deconcentration supporting nascent regionalization.

4. **The SEP proposes to consolidate previous achievements under the ongoing public administration reform agenda, but with a strengthened vision.** The SEP mentions the following four priorities:

- Strengthening of the strategic role of the State, through a comprehensive use of the Medium-Term Expenditure Framework (MTEF) and performance budgeting tools, and enhanced efficiency through budget allocations and better delivery of public services. For the first time, all ministries are currently preparing their 2008–12 Action Plans; and the priorities of those Plans are intended to guide the elaboration of sectoral MTEFs to be prepared from 2008 onward.
- Strengthening deconcentration as a key pre-requirement for nascent regionalization. Regionalization consists of the creation of regional economic development poles. The region becomes the third geographic layer for local participation, after districts and provinces. Sound regionalization requires, however, that the functional implementation of sectoral policies be deconcentrated, as well as that functions and responsibilities by local players be decentralized.
- Simplification of public procedures through a generalization of e-government and accelerated use of electronic tools that fit the needs of the administration. Online access to public procedures will bring more continuous, efficient and transparent communication processes with citizens.
- Renewed efforts to improve public sector governance and prevent corruption through enhanced auditing, more transparent budget reporting, and simplified procedures.

PROGRAM STATUS

5. **Five prior actions agreed for PARL-III were met:** On budget management, ministerial departments had (a) introduced budget flexibility norms that facilitated transfers among resources in 30 Ministries (well above the 20 required) that represent above 77 percent of non-wage expenditures; (b) completed sector Medium-Term Expenditure Frameworks (MTEFs) in 9 ministries (above 5 required); (c) completed a study to reform control of public expenditure, which led to the elimination of a priori control and the merging of two directorates involved, thereby contributing to cutting paperwork time by about half and making public expenditure processing more efficient. On human resources management, ministerial departments had (d) developed Strategic Staffing Frameworks (RECs) in six key ministries (above two required), while (e) launching RECs in four other ministries, thus reaching about 80 percent of the civil service; and (f) launched the preparation of a new job classification (nomenclature). Prior actions (d) and (e) were unified into a single one in the definite version of the matrix.

6. **Two prior actions were experiencing delays, but were replaced by satisfactory complementary actions.** First, in December 2006, deconcentration was designated by King Mohammed VI as one of the priorities for Morocco, and asked for a national deconcentration strategy, which has yet to be developed. As a result, only two out of four deconcentration master plans required as prior action have been prepared and implemented on an ad hoc basis. The new Government is now concluding the review of its approach to deconcentration, which should reinvigorate the process in the near term. In the meantime, a substitutive action was found: the approval of a circular by the Ministry of Economy and Finance (MEF) simplifying the process of budgetary credits deconcentration. Such measure will contribute to reduce the time needed to transfer delegated credits to deconcentrated units, and ultimately to higher budget deconcentration rates. The second prior action, completion of the study to propose options for a new compensation system, has not been met. However, as the Authorities are on solid track to completing all steps leading to the hiring of the firm that will carry on the study, they agreed that the designation of the firm in charge of the study is a prior condition. This action has been met and the study will be achieved by beginning 2010.

7. **Finally, the proposed operation added two new prior actions to strengthen control and consolidation of the wage bill decrease (as a percent of GDP).** These refer to the creation of two groups. The first action will create a Commission in charge of the regular monitoring of the wage bill; and (b) the second action will create an interministerial Group in charge of introducing best practices in

monitoring, forecasting and personnel expenditure management by line ministries. The latter group will involve the four pilot major ministries of Education, Health, Housing and Finance that together combine for more than two-thirds of total civil service. Finally, and despite the Government's change, it is worth noticing that no backtracking has been observed in actions adopted prior to PARL-III.

RATIONALE FOR CONTINUED SUPPORT

8. Building on PARL-I and II, the move toward a third operation is justified by the excellent dialogue with successive Governments, the overall success of previous operations and the need to consolidate medium-term reforms. In its original design, the PARL series was expected to conclude with the consolidation of public administration reforms during the implementation of PARL-III. As seen above, progress in implementing the reform program has been broadly on track, but in the absence of a modern budgetary legal framework, it remains fragile. In some reform areas, such as quality improvements in the introduction of performance budgeting within pilot Ministries is taking longer than expected. Momentum for reform in two highly sensitive areas where progress has been considerably slower than expected—Central Government deconcentration and reform of public remunerations—is also expected to be recovered.

9. The recent update of a Country Financial Accountability Assessment (CFAA) has stressed the importance of PARP elements for consolidating past reform gains, in agreement with the Government. Good examples are a new Organic Budget Law, and the strengthening of auditing capabilities. The CFAA has also highlighted the need to adopt wage bill ceilings per Ministry in the medium term.

10. The Government intends to enhance its budget transparency and anticorruption policies, while improving its accountability in delivering services, through the introduction of a new loan component on online government (e-government) and simplification of procedures. This new component will not only be an additional tool of modernization (computerization/automation), but more fundamentally, an instrument for removing bureaucratic obstacles and improving the delivery of public services for citizens and businesses.

11. The proposed PARL-III has greatly benefited from highly participatory analytical work internally and in the context of strong close collaboration and coordination with the African Development Bank (AfDB) and the European Union (EU). The design of the program has benefited from the 2003 Public Expenditure Review (PER) and the 2005 Country Assistance Strategy (CAS). Implementation of the PARL-I and II loans, and the updates and design of measures under PARL-III, have been supported by ensuing Programmatic Economic and Sector Work (P-ESW) and a 2003 CFAA, updated in 2006. Other World Bank Development Policy Loans (DPLs) in energy and water, and an investment loan in education, have also contributed to indirectly address institutional issues—like the elaboration of a sectoral MTEF—similar to those addressed by PARL components, thus strengthening the consistency of the program with sector policies. With respect to donors, joint supervision missions with the African Development Bank (AfDB) and the European Union (EU) and ongoing knowledge-sharing activities have taken place regularly. Implementation of PARL-I was successful overall, as described in the Implementation Completion Report (ICR) reviewed on June 21, 2005.

II. COUNTRY POLITICAL AND ECONOMIC CONTEXT

BACKGROUND

12. **Morocco is a lower-middle-income country with a population of about 31 million and a gross national income per capita estimated at US\$2,300 in 2007.** Agriculture retains a key, although decreasing, role in the economy, with a share of gross domestic product (GDP) at around 15 percent over the last 10 years, and employing some 40 percent of the labor force, compared to 25 percent and 35 percent for industry and services, respectively. The economy is relatively open, with exports and imports amounting to about 70 percent of GDP. Europe remains Morocco's major trading partner, and main exports include phosphates and phosphate derivatives, textiles, fresh and processed food, electrical wires and electronic components, and tourism.

RECENT DEVELOPMENTS

1. Political Developments

13. **The last elections, held in September 2007, consolidated the reality of a nascent democracy.** They were qualified as transparent and free by many countries and international organizations. Elections were also an opportunity for the population to freely express some degree of dissatisfaction about the outcomes of social and economic policies, despite steady reform efforts made by the previous government. This perception may have been one of the reasons for the low turnout at 37 percent (compared to 52 percent in 2002) and a high number of invalidated ballots (19 percent). Many believe that this is a clear signal for accelerating ongoing reforms, such as the ones addressed by the PARP, and for including actions with a real impact on improving service delivery to the population.

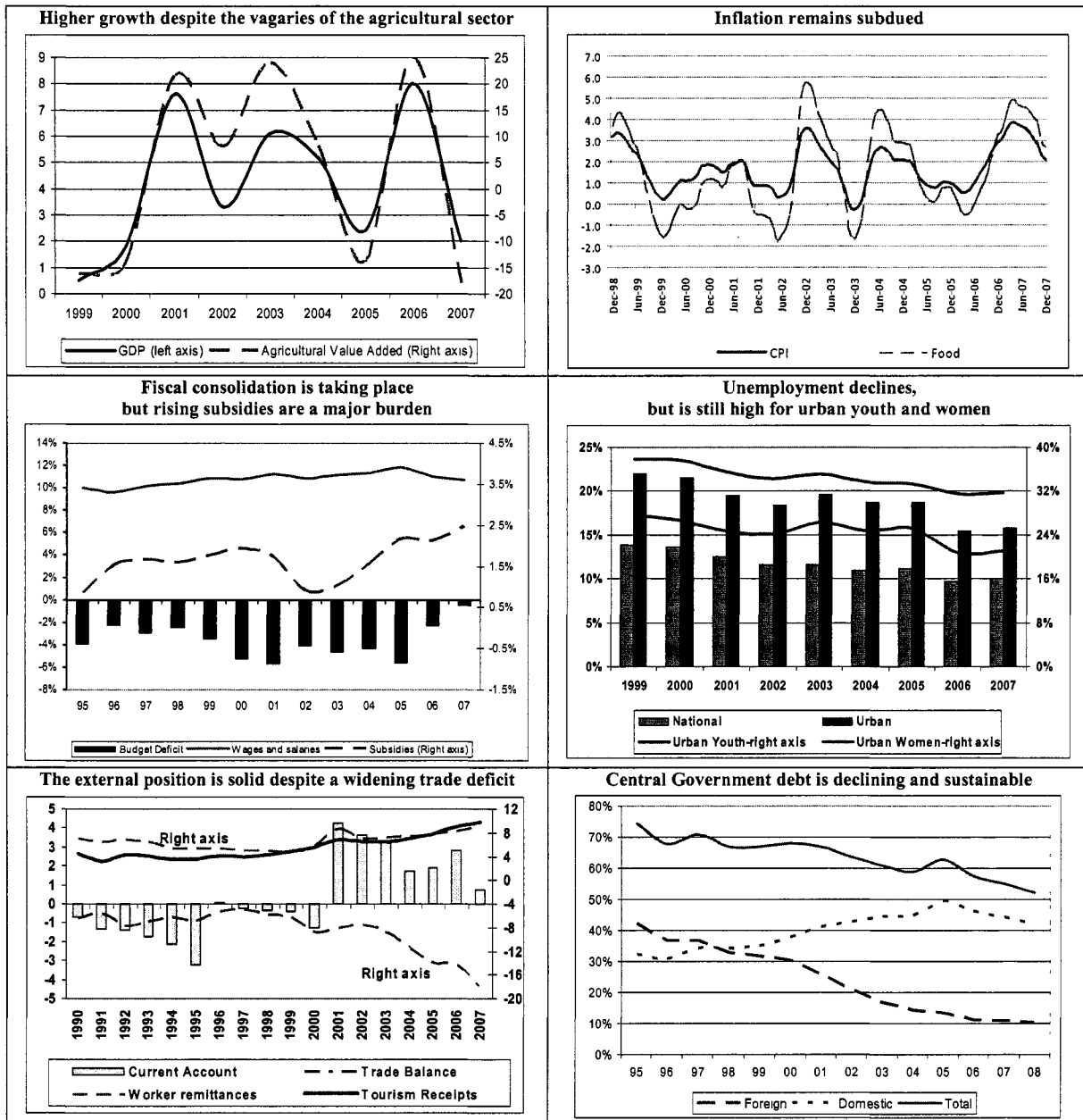
2. Economic Developments

14. **Morocco features sound macroeconomic fundamentals.** The economy is characterized by macroeconomic stability, rising growth, low inflation and declining unemployment, a strong external position, and a decisive move toward fiscal consolidation (Figure 1). As a consequence, Morocco's public debt earned investment grade in 2007. And despite the traditional political instability that any electoral process entails, the Emerging Market Index Bonds (EMBI+) spreads for Morocco's sovereign debt have fallen to historically low levels below 70 basis points by end 2007.

15. **In 2006, economic growth reached its highest rate (8 percent) since 1998 (Table 1).** However, rapid growth was short lived; a low 2.3 percent is estimated for 2007, due to a severe decline in agricultural output (Figure 1). Affected by a tough drought, the agricultural sector registered one of its worst outputs of the decade, with the volume of cereal production equivalent to less than a fourth of the 2006 volume.

16. **The economy shows a structural shift featuring faster growth in nonagricultural output.** Its average growth rate of over 5 percent in the last three years performs better than the average rate of the last five years. This new trend is mostly driven by the positive performance of sectors with steady structural reforms under implementation. In 2007, tourism increased by 9 percent, reflecting a comprehensive growth strategy undertaken since 2001, and its backing by reforms in air transportation (open-sky policy) and multiple public-private partnerships signed. Construction (up by 8 percent) is also contributing to growth performance through important housing and tourism facility programs, and big infrastructure works in highways and the Euro-Med port, opened last September. The communications sector is growing rapidly (up by 8 percent), mainly reflecting increased competition following privatization and featuring the introduction of a third cell phone company, which has led to lower prices of telecommunication services.

Figure 1. Morocco: Macroeconomic Indicators



17. In 2007, despite a more uncertain external environment, inflation slowed down to 2 percent, while unemployment has stabilized. The unemployment rate reached 9.8 percent of the active population, the same rate as in 2006. This result is outstanding in view of the sluggish growth in 2007.

18. On the external front, in 2007 the trade deficit continued to worsen, largely because of lagging export growth, whereas the current account was in balance. The trade deficit increased to 17 percent of GDP, above the 14.4 percent of 2006 level. Despite the worsening trade deficit, the current account was in balance, thanks to rising workers' remittances and tourism receipts. Furthermore, the level of international reserves edged down to 9.5 months of imports compared to 10.5 months in 2006.

Table 1. Selected Macroeconomic Indicators

<i>In Percent of GDP</i>	2000	2001	2002	2003	2004	2005	2006	2007 ^P	2008 ^f
I. National Accounts									
Gross Investment	25.5	26.1	25.9	27.5	28.7	30.3	31.6	34.1	31.8
Gross National Savings	24.3	30.3	29.6	30.7	30.5	32.2	34.5	34.1	30.7
Government Investment (National Accounts)	2.7	2.6	2.3	2.3	2.3	2.2	2.3	2.6	2.7
Government Savings	0.3	1.8	0.3	0.8	0.7	-0.9	1.9	2.5	1.6
Private Investment	22.8	23.5	23.6	25.2	26.5	28.1	29.3	31.5	29.2
Private Savings	24.0	28.6	29.3	29.9	29.7	33.1	32.6	31.6	29.1
II. Central Government Finances									
Total Revenues	23.6	22.3	22.0	21.7	22.5	23.9	25.3	28.0	27.3
Tax Revenue	21.7	20.4	20.4	19.8	20.2	21.8	22.3	25.4	25.3
Current Expenditure, of which	21.7	21.7	20.3	20.6	21.0	24.2	21.5	22.0	22.2
Wages	10.8	11.2	10.9	11.2	11.3	11.9	11.0	10.8	10.4
Capital Expenditure (with FHII, <i>Fond Routier</i>)	5.4	5.3	4.7	4.5	4.5	4.4	4.6	5.1	5.5
Primary Balance (with FHII, <i>Fond Routier</i>)	-0.6	-1.3	-0.2	-1.1	-0.7	-2.3	1.0	2.7	0.8
Overall Balance (HII incl., priv. excl.)	-5.2	-5.7	-4.1	-4.7	-4.2	-5.6	-2.3	-0.5	-2.6
III. Balance of Payments									
Trade Balance	-8.7	-8.0	-7.6	-8.7	-11.5	-13.9	-14.4	-18.0	-17.0
Current Account Balance	-1.3	4.3	3.6	3.2	1.7	1.9	2.8	0.0	-1.1
Foreign Direct Investment (incl privatization)	0.7	7.6	1.4	4.9	1.9	5.0	4.5	5.0	4.5
Reserves (months of GNFS imports)	5.4	9.2	9.4	10.4	10.2	10.3	10.5	9.5	10.0
IV. Indicators of Credit Capacity									
Public Debt of CG/GDP	68.0	67.1	63.6	60.9	59.9	63.7	58.2	54.9	52.9
EMBI + (bp, annual average)	469.0	505.0	362.0	273.0	169.0	138.0	79.0	70.0	70.0
Memo:									
Consumer price (% , yearly average)	1.9	0.6	2.8	1.2	1.5	1.0	3.3	2.0	2.5
GDP Growth	1.8	7.6	3.3	6.1	5.2	2.4	8.0	2.3	6.0
Nonagricultural GDP Growth	4.4	5.8	3.1	3.7	4.7	4.8	6.2	5.8	5.1
Unemployment	13.6	12.5	11.6	11.6	11.0	11.2	9.7	9.8	9.8

Source: Government data and IMF and Bank staff estimates. ^P preliminary; ^f forecast

19. On the fiscal front, the government's strategy for fiscal consolidation is progressing steadily. Data on budget execution show a declining budget deficit of around 0.5 percent of GDP for 2007, the lowest deficit never recorded before and below the explicit ceiling target of 3 percent of GDP. Success in fiscal consolidation is partly due to the revenue side. In 2007, total revenues were 28 percent of GDP, almost 3 percentage points more than in 2006, and almost 4 percentage points above the average of the last five years. All gains stem from tax revenues that reached 25.4 percent of GDP, despite the reduction of the top rate of the personal income tax from 44.5 percent to 42 percent, with an estimated loss of half a percentage point of GDP. Both personnel income taxes and profit taxes have contributed to the good stance of tax receipts. The former benefited from a dynamic stock market while the latter was the result of growing housing and public work sectors. On the expenditure side, whereas the wage bill continues to decrease, subsidies are rising. In 2007, the wage bill declined for the second year in a row and reached 10.8 percent of GDP. In 2008, it should edge down to 10.4 percent of GDP. In exchange, energy and food subsidies now become the primary budgetary concern for the Government, because their fiscal impact is heavy, while their effectiveness in alleviating poverty is low. The total fiscal burden of subsidies was equivalent to 3.8 percent of GDP in 2007.

Box 1. Morocco: A Decade of Structural Reforms

Trade Liberalization

- Morocco joined the World Trade Organization on January 1st, 1995 and amended the Trade Law in 1996, eliminating many quantitative restrictions and the use of the customs tariff as a protectionist tool.
- Dismantling of the staples imports' monopoly, except wheat for the manufacture of domestic flour.
- Customs Reform in 1997.
- Signing of multiple Free Trade Agreements, including the EU, the Arab free-trade area, Turkey and the U. S.

Financial Sector

- Revision of the Banking Law and granting of a New Status of Central Bank Al-Maghib.
- Prudential ratios set in accordance with international standards, new account framework for Credit Institutions, liberalization of interest rates, and lifting of credit restrictions.
- Consolidation of the Insurance Sector with a new Insurance Code, new regulations to mutual insurance associations and to life insurance.
- Four public banks have been restructured and 20 percent of the largest state-owned Bank (BCP) sold to the private sector.
- Launching of the new Gross Settlement System, as well as the new law on electronic signature.
- Adoption of multiple measures toward the full liberalization of the exchange regime.

Price Liberalization

- Liberalization of agricultural staples marketing (cereals, sugar, oilseeds).
- Issuance of the Pricing freedom and Competition Laws. All prices are freely set, except for flour, sugar, and tobacco until 2006.
- Liberalization of land transportation for goods: conversion of the National Transport Office into a regulator.

Privatization and Competition

- New Telecommunication Law establishing a National Telecommunications Regulation Agency (ANRT) to regulate the telecommunications services. The sector is now fully privatized.
- De-monopolization of energy production: Private entities can produce energy under concession agreements.
- Issuance of the Hydrocarbon Law on petroleum exploration reducing the state share to 25 percent of turnover.
- Concessions agreements for private service delivery in electricity, water, and solid and liquid waste services.
- New Public-Private Convention on Tourism under a "Vision 2010" strategy.
- Air transportation: Open Sky Policy that liberalizes charter and leisure transportation sector.

Business Regulations

- Approval of Copyright and Industrial Property Laws that reforms intellectual property legislation.
- Creation of 16 regional investment entities with a one-stop decentralized regional units.

Social Sectors

- Approval of the Education Charter in 2000.
- Approval of the Family Code and the Citizenship Law.
- Launching of the Human Development National Initiative.
- Adoption of new schemes for health insurance in accordance with the Medical Coverage Code.

20. **The country has accelerated implementation of its structural reform agenda (Box 1).** Most recent policy measures include the approval of additional flexibility in the foreign exchange market, in preparation for its announced full liberalization in 2009; the implementation of the Free Trade Agreement (FTA) signed with Egypt, Jordan, and Tunisia; the transfer of additional public land to the private sector; new measures to develop offshore activities, including selective tax incentives; and the introduction of new academic programs to increase the supply of highly skilled professionals, especially engineers and physicians. The new Government is building on these measures.

MEDIUM-TERM OUTLOOK AND FINANCING NEEDS

21. **Over the medium term, and under a conservative base-case scenario, Morocco is expected to preserve macroeconomic stability and high growth (Table 2).** GDP growth rate is projected to recover

to at least 6.0 percent in 2008 and stay around the same rate level afterward, with dynamic nonagricultural output as its main driving force, but still relying on the performance of agricultural output. Nonagricultural output growth should continue to grow at 6 percent a year, driven by construction, new industrial sectors and service activities with export potential, and tourism. Unemployment is likely to remain in single digits, in view of the moderate dynamism of the economy in general. Inflation should remain contained as long as tight fiscal and monetary policies are preserved, and despite expected subsidy reform could ignite some inflationary pressures.

Table 2. Medium-term Scenario

	2006	Prel. 2007	Proj. 2008	Proj. 2009	Proj. 2010	Proj. 2011
Real Rate of Growth						
GDP	8.0	2.3	6.0	5.7	5.7	5.8
Consumer Price Index	3.3	2.0	2.5	2.3	2.3	2.3
Percent of GDP						
Gross Investment	31.6	34.1	31.8	32.1	32.2	32.5
National Savings	34.5	34.1	30.7	31.2	31.6	32.0
Primary Balance (with FHII, <i>Fond Routier</i>)	1.0	2.7	0.8	1.0	1.3	1.1
Fiscal Balance (with FHII, <i>Fond Routier</i>)	-2.3	-0.5	-2.6	-2.6	-2.1	-2.0
Direct Public Debt	58.2	54.9	52.7	50.4	47.7	45.3
External Current Account	2.8	0.0	-1.1	-0.9	-0.6	-0.5

Source: Bank staff estimates based on MEF data.

22. The external position is expected to be resilient to external shocks and remain slightly in deficit thanks to high workers' remittances and rising tourism receipts that will offset most of the high trade deficits. With an average low current account deficit around 0.7 percent of GDP and steady inflows of FDI, the level of gross international reserves will remain at a comfortable level—above 9 months of imports. In addition, no major constraints should affect access to external financing. Lower debt and lower country risk will reduce interest payments, allowing additional fiscal space for higher public investment. Investment and national savings ratios should remain high at above 31 percent of GDP. Structural reforms should contribute to raising productivity. Productivity gains and additional FDI inflows, in the context of the various FTAs and the policies supported by the *Emergence* and *Envol* (Take-off) programs, should lead to further improvements in growth, and in current account surpluses, though remittance flows are expected to decrease over time.

23. The fiscal stance should remain sustainable. The fiscal accounts project two main outcomes during 2008–11. First, the fiscal deficit should marginally decline from about 2.6 percent to about 2 percent of GDP. Second, the public debt should stay below 58 percent of GDP. Under a base case scenario, reaching both outcomes implies, first, success in ongoing tax reform to broaden the tax base, improve the efficiency of the value-added tax (VAT), strengthen tax administration, and remove tax exemptions in order to reduce tax expenditure. These measures would offset the negative impact of the reduced marginal rates on corporate and personal income taxes. If so, tax revenues are projected to stabilize around 25 percent of GDP despite declining customs duties, resulting from compensating higher direct and indirect taxes (0.4 percentage point of GDP) of the revenue losses arising from lower customs duties (down 0.5 percentage points) committed under the Free Trade Agreements. Second, the base case scenario implies at least three critical expenditure measures: sustaining the declining trend of the wage bill; reforming oil and food subsidies; and preserving active debt management.

24. A comprehensive public debt sustainability analysis shows that the base-case scenario is sustainable in the medium term (see Annex 8). In sum, slightly lower fiscal deficits would require less annual net domestic financing needs from 2.3 percent in 2008 to 1.4 percent in 2011, while external

financing would stay stable at 0.2 percent of GDP over the period. The sustainability of the fiscal framework is also robust to shocks: Under alternative scenarios, several shocks to the baseline scenario are simulated, and public debt sustainability is preserved in all of them. In the medium term, the performance of the external accounts is also expected to remain strong, with a declining surplus in the current account over 2008–10. The external debt repayment would amount to 4 percent of GDP on average. Overall, these factors would make external outstanding debt fall from 26.7 percent of GDP in 2007 to 22.2 percent in 2010, of which public and publicly guaranteed debt would decline from 19 percent of GDP to 16.5 percent.

25. However, the higher fiscal deficit arising from the 2008 Budget Law will increase budgetary financing needs, even though the deficit will remain below 3 percent of GDP and in the medium term, it is expected to decline. Projected disbursements of PARL-III would then also help meet the Government’s objective of diversifying financing sources as well as provide financing on more favorable terms than alternative sources on its 2008 budget. This, in turn, would support the Government’s fiscal consolidation strategy. The Government continues to diversify sources since obtaining access to international financing, but it can, however, smooth access conditions by the expected inflows from multilateral sources, of which the World Bank will cover a financing gap of between US\$300 million to US\$350 million per year over the projection period (Table 3).

Table 3. Morocco: Domestic Financing Requirements of the Central Government
(in million dollars)

	2005	2006	Est. 2007	Proj. 2008
Financing required	8,157	6,899	7,522	7,945
Budget deficit	3,399	1,712	383	1,993
Scheduled amortization	4,758	5,187	7,139	5,952
External	1,212	1,064	1,385	1,151
Domestic	3,546	4,123	5,753	4,801
Total Financing available	8,157	6,899	7,522	7,945
Non-IBRD Financing	7,894	6,723	7,231	7,627
Domestic financing	6,854	5,549	5,608	6,105
External disbursement	582	582	1,223	976
Change of domestic arrears	-880	-293	-626	-466
Others (privatization, FHII, grants)	1,339	886	1,026	1,013
IBRD Financing	262	176	291	318

Source: MEF and Bank staff estimates.

26. In the medium term, the Moroccan economy remains vulnerable to adverse domestic and external shocks. On the domestic front, risks arise from the possibility of severe droughts. If the business environment worsens because of an increase in terrorist attacks either in Morocco or throughout the region, this could affect both tourism and FDI flows. On the external front, possible main external shocks are: (i) persistently high international oil prices, which would create inflationary pressures; (ii) rising international interest rates, which would be reflected in rising debt service and would put pressure on the cost of domestic credit; (iii) fall in main export commodity prices which would have a negative impact on the current account, as the export structure remains concentrated in a few key exports and the prices of phosphate rock or phosphate derivatives could deteriorate; and (iv) tougher migration policies and possible decline in workers’ remittances. Labor recipient countries, like Belgium, France, Spain, and Italy are enforcing tougher regulations on migration. In addition, the per worker remittances sent by the current, so-called third generation of migrant workers is much less than the remittances sent by the previous generation. Combined, both factors could contribute to dampening the overall level of remittances, even though so far they have shown a remarkable degree of resilience.

III. THE PUBLIC ADMINISTRATION REFORM PROGRAM

OVERVIEW OF THE PROGRAM

27. The PARP includes a number of reforms and policy actions over the period 2003–08 leading to important achievement (Table 4). These actions aim at (a) improving government efficiency in the management of budget resources through greater transparency, accountability, and by introducing performance measurement; (b) improving government efficiency in the management of human resources through the preparation of a new management system for staffing and remuneration with performance measurement, while streamlining current human resources management; (c) consolidating and controlling public payroll decrease; and (d) improving public services and simplifying procedures through e-government. All components of this program are now well under way, and their objectives remain valid.

ACHIEVEMENTS

28. Progress in the PARP, supported by the PARLs has been broadly positive in all three previous areas until now. The main quantitative and qualitative results (outputs and outcomes) directly or indirectly related to PARP are summarized in Table 4 and described in detail above (see also Annex 4).

Table 4. Progress in the Government's Program Supported by PARLs

Policy Goals	Main Quantitative and Qualitative Results between 2003 and 2007
Strategic budgeting reallocation	<ul style="list-style-type: none"> • A methodological manual on the preparation of a MTEF has been prepared and validated. • 12 ministries have prepared an MTEF up to end-2007.
Flexible and Performance Budgeting	<ul style="list-style-type: none"> • 30 ministries have adopted flexible budgeting by end-2007. • All ministries have prepared performance indicators published with the budget by end-2007.
Initiate de-concentration and reorganization	<ul style="list-style-type: none"> • 10 ministries have made organizational audits and reorganized. • A methodological guide for sector Ministries' deconcentration has been delivered under the PARP P-ESW.
Improved public financial management	<ul style="list-style-type: none"> • A manual for performance auditing was adopted. • A new procurement code was adopted in 2007. • Expenditure controls were revised and simplified in 2007. • The delay for producing the government final accounts has been reduced from 54 months for the 2000 budget to 24 months for the 2005 budget.
Human resources management reform	<ul style="list-style-type: none"> • Strategic Staffing Frameworks (RECs) have been completed in 6 Ministries, representing more than 80 percent of civil service are now being prepared by all Ministries. • Staff hiring and evaluation procedures have been overhauled and mainstreamed since 2006. • New promotion rules have been adopted and the delays in the adjustment of administrative staff have been eliminated.
Wage bill reduction (as a share of GDP) and control	<ul style="list-style-type: none"> • The wage bill has decreased from 11.2 percent of GDP in 2003 (and 11.9 percent in 2005) to 10.8 percent in 2007. • The voluntary early departure scheme of 2005 resulted in the retirement of about 39,000 agents close to 8 percent of the civil work force (albeit a lower number in net terms due to recruitment of younger workforce in the last two years).
Increased budget transparency	<ul style="list-style-type: none"> • The Government has published the budget with all supporting documents since 2006 following its approval by Parliament. • An e-procurement information system has been set up to publish procurement plans and enhance competitive bidding in 2007.

Sources: MEF and MMSP.

REFORM STATUS AND PENDING ACTIONS

29. **Significant progress has indeed been achieved, but an important set of reforms lies ahead.** Besides materializing initial results, and heading in the right direction, the PARP is at a crossroads in facing the following challenges: (a) generalizing pilot experiences in budgetary management throughout the central administration, deconcentrating public services and introducing a new Organic Budget Law; (b) completing the implementation of a new human resource management system, which now requires to approve a new standard job classification and the reform of the remuneration system; (c) preserving the declining trend of the wage bill, so as to reach its target; and (d) introducing e-government as a priority. All these reforms should produce expected results by end-2009. For all these reasons, the Government asked for the continuation of World Bank support beyond PARL-III. Hence, the present description of the project contains progress accomplished so far and the elements identified as prior actions for an eventual PARL-IV operation (see section IV).

SUBPROGRAM A: IMPROVE EFFICIENCY IN BUDGET MANAGEMENT

30. **This subprogram aims at strengthening budget management to improve the effectiveness and efficiency of public spending.** Key goals are:

- *A multiyear budgeting perspective.* This would allow for policies and strategies to be reflected fully by the budget while sustaining a sound macroeconomic stance and a multiyear viability of existing and proposed programs and projects.
- *Increased managerial autonomy of line ministries and their branch offices.* They would have greater autonomy and accountability in designing, and executing sector policies.
- *Performance budgeting and reinforced auditing capacities.* The central administration and ministry branch offices would improve investment execution and generalize a culture of contractual arrangements.

31. **Overall, the program has achieved good results, thanks to the strong Government ownership (Table 5).** Reforms initiated as pilot experiments have now significantly expanded to all ministries and the new budget management techniques are in the process of being generated from pilot to common practice. The PARL-III aims at continuing this transformation, while focusing on consolidation and entrenchment of the MTEF, more flexible budgeting, and deconcentration. In addition, the creation of a High Level Committee for preparing and studying revisions to the Organic Budget Law (OBL) should help identify needed changes to allow these reforms to become fully operational. The ensuing paragraphs describe progress in each subcomponent and actions after Board presentation of PARL-II.

Component A.1: Greater visibility of policies and their medium-term budgetary implications by placing budgetary allocation decisions in a multiyear framework

32. **The objective of this component is to design and implement an aggregate MTEF.** The MTEF is expected to set multiyear sector budget ceilings, while taking into account sector MTEFs derived from explicit intra- and intersector priorities. Thus, these ceilings are consistent with the Medium Term Fiscal Framework (*Tableau des Opérations Financières de l'Etat*, MTFF), helping to ensure a more predictable and transparent fiscal policy. In their pilot exercises, Government has decided to adopt a three-year rolling MTEF (regularly updated), and to start development of sector MTEFs.

Table 5. Summary of Adoption of New Management Procedures, per Ministry

Ministries	MTEF		Globalization		Performance indicators		REC	
	Completed*	Ongoing	Completed*	Ongoing	Completed*	Ongoing	Completed*	Ongoing
Transport and Equipment	X		X		X		X	
Agriculture		X	X		X		X	
Economy and Finance		X	X		X		X	
Public Sector Modernization		X	X		X		X	
Water and Forest		X	X		X			X
Planification	X		X		X			
National Education	X		X		X		X	
Higher Education	X		X		X			
Water	X		X		X			
Interior		X	X		X			X
Justice		X	X		X			X
Health	X		X		X			X
Urban Housing	X		X		X			X
Economic and General Affairs		X	X		X		X	
Développement social		X	X		X			X
Artisanat		X	X		X			X
Tourism	X		X		X			X
National Security					X			
Islamic Affairs		X	X		X			X
Fishing	X		X		X			X
Relationship with Parliament					X			
Employment and Prof. Education		X	X		X			X
Energy and Mines	X		X		X			X
Territorial Distribution			X		X			X
Culture	X			X	X			
Family, Childhood and Persons		X	X		X			X
Industry and Trade	X		X		X			X
Foreign Affairs and Cooperation		X		X	X			
Youth			X		X			
External Trade					X			

Source: MEF.

33. PARL-I and II. The original objectives supported by the PARLs are to introduce a multiyear budgeting perspective, for sectors as well as at a consolidated level, and to ensure that sectoral MTEFs are consistent with the overall medium term fiscal framework (MTFF). Programmatic Economic and Sector Work (P-ESW) provided Moroccan authorities with perspectives on MTEF best practices abroad, and helped Morocco adapt these methodologies to its unique needs in a Methodological Guide. Through a ministerial instruction, the Government created an Interministerial Budget Commission in charge of defining the MTEF format and selecting ministries in charge of preparing pilot sectoral MTEFs.

34. PARL-III. A MTEF was prepared for the 2007 and 2008 budgets by pilot ministries. Two P-ESW-supported seminars were organized in April 2006 and in April 2007, providing an opportunity to disseminate the MTEF methodology to all ministries. The Ministries of National Education, Housing, Health, and Equipment were the pilots for draft sectoral MTEFs for 2007–09 (a trigger for PARL-III); and a total of 12 ministries prepared draft sectoral MTEFs for 2008–10 (of which 9 required by the prior action of PARL-III). It remains to gradually extend the number of participating ministries, to entrench the multi-year budget perspective for sectors as well as at consolidated level, and to make sure that MTEFs are consistent with the fiscal framework (MTFF). Thus, the government is gradually adopting the MTEF as a regular budgetary procedure.

Component A.2: Greater responsibility in budgetary programming and execution for regional and provincial branch offices.

1. *Generalizing budget flexibility and performance indicators*

35. **Flexible budgeting (*globalization*) aims at increasing budget management autonomy for line ministries and their branch offices through increased aggregation of budget allocations**—by grouping, first, items or “paragraphs” (*paragraphes*) for investment; and second, some non-salary current expenditures. Managers (*ordonnateurs*) are thus allowed to reallocate within groups of items without having to request ex ante authorization from the Ministry of Economy and Finance (MEF). Ministries engaged in this new approach are required to prepare yearly performance reports. Performance budgeting indicators nicely complement the budgeting tools introduced under flexible budgeting, and also reinforce and improve the effects of sector MTEFs.

36. **PARL-I and II.** A flexible budgeting procedure was adopted by 12 pilot ministries. Twenty-five pilot ministries were included in the 2007 budget, representing about 70 percent of the government’s capital investment budget.

37. **PARL-III.** The PARL-III trigger required at least 20 ministries and it was met for 30 eligible departments. In light of CFAA recommendations, flexible budgeting could be deepened through a budgetary reclassification. This implies regrouping a broader set of budget items, which would further increase branch offices autonomy. The budget nomenclature and accounting classifications have to be reviewed and eventually revised in line with this new itemization of expenditures, and without loss of information to remain compatible with standard GFS 2001. Amending the OBL is also critical to allow for a reformulated presentation of the budget by programs and sub-programs and formally instate programs as the proper aggregation level for budget expenditure authorization. This would lead to institutionalizing, as part of the budget, sector objectives, performance indicators (intermediate and final), and their expected targets.

38. Regarding monitoring and evaluation (M&E), as of now, all ministries are publishing performance indicators, together with their budget. The preliminary performance indicators are too numerous (more than 1,400) and often fail to provide a strategic vision of performance and achievement of objectives. Closer consultation between MEF and line ministries is critical for converting them into a manageable, clear and monitorable set of performance indicators for the major expenditure programs, with participation from frontline staff and users, and a clear division of responsibilities on who does what to support the M&E system. There is also a need to improve performance reports. The Government has decided to put together a working group to work in-depth on improving the selection and choice of indicators, establish the standards for their information systems, and improve the quality of performance reports. This group will also be in charge of updating and adopting the methodological guide of performance monitoring.

2. *Increasing branch offices responsibility for budget management*

39. Budget deconcentration is part of a process to change an over-centralized environment, by devolving more responsibilities to branch offices of Ministries. The approach to this objective has been twofold: setting deconcentration as a Government priority policy, by adopting a decree setting a deconcentration policy framework, reinforced by a royal speech in December 2006, and creating deconcentration tools in every Ministry. Performance contracts between central and branch offices are to specify responsibilities and budget allocations, and are to become standard features of the budget system.

40. **PARL-I and II.** A decree has been adopted in 2005, which gives guidelines for the organization of Ministries, and the allocation of units, responsibilities, and staff between the centre and the field. It states as a general principle that implementation functions should be carried out in field offices while central

administrations should keep only conceptual, strategic, and regulatory functions. A national strategy is under preparation, upon the King's request, by a Committee for Administrative Deconcentration. This has delayed the development of deconcentration master plans (*Schémas directeurs de déconcentration*, SDD), requested to provide a detailed description of the responsibilities to be devolved to branch offices: the national strategy is a prerequisite to the SDDs. Meanwhile, the engagement in the deconcentration process is already yielding encouraging results in terms of increasing shares of budget that is deconcentrated. During 2005–07, the rate of deconcentrated budget has improved by two percentage points in average, reaching 38.3 percent compared to 36.4 percent in 2001–04.

41. **PARL-III.** The World Bank was asked to support the preparation of a Methodological Guide through its P-ESW, which was delivered on December 1, 2006. However, completion of the trigger “development and implementation of SDDs by four ministries” has been postponed, and the Methodological Guide is yet to be endorsed, albeit it is currently used on an ad hoc basis in the ministries of Health and Public Works. Similarly, performance contracting between central and branch offices is lagging in most Ministries. These contracts are to specify in detail objectives, means, and outcomes; reporting on contract implementation has only recently been initiated (when the contracts exist). On performance contracts, only the Ministry of Health fully formalized objectives/means/outcomes contracts with its regional offices. The process of adopting and approving the budgets of the Regional Education and Training Offices (AREFs) in the Ministry of National Education is close to this method, but not yet formalized. Accordingly, the trigger of concluding objectives/resources/results-based contracts for 2007–09 has not been met yet. In the meantime, a substitutive prior action was met: the approval of a circular by the Ministry of Economy and Finance (MEF) simplifying the process of budgetary credits deconcentration. Such measure will contribute to reduce the time needed to transfer delegated credits to deconcentrated units, and ultimately to higher budget deconcentration rates.

42. Deconcentration should regain momentum in 2008. Once the announced national deconcentration strategy is adopted, it is expected that the planned regionalization (giving more importance to the region) will reinvigorate this process. As a result more powers will be delegated to regional and provincial offices, including the management of budgetary and human resources. This will trigger a development of performance objectives/means/outcomes contracts between central and deconcentrated units.

Component A.3: Improving public performance through internal auditing, evaluation, and performance control

43. The objectives of this component are to (a) strengthen a results-oriented budget management process in central and deconcentrated units by introducing performance auditing tools and (b) upgrade basic financial management procedures including internal auditing, evaluation, and controls. This will take place as the traditional *ex-ante* control is progressively replaced or complemented by a newly defined *ex-post* control.

1. Introducing performance auditing

44. **PARL-I and II.** A performance audit manual that follows international standards was prepared and adopted in December 2006. Inspectors from both the General Inspectorate of Finance (*Inspection Générale des Finances*, IGF) and 14 General Inspectorate of Ministries (IGMs) have been trained using this manual, and about 50 IGM inspectors have been trained in the basics of performance auditing. However, the weakness of the technical capacities of the IGMs constrains their immediate autonomous development (though this remains a long-term objective), which is why joint IGF/IGMs performance audit missions have been conducted in 13 ministries that adopted flexible budgeting to audit the 2004, 2005, and 2006 budgets.

45. **PARL-III.** In light of CFAA recommendations, the IGMs need to be strengthened through an institutionalized, though temporary, partnership with the IGF. The IGF will play a leading role by

providing, at the IGM level, better dissemination, coordination, and standardization of audit methodologies. Additional efforts are also to be made in the areas of training, skills development, and monitoring of audit methodologies, primarily on issues related to government finance, accounting, and financial analysis. In this direction, further training and joint performance audits of the 2007 budget are scheduled to be started for 20 pilot ministries in July 2008. Internal audit also needs a legal support to acknowledge inspectorates' additional role as performance auditors (whereas for the IGF, the ongoing draft law will need to pass, for the IGMs a single decree would suffice). Finally, emphasis should be placed on training related to government contracting, in particular by the General Treasurer of the Kingdom (TGR), so that IGMs are better positioned to meet their legal obligation to perform annual audits of all contracts in excess of MAD5 million.

2. *Improving basic financial management procedures*

46. PARL-I and II. On budget accounting, two draft decrees revise the modalities of controls by the accountant, and lay out a new Chart of Accounts but have yet to be adopted. The new methodology, still based on the cash basis, introduces some elements of accrual accounting. On expenditure control, new manuals for procurement and expenditure controls have also been prepared and disseminated by the Comptroller General of Expenditures Commitments (*Contrôle Général des Engagements de Dépenses*, CGED), now organically linked to the TGR and still in charge of ex ante internal controls. As a result, 5,200 agents have been trained in both control offices and line ministries. The TGR has also implemented reforms that resulted in a sharp decrease in payment delays.

47. PARL-III. A study launched by the MEF on expenditure control was completed in April 2006 (a trigger for PARL-III). Following on the recommendations of the above-mentioned study, an incoming decree gradually reorganizes ex ante expenditure control (transferred to TGR) and facilitates deconcentration. The number of procedures required from the *ordonnateurs* has been reduced by half. Another decree, which establishes graduated expenditure control by IGF, ranks deconcentrated ministries' budget units on a scale of 1 to 3 for their management capacity. This rating conditions the degree of ex ante control to be retained. The account manager certification procedure (*certification des ordonnateurs*) is scheduled to be introduced in 2008 over a three-year period (more than 1,700 certifications are required, of which 159 are by the IGF and some 1,500 are by the TGR). It is important to continue and to strengthen the training of certifiers and to train instructors within the IGF and the TGR. For account managers, an interministerial training plan is also necessary. Financial management reforms will be complemented by continued deployment of the Integrated Budget Management (*Gestion Intégrée des Dépenses*, GID) computerized systems.

Component A.4: Reforming the Organic Budget Law

48. The consolidation of several actions conducted under the PARP now requires the revision of the OBL, with PARL-III support. Not originally included in the PARP, this measure, as recommended by the CFAA 2007, is now considered essential for the following reasons:

- Budget management reform has been carried out thus far through pilot testing and by limiting regulatory changes to a strict minimum (mostly by decree), which is now insufficient for further expansion of budget management reforms. Indeed, it requires important changes (but not solely) in areas regulated by the organic law, such as budget nomenclature (programmatic nomenclature), accounting classification and chart of accounts, accounting methodology, auditing of public financial accounts, staffing appropriation management system, and the budget expenditure authorization process.
- The new Government considers the new OBL as critical not only for its intention to deepen budget management reform, but to promote a *deconcentrated, decentralized, and regionalized results-oriented* budgeting process.

- The overall consistency of the pilot tests conducted to date should be strengthened in a comprehensive legal framework that defines the general architecture of budget reform and reflects the Government's political commitment to it, thus sending national actors and the international community a clear sign of Morocco's willingness to modernize its system of government finance.

49. **The new Prime Minister, in his inaugural speech, has clearly indicated the Government's intention to initiate preparatory work toward the approval of a revised OBL.** The World Bank will provide the groundwork support to it. In total, an initial period of roughly 24 to 30 months of work appears realistic. If a high-level working committee is rapidly set up by early 2008, a draft could be submitted in 2009 and adoption of the new OBL could thus be expected for 2010.¹ In the meantime, preparatory work toward a new budget nomenclature and chart of accounts should be concluded.

SUBPROGRAM B: IMPROVE EFFICIENCY IN HUMAN RESOURCES MANAGEMENT (HRM)

50. **The objectives of the program are to modernize the current civil service** by putting competences and performance at the core of the new system while keeping a career system. It also creates modern HRM tools to adapt civil service to key public sector missions and to manage staff in a more efficient manner. The new remuneration system, together with the mainstreaming of the RECs, will be a key achievement in the overall HR reform program. It is an in-depth structural reform that transforms civil service architecture in the medium term, while in the short term it eases current management constraints:

- *Structural reform.* It will improve consistency between staffing and its mission and salary, by the creation of a new job classification, which will in turn also serve as the basis for a new remuneration system.
- *Current HRM reform.* It improves recruitment and mobility procedures, changes rules for evaluation and promotion, and strengthens professional in-service training.

51. **International experience suggests that the scope and depth of the reform commands care and consensus building: no civil service reform of similar content has ever been completed in half a decade (in a civil peace context).** Moreover, Morocco is a precursor of this kind of HRM reform within the French tradition administrative system, and therefore lacks reference to lessons from other countries' success or failure stories. The World Bank P-ESW together with technical assistance from the EU is therefore instrumental both in terms of technical support and of policy dialogue and advisory capacity.

Component B.1: HRM structural reform

1. Strategic Staffing Frameworks (RECs) and related tools

52. **The RECs provide basic tools** to (a) adapt structures and staff to each ministry's mission, (b) identify the existing job families to replace the existing staffing structures (*corps and cadres d'emplois*), (c) evaluate individual performance more accurately, (d) design training plans so that staff can adapt to changing demands, (e) organize redeployment of staff as a complement to deconcentration and as a tool for service delivery improvement. Major management tools generated by the RECs are rolling jobs and skills management scorecards (GPEECs), HR computerised databases, and rolling in-service training plans.

53. **PARL-I and II.** The MEF and the Ministry of Public Sector Modernization (MMSP) started their Strategic Staffing Frameworks (RECs). The first ministries to complete their RECs have developed tools for GPEECs, such as performance charts and skills assessments, rolling staff management scorecards, HR computerized databases, and in-service training plans.

¹ An important factor in supporting this outcome would be finalization of the GID system, which implies satisfactory implementation of the first stage of deployment of the new information system by the end of 2008.

54. **PARL-III.** Completion of the REC process in the first four Ministries in 2006 and initiation in an additional four Ministries in 2006 were original triggers for PARL-III and have been met. These are the biggest Ministries in terms of variety of jobs and staff numbers. A total of 6 ministries have finished their RECs, representing at least 80 percent of total civil service (Agriculture, Economic and General Affairs, Transport and Equipment, Economy and Finance, National Education, and Public Sector Modernization). Other Ministries have started their REC in 2007, bringing the number of participants to 21 (out of 34). In 2008, the plan is for some 24 ministries and other public entities (a total of 32) to be involved in the REC process.

2. *New job classification*

55. **The corps and cadres system is expected to be deeply changed with the new job family system.** Currently, 70 or so statutes affect job classification. This proliferation imposes constraints that impede mobility and fuel intercorps competition for pay raises. It is the new job classification that should allow authorities to address the present constraints and negative effects of the corps system.

56. **PARL-I and II.** An action plan for harmonizing personnel regulations and drafting of decrees on administrative employment was concluded by end-2005. New jobs families were identified from the REC process. The Ministry of Public Sector Modernization (MMSP) has also worked to merge 22 statutes for all administrative jobs into three, but draft decrees have not yet made their way to government councils.

57. **PARL-III.** The MMSP launched the study on the job classification in a standard classification in December 2006 (a trigger for PARL-III). It is expected that, with technical assistance from the EU and support from the P-ESW, the new job classification will be completed by end-2008. It is expected that the three unified statutes for administrative jobs will be finalized by end-2008.

3. *New remuneration system*

58. **A new remuneration system that will result in a more predictable and slow growing wage bill is a priority, and is needed by HRM reforms described above.** The current remuneration system in Morocco has been distorted by ad hoc pay raises in the form of bonuses to each and every corps successively, a process initiated in 1996 and concluded in 2005, which reached its full wage bill impact in 2006. As a result, today payroll consists of a low base salary, and up to 80 percent of the overall remuneration in bonuses in some instances.

59. **PARL-I and II.** Supported by P-ESW, the Government finalized terms of reference for a one-year study on reforming the remuneration system in 2006. The study will be informed by preliminary results of the RECs, and by the new classification for job families and positions. The study will consist of three sections: (a) first, the Government is to be provided with best practices in remunerations reform; (b) second, it will benefit from an updated diagnosis of current distortions; and (b) third, proposals will be submitted to create a new remuneration system in line with the new job classification.

60. **PARL-III.** This study has been launched end-March 2008. Delays are partially attributable to lengthy administrative procedures to secure financing for the study from donors and institutional resistance. Thus, the trigger as originally set was not fully met, and reformulation of the measure was needed. However, despite the lengthy process, the study is now taking off. It is expected that building on the study, the government will come up with a more transparent and equitable remuneration system.

Component B.2: Current HRM system reform

61. The above-mentioned structural reforms are far reaching, and their implementation requires time. In the short term, however, the HRM system is also being improved to ease current bottlenecks. Proposed

reforms would affect mobility, locally based competitive recruitment exams, wage bill appropriations, and HRM deconcentration at the sector level (and in the distant future, the branch offices). However, for the time being, important reform actions are stalling, for lack of legal endorsement.

1. *Recruitment and mobility*

62. PARL-I and II. A bill was prepared modifying the general civil service statutes reforming recruitment, mobility, secondment, and external assignment. The bill opens the possibility of redeployment, making competitive examination the sole hiring mode and creating contract employment by the State. It has been voted by the Lower Chamber, but is now held up the Upper Chamber to explore at length financial incentives for redeployed employees. Draft implementation decrees have been prepared, but they cannot be implemented without the law. Although a high priority for the MMSP and the new Government, redeployment cannot be fully launched for lack of incentives for candidates. A job exchange website has been developed, with limited success for the time being.

2. *Evaluation and promotion*

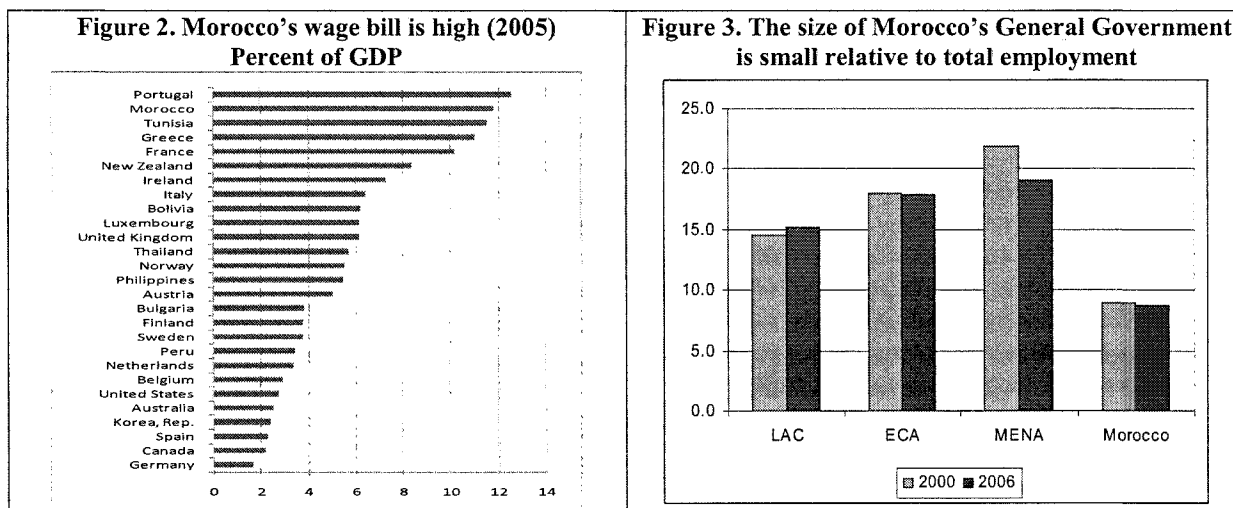
63. PARL-I and II. Two decrees were adopted in early December 2005 reforming promotions and establishing new and transparent procedures for performance evaluation. The first decree set quotas on promotion opportunities and retroactively confirmed the special promotions that took place between 1996 and 2004. The second decree amplified the traditional procedure of annual rating with an evaluation procedure that must take place at least once every two years and which is presented as a prerequisite for any new appointment or promotion. Performance evaluation plays a determining role in employees' eligibility for future promotions (half of the quota is for best performance). However, since quotas were not put in place in the evaluation process, a survey conducted by the MMSP has shown that Ministries tended to push ratings to the higher levels, thus making it necessary to revise the evaluation procedure to introduce quotas in the ratings as well.

3. *In-service training*

64. PARL-I and II. A decree adopted in early December 2005 focuses on in-service training for civil servants and government employees. A national strategy has been finalized and the MMSP has identified the engineering needs of in-service training, and disseminated a methodology for developing both an in-service training plan and the specifications for acquiring in-service training. The overall training budget should increase by progressive steps to about 1 percent of the wage bill (it is usually about 3 percent in Organisation for Economic Co-operation and Development (OECD) countries).

SUBPROGRAM C: CONSOLIDATE AND CONTROL PUBLIC PAYROLL DECREASE

65. The key challenge in this component remains the high, albeit decreasing, share of the wage bill with respect to the country's income. After being one of the highest in the world, Morocco's wage bill is declining to a target ratio of 10 percent of GDP by 2010, which still is high per international standards (Figure 2). The wage bill also accounts for a very large share of the Central Government's budget: In 2007, the wage bill accounted for 44 percent of current expenditures and absorbed 47 percent of tax revenues. High salaries rather than excessive employment explain these ratios. In Morocco, on average, public wages are more than twice as high, and have grown faster, than private wages in the last decade. In contrast, with respect to total population, the Government's size is smaller than similar ratios in LAC, ECA, and the MENA regions: whereas Moroccan Central Government employees represent less than 3 percent of total population, this ratio stands between 5 and 8 percent in all three regions. Assessed as a share of total employment, Morocco's Central government size also stands at less than 8 percent, while it is more than 14 percent in the three regions (Figure 3).



Source: MEF, MMSP, and Bank staff estimates.

66. Despite the decreasing trend in wage bill growth is encouraging, the Government's goal to control public payroll in the medium term is complicated by the lack of budgetary ceilings on wage bill appropriations by line ministries. This task is complicated by the lack of a single administrative entity in Morocco in charge of its timely monitoring and management. The MEF makes projections under the Budget Law, the Kingdom's Principal Paymaster (*Paierie Principale des Rémunerations PPR*) pays salaries every month after due diligence, and sector ministries maintain day-to-day responsibility for administrative management of hiring and promotions. However, the ministries are only indirectly accountable for the budgetary implications of their decisions in the wage bill. Indeed, wage bill appropriations have no ceiling (*crédits évaluatifs*), contrary to most of the other budgetary appropriations, which have a ceiling (*crédits limitatifs*). As a result, the Government's attempts to control payroll growth are limited to its control over recruitments and, more recently, over future promotions.

67. While acknowledging that revision of the OBL is needed to formally introduce budget appropriation ceilings (*crédits limitatifs*) to ministries, PARL-III supports two types of preparatory actions on this subprogram. On one hand, it supports structural reforms of the civil service management system. The new civil service management system should consolidate control of the wage bill through a combination of the gradual introduction of tools leading to the introduction of budget ceilings in the medium term with enhanced monitoring, redeployment, and control of staff numbers. On the other hand, in the short term the PARL also supports measures to mitigate the negative impact of past arrears in granting promotions and filling of vacant posts on wage bill growth. Together, those actions should not only bring the wage bill to reach its target 10 percent of GDP by 2012 or earlier, but to also make it sustainable in the medium term, while accommodating an "optimal" size of public servants.

Component C.1: Consolidation of the monitoring and control of the wage bill

68. Solid and accurate forecasting and monitoring capacity is a fundamental prerequisite for controlling the wage bill. A recent study supported by the P-ESW concluded that the Government's model for forecasting the wage bill is adequate, but has room for improvement.

69. PARL-I and II. Three-year rolling projections of the wage bill were developed for 2005–08. These projections have been annually updated; however, deviations are registered ex post. A comparison of appropriations listed in the budget (projection) with actual expenditure (execution) yields the following positive deviations: 2.6 percent for 2003, 3.2 percent for 2004, 2.0 percent for 2005, and 6.0 percent for

2006. Both the CFAA update and ongoing P-ESW analytical work have identified the main reasons for forecasting deviations: The system shows weaknesses in the following areas:

- High back payments, mainly resulting from a significant stock of approved but unenforced (arrears) past promotions, and to a lower extent from regularization of past recruitments and dismissals. Overall, they amounted respectively to 11.3 and 12.3 percent of the wage bill in 2005 and 2006, but the large bulk stem from promotions in arrears that represented about 8.7 and 8.3 percent of the wage bill in 2005 and 2006 (that is about two thirds of total back pay). Data on back pay per ministry show that about 75 percent of the back payments in 2006 were generated at the Ministry of Education.
- To a lesser extent, new hiring. In net terms, the number of new persons hired has decreased from 14,181 in 2006 to 10,520 in 2007, but above former Prime Minister's ceiling of 7,000 positions. Bypassing the ceiling took place through the filling of vacant budgeted positions (a total of 7,300 positions filled in 2006). However, the number of persons hired through this mechanism will decrease as, first, the stock of vacant positions has become very small (now representing 14,335 by end-2007 or less than 2 percent of the total civil service), especially at the ministry of education which has made most use of this hiring procedure (4,918 positions filled in 2006 only); and, second, a good share of new hiring regularized persons already working under a different contractual arrangement, with their regularization only having a marginal impact on the wage bill.

70. **PARL-III.** Mainly as a result of the ERP, the Government has reduced the payroll to 10.8 percent of GDP in 2007, and it projects a payroll ratio of 10.4 percent of GDP in 2008, all in line with a 10 percent of GDP target by 2010. In addition, a Prime Ministerial circular was issued in 2007 to speed up the regularization of past promotion of civil servants and government employees, and set new deadlines for processing of requests. Its impact already appears to be significant in reducing the volume of back pay over 2007² and thus reducing forecasting errors of the wage bill to 4 percent. Consequently, back pay receded to 8.5 percent of the wage bill in 2007, almost 4 percentage points less than that of 2005-06. Most of the gain came from a streamlined promotion process, combined with better monitoring of the hiring and the use of vacant positions. Ministries did not use all the 2007 budgeted positions, except for those of education, health and security, reflecting the priority given by the government to fill the gaps in the social sectors.

71. With PESW support, the Government intends to improve its forecasting and monitoring capacity with a strengthened payroll model and the creation of a wage bill monitoring body. The latter will develop quarterly ex ante monitoring of actual promotions, recruitment, and uses of vacant positions and their provisional impact on the wage bill. Based on the payroll model and its monitoring, the Government will produce a corresponding quarterly report exposing, among other things, the evolution of sectoral personnel expenditures and their main determinants. In-year corrective measures would also be introduced, following quarterly reviews of personnel expenditures. This would also lead sector ministries to monitor their promotion and hiring levels more often, thus diminishing their stock of the promotions backlog.

Component C.2: Qualitative re-profiling of the civil service

72. **The age pyramid and the staff profile have been modified by the Early Retirement Program (ERP).** In the next five years, the number of annual public servants retiring will double from about 5000 public servants retiring under normal conditions in 2007, to about 11,500 in 2012. The profile of civil

² The purpose of the Prime Minister's circular of March 22, 2007, is to simplify the administrative procedures in human resources management. In particular, it states that, before actually recruiting a civil servant, the government must make sure that all required documents for his or her integration at grade level have been provided. The circular lays out simplifications of certain instruments that often slow the regularization process. In this regard, the circular calls on the Government to regularize within two months the status of recruited civil servants.

service has also been affected by marginal personnel redeployment from overstaffed to understaffed regions and deconcentrated directorates, in line with the changing needs of public administration.

73. PARL-I and II. The ERP was completed in 2005. Retirement was voluntary, although ministries had the right to refuse applications where positions were considered crucial. The operation was very successful. More than 52,500 applications were received; about 38,600 were accepted (approximately 8 percent of the civil service). The ERP has produced a relative improvement in the qualitative characteristics of civil servants, especially by making the civil service younger due to the age structure of ERP beneficiaries, the majority of whom are over 50 years of age. The ERP has also resulted in a partial reduction of the disparities in the regional distribution of civil servants at the expense of the central regions (Casablanca, Fez, Rabat). However, the ERP has not led to a significant reduction in the proportion of employees ranked at the bottom of the scale. Still, it should be noted that the measure taken to prohibit recruitment at wage levels 1 to 4 should, over time, help improve the ratio of managerial staff in the civil service.

74. PARL-III. Authorities have indicated that they intend to take advantage of the RECs and the adoption of new legislation to significantly redeploy personnel from overstaffed to less-served areas. Deconcentration of recruitment should also guide redeployment policies. Positions liberated through regular retirement in overstaffed areas to be identified should be eliminated. Within the hiring ceilings set by the authorities, recruitment should be reallocated to priority sectors such as education, health, security, and justice, and to underserved regions and prohibition of hiring staff at the lower scales (1 to 4) of civil service needs to be continued.

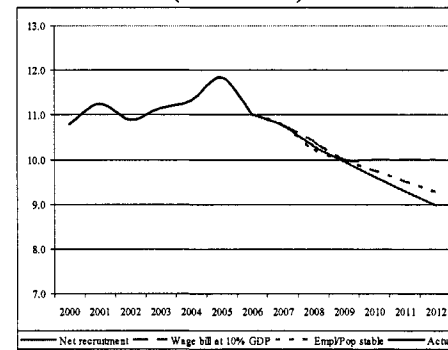
Component C.3: Introduction of best practices in the monitoring, forecast and payroll credit management in line ministries and stabilization of the number of civil servants

75. Line ministries manage recruitment and promotions without due regard to their impact on personnel expenditures. Personnel credits are not constrained by any ceiling. In general, the actual wage bill exceeds the budgeted figure, making control of the wage bill problematic. In the medium term, developing line ministries' capacity for managing personnel credits, supported by ceilings, would lead to an efficient control of the wage bill. At present, ministries that do have MTEFs and performance budgeting do not manage salaries. In the extreme case of education, this means that about 94 percent of their recurrent expenditure budget is excluded.

76. Keeping the number of new hiring low would contribute to meeting the payroll ratio target set for 2009. The Government intends to maintain a ceiling on yearly recruitments. Past agreed ceilings of 7,000 positions freed annually through normal retirement and contained in the 2006 and 2007 budgetary laws have failed. The ceiling set contrasts with a higher number of people actually hired in 2006 and 2007. And the creation of 16,000 posts (9,000 in net terms) approved in the 2008 Budget Law points to an enlarged ceiling. Authorities argue that additional recruitments are exceptionally needed this year to reform the military pension system, fill the exceptional needs of security services, and regularize teachers and health workers that are already working under a temporary status, which actually reduces their impact on the wage bill. In the future, however, Authorities are proposing to stabilize public servants growth at some "optimal" size that takes into account increasing departures of public servants, geographic priorities for personnel redeployment, and new priorities, like increased security needs. Figure 4 depicts three possible scenarios for the wage bill growth trends under three alternative public sector employment scenarios in the near term: (a) zero net recruitment, (b) keeping the wage bill constant at 10 percent of GDP, and (c) keeping the ratio public servants to population constant. It is important to notice that in two out of the three scenarios, the wage bill declines; and only in the second one, it remains constant by assumption.

77. **PARL-I and II.** Beyond the prohibition on hiring low-skilled 1–4 category workers and the freeze on temporary workers, only the Prime Minister has authority to open new positions. He issued a letter in 2005 asking the Minister of Finance to ensure that the number of newly created positions would strictly correspond to the 7,000 positions freed up through normal retirement starting with the 2006 budget. The ministries, though, circumvented the ceiling by filling the stock of vacant posts. According to the Authorities, the stock of vacant posts now appears considerably reduced to about 14,000 positions down from 20,500 positions in 2005.

Figure 4. Optimal Civil Sector Size Scenarios (% of GDP)



78. **PARL-III.** The Government is committed to a gradual introduction of best practices in personnel expenditure management in line ministries, thus preparing them to the gradual introduction of budget appropriation ceilings (*crédits limitatifs*) to personnel expenditures. Four pilot ministries—Finance, Education, Health, and Housing) would take the lead, followed by others in a later stage. Once the new OBL is approved, all ministries would follow. Best practices also involve good monitoring and forecasting capacity, developed by. To this end, the Government issued a circular creating an interministerial Group. The group would also set clear goals in the area of recruitment control, revising explicit prohibitions, and once agreed, made their enforcement more effective through regular monitoring of new hiring and the stock of vacant posts. Last, but not least, line ministries would gradually move to manage their wage bill appropriations. PARL-III would support the development of a three-year action plan on personnel expenditure management as follows: (a) training the four pilot ministries during the first year (2008), (b) test management and accounting procedures in the four pilot ministries during the second year (2009), and (c) progressive generalization of these procedures to other ministries during the third year (2010). At the end of this process, and in combination with the projected approval of the new OBL, new payroll management procedures can be accompanied by restrictive payroll appropriations.

SUBPROGRAM D: E-GOVERNMENT AND SIMPLIFICATION OF PROCEDURES

79. **This new subprogram promotes the development of e-government as a key complementary tool for Morocco’s public administration reforms.** It focuses on e-government to simplify procedures and thus improve the efficiency, effectiveness, transparency, and accountability of the administrations. In addition, it uses e-government as an enabler of changes in behaviors, processes, and organization to transform these public entities.

80. **The new Government has made the inclusion of e-government a key priority in its intention to simplify public procedures and achieve efficiency gains in public administration management (Annex 5).** The PARAP takes into account the current e-government program in the country, and includes three key components identified as critical for the success of the program aiming at:

- Improving the institutional structure to enhance e-government program coordination, facilitation, and leadership across the administration;
- Ensuring that the vertical applications have high quality and depth, provide accelerated service benefits to citizens and businesses, and deliver demonstrative results to the public; and
- Strengthening horizontal foundations in order to provide a stronger “backbone” for the e-government program, and to minimize back-office issues across multiple layers of government and sectors.

Component D.1: Improve the institutional framework and government leadership

81. E-government cuts across all public departments and sectors of the economy to deliver innovative services and transform administrations. E-government provides opportunities for sharing resources and processes, and integrating services and delivery platforms. Therefore, it presents unique challenges for traditionally “silo”-driven administrations, because it requires institutional arrangements and coordination mechanisms that ensure the coherence of policies and investments across all sectors. In addition, it requires change leaders to help other government officials see the possibilities offered, and to drive the vision of transformation through administrations.

82. The current institutional framework in Morocco is complex. This is an obstacle to the rapid implementation of e-government strategies at the operational level, and limits the use of e-government as a tool for public administration reforms. Moreover, the e-government program lacks a unique change leader to marshal program support, drive shared services, and to be the visible “face” of the e-government program.

83. PARL-III. To set up a clearly identified governance structure for e-government leadership, coordination, and facilitation in Morocco, a Prime Minister’s letter should create a governance structure with the authority, credibility, funding, and visibility to guide public sector action in the e-government program. The responsibility in the e-government area should be clearly attributed to this governance structure, which would involve different Ministerial departments, assisted by a strong and competent secretariat. In addition, this governance structure should have cross-cutting oversight and be able to coordinate the design and deployment of e-government services across agencies, in alignment with ongoing public sector reforms. The governance structure would cut across different themes, such as identification and dissemination of technical standards and processes, harmonization of record management, backup and storage, security, privacy, and authentication.

Component D.2: Improvement of public services and simplification of procedures by means of administration online (e-government)

1. e-Customs

84. An efficient and effective customs system improves the public administration in terms of revenue collection, combating fraud and illegal trafficking, encouraging international trade, and providing statistical information on foreign trade for economic planning. In Morocco, the e-Customs system is migrating toward an improved system dubbed Automatic Customs Network Database (*Base Automatisée des Douanes en Réseau*, BADR). This new system provides businesses, shippers, and customs agents ready access to declarations through the Internet. It consists of several online services such as custom guarantees, clearance of vehicles or motorcycles, and status and progress check in real time. As a result, clearance time has been reduced from five days to less than an hour, and electronic payments are currently available. BADR is also connected to the integrated budget information system, the tax system, and the *Direction Générale des Impôts*. However, the migration has not been completed, and the system is undergoing a final audit of the quality of the system.

85. PARL-III. The objective is to increase transparency, accountability, and access by providing comprehensive customs procedures online, and to expand the use of this system in order to accelerate the realization of benefits across the country. Therefore, the migration to the online BADR platform should be completed so that the public administration can improve this critical service and provide better access to businesses.

2. E-Procurement

86. E-Procurement has proven to be a highly effective tool for public administration reforms, with significant economic benefits. It increases procurement transparency, leading to lower prices, waste, and corruption, and increases the speed and process efficiency of public procurement, thereby minimizing delays in bringing the benefits of the procurement to the public.

87. The implementation of an e-Procurement system is ongoing in Morocco, and the website went “live” in January 2007. The Parliament in October 2007 voted for mandatory use of e-Procurement for all government purchases, and the Prime Minister’s Office is expected to mandate its use to all agencies. However, current usage of the system is limited to the central level and it is not used by local governments, even though more than 50 percent of total government procurement is conducted by municipalities. Moreover, not all of the tender procedures are available online, including the submission of technical and financial offers by bidders.

88. PARL-III. The objective is to expand the use system for government procurement so that its benefits can be realized across the country. Hence, the e-Procurement system should be generalized at all levels of the administration, initially at the central level, and in second stage in local administration, starting perhaps with major cities, and public entities. The functionalities included in this generalization should include all functions related to a wide range of phases of the procurement process, including the downloading of offers, terms of references, and tender results. The only phase which is presently not covered by the system is the on-line submission of offers. There are plans to introduce this feature in the future. Training should also be provided to all stakeholders involved in central procurement for all ministries, and the Government of Morocco should provide a secure Internet platform that permits interested businesses to submit tenders containing technical and financial offers electronically.

Component D.3: Strengthen horizontal measures in support of e-government: externalization, normalization, and enterprise architecture

1. Externalization

89. Externalization may bring multiple benefits. It can help relieve public administrations of the financial and administrative burden of providing services. If placed within a Public-Private Partnership framework, externalization also facilitates the sharing of risks with the private sector, enable faster deployment of better services to constituents, and facilitate transfer of know-how, best practices, and methodology. Concurrently, governments can still retain an important role in regulating and monitoring the performance of private partners.

90. Morocco’s e-government committee encourages the use of PPPs for new services. In addition, Morocco has a good software/IT private sector and existing programs that appear to be feasible for outsourcing, such as e-Procurement, government portals and networks, and e-Human resources. However, this approach had not been implemented for any e-government service to date, and there has not been any feasibility study to assess the general viability and affordability of PPP for these services.

91. PARL-III. The objective is to realize the benefits of externalization by implementing a study on the externalization of certain functions of the Ministry of Finance, and to assess the general viability of the approach for e-government applications across the administrations.

2. Interoperability framework and standard norms

92. A coherent interoperability framework is vital for a coordinated and integrated rollout of e-government services. Standard norms are needed to provide clear guidelines for achieving interoperability across public administrations with regard to management of information, and have to be

elaborated for the technologies involved. The use of standard norms can also contribute to making web services truly citizen-centric. User-friendly technologies help to ensure universal access, and standardized layout and navigation improves accessibility and usability for citizens with special needs or low schooling, or to users of different technological platforms.

93. Currently, there are no interoperability frameworks or standards for e-government in Morocco. Concerns have been expressed in the *Informatisation des Départements Administratifs et leur Mise en Réseau Adéquate via les Technologies de l'Information* (IDARATI) program documents. In addition, the current websites of the public administrations in Morocco have substantially different layout, functions, colors, information, and so forth; are not regularly updated; and do not offer basic content such as contact information. The e-government Committee has recognized the importance of such norms and therefore identified several domains for normalization that relate to issues of accessibility, content, and navigation and formats, but the norms have not been developed to date.

94. PARL-III. This component aims to develop basic interoperability framework and standard norms, in order for the e-government program to have the basic technical grounding for expansion. The framework should cover technical standards, semantics, and organizational interoperability, with an emphasis on flexibility, modular design, functionality, and support. Norms also need to be developed and embodied in visuals, prepare manuals and technical guidelines covering issues related to usability, accessibility, service uptime, graphic elements, content management, layout and basic functionalities, and so forth. In a first phase, a feasibility study will be conducted.

IV. THE LOAN

RATIONALE FOR BANK INVOLVEMENT

95. The Bank has valuable experience in supporting Morocco's public administration reform. Despite delays in the implementation of two triggers, the Government ownership of the program has been strong and the collaboration with the World Bank and other partners is excellent. The Government has adopted a responsible fiscal policy to preserve macro stability and comprehensive public administration reform to improve the efficiency of public expenditure, while supporting quality public services and enhancing budget transparency. It is also proposing to extend reforms to introduce e-government.

96. Building on PARL-I and II, the proposed third operation is justified by the need to preserve momentum for consolidating medium-term reforms, while opening new areas of interest for the Authorities, especially on e-government and its associated simplification of procedures. In Morocco, like in other countries, reforming the public administration has been politically difficult. The Government recognizes that the support and rigorous scrutiny of the Bank through analytical and lending instruments has been very useful in strengthening the hands of the reformers in the face of opposition elsewhere. As discussed above, progress in implementing the reform program has been broadly on track, but it is partial, and in the absence of a modern budgetary legal framework, it remains fragile. Some actions or components of the reform have experienced some delays, but all major elements of the program are under way, and most of the detailed original actions agreed with the Government are still valid, as documented by supervision missions by the Bank and the European Union, by the PARL-I ICR, and by the ongoing P-ESW. In addition, the Government expects that adding a component on e-Government will allow the population to perceive early benefits in public service delivery, while enhancing the transparency of some of its operations, especially public procurement.

97. The matrix revised for PARL-III provides guidance for actions on a future operation PARL-IV related to this program. As was done for PARL-I and II, specific actions, singled out in the new matrix (see Annex 2), provide prior actions and benchmarks for the supervision of this PARL-III and for the preparation of PARL-IV.

LOAN OBJECTIVES AND SEQUENCING

98. **The proposed loan will continue supporting the multiyear Government's PARP included below (Table 6 and Annex 2), and summarized in the Letter of Development Policy (Annex 1).** The loan is based on reform measures that would be implemented by the Government prior to Board presentation. The medium-term objectives of PARL-III are to: (a) improve efficiency in government budget management; (b) improve efficiency in government Human Resources Management; (c) continue to decrease the public payroll; and (d) improve public services and simplify procedures through e-government. The grant of a new loan is well justified by steady progress achieved in the implementation of prior actions and expected further actions agreed with the Bank in the comprehensive matrix of policy reforms of the Public Administration Reform Program (PARP). From the Bank perspective and because of its internal procedures, the proposed loan will be the first of a new series of annual programmatic loans. However, the name PARL-III will be kept to show the continuity with the previous series of loans (PARL-I and II) supporting implementation of the reform program. The need for a fourth loan has been identified. Key prior actions for PARL-III and proposed prior actions for PARL-IV are described below.

FUTURE PROSPECTS

99. **The support of the PARLs to the implementation of the PARP has gone through several related stages.** The first phase of the government program emphasized its overall design and internal consistency, while implementing critical prior actions. The second phase of the government program introduced new management tools, sometimes on a pilot basis, while focusing on measures to contain the wage bill. PARL-III sets the stage for consolidating not only the pilot cases, but for introducing new elements of reform.

100. **Two main reasons justify the continuation of Bank's support through a possible PARL-IV operation.** First, the proposed operation would allow the generalization and conclusion of all of the reforms that were envisioned in the PARP in key areas such as MTEF, performance budgeting, HRM, deconcentration, and payroll control; second, a PARL-IV operation would permit a smooth accommodation of new and important complementary elements of reform that will contribute to its consolidation. Overall, a follow-on operation would not only allow close monitoring along the path toward consolidation, but it would permit the introduction of complementary technical assistance required by reforms in areas like the Organic Budget Law, auditing, and e-government.

PRIOR ACTIONS FOR PARL-IV

101. The consolidation and deepening of ongoing reforms justify the prior actions identified for PARL-IV that follow:

- *MTEFs generalization:* Extending the MTEF to 5 new ministries will allow its gradual generalization, enhanced linkage with the preparation of the annual budget law, and a major contribution to define target indicators of sectoral policies, while reorienting budget funds accordingly.
- *Budget deconcentration.* While waiting for approval of the deconcentration strategy, the Government intends to implement several actions that will facilitate its future implementation under the framework of results-oriented budgeting. The signing of 3 pilot performance contracts between the two key social ministries—health and education—is key in this direction.

**Table 6. Multiyear Government Program: Actual and Future Prior Actions
(unless indicated as benchmarks)**

PRIOR ACTIONS PARL-III		PRIOR ACTIONS PARL-IV
I. IMPROVE GOVERNMENT EFFICIENCY IN BUDGET MANAGEMENT		
Preparation of sectoral MTEFs by a total of 9 Ministries.	⇒	Extension of sectoral MTEFs 2009–2011 by the incorporation of 5 new ministries, with the assistance of an ad hoc Working group.
Extension of flexible budgeting to at least 30 Ministries.		
Signing and dissemination of a circular issued by the MEF which improves the process of budgetary credits deconcentration and simplify its procedures.	⇒	Signing of a minimum of 3 pilot performance contracts between the ministries of Education and Health and their deconcentrated offices.
Completion of a study on the control of public expenditure.	⇒	Establishment through a Prime Minister's decree of a new system for the control of public expenditure.
Preparation of performance audit reports 2006 by the IGF/IGMs in at least 13 pilot departments, and publication of a consolidated performance audit report of the 2006 budget (benchmark).	⇒	Preparation of performance audit reports 2007 by the IGF/IGMs in at least 20 ministries, and publication of a consolidated performance audit report of the 2007 budget.
II. IMPROVE GOVERNMENT EFFICIENCY IN HUMAN RESOURCES MANAGEMENT		
Completion of the REC in at least 6 Ministries in 2007.		
Launching of the study to classify jobs in a standard job classification.	⇒	Completion of the RECs for all eligible Ministries. (benchmark)
		Completion of the standard job classification.
Designation of the firm in charge of the study on the development of a new compensation system based on a new job classification.	⇒	Completion of the diagnostic, the review of the existing literature and the technical adjustments, and start up of the design of scenarios for a new compensation system based on a new job classification.
III. CONSOLIDATE AND CONTROL PAYROLL DECREASE		
Establishment through a MEF circular of a Commission in charge to make a quarterly monitoring of the wage bill.	⇒	Publication by MEF of a quarterly report on the evolution of the wage bill and its main determinants in each ministry.
Establishment through a MEF circular of a Group in charge of the preparation and implementation of measures leading to an improved monitoring and forecasting of the wage bill, and the gradual introduction in 4 ministries (Finance, Education, Health and Housing) of best practices in payroll credits management.	⇒	Extension of best practices in monitoring, forecasting and payroll credits management to other ministries.
IV. IMPROVE PUBLIC SERVICES AND SIMPLIFY PROCEDURES THROUGH ONLINE E-GOVERNMENT		
Preparation of a Prime Ministerial circular on the overall framework of credible governance for the development of the information society and e-government. (benchmark)	⇒	Implementation of the overall framework of credible governance for the development of the information society and e-government.
Generalization at all the central administrations levels of the existing tools as regards public bids online (download offers and terms of references, and results).(benchmark)	⇒	Extension to some public entities as well as some local administration of the existing tools as regard public bids online (download offers, terms of reference, results, and the submission of offers online).

Note: A few benchmarks are included just to show progress achieved so far, and their articulation with PARL-IV.

- *Production of performance audits and the consolidated report by the IGF.* This measure will contribute to the development of results-oriented budgeting in line ministries. It is a central requirement for the improvement of performance indicators and for achieving a consensus between donors and the Government on policy orientations. The present indicators are too numerous and need to be drastically reduced and their quality improved. The consolidated report will summarize such efforts.
- *New control system of public expenditure.* This major measure completes the reform of the a priori control of public expenditure. Initiated in 2006, this measure merges the former organization in charge of it with Treasury. Hence, it simplifies the a priori control, without losing its efficiency and reliability.
- *New standard job classification.* This is a central tool derived from the strategic staffing frameworks and is a major contribution to the modernization of public administration. It will build upon the job description of post and competencies, while serving the preparation of the new remuneration system.
- *Completion of the study of the new remuneration system.* According to the expected schedule, completion of the diagnostic and the technical adjustments are the central inputs for the future dialogue and preparation of the critical reform scenarios of the new system.
- *Quarterly monitoring of the wage bill.* Good forecasting and monitoring are needed to consolidate payroll decrease (as a percentage to GDP). The Commission created will monitor payroll trends while improving forecasting tools and proposing corrective measures when deviations appear. The required report will be the major regular output of such efforts.
- *Generalization of best practices in monitoring, forecast, and management of personnel credits by line ministries.* In the medium term, a sound control of the wage bill requires active administrative management by each ministry within limited allocations of the initial budget law. The useful lessons collected from the experience of the 4 pilot ministries during 2008 will ensure that the process could be deepened and consolidated.
- *Setting a framework for the information society and e-government.* This major effort is essential to support harmonized public services in both fields.
- *Generalization of the e-procurement system.* This improvement will have a major impact on the system's users that participate in online transactions. It will also allow a bigger number of transactions and lower costs. International experience in countries like Chile and Estonia show that savings equivalent to 10 to 20 percent are obtained from the use of online procurement services as markets become more competitive and the number of bids increase. So, as the number of firms participating in the e-procurement website increases, it will allow a more transparent procurement system, less prone to the risk of corruption, and facilitating universal access to public bids online.

LINK TO THE CAS AND OTHER BANK OPERATIONS

102. The proposed PARL-III, currently scheduled for presentation to the Board in May 2008, is consistent with the Country Assistance Strategy (CAS) adopted in May 2005, Outcome 1.2: Increase the efficiency of public administration, and with the CAS Progress Report submitted to the Board on November 13, 2007. The proposed loan is part of the CAS base case and high case scenarios, and the decline in the wage bill as a share of GDP is a trigger for fast-disbursing adjustment lending. The proposed loan complements and strengthens the ongoing multiyear Programmatic Economic Sector Work

(P-ESW) activity through which the World Bank is providing the Government with advice, training, and technical assistance as required in the areas of budgetary management, civil service reform, and wage bill containment. A related Memorandum of Understanding on Programmatic Economic and Sector Work is updated and agreed on an annual basis. The proposed loan also complements other World Bank operations benefiting from MTEF work, like those ongoing in education and water, or completed analytical studies in areas like health.

POVERTY AND ENVIRONMENT ASPECTS

103. Public administration reforms aiming at improving the internal efficiency of the public sector are difficult to evaluate using Poverty and Social Impact Analysis (PSIA) tools. The social impact of reforms, such as those supported by PARL-III, can be approached through its indirect effects on welfare of different groups. These are:

- **Direct welfare effects of the ERP were positive and equity-enhancing.** The program resulted in an overall net positive increase in savings, wealth and welfare, particularly of ERP participants, because of the severance payments granted, thus broadly offsetting the negative consumption effect of their wage lost (see Annex 6 for details). At the macro level, aggregate GDP should have increased as a result not only of higher savings (and related investment, especially in housing), but of additional wages resulting from private sector employment of many retired civil servants. And at the micro level, as public servants are not located at the bottom part of poverty and vulnerability indexes, any eventual decrease in their welfare should have had nil effects on poverty. Finally, as most ERP participants were senior staff, the program moved up younger staff to higher positions; thus increasing their revenues as well.
- **Fiscal savings from the ERP—equivalent to about one percent of GDP—were positive and have the potential to increase the fiscal space to be reallocated to social programs.** Strengthening social protection is one of the main objectives of the current Government, which is taking steps to improve targeting and coverage of the social protection system.
- **Service delivery resulting from the ERP has improved, despite minor concerns on service coverage in the rural areas.** Initially, the departure of teachers and health workers could have temporarily worsen the shortage of the supply of public servants, especially teachers and health workers in the rural areas. However, studies show that understaffing in those areas existed long before the ERP and that overstaffing was rather concentrated in administrative staff located in urban areas—mainly Rabat and Casablanca—with very low poverty incidence and relatively good access to services. In addition, the refusal rates of ERP applications were higher in these two ministries—Education (41 percent) and Health (32 percent), showing action to retain staff critically needed to deliver services. In any event, in the last two years, these two ministries have had priority to combine new hiring with limited redeployment focused on remote areas.
- **The gender bias of the ERP was minimal**, as it resulted in a slightly higher incidence in women than in men: 8.3 percent of total female civil servants departed versus 7.2 percent among male employees. Therefore, gender balance in the public administration has not been affected.

104. **Overall, there are more gainers than losers from the implementation of the PARL reforms.** Table 7 summarizes the impact of PARL based on the existing knowledge of transmission channels, groups or institutions be affected (see also Annex 6). It shows what are impacts' expected direction and order of magnitude on the groups likely to be most affected. Overall, the effects are not likely to be large. But there are both positive and negative effects. The table also provides a list of stakeholders which are

Table 7. Morocco: Winners and Losers from the implementation of PARL reforms

PARLs-Goals per Component	Overall Size of Distribution Effects	Channels and Direction of Impact on Living Standards	Main Winners and Losers; How the Poor Are Affected	Sign of Effects on the Poor
<p>A: Improve Efficiency in Budget Management</p> <p>1. Budget flexibility facilitates transfers of resources among ministries; 2. Aggregate and sector medium-term expenditure frameworks (MTEF); 3. Introduction of performance budgeting; 4. Expenditure control streamlined/ greater transparency.</p>	<p>Since reforms are gradual, expected effects are small in the short to medium term, but clearly positive in the medium term.</p>	<p>(+) Social program budgets are more predictable and protected from sudden cuts. (+) Money is flowing more regularly to agencies that provide services to the population. (+) More efficient social programs can be expanded, while inefficient programs that were dragging on for a long time without being reformed are closed or restructured. (-) New initiatives that are not timely included in the MTEF are not getting funding required and are delayed in their implementation. (-) Risk of overspending on the process of measuring too many performance indicators.</p>	<p><u>Gainers</u>: Beneficiaries of the new social programs. <u>Gainers</u>: Users of public services. <u>Gainers</u>: NGOs working in partnership with the government in service delivery. <u>Losers</u>: Those who were using the public funds for personal gain and enrichment. <u>Losers</u>: Beneficiaries of restructured programs.</p>	<p>Poor will win, but in practice until end-2007 none of the potential effects in terms of new targeted social program materialized.</p>
<p>B: Improve Efficiency in Human Resources Management</p> <p>1. Strategic staffing frameworks. 2. Stricter rules for evaluation and promotion, and strengthened training. 3. Remuneration systems aligned with the labor market signals and international practices.</p>	<p>Small to medium positive effects through more equitable and less distortionary public wages, and improved public service delivery in the medium term.</p>	<p>(+) Less distortions in wage settings and overtime for public servants, hence moderation in overall income inequality. (+) Transparent market-based rules for wage setting in the public sector improve conditions for new entrants and facilitates private sector hires as well. (+) Positive effects on incentives of public servants, and to the extent they provide services directly to people, it will affect the quality of services. (+) Helps address regional bottlenecks in the provision of some social services by providing incentives for staff to move to remoter areas.</p>	<p>Directly positively affected are (<u>gainers</u>): 1. Motivated public servants with better education. 2. Educated youth job searchers. 3. Users of public services. 4. Public servants whose salaries were below comparable jobs in the private sector. 5. <u>Losers</u>: Some overpaid public sector workers.</p>	<p>Poor will benefit moderately from improved public service and less distorted labor market.</p>
<p>C: Control Public Payroll</p> <p>1. Wage bill management and control include an early retirement program in 2005. 2. Restructuring of staffing by an elimination of some positions vacated by normal attrition. 3. A freeze on hiring as a rule for most ministries (exceptions granted by the Prime Minister).</p>	<p>Small positive effects in the medium term, but short-term effects can be negative.</p>	<p>(+) Spending more on services and less on salaries will improve quality of public services. (+) Any new social program whose budgeting has become possible because less money is being spent on salaries. (+) Higher spending on wages of contractual seasonal workers (road maintenance, etc.). (+) Lift of freeze on hires in health and education allows better allocation of staff. (-) Disproportionate early retirements among rural school teachers/health care providers will negatively affect service delivery.</p>	<p>Directly positively affected are (<u>gainers</u>): 1. Users of public services; 2. Beneficiaries of new programs; 3. Low-income seasonal workers ; 4. <u>Losers</u>: Population in locations who were affected by early retirement of education and health personnel before they are replaced by the new hires.</p>	<p>Poor will benefit in the long term as re-staffing takes place; in the short term, local losses in terms of access can be large.</p>

likely to be affected by the reform, positively or negatively. For the poor, especially rural children and rural women, the risk of negative impacts comes from the localized effects on public services (health and education) from ERP discussed above. Against this positive effects include improved financing of key programs, accountability and motivation for improving quality of public services, and direct effects on employment and earnings of the poor. The negative effects on the non-poor have been contained and have not led to any serious opposition to the reform efforts. The Government is very keen to mitigate the negative social impacts. These two ministries were allowed to hire new junior staff in numbers far exceeding hires by any other ministry in view to deploy them in underserved rural areas. The program of reforms itself was aiming at generating productivity gains in the delivery of public services, increase accountability and improve quality of services, thus mitigating temporary effects coming from the reduction of the personnel. The further progress in the reform will be accompanied by systematic monitoring of the delivery of public services through existing the MIS of sectoral ministries and through the additional work initiated under the technical assistance. Hence, the loan has many elements with potentially very positive effects on the Moroccan poor in the medium term. Materializing these effects can also benefit from technical assistance and P-ESW additional support through the implementation of the reforms. Close monitoring of the program and analysis of its effects can also help to substantially improve the poverty reduction effectiveness of this operation in the future. This will be done through the use of integrated household surveys (supported under the poverty work) and by piloting and mainstreaming the use of report cards of the public service beneficiaries from different socioeconomic groups.

LESSONS LEARNED FROM PARL-I AND PARL-II

105. **The 2007 Quality at Entry (QAE) assessment for PARL-II emphasizes the need for including a more explicit link between the technical actions supported by the program and how these would actually impact and improve outcomes.** It says that the indicators of the PARL-I and II program documents were essentially outputs that reduce the perception of PARLs impact, in particular on better service delivery (or eventually poverty reduction indicators related to the initial MTEFs). In response, the present project document includes more explicit outcomes of the PARLs, while better summarizing what has been achieved so far, and clarifying what remains to be done under PARL-III. A specific annex is dedicated to the PARLs outcomes (see Annex 4). In addition, the PARL team also verified that work under the pilot sector MTEFs is barely at its starting point, and besides being helpful in the preliminary design of the set of performance indicators, it would, however, be premature to expect any early impact on outcomes.

106. **The QAE assessment points out the absence of a social and poverty impact assessment.** This has been taken into consideration and a Project Social Impact Assessment (PSIA) has been engaged to better evaluate the distributional impacts of the program (see Annex 6).

107. **The QAE also indicates that PARL-I and II did not identify clearly enough the key issue justifying the reduction of the civil service wage bill. The QAE finds two explanations referring to (a) a too-high civil service wage level, and (b) an inappropriately high number of civil servants.** To follow up on this, the present document clearly specifies the former as the major weaknesses of the current system, and the main reasons explaining it, while setting a clear target outcome expected from the PARP.

108. **Finally, the QAE says that PARL-I and II did not adequately emphasize the need for greater transparency and government accountability.** PARL-III rectifies this by including explicit measures that should achieve desired outcomes and by adding a new component on e-government.

109. **Those lessons learned have allowed the team to develop best practices on conditionality (Box 2).**

Box 2. How PARL-III Reflects Good Practices on Conditionality

Principle 1: Reinforced Ownership. The Program has been strengthened under the new Administration. A whole new component was added (on e-Government) and previously identified critical actions anticipated, like the startup of the process leading to the revision of the organic Budget Law, which will involve the Parliament. The program has an excellent track record. Delays in completing prior actions have been due to justified reasons, either to allow the design of the deconcentration strategy by her Majesty Mohamed VI, or to make room to political economy considerations, like perceived institutional resistance that turned into delays for developing the study to unify remunerations. Continuous analytical work, technical capacity building and communication with the media and Parliament facilitate public awareness and ownership on the content of the program.

Principle 2: Agreement up front with the Government and other partners on a coordinated accountability framework. The program is jointly prepared with the European Union and the African Development Bank in, perhaps, one of the best examples of close collaboration among these three institutions in this field. All institutions have actively contributed to the design of a single policy matrix, while continuously participating on joint missions.

Principle 3: Customized the accountability framework and modalities of Bank support to country circumstances. Despite the highly sensitive areas this loan covers, the Program fully reflects country's circumstances and priorities as indicated by the Government. More complex policy reforms, like those affecting MTEFs' and result-oriented budgeting, HR management, payroll decrease and e-government have been supported by a programmatic ESW on areas agreed in a Memorandum of Understanding annually reviewed with the Government.

Principle 4: Choosing only actions critical for achieving results as conditions for disbursement. The numbers of prior actions is adequate—less than 10—and the number of benchmarks has been considerably reduced with respect to those contained in PARL-I and PARL-II. However, some prior actions refer to needed process measures (for example, study leading to a new remuneration system, Commissions leading to the introduction of budgetary ceilings in payroll management by line ministries) that only later will materialize in the final expected actions.

Principle 5: Conducted transparent progress reviews conducive to predictable and performance-based financial support. Since 2007, there are regular performance reviews and sectoral MTEF becoming integrated with the budget cycle. There is, however, considerable room for improvement in the monitoring and evaluation of the performance framework. PARL-III also introduces numerous actions to improve transparency of budget reporting, HR management and payroll control. In addition, the introduction of e-government tools will allow Morocco to make major inroads in terms of increased simplification and accountability of public services.

FIDUCIARY AND INSTITUTIONAL ARRANGEMENTS WITH GOVERNMENT

110. **A Country Financial Accountability Assessment (CFAA) was conducted in 2007.** The CFAA was about the assessment of the various ongoing reforms of the Moroccan Public Financial Management System (PFMS), rated as a low fiduciary risk in 2003. The main conclusion is that these reforms are going to increase the level of transparency and accuracy of the PFMS under a strong backing of the MEF (which has an extensive treasury network in the country). Hence, the low fiduciary risk of the system is confirmed.

111. **Foreign exchange.** The review of a country's control environment for foreign exchange is generally made through a safeguard assessment of the country's Central Bank by the IMF. As part of this assessment, the IMF reviews the published annual audit reports and the financial statements of the Central Bank. Because Morocco has not had an IMF program for several years, the IMF has not issued a safeguard assessment. The new organization rule of the Central Bank (Decree of November 23, 2005—*Dahir* N° 1-05-38 du 20 Chaoual 1426 of Bank Al-Maghrib) states that the financial statements of the Bank must be audited by an independent external auditor, or *Commissaire aux Comptes* (Article 52). In addition, the new rule establishes the principle of the control of the financial statements of the Central Bank by the Court of Accounts. The first audit report and financial statements of the Central Bank were issued in late 2006 following these provisions. The auditor has expressed an unqualified opinion.

112. **Disbursement arrangements.** The proposed loan will follow the World Bank's simplified disbursement procedures for development policy operations. The approved loan will be disbursed against satisfactory implementation of the development policy program and will not be linked to any specific purchases, and no procurement requirements will be needed. As stated, Morocco has not been under an IMF program for several years, and no safeguard assessment of the Central Bank has been undertaken by the IMF. Against this background, once the loan is approved by the Board and becomes effective, the proceeds of the loan in the amount of US\$100 million equivalent will be deposited by IBRD in an account designated by the Borrower and acceptable to the World Bank at the Central Bank of Morocco at the request of the Borrower. An amount equivalent to the Loan is credited to the account of the Government to finance budgeted expenditures at the General Treasury of the Kingdom. If the proceeds of the loan are used for ineligible purposes as defined in the Development Loan Agreement, IBRD will require the Borrower to promptly upon notice refund an amount equal to the amount of said payment to IBRD. Amounts refunded to the World Bank upon such request shall be cancelled.

113. **The loan's administration will be the responsibility of the MEF.** Coordination and monitoring of the implementation of the reform will be supported by the Interministerial Steering Committee for the administrative reform. This Committee was created in early 2003 by a decision of the Prime Minister.

114. **Environmental Assessment.** This operation is a DPL and the OP/BP 8/60 applies. The loan supports fiscal and regulatory changes that are unlikely to have significant impact on the environmental, natural resources and forests. In addition, there are no indications that the ERP affected staff in public administration in charge of the monitoring and enforcement of environmental regulations and policies. However, taking advantage of the ongoing MTEFs and HR reforms, the Government could consider devoting additional resources to preserve the environment and to recruit more qualified specialists in the environmental agencies.

COORDINATION WITH OTHER DONORS

115. **The PARL-I ICR stressed, among lessons for future operations, that donor coordination plays a major role in program success, and the Bank should make great efforts to preserve this unified dialogue.** The World Bank's lending operation and the EU Structural Adjustment Grants, and in some respects AfDB support of the Moroccan Government, are based on the same programmatic framework. This has benefited the client by building credibility for the reforms, but also by focusing the attention and expertise from multilateral donors on a complex program of reform. For the World Bank and donors it has helped to mitigate the reputational risk of this type of reform and has reduced the supervisory burden on each donor.

116. **Hence, at the request of the Government, this third operation is again being prepared jointly with the EU and AfDB.** Thus, PARL-I, II, and III have been developed jointly with the EU, which provided a structural adjustment grant of €79 million to be disbursed in four tranches over the program period. Based on the same program matrix, the AfDB Board also approved structural adjustment loans of, respectively, SDR100 million in 2004 and SDR85 million in 2006. Both donors continue to support the reform program in cooperation with the Bank, with the intention of expanding their support until at least 2009. The PARL-III matrix serves both the World Bank and the EU as a guide for supervision of the program, technical assistance, and policy dialogue. AfDB's policy matrix is also very similar.

117. **IMF staff is satisfied with the macro framework underlying the proposed operation.** An Assessment Letter has been provided to that effect (see Annex 7). In addition, in the context of Article IV, the IMF continues advocating that the Authorities' fiscal consolidation efforts have been successful, but need to continue. The recent declines in the government debt-to-GDP ratio, the drop in the wage bill burden, and the strong revenue performance have no doubt contributed to heighten private sector

confidence. Continued fiscal discipline will also help contain inflationary pressures and further improve the investment climate. Looking forward, the Government's success will depend crucially on its ability to, among other things; keep the growth of the wage bill under check.

CONSULTATIONS WITH STAKEHOLDERS

118. Through the multiple sessions the World Bank organized in-country for the approval of the CAS in June 2005, and its ensuing Progress Report in November 2007, World Bank staff collected many insights and suggestions from civil society on the topics considered for this operation. Finally, the consultations on the status of governance in Morocco, developed in 2006, also brought to the forefront many suggestions for program improvements. All these opinions and reactions provided many valuable contributions to the refinement and additions of the agenda of reforms.

IMPLEMENTATION, MONITORING, AND EVALUATION

119. **The World Bank will monitor the overall status of the Government's PARP to ensure that it is well on track.** Regular World Bank missions will interact closely with staff of the two ministries—MEF and MMSP—the two entities responsible for the overall implementation of the reform program, and for reporting progress and coordinating activities among other concerned ministries. World Bank staff will also continue the policy dialogue from the field with the institutions involved in the implementation of the operation, as well as to coordinate effectively with donors. World Bank missions will review government progress in the implementation of phase IV of the program, monitor actions, ensuring that the expected project output and outcomes materializes.

120. **Monitorable —output and outcome—indicators were developed with Authorities to assess program implementation of this operation.** Whereas policy goals are naturally long term, outcomes are of an intermediate time frame (one to three years). Outcomes are defined as the short- or medium-term results that reflect partial or total attainment of the policy goals; in this case, an improvement in (a) government's efficiency in providing public services, (b) human resources management, (c) controlling the wage bill, or (d) simplifying procedures through e-government. As outcomes are often not directly measurable, measurable targets are needed as proxy for assessing progress. For their part, outputs are intermediate indicators closely associated to the inputs of the program. Outputs are defined as the direct product or activities that result from government intervention (inputs). They may also include targeted changes resulting from the intervention that are relevant to the achievement of the program's outcomes.

121. **Table 8 reflects the preliminary main expected outputs and outcomes of PARL-III.**

Table 8. Main Outputs and Outcomes Expected from PARL-III

Policy Goals	Outputs	Outcomes
Strategic budgeting reallocation	<ul style="list-style-type: none"> • TOFT and 14 ministries have prepared an MTEF for 2009–11 and these are available to the public. • Increased number of sectoral budgetary targets and lower deviations between CDMT budget proposals and budget allocations. 	<ul style="list-style-type: none"> • Multiyear budget planning integrated with the annual Budget Law and covering about 80 percent of the total budget.
Flexible and Performance Budgeting	<ul style="list-style-type: none"> • All eligible ministries have adopted flexible budgeting by end-2008. (Baseline: 14 in 2005) • Streamlined number of budget performance indicators in budget documents. 	<ul style="list-style-type: none"> • Higher investment (and expenditure) execution rates. (Baseline as % of total investment: 103 in 2005) • Increased number of line ministries using performance monitoring.
Initiate deconcentration	<ul style="list-style-type: none"> • Signing of at least 3 pilot performance contracts with deconcentrated offices. • Adoption of a deconcentration strategy, a manual of deconcentration and 10 deconcentrated master plans by 2010. 	<ul style="list-style-type: none"> • Higher deconcentration rates of at least the investment budget. (Baseline: 38% in 2005)
Improved control	<ul style="list-style-type: none"> • Streamlined procedures for expenditure control. 	<ul style="list-style-type: none"> • Lower average delays in expenditure payments.
Improved auditing and more transparent public procurement	<ul style="list-style-type: none"> • Adoption of a report for performance auditing. • At least 20 ministries have prepared performance audit reports followed by a consolidated report. (Baseline: 3 in 2004) 	<ul style="list-style-type: none"> • Increased number of line ministries using performance auditing. (Baseline: 14 in 2006)
Human resource management reform	<ul style="list-style-type: none"> • All ministries having finished RECs in 2009 and 10 implementing GPEECs by 2009. (Baseline: 7 in 2007) • 90% of civil servants covered by the new job reclassification. • Increased number of servants hired by contract or competition. 	<ul style="list-style-type: none"> • Generalized use of GPEEC tools in HR management. • Harmonized number of ministries having adopted new staffing procedures. • The study for the adoption of a new compensation system is concluded.
Wage bill reduction and control	<ul style="list-style-type: none"> • Lower forecasting error in wage bill projections. (Baseline: 6% in 2006) • Lower average time for making promotions effective, thus reducing the size of arrears in promotions. (Baseline: 27 months in 2006) • Increased number of line ministries actively involved in personnel expenditure management. (Baseline: 0 in 2007) 	<ul style="list-style-type: none"> • The wage bill decreases to around 10 percent in 2010. • Increased number of line ministries covering a higher share of civil servants applying a generalized use of best practices in personnel expenditure management. (Baseline: 0 in 2007)
Strengthening of e-government	<ul style="list-style-type: none"> • E-government norms issued for the entire public administration. 	<ul style="list-style-type: none"> • Improved public productivity measured by a higher number of transactional public services online.
Improved public services efficiency and transparency	<ul style="list-style-type: none"> • Increased number of Customs procedures accessible through internet. • At least 80 percent of the Central Government's offers, ToRs and results of public bids are available online. • Increased number of bids using the system. 	<ul style="list-style-type: none"> • Efficiency gains measured by lower time required to import and export procedures, stockage services and passage through Customs services. • Greater transparency in public bid processes and related savings in their administrative costs. (Baseline: 0 in 2007)
Externalization of public services	<ul style="list-style-type: none"> • New norms issued on interoperability. 	<ul style="list-style-type: none"> • Productivity gains of the harmonized transactional systems online and associated cost savings.

BENEFITS AND RISKS

122. **Benefits.** Benefits would result from the increased effectiveness of public resources management in many complementary ways. First, it would increase both the efficiency of public spending and the civil service efficiency, which in turn should have a positive impact on economic growth. Second, the loan would indirectly contribute to improving governance and the delivery of public services through upgrading audit procedures, promoting a performance culture and broadening online government. And third, the operation would indirectly support macro-economic stability and the creation of fiscal space which could be devoted to increased social spending and infrastructures

123. **Risks.** There are three risks associated with the program.

- Institutional fatigue to preserve the momentum of reform. As the new public management tools are in the process of being mainstreamed by the two leading ministries (Ministry of Economy and Finance and Ministry of Public Sector Modernization), some degree of institutional fatigue to preserve the momentum of reform by sectoral ministries might develop. The likelihood of this risk is low. However, this risk is mitigated through the multi-annual technical assistance provided by the World Bank P-ESW and the European Union, by the strengthening of human and financial resources devoted to implement the reform in ministries, massive in-service continuous training, and closer and more effective mechanisms of interministerial monitoring and dissemination of the Public Administration Reform Program.
- Implementation delays. Delays in the passing of critical laws for consolidating the PARP in the medium term, like the new Organic Budget Law, or the law modifying the general civil service personnel regulations and allowing redeployment of civil servants— which reduces the need for new hiring—release for assignment, secondment and recruitment per contract may slow or impede the momentum for reform. The likelihood of this risk is low. To mitigate this, the Government expects that gradual and broadly participatory preparation and validation of the draft laws should obtain the required endorsement from Parliament for passing required legislation. Furthermore, international experience indicates that the consultation process leading to a revised Organic Budget Law normally takes many years to materialize and can be an important tool to build consensus around reforms.
- Social pressure. The Government could still be subject to pressures to further increase salaries for some categories of civil servants, and to accelerate promotions and continue with sizable unplanned hiring. This might undermine its efforts to continue curbing the payroll ratio. The likelihood of this risk is high, even though the new Government has already engaged in his first Social Dialogue with Unions with the decision to keep tight control of the declining trend in the wage bill (as a share of gross domestic product, GDP). This risk is also mitigated by the new promotion system which limits the number of promotions in the medium term, the increasing number of civil servants retiring in the coming years, and new measures to improve wage bill control and management to be introduced under this operation.

ROYAUME DU MAROC
NOI 2693/E

08 AVRIL 2008

MONSIEUR LE PRESIDENT DE
LA BANQUE MONDIALE
1818 H Street N.W Washington D.C 20433
-U.S.A-

OBJET : Lettre de politique de développement relative à la stratégie de réforme de l'administration publique.

REFER : Ma lettre n° 819/E du 21 février 2006.

Monsieur le Président,

J'ai l'honneur de vous faire part par la présente de la stratégie de réforme de l'administration publique que le Gouvernement du Royaume du Maroc s'est engagé à entreprendre dans le cadre de son programme présenté devant le Parlement les 24 et 25 octobre 2007 ainsi que des actions retenues pour assurer sa mise en œuvre avec l'appui technique et financier de la Banque Mondiale, de l'Union Européenne et de la Banque Africaine de Développement.

En effet, la réforme de l'administration publique est au cœur de l'amélioration de la gouvernance et s'inscrit dans le cadre des réformes économiques et sociales que le Gouvernement entend mettre à exécution en vue d'améliorer la performance de l'économie nationale et de relever sa capacité à poursuivre son rythme de croissance soutenue dans un contexte régional et international en pleine mutation, dominé par la mondialisation et la globalisation des échanges.

Par ailleurs, la réforme de l'administration publique tend également à assurer la viabilité du cadre macroéconomique à travers d'une part l'amélioration de l'efficacité des dépenses publiques et d'autre part l'allocation optimale des ressources budgétaires.

I. Objectifs de la réforme de l'administration publique

La stratégie de réforme de l'administration publique qui s'inscrit dans la continuité des actions déjà engagées, se focalise sur la réalisation des objectifs suivants :

- ▶ disposer d'une administration moderne qui puisse contribuer à renforcer la compétitivité de l'économie nationale et le développement durable du pays et à promouvoir l'investissement dans le cadre des nouvelles stratégies sectorielles tout en assurant la viabilité à moyen terme du cadre macro-économique ;
- ▶ améliorer la qualité des prestations de l'administration à travers la mise en place d'une gestion de proximité, l'approfondissement du processus de déconcentration en adéquation avec les avancées réalisées en matière de

décentralisation, la maîtrise des coûts et la recherche de la performance de l'action publique :

- ▶ simplifier les procédures administratives et développer l'administration électronique en vue d'améliorer les services publics rendus et d'assurer l'intégrité et la transparence dans les relations entre l'administration et les usagers.

II. Bilan des réalisations :

Le Royaume du Maroc a enregistré des avancées significatives au niveau des différentes actions entreprises dans le cadre de la mise en œuvre de son programme de réforme de l'administration publique. Les principales réalisations par axe se présentent comme suit :

2.1. L'amélioration de l'efficacité de l'administration dans la gestion des ressources budgétaires à travers :

▶ **L'institution de la programmation budgétaire pluriannuelle par la mise en place d'un Cadre de Dépenses à Moyen Terme triennal glissant (CDMT) visant à assurer une meilleure visibilité et flexibilité dans l'allocation des ressources publiques et une meilleure maîtrise de l'évolution des dépenses publiques et leur compatibilité avec l'objectif de préservation du déficit budgétaire dans un niveau soutenable. Ainsi, le CDMT permettra le renforcement d'une part de la cohérence et la convergence des programmes d'action sectoriels et d'autre part de la discipline budgétaire globale et l'amélioration de la performance des réalisations budgétaires en favorisant la mise en œuvre du dispositif de contractualisation des objectifs et des moyens dans un cadre budgétaire triennal et partant, renforcer le processus de déconcentration des crédits. Pour mettre en place ledit Cadre, les étapes suivantes ont été réalisées :**

- ▶ l'élaboration d'un guide méthodologique de préparation du CDMT par une commission interministérielle et son test par des départements pilotes;
- ▶ la diffusion dudit guide à l'ensemble des départements ministériels par circulaire de Monsieur le Premier Ministre ;
- ▶ l'organisation d'une journée sur la thématique du CDMT au profit de l'ensemble des départements ministériels en vue de leur permettre de s'approprier la méthodologie retenue pour l'élaboration dudit cadre.

Ainsi et au titre de l'année écoulée, 9 départements ministériels ont élaboré leurs CDMT sectoriels.

▶ **Le déploiement du dispositif de globalisation des crédits qui constitue un axe majeur dans la mise en place d'une gestion axée sur les résultats, la recherche de la performance et la reddition des comptes. Ce dispositif vise notamment l'octroi d'une plus grande autonomie aux gestionnaires dans l'utilisation de leurs dotations budgétaires en contrepartie de la réalisation de leur engagement à atteindre des objectifs prédéfinis mesurés par des indicateurs de performance et à rendre compte des progrès réalisés au regard des moyens utilisés.**

Les efforts menés dans ce cadre ont permis, à fin 2007, l'adhésion à ce dispositif de 32 départements ministériels gérant près de 77% du budget d'investissement. En outre, un recueil des indicateurs de performance est établi annuellement et accompagne les projets de budgets sectoriels transmis au Parlement.

Par ailleurs, et en vue d'assister les départements ministériels à construire et à améliorer leur système de suivi de la performance, un guide méthodologique a été élaboré à cet effet.

► **Le renforcement de la déconcentration administrative** en application des Hautes Directives Royales objet du discours du 12 décembre 2006 prononcé à Agadir à l'occasion de la rencontre nationale des collectivités locales qui a tracé les grandes lignes pour une nouvelle stratégie de déconcentration administrative reposant sur une approche territoriale par le renforcement des services déconcentrés et la mise en place des pôles régionaux homogènes.

Il s'agit en particulier de développer une véritable gestion de proximité et de rapprocher l'administration de ses usagers à travers la révision de l'organisation des structures administratives et en réhabilitant le rôle des services déconcentrés dans la mise en œuvre des politiques publiques.

Dans ce cadre, il y a lieu de signaler que la mise en œuvre du décret n°2-05-1369 du 2 décembre 2005 fixant les règles d'organisation des départements ministériels et de la déconcentration administrative est de nature à renforcer la déconcentration et conforter le dispositif de contractualisation des relations entre les administrations centrales et leurs services déconcentrés. En effet, ce décret adopte notamment le principe de subsidiarité pour la répartition des attributions entre les services centraux et les services déconcentrés.

De même, le décret précité a prévu l'élaboration par les départements ministériels des schémas directeurs de déconcentration administrative à mettre en œuvre durant une période allant de deux à cinq ans. Ces schémas comprennent notamment les attributions à transférer aux services déconcentrés, l'effectif des fonctionnaires et agents faisant l'objet de redéploiement au profit des services déconcentrés, les moyens matériels et financiers alloués aux services déconcentrés et ceux qu'elle compte mettre à leur disposition, les décisions administratives individuelles devant continuer à relever des compétences des administrations centrales et les données opérationnelles et les moyens dont disposent le secteur concerné ainsi que les mesures et délais nécessaires à la réalisation desdits schémas.

► **La réforme du contrôle de la dépense publique** visant à conférer plus de souplesse, de fluidité et d'efficacité aux dépenses publiques. Cette réforme s'insère dans la logique de la nouvelle approche budgétaire axée sur les résultats consistant à responsabiliser les gestionnaires quant aux résultats de leur action en contrepartie des flexibilités dont ils bénéficient dans l'utilisation des moyens mis à leur disposition, l'objectif étant de remplacer progressivement le contrôle a priori en vigueur par un contrôle d'accompagnement et a posteriori basé sur l'appréciation des performances.

Dans cette perspective, et à titre de première étape, il a été procédé, à partir du début de l'année 2006, à la fusion du Contrôle Général des Engagements de Dépenses de l'Etat et de la Trésorerie Générale du Royaume en vue de raccourcir le circuit du contrôle et d'en réduire le délai et le coût.

En outre, des travaux sont en cours de finalisation pour alléger le contrôle a priori par l'institution du contrôle modulé de la dépense (CMD) visant à recentrer le contrôle sur la gestion des risques et partager ladite fonction avec les gestionnaires qui remplissent des critères d'éligibilité. Dans ce cadre, un projet de décret relatif au contrôle des dépenses de l'Etat a été approuvé par le Conseil de Gouvernement.

Par ailleurs, un Forum de performance regroupant les représentants de plusieurs ordonnateurs a été lancé le 20 septembre 2007 dans le but de mutualiser les bonnes pratiques ministérielles en matière de gestion budgétaire et de dépenses publiques à travers l'organisation d'ateliers pour traiter différents thèmes choisis par les ordonnateurs eux-mêmes.

► L'introduction de l'audit de performance pour la mise en œuvre d'une gestion orientée vers les résultats en se basant sur une meilleure coordination, en termes d'échange d'expériences et d'information entre les organes de contrôle, notamment l'Inspection Générale des Finances (IGF) et les Inspections Générales des Ministères (IGM).

A cet effet, les efforts déployés portent sur :

- l'élaboration d'un manuel d'audit de performance conforme aux normes et à la pratique internationale en matière d'audit et adapté au contexte de la législation et de la réglementation marocaines ;
- la réalisation des actions de formation sur l'audit de performance sur la base dudit manuel au profit des inspecteurs de l'IGF et des IGM ;
- le lancement, au cours de l'année 2007, de 13 missions conjointes d'audit de performance ayant mobilisé une équipe de 60 inspecteurs de l'IGF et des IGM.

► La poursuite du développement du Système de Gestion Intégrée des Dépenses (GID) qui permettra une meilleure communication entre les systèmes informatiques des différents intervenants impliqués dans l'exécution de la dépense publique (ordonnateurs, sous-ordonnateurs, organes de programmation et de contrôle) et d'assurer l'automatisation du suivi des crédits budgétaires en vue d'une exploitation optimale des données budgétaires.

Ce système permettra ainsi de simplifier les procédures pour une meilleure fluidité dans l'exécution de la dépense publique et de respecter les délais impartis pour l'élaboration des projets de lois de règlement. La mise en œuvre progressive de ce système est prévue à partir de 2009.

2.2 L'amélioration de l'efficacité de l'administration publique dans la gestion des ressources humaines à travers:

► la mise en place d'outils de gestion prévisionnelle des ressources humaines par le biais de :

- L'élaboration des référentiels des emplois et des compétences (REC) outils privilégiés pour assurer une visibilité à court et à moyen termes en matière de ressources humaines et permettre la délimitation qualitative et quantitative des besoins en emplois. Ainsi, à fin février 2008, 6 départements ont achevé l'élaboration de leur REC et ceux de la plupart des départements sont en cours de finalisation;
- Le développement et la mise en oeuvre de systèmes d'information dédiés à la gestion des ressources humaines;
- L'incitation des départements ministériels à s'engager dans la modernisation des outils de gestion des ressources humaines à travers la mobilisation des fonds d'appui financiers. A cet effet, le Fonds de Modernisation de l'Administration Publique (FOMAP), institué par la loi de Finances 2005 pour contribuer au financement des projets proposés par les différents départements ministériels et afférents aux opérations de modernisation de l'administration publique, a participé au financement de 33 projets portant essentiellement sur l'élaboration des référentiels des emplois et des compétences, la gestion prévisionnelle des effectifs, des emplois et des compétences (GPEEC) et le développement de l'administration électronique.

► L'instauration d'une nouvelle culture de gestion des Ressources humaines basée sur la compétence et le mérite et ce, par le biais, notamment, de la mise en place de nouveaux systèmes concernant:

- La notation et l'évaluation des fonctionnaires des administrations publiques: ce nouveau système, qui a démarré en 2006, est fondé sur l'évaluation du rendement et de la performance des fonctionnaires à travers l'institution de l'entretien individuel et l'élargissement de la grille de notation (20 points au maximum au lieu de 3 auparavant).

Par ailleurs, une circulaire et un guide d'évaluation ont été établis à l'intention des responsables administratifs des départements ministériels qui ont pu bénéficier, également, de formations à ce sujet ;

- L'adaptation du système de promotion des fonctionnaires et agents de l'Etat à travers l'institution des voies de promotion par l'examen d'aptitude professionnelle et le choix à l'effet de récompenser le mérite et la compétence.

► L'institutionnalisation de la formation continue au sein des administrations publiques qui servira d'instrument essentiel pour combler les écarts dégagés par les REC entre les profils existants et les compétences requises pour assurer les nouvelles missions de l'administration. Ainsi, un décret relatif à la formation continue des fonctionnaires et agents de l'Etat a été publié en 2005 et vise notamment la mise en place d'une politique

cohérente de formation continue qui reposera sur une stratégie globale ainsi que sur des plans sectoriels établis conformément à ladite stratégie. A ce titre, des séminaires sur l'ingénierie de la formation continue, l'élaboration de plan de formation continue et l'achat de formation ont été organisés en vue d'accompagner les départements ministériels dans l'élaboration de leurs plans sectoriels.

2.3 La maîtrise de l'évolution de la masse salariale

Les actions réalisées dans ce cadre portent notamment sur la poursuite des efforts de maîtrise de l'évolution des effectifs de la fonction publique et d'amélioration de la gestion des ressources humaines. Il s'agit principalement de:

- ▶ la réalisation d'une opération de départ volontaire des fonctionnaires civils qui a bénéficié à près de 39.000 fonctionnaires dont 69% ont plus de 50 ans. Cette opération qui a fait l'objet d'une évaluation, a permis la réduction de 7,6% des effectifs de la fonction publique, le gain de plus de 1 point de la part de la masse salariale dans le PIB, le reprofilage qualitatif de la fonction publique et l'amélioration de son niveau d'encadrement ainsi que son rajeunissement ;
- ▶ l'interdiction de recrutement dans les échelles 1 à 4 tout en procédant à la titularisation du personnel occasionnel et le recours à l'externalisation de certaines tâches exercées par cette catégorie de personnel ;
- ▶ la limitation des recrutements dans la fonction publique au strict besoin nécessaire des secteurs prioritaires, notamment, l'Education, la Santé et la Sécurité ;
- ▶ la suppression des postes devenus vacants suite au départ à la retraite pour limite d'âge.

Ainsi et grâce aux efforts déployés dans ce cadre, le poids de la masse salariale par rapport au PIB a enregistré une tendance baissière. En effet, ce poids est passé de 11,9% en 2005 à 11% en 2006 et à 10,8% en 2007.

Par ailleurs et pour un meilleur suivi de l'évolution de la masse salariale, deux commissions ont été instituées à cet effet. La première est chargée notamment du suivi régulier de l'exécution de la masse salariale et l'élaboration et la mise à jour d'un tableau de bord faisant ressortir les principaux indicateurs liés à cette exécution et la proposition de mesures pour améliorer les méthodes de prévision de ladite masse. La deuxième est une commission interministérielle regroupant des départements ministériels pilotes et chargée notamment de proposer les mesures à mettre en place pour instaurer une liaison étroite entre la gestion des crédits de personnel et la gestion des ressources humaines au niveau desdits départements et d'identifier les bonnes pratiques de gestion des ressources humaines en relation avec les nouveaux instruments mis en place à cet effet.

III. Plan d'action de poursuite du programme de réforme

Les mesures retenues pour le parachèvement du programme de réforme de l'administration portent sur l'approfondissement des actions déjà entamées ainsi que sur l'introduction de nouvelles mesures complémentaires se rapportant notamment à la simplification des procédures et au développement de l'administration électronique. Par ailleurs et en plus des indicateurs de résultats, des indicateurs d'impact sont associés aux mesures retenues pour mesurer les effets de la réforme notamment sur la gestion administrative et les performances réalisées.

Ainsi, les mesures retenues s'articulent autour des quatre axes suivants :

3.1. Amélioration de l'efficacité de l'administration dans la gestion des ressources budgétaires

Le budget étant l'un des instruments essentiels à la disposition du Gouvernement pour la mise en oeuvre de sa politique dans les différents domaines, les efforts devraient être poursuivis en matière de gestion budgétaire en vue d'assurer une allocation optimale des ressources et une meilleure efficacité de la dépense publique et de renforcer les capacités d'évaluation des politiques publiques. De tels efforts sont de nature à contribuer à la modernisation de l'administration publique et à améliorer la qualité des prestations rendues, tout en poursuivant les efforts de maîtrise du cadre macro-économique et de préservation des fondamentaux.

Les actions retenues dans ce cadre se présentent comme suit :

► L'amélioration de la programmation budgétaire pluriannuelle à travers la préparation et la diffusion du Tableau des Opérations Financières du Trésor (TOFT) et la généralisation des CDMT sectoriels à 5 nouveaux départements ministériels qui bénéficieront d'une assistance technique à cet effet, l'objectif étant de procéder à la généralisation progressive du CDMT à l'ensemble des ministères pour permettre de renforcer la discipline budgétaire globale et asseoir les conditions nécessaires pour une meilleure allocation des ressources en fonction des priorités arrêtées par le Gouvernement.

► La généralisation de la nouvelle approche budgétaire axée sur les résultats, la recherche de la performance et la reddition des comptes à travers :

- la généralisation de la globalisation des crédits à tous les départements ministériels éligibles et la signature d'un minimum de 3 contrats de performance pilotes entre les Ministères de l'Éducation et la Santé et leurs services déconcentrés respectifs. Ceci permettra de renforcer les règles de bonne gouvernance et l'instauration des dispositifs de la nouvelle approche budgétaire axée sur les résultats, la recherche de la performance et la reddition des comptes ;
- l'élaboration d'une stratégie de déconcentration, l'adoption d'un manuel de la déconcentration et l'élaboration et la mise en œuvre des Schémas Directeurs de Déconcentration dans 5 départements ministériels. Ces actions visent le

renforcement de la déconcentration pour instaurer les conditions nécessaires pour une meilleure efficacité dans les interventions de l'administration et favoriser ainsi une gestion de proximité répondant aux attentes des citoyens.

► **La réforme du contrôle de la dépense publique et le renforcement des capacités d'évaluation et d'audit de performance à travers :**

- ▶ la mise en place par décret d'un nouveau système de contrôle de la dépense publique qui vise un allègement du contrôle a priori par l'institution du contrôle modulé de la dépense (CMD) basé sur la gestion des risques et le renforcement du contrôle interne au niveau des gestionnaires ;
- ▶ l'élaboration des rapports ministériels et la diffusion du rapport consolidé des audits de performance des budgets pour l'année 2007 préparés par les missions conjointes entre les Inspections Générales des Ministères (IGM) et l'Inspection Générale des Finances (IGF) dans au moins 20 ministères. De même, il sera procédé à l'adoption d'un manuel de suivi de la performance et à la mise en place d'un groupe d'excellence pour l'amélioration du suivi de la performance réunissant l'IGF et 3 ministères pilotes. En outre, le partenariat entre l'IGF et les IGM sera concrétisé à travers une circulaire du Ministre de l'Economie et des Finances en vue d'améliorer le système de suivi de la performance à travers le renforcement des capacités des organes de contrôle en matière d'audit de performance et partant, développer davantage la transparence et l'efficacité de l'action publique ;
- ▶ la réalisation par un expert indépendant d'un rapport d'étape relatif à la mise en œuvre du système GID avant sa mise en application. Cette action est de nature à donner une assurance raisonnable quant au bon fonctionnement du système GID qui permettra notamment une meilleure fluidité dans l'exécution de la dépense publique et l'accélération du processus d'élaboration des lois de règlement.

► **La réforme de la loi organique relative à la loi des finances à travers l'élaboration d'une plateforme de réflexion sur les pistes d'amélioration de ladite loi, la réalisation d'un benchmarking international sur les évolutions récentes en matière de meilleures pratiques de modification de lois organiques des finances, l'approfondissement de la réflexion sur les axes de réforme et l'élaboration d'un calendrier pour la mise en œuvre de ladite réforme. La réforme de la loi organique qui constitue ainsi un couronnement du processus de réforme budgétaire et du contrôle initié depuis l'année 2001, vise la consolidation des acquis en matière de réforme budgétaire et la consécration des dispositifs de la nouvelle approche budgétaire axée sur les résultats, la recherche de la performance et la reddition des comptes.**

3.2. Amélioration de l'efficacité de l'administration dans la gestion des ressources humaines

La gestion des ressources humaines joue un rôle stratégique dans la mise en place d'une administration moderne, efficiente, responsable et citoyenne et constitue ainsi l'élément déterminant pour la réussite des réformes engagées.

Les mesures à entreprendre dans ce sens portent sur:

- ▶ **La mise en œuvre de la Gestion Prévisionnelle des Effectifs, des Emplois et des Compétences (GPEEC) à travers notamment l'achèvement des Référentiels des Emplois et des Compétences (REC) dans l'ensemble des départements ministériels éligibles et la déclinaison des tableaux de bord de GRH pour une meilleure visibilité à moyen terme quant au recrutement, à la mobilité et à la formation continue.**
- ▶ **Le renforcement de la mobilité des fonctionnaires en vue d'optimiser l'usage des ressources humaines de l'administration, notamment à travers:**
 - l'harmonisation des statuts;
 - L'adoption des décrets d'application relatifs au redéploiement, à la mise à disposition et au détachement après adoption et publication de la loi modifiant le Statut Général de la Fonction Publique;
 - L'institution d'une incitation financière pour le redéploiement.
- ▶ **L'établissement du projet de loi modifiant le statut général de la fonction publique qui vise à garantir, notamment, un maximum d'équité et de transparence pour l'accès à la fonction publique, à travers l'organisation de concours, et l'institution du recrutement par contrat pour contribuer à la réalisation de projets déterminés.**
- ▶ **La réalisation de l'étude sur la classification des emplois dans une nomenclature commune qui vise à classer tous les emplois civils de l'administration dans une nomenclature commune, afin de mieux ajuster les ressources humaines aux besoins en emplois. Cette étude, qui sera attribuée au début de l'année 2008, permettra de promouvoir le mérite et de faciliter l'harmonisation et le regroupement des statuts, la mobilité et le redéploiement des fonctionnaires ainsi que la mise en place d'un système de rémunération équitable et transparent.**
- ▶ **La réalisation de l'étude portant sur la conception d'un nouveau système de rémunération fondé sur la nouvelle classification des emplois dans une nomenclature commune qui vise à consacrer les principes d'équité et de transparence en fixant les rémunérations en fonction du niveau de qualification, de la nature des responsabilités, de la complexité de l'emploi et du rendement.**

3.3. Consolidation et maîtrise de l'évolution de la masse salariale publique

Il s'agit du renforcement du suivi et du contrôle de la masse salariale, de l'adoption des meilleures pratiques de gestion des crédits de rémunération par les ministères et de la stabilisation des effectifs de la fonction publique. A cet effet, les actions ci-après seront entreprises :

- ▶ la publication par le Ministère de l'Economie et des Finances d'un rapport trimestriel sur l'évolution de la masse salariale et ses facteurs déterminants par département ministériel ;

- ▶ la généralisation des meilleures pratiques de gestion des crédits de rémunérations à d'autres départements ministériels après leur introduction dans 4 départements pilotes.

Ces actions sont de nature à permettre une meilleure maîtrise de l'évolution de la masse salariale dont le poids par rapport au PIB devrait être réduit à près de 10% du PIB à l'horizon 2012.

3.4. Simplification des procédures et Administration électronique

La simplification des procédures et le développement de l'administration électronique sont au cœur de la stratégie de modernisation de l'administration publique et constituent un vecteur d'amélioration de la gouvernance et de la qualité du service public rendu aux usagers.

Les actions retenues dans ce cadre portent notamment sur :

- ▶ La mise en place d'un cadre global de gouvernance pour le développement de la société de l'information et l'administration électronique en vue d'assurer une meilleure coordination interministérielle et la mutualisation des moyens en la matière;
- ▶ La simplification des procédures et l'amélioration des services publics par le biais de l'administration électronique dans les domaines des douanes et des marchés publics à travers :
 - la stabilisation du système BADR et la certification de la qualité de son code informatique ;
 - la mise en œuvre de la base décisionnelle des marchés publics pour l'ensemble des départements ministériels et l'extension à certains établissements publics et à certaines administrations des collectivités locales des outils en matière de marchés publics en ligne (téléchargement des offres, des termes de références, des résultats et de la soumission des offres en ligne) ;
- ▶ Le lancement d'une étude pour la mise en œuvre des normes et standards techniques au niveau des systèmes d'information de l'administration publique ;
- ▶ Le lancement d'une étude pour la réalisation d'un référentiel commun de la GRH dans l'Administration publique (Programme e-RH : Harmonisation des Systèmes d'Information des Ressources Humaines -SIRHs-).

IV. Pilotage et suivi des mesures de la réforme de l'Administration publique

Le pilotage et le suivi de la mise en œuvre de la réforme sont assurés par une commission interministérielle présidée par le Ministère délégué auprès du Premier Ministre chargé des Affaires Economiques et Générales et regroupant des représentants des départements chargés de la Modernisation des Secteurs Publics, de l'Economie et des Finances, de l'Intérieur, de l'Education Nationale, de l'Equipement et de la Santé. Cette commission est

chargée notamment de la coordination, du suivi et de l'évaluation des réalisations des actions de la réforme de l'Administration publique sur la base des indicateurs de résultats et d'impact pour améliorer la performance et le rendement de l'Administration.

En outre, un suivi régulier de l'état d'avancement du programme de réforme en question sera assuré au niveau de chacun des départements des Affaires Economiques et Générales, de la Modernisation des Secteurs Publics et de l'Economie et des Finances et des rapports d'étapes seront préparés à l'attention de la commission précitée.

Par ailleurs, la stratégie de communication autour de la réforme déjà établie sera mise en œuvre en vue d'assurer la mobilisation et l'adhésion des différents partenaires et partant, de garantir les conditions nécessaires à la réussite du programme de réforme de l'administration publique.

Enfin, et tout en vous remerciant pour votre appui à la réalisation de cet important programme de réforme de l'Administration Publique Marocaine, je vous prie de croire, Monsieur le Président, à l'expression de ma considération distinguée.

Le Ministre de l'Economie et des Finances

Signé : Salaheddine MEZOUAR

A large, stylized handwritten signature in black ink, overlapping the printed text of the signature block.

ANNEX 1. LETTER OF DEVELOPMENT POLICY

KINGDOM OF MOROCCO
NOI 2693/E

APRIL 8, 2008

**TO THE PRESIDENT OF
THE
WORLD BANK
1818 H Street N.W Washington D.C 20433
-U.S.A-**

SUBJECT: Letter of Development Policy on the public administration reform strategy
REF.: My letter No. 819/E of 21 February, 2006

Dear Mr. Zoellick,

The purpose of this letter is to inform you of the public administration reform strategy that the Government of the Kingdom of Morocco has undertaken to carry out as part of its program submitted to Parliament on October 24 and 25, 2007, and of the actions taken to ensure that its implementation will receive technical and financial support from the World Bank, the European Union, and the African Development Bank.

Unquestionably, public administration reform is a core component of improving governance and is central to the economic and social reforms that the Government intends to carry out with a view to improving the performance of the national economy and enhancing its capacity to achieve sustained growth in a rapidly changing regional and international context characterized predominantly by the globalization of trade.

The reform of public administration is further aimed at ensuring the viability of the macroeconomic framework by improving the efficiency of public expenditure and optimally allocating budgetary resources.

I. Objectives of public administration reform

The public administration reform strategy, which builds upon actions already undertaken, is aimed at achieving the following objectives:

- ▶ Developing a modern administration that is able to contribute to enhancing the competitiveness of the national economy and the sustainable development of the country while promoting investment in keeping with the new sectoral strategies while ensuring the medium-term viability of the macroeconomic framework;

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- ▶ Improving the quality of the services rendered by the administration by introducing localized management, further pursuing the deconcentration process as advances are made in the area of decentralization, controlling payroll costs, and searching for performance-based public activities;
- ▶ Simplifying administrative procedures and developing e-government so as to improve the public services rendered and ensure the integrity and transparency of relations between the administration and users.

II. Achievements to date

The Kingdom of Morocco has made significant progress in respect of the various actions taken in the context of implementing its public administration reform program. The main achievements by program focal point are as follows:

2.1. Improving the efficiency of the administration in managing budgetary resources by:

▶ **Introducing multiyear budget programming through the introduction of a revolving three-year Medium-Term Expenditure Framework (MTEF)** aimed at achieving greater visibility and flexibility in the allocation of public resources and improved control over the growth of public expenditure and its compatibility with the objective of maintaining the fiscal deficit at a sustainable level. Accordingly, the MTEF will make it possible both to improve the cohesiveness and convergence of the sectoral action plans and to enhance overall fiscal discipline, improving the performance of the budgeting effort by emphasizing the contractualization of objectives and resources in a three-year budgetary framework while at the same time building on the process of deconcentrating appropriations. The following steps have been taken toward introducing such a framework:

- ▶ Production by an interministerial committee of a methodological guide on MTEF preparation, and testing of the guide by pilot departments;
- ▶ Dissemination of the guide to all ministerial departments under cover of a circular from the Prime Minister;
- ▶ Organization of an MTEF Day for all ministerial departments to enable them to assume ownership of the methodology adopted for preparing that framework.

In consequence, over the past year nine ministerial departments prepared their own sectoral MTEFs.

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► **Deploying the mechanism for globalizing appropriations**, a major focus in respect of introducing results-based management, targeting performance and the rendering of accounts. This mechanism is aimed in particular at granting greater autonomy to managers in the use of their budgetary allocations in exchange for their commitment to achieve predefined objectives measured by performance indicators and to report on the progress made with the resources utilized.

Efforts along these lines have resulted, by end-2007, in the adoption of this mechanism by 32 ministerial departments managing almost 77 percent of the investment budget. In addition, a compendium of performance indicators is drawn up each year and submitted to Parliament along with the draft sectoral budgets.

Furthermore, to assist the ministerial departments with building and improving their performance monitoring systems, a methodological guide has been prepared on this subject.

► **Moving forward with administrative deconcentration** in implementation of the Supreme Royal Decrees referred to in the speech delivered on December 12, 2006 in Agadir on the occasion of the national meeting of subregional governments. This speech set out the main lines of a new administrative deconcentration strategy based on a territorial approach toward strengthening deconcentrated services and introducing homogeneous regional poles.

The emphasis is placed in particular on developing genuine localized management and bringing the administration and its users closer together by revising the organization of administrative structures and rehabilitating the role of deconcentrated services in the implementation of public policies.

Noteworthy in this context is the implementation of Decree No. 2-05-1369 of December 2, 2005, laying down the rules for organizing the ministerial departments and administrative deconcentration. It is aimed at strengthening deconcentration and buttressing the mechanism for the contractualization of relations between the central administrations and their deconcentrated services. In particular, this decree adopts the principle of subsidiarity for the allocation of functions between the central services and the deconcentrated services.

Furthermore, the aforementioned decree called for the ministerial departments to draw up master plans for administrative deconcentration, to be implemented over a period of two to five years. These plans include in particular the powers to be transferred to the

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deconcentrated services, the officers and employees to be redeployed to the deconcentrated services, the material and financial resources allocated to the deconcentrated services and those that the administration intends to make available to them, the individual administrative decisions aimed at continuing to improve the skill sets of the central administrations, and the operational data and resources available to the sector concerned, as well as the measures and deadlines required for implementing the plans in question.

► **Reforming the control of public expenditure**, aimed at imparting greater flexibility, fluidity, and efficiency to public expenditure. This reform is consistent with the logic of the new performance-based budgeting approach aimed at making managers accountable for the results of their activities in exchange for the flexibility they have been granted in the use of the resources made available to them, the objective being gradually to replace a priori control as presently implemented by ongoing and ex post control based on the assessment of performance.

In this perspective, and as a first stage, work began in early 2006 to merge the General Office for the Control of State Commitments and Expenditures with the General Treasury of the Kingdom so as to shorten the control circuit and reduce its time requirements and costs.

In addition, work is nearing completion on easing a priori control through the introduction of modulated expenditure control (CMD) aimed at refocusing control on risk management and sharing that function with managers who meet the eligibility criteria. In this connection, a draft decree on State expenditure control has been approved by the Council of Government.

Moreover, a Performance Forum gathering together the representatives of a number of different payment authorization officers was launched on September 20, 2007, in order to share ministerial good practices in the area of budgetary management and public expenditures through the organization of workshops to address various topics selected by the payment authorization officers themselves.

► **Introducing performance auditing** for the implementation of results-based management, based on improved coordination in terms of the exchange of experiences and information among the control bodies, in particular the General Inspectorate of Finance (IGF) and the General Inspectorates of the Ministries (IGMs).

To this end, the efforts made have been focused on:

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- ▶ Preparation of a performance audit manual consistent with the rules and international auditing practices and adapted to the context of Moroccan legislation and regulations;
 - ▶ Training activities on performance auditing based on the above-mentioned manual for inspectors from the IGF and the IGMs;
 - ▶ Launching, during 2007, of 13 joint performance audit missions mobilizing a team of 60 inspectors from the IGF and the IGMs.
- ▶ **Ongoing development of the Integrated Expenditure Management System (GID)**, which will make it possible to improve communications between the computer systems of the various stakeholders involved in the execution of public expenditure (payment authorization officers, their subordinates, and programming and control bodies) and ensure the automation of the monitoring of budget appropriations with a view to optimizing the use of budgetary data.

This system will thus make it possible to simplify procedures and achieve greater fluidity in public expenditure execution while meeting the deadlines established for preparing draft budget closure laws. The gradual implementation of this system is planned beginning in 2009.

2.2 Improving the efficiency of public administration in the management of human resources, by:

- ▶ **Introducing tools for managing the prospective need for human resources by:**
- ▶ Preparing Strategic Staffing Frameworks (RECs), specialized tools for ensuring short- and medium-term visibility in the human resources area and permitting the qualitative and quantitative delimitation of employment needs. Thus, by end-February 2008, six departments completed the preparation of their RECs, while those of most of the departments are currently being finalized;
 - ▶ Developing and implementing information systems devoted to human resource management;
 - ▶ Providing incentives to ministerial departments for engaging in the modernization of human resource management tools through the mobilization of financial support funds. To this end, the Public Administration Modernization Fund (FOMAP) was established by the 2005 Budget Law to contribute to financing the various projects proposed by the ministerial departments relating to operations to

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modernize public administration. It has participated in the financing of 33 projects basically involving the preparation of RECs, the forward management of staffing, jobs, and skills (GPEEC), and the development of e-government.

► **Establishing a new Human Resource Management culture based on skills and merit, doing so in particular through the introduction of new systems concerning:**

- Rating and assessing the employees of public administrations: this new system, introduced in 2006, is based on evaluation of the output and performance of employees through the establishment of individual interviews and expansion of the rating grid (20 points maximum instead of the previous 3).

In addition, a circular and appraisal guide have been prepared for the administrative heads of the ministerial departments, who have also been able to receive training on this subject;

- Adaptation of the system for promoting State officials and employees through the introduction of promotion paths that involve testing professional aptitude and selection based on compensating merit and competence.

► **Institutionalizing continuing training** in the public administrations, which will serve as a key instrument for filling the gaps identified by the RECs between existing skill sets and the skills required for carrying out the new missions of the administration. Accordingly, a decree on the continuing training of the officers and staff of the State was published in 2005, aimed primarily at introducing a cohesive policy on continuing training that will be based on a global strategy as well as sectoral plans drawn up in accordance with that strategy. To this end, seminars were held on the engineering of continuing training, the preparation of a continuing training plan, and purchasing training in order to assist the ministerial departments in preparing their sectoral plans.

2.3 Controlling the evolution of the wage bill

The actions carried out within this framework relate primarily to continuing the efforts to control civil service staffing levels and improve the management of human resources. The primary aims are to:

- Implement a voluntary departure program for civil servants, benefiting 39,000 officials of whom 69 percent were age 50 or over. This operation, which has been assessed, made it possible to reduce civil service staffing by 7.6 percent, lower the wage bill by more than 1 percentage point of GDP, improve the quality profile of the civil service, and improve the supervision and age profile of the civil service;

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- ▶ Freeze hiring at levels 1 to 4 while properly documenting occasional staff and outsourcing a number of the tasks carried out by this staff category;
- ▶ Limiting civil service hiring to what is strictly necessary in the priority sectors, namely Education, Health, and Security;
- ▶ Eliminating positions that have become vacant following the retirement of incumbents for age reasons.

Accordingly, and thanks to the efforts in this area, the weight of the wage bill in terms of GDP has shown a downward trend, from 11.9 percent in 2005 to 10.8 percent in 2007.

Furthermore, and to improve the monitoring of wage bill developments, two commissions have been established. The first is responsible in particular for the regular monitoring of wage bill execution and the preparation and updating of a chart of the major monitoring indicators associated with this aspect of budget execution and the proposal of measures aimed at improving the methods for wage bill forecasting. The second is an interministerial commission which draws together the pilot ministerial departments with primary responsibility for putting forward measures to establish close ties between the management of personnel appropriations and human resource management at the level of said departments, and identifying best practices for human resource management in terms of the new instruments available for that purpose.

III. Action plan and pursuit of the reform program

The measures selected for completing the public administration reform program relate to continuing the actions already under way and introducing new complementary measures aimed in particular at simplifying procedures and further advancing e-government. Furthermore, and in addition to performance indicators, impact indicators are associated with the measures selected for gauging the effects of the reform, in particular as regards administrative management and performance achieved.

The measures thus adopted revolve around the four following focal points:

3.1. Improvement of the administration's efficiency in the management of budgetary resources

As the budget is an essential instrument whereby the Government can implement its policies in various areas, efforts should be pursued in respect of fiscal management in order to ensure an optimal allocation of resources and enhanced efficiency in public expenditure, as well as improved capacities for evaluating public policies. Such efforts will

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contribute to modernizing public administration and improving the quality of the services rendered, while continuing the efforts to gain mastery over the macroeconomic framework and the preservation of fundamentals. The actions taken in this context are:

▶ **Improving multiyear budget programming** through the preparation and dissemination of the Table of Treasury Financial Operations (TOFT) and the generalization of sectoral MTEFs to five new ministerial departments that will receive technical assistance to this end, the objective being to broaden the use of MTEFs gradually to all ministries and thereby make it possible to enhance fiscal discipline and establish the conditions needed for improving resource allocation in accordance with the priorities determined by the Government.

▶ **Generalizing the new performance-based budgetary approach, the drive for results, and accounts rendering through:**

- ▶ Generalizing and globalizing appropriations throughout all eligible ministerial departments, and the signature of at least three pilot performance contracts between the Ministries of Education and Health and their corresponding deconcentrated staffs units. This will make it possible to enhance good governance and introduce mechanisms for the new results-based budgetary approach aimed at achieving performance and accountability;
- ▶ Preparing a deconcentration strategy, adopting a deconcentration manual, and making way for the implementation of the Deconcentration Master Plans of five ministerial departments. These actions are aimed at strengthening deconcentration with a view to establishing the conditions necessary for improved interventions on the part of the administration, thereby providing localized management meeting the expectations of citizens.

▶ **Reforming the control of public expenditure and strengthening performance assessment and auditing capacities by:**

- ▶ The introduction by decree of a new public expenditure control system aimed at easing a priori control by instituting modulated expenditure control (CMD) based on the management of risks and the strengthening of internal control at the expenditure manager level;
- ▶ Dissemination of the ministerial reports and the consolidated report on the performance audits of budgets for 2007, prepared by joint missions involving the Inspectorate Generals of the Ministries (IGMs) and the Inspectorate General of

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Finance (IGF) in at least 20 ministries. Along these lines, a performance monitoring manual will be adopted and an excellence group instituted for improving performance monitoring, which will bring together the IGF and three pilot ministries. Moreover, the partnership between the IGF and the IGMs will be bolstered by means of a circular from the Minister of Economy and Finance aimed at improving the performance monitoring system through building the capacities of the control bodies in the area of performance auditing, thereby further developing the transparency and efficiency of public activities;

- ▶ Preparation by an independent expert of a progress report on the implementation of the GID system even before its general implementation. This action is aimed at providing reasonable assurance that the GID system will properly function and provide greater fluidity in the execution of public expenditure while speeding the process of drawing up budget closure laws.
- ▶ **Reform of the organic budget law** through the preparation of a brainstorming platform for considering ways to improve that law, carrying out international benchmarking on recent developments in respect of best practices for the modification of organic budget laws, more intense thinking on approaches to reform, and the preparation of a timetable for implementing that reform. This reform of the organic budget law, which is tantamount to a rounding out of the process of budgetary and control reform initiated in 2001, is aimed at consolidating the gains in the areas of fiscal reform and solidifying the mechanisms associated with the new results-based budgetary approach focused on achieving results and accountability.

3.2. Improving the effectiveness of the administration in human resource management

Human resource management plays a strategic role in achieving a modern, efficient, responsible, and citizen-oriented administration, and hence is a decisive factor in successfully carrying out the reforms initiated. The measures to be taken along these lines relate to:

- ▶ **Implementing the Forward Management of Staffing, Jobs, and Skills (GPEEC)**, in particular through the development of RECs in all eligible ministerial departments and adapting the HR management indicators to achieve greater medium-term visibility in terms of recruitment, mobility, and continuing training.
- ▶ **Improving the mobility of civil servants** in order to optimize the use of human resources in the administration, in particular through:
 - Harmonization of civil service personnel regulations;

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- Adoption of implementing decrees with respect to redeployment, release for assignment, and secondment, after the adoption and publication of the law amending the General Civil Service Personnel Regulations.
- Introduction of financial incentives for redeployment.
- ▶ **Preparation of the draft law amending the General Civil Service Personnel Regulations** aimed at guaranteeing, in particular, the highest possible degree of equity and transparency for access to civil service employment through the organization of competitive examinations and the introduction of contractual hiring for contributing to the completion of specific projects.
- ▶ **Completion of the study on classifying jobs under a common nomenclature** aimed at ranking all civilian jobs in the administration in accordance with a common nomenclature so as to improve the match between human resources and jobs. This study, to be assigned in early 2008, will make it possible to stress merit and facilitate the harmonization and grouping of personnel regulations, mobility, and staff redeployment, as well as to introduce an equitable and transparent compensation system.
- ▶ **Completion of the study on designing a new compensation system** based on the new classification of jobs under a common nomenclature aimed at reinforcing the principles of equity and transparency while setting compensation levels in keeping with skill levels, the nature of responsibilities, job complexity, and performance.

3.3. Consolidation and control of the civil service wage bill

This involves strengthening the monitoring and control of the wage bill, the adoption of best practices for the management of wage bill appropriations by the ministries, and the stabilization of civil service staffing levels. To this end, the following actions will be undertaken:

- ▶ Publication by the Ministry of Economy and Finance of a quarterly report on the changes in the wage bill by ministerial department and the factors explaining such changes;
- ▶ General application of best practices for the management of wage and salary appropriations throughout all ministerial departments following their introduction in four pilot departments.

These actions are aimed at improving control of changes in the wage bill, the weight of which in terms of GDP is expected to be reduced to about 10 percent of GDP by 2012.

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3.4. Simplification of electronic government procedures

Procedural simplification and e-government are at the core of the strategy for modernizing public administration, and constitute a vector for improving governance and the quality of the public services provided to users.

The actions to be taken in this connection relate especially to:

- ▶ Introducing a global governance framework for the development of the information society and e-government with a view to achieving greater coordination between ministries and the common utilization of resources in this area;
- ▶ Simplification of procedures and improvement of public services by means of e-government in the customs and procurement areas, involving:
 - Stabilization of the BADR system and quality certification of its IT program code;
 - Implementation of the decision-making database for government contracts in all ministries, and expansion to selected public establishments and subregional governments of the on-line government procurement tools (electronic submission of bids, provision of terms of reference, and on-line availability of the results of bid submission);
- ▶ Initiation of a study on implementing technical norms and standards for the information systems of the public administration;
- ▶ Launch of a study on the development of a common set of rules on HR management in the public administration (E-HR Program: Harmonization of Human Resource Information Systems, SIRHs).

IV. Steering and monitoring of Public Administration reform measures

The steering and monitoring of reform implementation are provided by an interministerial commission chaired by the Minister Delegate in the Office of the Prime Minister in charge of Economic and General Affairs and made up of representatives from the ministries in charge of Public Sector Modernization, Economy and Finance, the Interior, National Education, Equipment, and Health. This commission is tasked in particular with the coordination, monitoring, and appraisal of actions taken in the context of the Public

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Administration reform, using performance and impact indicators designed to improve the performance and output of the Administration.

In addition, regular monitoring of progress with the reform program will be performed in the ministries of Economic and General Affairs, Public Sector Modernization, and Economy and Finance, and progress reports will be drawn up and submitted to the commission referred to above.

Moreover, the communication strategy previously established for the reform will be implemented with a view to ensuring the mobilization and active involvement of the various stakeholders, thereby guaranteeing the conditions necessary for the success of the public administration reform program.

In conclusion, I wish to thank you for your support for this important program to reform the Public Administration of Morocco.

Sincerely yours,

ANNEX 2. MOROCCO MULTIYEAR GOVERNMENT PROGRAM OF PUBLIC ADMINISTRATION REFORM SUPPORTED BY THE PARLS

SUBPROGRAM A: IMPROVE THE EFFECTIVENESS OF THE GOVERNMENT IN BUDGET RESOURCES MANAGEMENT					
Objectives/ Outcomes	Measures Implemented in PARLs-I and II	Measures Implemented in PARL-III (As of March 30, 2008)	Measures to Be Implemented in PARL-IV	Output Indicators	Outcomes Indicators
A.1 Greater visibility of policies and their medium-term budgetary implications, placing budgetary allocation decisions in a multiyear framework	Establishment through Prime Ministerial circular, of a committee with a view to assess the sustainability of the economic and social development plan within the available financing possibilities and the macroeconomic framework, and to define the link between the plan, the MTEF, and their implications for the Budget Law. Establishment through Prime Ministerial circular of an Interministerial Commission responsible for defining the MTEF format and related procedures.	Preparation and presentation of the TOFT 2008-2010. [*] Preparation of sectoral MTEFs by a total of 9 ministries.	Preparation and presentation of the TOFT 2009-2011. [*] Extension of sectoral MTEFs 2009-2011 by the incorporation of 5 new ministries, with the assistance of an ad hoc Working group.	MTEF Procedures Manual adopted. TOFT and 14 sectoral MTEFs for 2009-2011 prepared. Identification of multiyear sectoral budgetary targets by the concerned departments.	Multiyear budgetary planning integrated with the process of preparation of the Budget Law.
A.2 Greater responsibility for deconcentrated offices in budgetary programming and execution, with a focus on results and accountability	Extension of flexible budgeting to deconcentrated units in 12 ministries in the 2005 Budget Law.	[*] Extension of flexible budgeting to at least 30 ministries. [*] Signing and dissemination of a circular issued by the MEF which improves the process of budgetary credits deconcentration and simplify its procedures.	Extension of flexible budgeting to all eligible ministries. [*] Signing of a minimum of 3 pilot performance contracts between the ministries of Education and Health and their deconcentrated offices. Elaboration of a strategy for deconcentration, and adoption of a deconcentration manual. Elaboration and implementation of deconcentration master plans in 5 ministries.	Number of ministries that have adopted flexible budgeting: 2005 2006 2007 2008 14 20 30 32 Proportion of investment credit allocations to total credits: 2005 2006 2007 2008 40% 60% 70% 80% Number of performance contracts signed between central administrations and their deconcentrated services. Number of ministries that have adopted deconcentration master plans: 2007 2008 2010 2 5 10	Higher public investment execution rates. Higher budget deconcentration rates.

<p>A.3 Improved performance of ministries through the introduction of internal auditing, evaluation, and performance control</p>	<p>Preparation and distribution by the Controller General of Expenditures Commitments (<i>Contrôleur Général de l'Engagement de Dépenses de l'Etat, CGED</i>) of procedures manuals for:</p> <ul style="list-style-type: none"> Monitoring and control of procurement Commitment accounting. <p>Elaboration and validation of the manual for performance audit according to ISA standards.</p>	<p>[*] Completion of a study on the control of public expenditure.</p> <p>Preparation of performance audit reports 2006 by the IGF/IGMs in at least 13 pilot departments, and publication of a consolidated performance audit report of the 2006 budget.</p>	<p>[*] Establishment through a Prime Minister's decree of a new system for the control of public expenditure.</p> <p>[*] Preparation of performance audit reports 2007 by the IGF/IGMs in at least 20 ministries, and publication of a consolidated performance audit report of the 2007 budget.</p> <p>Adoption of a performance monitoring manual and establishment of an excellence group to improve performance monitoring, including the IGF/IGMs and 3 pilot ministries.</p> <p>Signing of a MEF's circular to strengthen partnership between the IGF and the IGMs.</p> <p>Implementation of the new Chart of Accounts of the state.</p> <p>Completion of an assessment by an independent expert on the status of the GID system before its start-up.</p>	<p>Number of IGMs and IGF that have received upgrading training: 2006 2007 2008 50 20 20</p> <p>Number of IGMs trained on the audit manual in: 2006 2007 2008 14 20 20</p> <p>Number of performance audit reports prepared by the IGMs and the IGF in pilot Ministries in: 2006 2007 2008 14 20 20</p> <p>New procedures from the Chart of Accounts.</p> <p>The report on the status of the GID.</p>	<p>Lower average delay on capital expenditures payments.</p> <p>Strengthened capacity in performance auditing.</p> <p>Increased reliability and transparency of accounting information.</p> <p>GID in accordance with best practices on integrated IT systems.</p>
<p>A.4 Revision of the Organic Budget Law (OBL)</p>	<p>Creation of a brainstorming framework to revise the Organic Budget Law.</p>	<p>Realization of an international benchmarking on recent evolutions regarding best practices on Organic Budget Law revisions, deepening of the content and preparation of a timeframe for the revision.</p>	<p>Framework of the revision.</p>	<p>Start-up of the consultation process among ministries on the framework to revise the Organic Budget Law.</p>	

SUBPROGRAM B: IMPROVE THE EFFECTIVENESS OF THE GOVERNMENT IN HUMAN RESOURCES MANAGEMENT

Objectives/ Outcomes	Measures Implemented in PARLs I and II	Measures Implemented in PARL-III (As of March 30, 2008)	Measures to Be Implemented in PARL-IV	Output Indicators	Outcomes Indicators
<p>B.1 Preparation of the new management system B.1.1 Strategic Staffing Frameworks (GPEECs)</p>	<p>Completion of the REC for the Ministries of Agriculture and Equipment, and launching of REC for the Ministries of Economy and Finance (MEF) and the Ministry of Public Sector Modernization (MMSF).</p>	<p>[*] Completion of the REC in at least 6 ministries in 2007.</p> <p>Launching of the GPEEC in ministries that have completed their REC.</p>	<p>Completion of the RECs for all eligible ministries.</p> <p>Launching of the GPEEC in all eligible ministries.</p> <p>Preparation of evaluation tools (contracts forms, service projects, dashboards and their disclosure) and establishment of evaluation indicators based on the RECs.</p>	<p>Number of ministries that have finished RECs: 2006 2007 2008 2009 4 6 20 all</p> <p>Number of ministries that are implementing GPEECs: 2008 2009 2010 3 10 all</p>	<p>Generalization of the use of GPEEC tools in human resource management by all ministries.</p>

B.1.2 Job classification	Preparation of the action plan on the harmonization of administrative personnel regulations, and of the decrees on the harmonization of the civil service status.	[*] Launching of the study to classify jobs in a standard job classification.	[*] Completion of the standard job classification.	The standard job classification covers 90% of civil servants in 2009.	Harmonized civil service jobs, covering 90% of civil servants in 2009.
B.1.3 Compensation		[*] Designation of the firm in charge of the study on the development of a new compensation system based on a new job classification.	[*] Completion of the diagnostic, the review of the existing literature and the technical adjustments, and start up of the design of scenarios for a new compensation system based on a new job classification.	Diagnostic and technical adjustments reports, prepared and validated.	Launching of the structural reform aiming the establishment of a compensation system more equitable and transparent
B.1.4 e-HR program for the harmonization of public administration SIRHs	Launching a call for expressions of interest in the realization of the study on the definition of the e-HR program.	Completion of the study on the definition of the e-HR program. Launching of a study on the preparation of the standard framework for the harmonization of the SIRH.	Implementation of the standard framework for the harmonization of the SIRHs. Launching of a feasibility study of a human resources center for the public administration.	Number of ministries that have harmonized SIRHs: 2008 2009 2010 4 7 10	Harmonization of the information systems in human resources management.
B.2 Reform of the current management system	Adoption by the Government Council of decrees relating to: • Performance evaluation of civil servants • Promotion of civil servants.	Submission to Parliament of the law amending the general civil service personnel regulations on: • Redeployment • Release for assignment • Secondment • Recruitment by contract • Public administration access through a competitive process.	Adoption by the Government Council of the operational decrees, following the publication of the law, for: • Redeployment • Release for assignment • Secondment • Recruitment by contract • Public administration access through a competitive process.	Increased number of civil servants recruited through a competitive process or contract.	Enhanced adaptability of civil servants to the public administration needs.
B.3 Introduction of the ongoing training	Adoption by the Government Council of a draft decree related to the ongoing training.	Elaboration of the ongoing training strategy for the public administration.	Adoption by the Superior Council of the civil servants of the ongoing training strategy.	Number of ministries that have ongoing training plans: 2008 2009 2010 5 10 all	Increased number of public servants having benefited from ongoing training programs with respect to their total.

SUB-PROGRAM C: CONSOLIDATION AND PUBLIC PAYROLL CONTROL

Objectives/ Outcomes	Measures Implemented in PARLs-I and II	Measures Implemented in PARL-III (As of March 30, 2008)	Measures to Be Implemented in PARL-IV	Output Indicators	Outcomes Indicators
C.1 Strengthening the monitoring and control of the wage bill.	Elaboration of the model used to prepare the wage bill 2005-2008 projections, while specifying the assumptions and parameters used.	[*] Establishment through a MEF circular of a Commission in charge to make a quarterly monitoring of the wage bill.	[*] Dissemination by MEF of a quarterly report on the evolution of the wage bill and its main determinants in each ministry.	Improvement of the forecasting accuracy of the projections of its wage bill, the monitoring of its execution, and the tools applied to both activities.	The wage bill is reduced from 11.8% of GDP in 2005 to 10.4% in 2009.

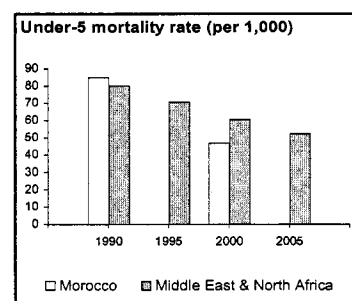
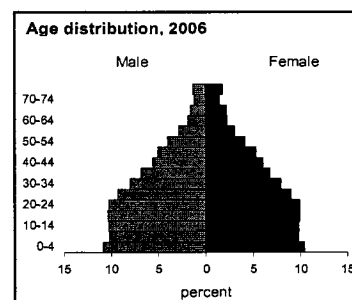
C.2 Qualitative reprofiling of the civil service.	Implementation of the operation of early retirement departures. Adoption of the draft decree prohibiting recruitment in grades 1 to 4.	Carryover into the 2005 Budget Law of the limitation on the net number of new jobs to at most the number of retirement departures (excluding early retirement departures).	[*] Establishment through a MEF circular of a Group in charge of the preparation and implementation of measures leading to an improved monitoring and forecasting of the wage bill, and the gradual introduction in 4 ministries (Finance, Education, Health and Housing) of best practices in payroll credits management.	[*] Extension of best practices in monitoring, forecasting and payroll credits management to other ministries.	Reduction in the average time of regularization of staff promotion. Increased number of ministries actively involved in the control of their wage bill and payroll credit management.	Strengthened management of wage bill evolution by line ministries.
C.3 Introduction of best practices in the monitoring, forecast and payroll credits management by all ministries and stabilization of the number of civil servants						
SUBPROGRAM D: SIMPLIFICATIONS OF PROCEDURES AND ADMINISTRATION ONLINE						
Objectives/ Outcomes	Measures Implemented in PARLs-I and II	Measures Implemented in PARL-III	Tentative Measures to Be Implemented in PARL-IV	Output Indicators	Outcomes Indicators	
D.1 Improvement of the institutional framework and government leadership in e-government		Issuance of a Prime Ministerial circular on the overall framework of credible governance for the development of the information society and e-government.	[*] Implementation of the overall framework of credible governance for the development of the information society and e-government.	Circular of the Prime Minister on the governance of e-government.	Higher productivity resulting from e-government measured by the increased number of public services on line.	
D.2 Improvement of public services and simplification of procedures by e-government						
D.2.1 Customs		Launching of the recruitment process of an audit firm of the quality of the BADR system to reach the required level following international standards in its area.	Stabilization of the BADR system and certification of the quality of its data-processing code.	Increased number of Customs procedures accessible through the internet (declarations, payments).	Efficiency gains visible by users and measured by decreased time devoted to imports and exports procedures, stockage periods and passage through Customs services.	

<p>D.2.2 E-procurement (public markets on line)</p>		<p>Generalization at all the central government levels of the existing tools as regards public bids online (download offers and terms of references, and results).</p>	<p>Implementation of the Decision database of public bids for all ministries.</p> <p>[*] Extension to some public entities as well as some local administration of the existing tools as regard public bids online (download offers, terms of reference, results, and the submission of offers online).</p>	<p>At least 80% of the central administration's offers, terms of bids available online.</p> <p>Increased number of bids using the system.</p>	<p>Greater transparency in public bidding processes and associated savings.</p>
<p>D.3. Externalization of public services and private-public partnerships in the field of the administration online</p>		<p>Launching a study on the externalization of some IT functions of the MEF.</p> <p>Validation by the MMSP of the TOR for a study on the normalization and interoperability of information systems of the public administration.</p>	<p>Launching of the implementation of the study's recommendations on the externalization of some IT functions of the MEF.</p> <p>Implementation of the interoperability norms and standard recommended by the study.</p>	<p>Completion of the study and proposed best practices applied.</p> <p>New norms available on interoperability.</p>	<p>Harmonization of transactional systems on line and associated savings.</p>

ANNEX 3. MOROCCO AT A GLANCE

As of 1/18/08

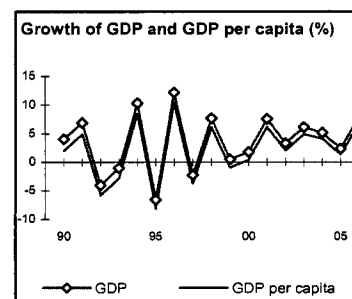
Key Development Indicators (2006)	Morocco	M. East & North Africa	Lower middle income
	Population, mid-year (millions)	30.5	311	2,276
Surface area (thousand sq. km)	447	8,990	28,549
Population growth (%)	1.2	1.7	0.9
Urban population (% of total population)	55	57	47
GNI (Atlas method, US\$ billions)	65.8	771	4,635
GNI per capita (Atlas method, US\$)	2,160	2,481	2,037
GNI per capita (PPP, international \$)	5,000	6,447	7,020
GDP growth (%)	8.0	5.4	8.8
GDP per capita growth (%)	6.7	3.6	7.9
<i>(most recent estimate, 2000–2006)</i>			
Poverty headcount ratio at \$1 a day (PPP, %)	<2	1	..
Poverty headcount ratio at \$2 a day (PPP, %)	14 ^a	20	..
Life expectancy at birth (years)	70	70	71
Infant mortality (per 1,000 live births)	40	43	31
Child malnutrition (% of children under 5)	10	14	13
Adult literacy, male (% of ages 15 and older)	66	83	93
Adult literacy, female (% of ages 15 and older)	40	63	85
Gross primary enrollment, male (% of age group)	101	106	117
Gross primary enrollment, female (% of age group)	88	99	114
Access to an improved water source (% of population)	82	90	81
Access to improved sanitation facilities (% of population)	80	76	55



Net Aid Flows	1980	1990	2000	2006 ^b
<i>(US\$ millions)</i>				
Net ODA and official aid	899	1,048	419	652
<i>Top 3 donors (in 2005):</i>				
France	135	217	155	198
Germany	10	71	6	62
Italy	1	36	2	39
Aid (% of GNI)	4.4	3.8	1.2	1.1
Aid per capita (US\$)	46	43	15	22

Long-Term Economic Trends

Consumer prices (annual % change)	9.4	7.0	1.9	3.3
GDP implicit deflator (annual % change)	15.2	5.5	-0.8	1.9
Exchange rate (annual average, local per US\$)	3.9	8.2	10.6	8.8
Terms of trade index (2000 = 100)	80	75	100	106



Population, mid-year (millions)	19.4	24.2	28.5	30.5
GDP (US\$ millions)	21,034	28,857	37,059	65,404
<i>(% of GDP)</i>				
Agriculture (includes Fishing)	21.5	21.3	14.9	15.7
Industry	27.0	29.0	29.1	27.8
Manufacturing	17.0	19.2	17.4	16.5
Services	51.2	51.9	56.0	56.5
Household final consumption expenditure	63.9	61.7	61.5	55.5
General gov't final consumption expenditure	16.4	13.9	18.4	18.3
Gross capital formation	28.4	29.7	25.5	31.6
Exports of goods and services	15.6	23.7	28.2	33.2
Imports of goods and services	23.9	28.5	33.8	39.4
Gross savings	23.0	29.1	24.3	34.5

1980–90 1990–2000 2000–06 (average annual growth %)

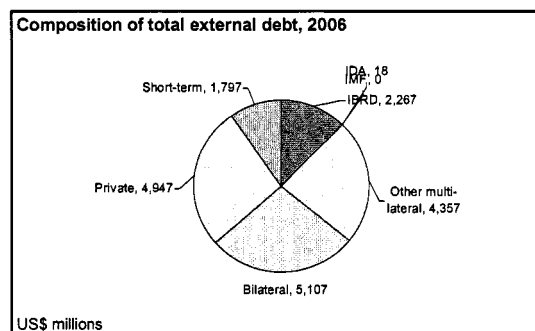
Population	2.2	1.6	1.1
GDP	4.2	2.4	5.1
Agriculture	6.7	-0.4	8.7
Industry	3.0	3.2	4.1
Manufacturing	4.1	2.6	3.4
Services	4.2	3.0	5.0
Household final consumption expenditure	4.0	1.8	4.3
General gov't final consumption expenditure	4.4	3.9	2.8
Gross capital formation	1.6	2.5	10.3
Exports of goods and services	8.0	7.0	9.5
Imports of goods and services	4.6	6.8	9.3

Note: Figures in italics are for years other than those specified. 2006 data are preliminary. .. indicates data are not available.
a. Country poverty estimate is for earlier period. b. Aid data are for 2005.

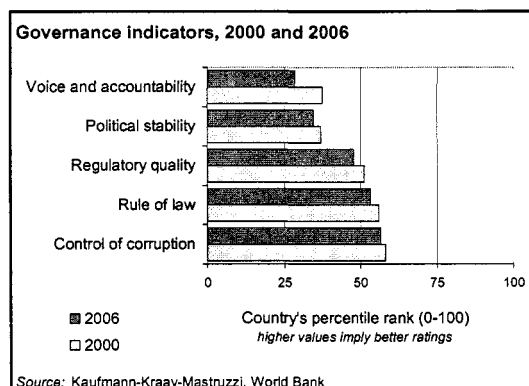
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2006
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	7,419	11,913
Total merchandise imports (cif)	11,531	23,534
Net trade in goods and services	-2,085	-4,038
Current account balance	-475	1,856
as a % of GDP	-1.3	2.8
Workers' remittances and compensation of employees (receipts)	2,161	4,589
Reserves, including gold	4,958	20,573
Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	23.6	25.1
Tax revenue	21.7	22.2
Current expenditure	23.3	21.6
Overall deficit (excl. privatization and inc. FHI)	-5.2	-2.5
Highest marginal tax rate (%)		
Individual	44	42
Corporate	35	35

External Debt and Resource Flows		
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	20,713	18,493
Total debt service	2,713	3,405
Debt relief (HIPC, MDR)	-	-
Total debt (% of GDP)	55.9	28.3
Total debt service (% of exports)	21.0	12.2
Foreign direct investment (net inflows)	157	2,347
Portfolio equity (net inflows)	17	-308



Private Sector Development	2000	2006
Time required to start a business (days)	-	12
Cost to start a business (% of GNI per capita)	-	12.7
Time required to register property (days)	-	46
Ranked as a major constraint to business (% of managers surveyed who agreed)		
Access to/cost of financing	..	84.4
Tax rates	..	62.6
Stock market capitalization (% of GDP)	29.4	75.5
Bank capital to asset ratio (%)	9.8	7.7



Technology and Infrastructure	2000	2005
Paved roads (% of total)	56.4	56.9
Fixed line and mobile phone subscribers (per 1,000 people)	131	..
High technology exports (% of manufactured exports)	11.3	10.1

Environment		
Agricultural land (% of land area)	69	68
Forest area (% of land area)	..	..
Nationally protected areas (% of land area)	1.2	..
Freshwater resources per capita (cu. meters)	..	962
Freshwater withdrawal (% of internal resources)	43.4	..
CO2 emissions per capita (mt)	1.2	1.3
GDP per unit of energy use (2000 PPP \$ per kg of oil equivalent)	10.1	10.6
Energy use per capita (kg of oil equivalent)	350	384

World Bank Group portfolio	2000	2006
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	2,837	2,267
Disbursements	138	176
Principal repayments	309	330
Interest payments	87	88
IDA		
Total debt outstanding and disbursed	27	18
Disbursements	0	0
Total debt service	2	1
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	29	2
Disbursements for IFC own account	1	0
Portfolio sales, prepayments and repayments for IFC own account	7	78
MIGA		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified. 2006 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

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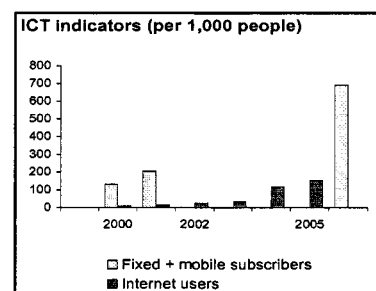
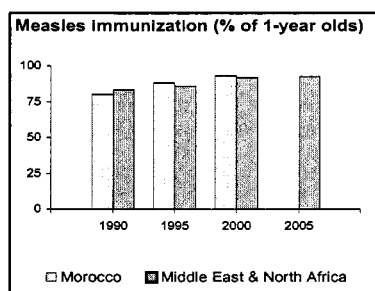
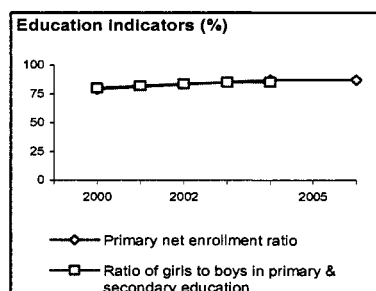
Millennium Development Goals

Morocco

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

Morocco

	1990	1995	2000	2005
Goal 1: halve the rates for \$1 a day poverty and malnutrition				
Poverty headcount ratio at \$1 a day (PPP, % of population)	<2	..	<2	..
Poverty headcount ratio at national poverty line (% of population)	13.1	..	17.0	15.0
Share of income or consumption to the poorest quintile (%)	..	..	6.5	..
Prevalence of malnutrition (% of children under 5)	9.0	..	..	10.2
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	58	72	79	87
Primary completion rate (% of relevant age group)	47	48	58	80
Secondary school enrollment (gross, %)	35	..	39	50
Youth literacy rate (% of people ages 15-24)	55	62	67	72
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	67	72	80	85
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	20	19
Proportion of seats held by women in national parliament (%)	..	1	1	11
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	85	..	47	47
Infant mortality rate (per 1,000 live births)	66	57	40	40
Measles immunization (proportion of one-year olds immunized, %)	80	88	93	..
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	332	228	228	226
Births attended by skilled health staff (% of total)	31	34	48	63
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	0.1
Contraceptive prevalence (% of women ages 15-49)	39	42	45	63
Incidence of tuberculosis (per 100,000 people)	110	113	95	88
Tuberculosis cases detected under DOTS (%)	..	93	81	..
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	75	..	80	82
Access to improved sanitation facilities (% of population)	58	..	68	80
Forest area (% of total land area)	6.8	12.7	..	20.2
Nationally protected areas (% of total land area)	..	0.7	1.2	..
CO2 emissions (metric tons per capita)	1.0	1.1	1.2	1.3
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	12.0	10.2	10.1	10.6
Goal 8: develop a global partnership for development				
Fixed line and mobile phone subscribers (per 1,000 people)	16	43	131	690
Internet users (per 1,000 people)	0	0	7	153
Personal computers (per 1,000 people)	..	3	12	35
Youth unemployment (% of total labor force ages 15-24)	..	..	19.9	15.8



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

10/8/07

Development Economics, Development Data Group (DECDG).

ANNEX 4. WHAT THE PARLs HAVE ACHIEVED: MAJOR INTERMEDIATE AND OUTCOME INDICATORS

While it is generally difficult to identify proper outcome indicators for public administration management, it is even more difficult when it comes to a program in progress where true outcomes are expected far in the future. Correctly, the matrixes in PARL-I and II mostly addressed results in terms of reforms implemented and modernized tools adopted by the various public entities, mostly on a pilot basis. As the reform now evolves from build-up to mainstreaming, it will be useful to build a solid outcomes monitoring framework to capture the results of future progress. At this point, it is useful to look ex post at a number of indicators that may give some insight into how well the reforms have succeeded.

During 2004–06, the Government of Morocco undertook reforms on a vast front including budget modernization, deconcentration, simplifying the expenditure control system, strategic staffing, remuneration reforms, and payroll control. To do that, the Government has mostly proceeded on a voluntary/pilot basis. In a sense, the growing number of pilots for each new instrument has been an indicator of reform internalization. Some reforms have taken longer than others to start, mostly due to political or bureaucratic reservations. This was the case for the MTEF or performance auditing, which went against administrative traditions; administrative decentralization has been put on hold, while the higher authorities look for the best formula; officials are taking their time with remuneration control, the most sensitive reform; and payroll control has been jeopardized by “exceptional promotions” meant to appease categories of public servants.

Before looking at outcomes for each component of the program, it is worth looking at existing global comparative indicators and see if they offer some insight into how public administration management has progressed during this decade. To this end, the Index of the Quality of Government Bureaucracy of the World Bank’s Economic Development Prospects presents country rankings since 2000. According to this source, Morocco appears as a solid reformer in this field. Its index, as a percentile rank relative to other countries of the world is 74 in 2007 (100 meaning best environment), which is a significant (and steady) improvement over its rating of 58 in 2000. This index also contrasts with the deterioration of MENA regional index from 48 to 45 in the same period. The index combines findings from three different sources: The Political Risk Services, the Heritage Foundation, and the Bank’s Doing Business indicators.

Subprogram A: Improve Governmental Efficiency in Budget Resources Management

Component A.1: Greater visibility of policies and their medium-term budgetary implications, placing budgetary allocation decisions in a multiyear framework

A methodology for preparing MTEFs has been adopted on a participatory basis. A methodological guide has been disseminated by a Prime Ministerial circular. A dozen departments have prepared three-year MTEFs. However, MTEFs need to be more closely associated to budget preparation. Their consistency with future budgets should be measured by indicators to be put in place. In parallel, the Ministry of Finance now prepares three-year projections of public finance aggregates. The quality of the forecasts is very good, with actual implementation being 114 percent in the case of revenue and 107 percent for expenditures.

Component A.2: Greater responsibility for deconcentrated offices in budgetary programming and execution, with a focus on results and accountability

On the one hand, starting on a pilot basis in 2002 with the Ministry of Health, the use of budget flexibility (*globalization des crédits*) together with performance indicators has now been adopted by 30 departments and will be generalized in 2008. The use of the flexible mechanism has rapidly increased among departments entitled to use it (from 10 percent of eligible appropriations in 2003 to 34 percent in 2006). And in a limited number of cases, a remarkable impact in terms of increased absorptive capacity has been observed (from 34 percent in 2003

to 40 percent in 2005 for the Ministry of Health, and from 56 percent in 2003 to 68 percent in 2005 for the Ministry of Equipment). On the other hand, for reasons presented above, deconcentration has been lagging behind, with very few departments having prepared master plans for deconcentration or practicing internal contracting. Now 30 departments present indicators together with their budget requests. The quality of those indicators cannot yet be judged adequately because the performance audits have not yet started, but are to commence during 2007. In the future, it will be possible to: (a) have indicators of the quality of sector performance; and (b) use some sector outcome indicators as indicators of progress of effectiveness of the public administration.

Component A.3: Improving the performance of public administration through the introduction of internal auditing, evaluation, and performance control

Although the engineering of an Integrated Budget Management System is long term, the priority has recently been put on trimming the expenditure circuit and simplifying the ex ante controls system. Controllers of commitments and payments have been regrouped, with a new methodology intended to further simplify and shorten the control circuit. As a result, public expenditure should be expedited more swiftly, and procurement and payment lags should diminish. Those indicators have not been collected yet, but will be for the next operation. On budget reporting, progress can be seen on the delays for preparing the final accounts: it took the Ministry of Finance 4.5 years to prepare the draft 2000 final accounts; this delay has regularly declined to become 2 years for the 2005 accounts. Finally, progress is also visible on the transparency front, where the annual budget and annexes are now published online, as are all information on planned procurement and the results of bids.

Subprogram B: Improve Governmental Efficiency in Human Resources Management

To deal with this sensitive area, the Government decided to proceed with the adoption of modernized tools for Human Resources Management. The first one was the development of SSFs, which opens the case for prospective management and reform in recruitment, promotion, and mobility. A manual has been prepared. As of today, seven departments among the largest have prepared SSFs, with many others starting the development. Other reforms include the reform of promotions, which has unblocked promotions (*goulot d'étranglement*) and should prevent the massive political promotions of the past. Recruitment on a competitive basis has been instated by decree. The outcome indicators put in place in that component should capture improvements in performance and management. It is too early at this stage, however, to expect such outcomes while the tools are still under construction.

Subprogram C: Consolidate and Control Public Payroll

To control the public payroll and the related fiscal deficit, the Government has resorted in the first instance to control the number of staff. The first action has been a voluntary Early Retirement Program (ERP) in 2005. The ERP achieved most of its quantitative and financial objectives. The number of participants and beneficiaries exceeded expectations, with more than 50,500 of the former (or 10 percent of the central government civil service) and almost 38,600 for the latter (7.6 percent of civil servants). Savings on the wage bill have been estimated at 1 percentage point of GDP. Taking into account all the positive and negative financial impacts, especially the one-off severance payment (2.3 percent of GDP) and the effect on the pension fund, the ERP yields a positive result estimated at 5.9 percent of GDP (3.7 percent of GDP if discounted using a 5 percent rate). On the budget, starting from 2006, the net total impact is an annual savings of 0.6 percent of GDP. In addition, the qualitative outcome of the ERP is positive: all managers sampled say that it has allowed staff rotation in the administrations and permitted younger people to take new responsibilities. As a result a gain in administrative efficiency should be achieved. The composition of departures has been virtuous, especially for Health and Education: in those departments, most departures come from regions that were overstaffed, while in the poorest places, teachers and physicians were not permitted to leave under the ERP.

ANNEX 5. MOROCCO'S E-GOVERNMENT STRATEGY

CURRENT SITUATION: STRATEGY AND INSTITUTIONAL FRAMEWORK

E-government is a powerful tool for public administration reforms. It enables more efficient, effective, and participatory government; facilitates convenient government services and greater public access to information; increases transparency; and makes government more accountable to citizens. On a deeper level, e-government opens up predominantly inward-looking structures of administrations toward a focus on services rendered and on delivery of results, fundamentally affecting the very processes by which these services are produced and delivered. In this way, e-government allows administrative reform efforts to make dramatic, fundamental, and radical changes to streamline back-office processes and increase administrative efficiency and effectiveness. These changes may further reinforce other reforms, helping countries to better compete in the global economy by strengthening markets and individual choice, which in turn promote economic growth and poverty reduction.

The Government of the Kingdom of Morocco (GoM) has recognized the importance of e-government as a tool for its larger public administration reform efforts. It has already articulated a national strategy for ICT in a document entitled *Stratégie e-Maroc 2010*, launched in 2005 under the authority of His Majesty King Mohammed VI. E-government is a key component of this strategy. The strategy is complemented by an action program known as Informatization and Networking of Public Administration via ICT in 2003 (*Informatisation des Départements Administratifs et leur Mise en Réseau Adéquate via les Technologies de l'Information, IDARATI*). As suggested by the name, this program aims at modernizing both national and local administration by the gradual diffusion of ICT. The top objectives of this plan are to create improved Government to Business (G2B) and Government to Citizens (G2C) interactions, improve effectiveness of government administration, reduce costs, and transform the public administration. To achieve these objectives, the IDARATI program published a number of documents pertaining to the national e-government program for 2005–08. These include the *Programme National e-Gouvernement 2005–08*; the *Plan de Mise en Oeuvre e-government*; and the *Plan de Dématérialisation des Services*.

INSTITUTIONAL FRAMEWORK

In the previous Moroccan government, e-government responsibilities were shared between the Economic and General Affairs Ministry (*Ministère des Affaires Economiques et Générales, MAEG*), and source of the e-Maroc Strategy) and the Ministry of Public Sector Modernization (*Ministère de la Modernisation des Secteurs Publics, MMSP*), source of IDARATI). This complex institutional framework as a source of potential delays in the implementation of e-government services.

Within the e-Maroc Strategy, a Committee for the Development of Information and Communication Technologies (*Comité Stratégique pour le développement des Technologies de l'Information et de la Communication, CSTI*) was created. It was intended to increase widespread usage of ICT, along with deployment of the required ICT infrastructure, and comprised five major groups, one of which is the e-Government Committee (*Comité National eGov, NeGC*). This entity was created in February 2003, chaired by the Minister for Public Sector Modernization, and composed of representatives of several ministries and the private sector. The Committee was responsible for the coordination and development of online government services to reduce costs and improve the efficiency of administrative procedures. In addition, the Department of Postal, Telecommunications and Information Technologies (*Département de la Poste, des Télécommunications et de Technologies de l'Information, DEPTTI*) had implemented a number of cross-cutting projects and supported certain ministries in launching new services. DEPTTI was placed as a department under the Ministry of Economic and General Affairs, MAEG. The e-government strategy also includes a particular emphasis on the need to address horizontal issues, such as e-Security, interoperability, and norms for services, through the same institutional decision center.

Institutional fragmentation and the lack of a unique leadership in the area of e-government have slowed the progress of reform in this area. In particular, the institutional fragmentation has resulted in overlapping responsibilities, unclear mandates, and insufficient implementation capability.

VERTICAL E-GOVERNMENT APPLICATIONS

Vertical applications are systems that largely benefit a single agency's mission (such as Ministry of Education or of Health). This section outlines a few strategic vertical applications in Morocco in terms of their public utility, maturity, scalability, and potential for impact on the reform of Morocco's public administration.

E-Procurement (*Passation de marchés en ligne*)

E-Procurement is a highly effective tool for public administration reforms and has significant economic benefits. It contributes to transparency of government procurement by bringing knowledge of the tender process into the public domain, leading to less waste and corruption; lower prices; resulting from increased competition due to the increased number of bidders per tender; and faster processing of tenders, thereby minimizing delays in bringing the benefits of the procurement to the public.

In Morocco, the implementation of an e-Procurement system with procurement management functions and a national public tender website has been ongoing, with the website going live in January 2007. The Parliament, on October 1, 2007, voted for mandatory use of an e-Procurement website for all government purchases, and the Prime Minister's Office is expected to mandate all agencies to use the e-Procurement portal. The project's aim is to reduce government contracting costs and help small to medium-size Moroccan firms gain access to procurement opportunities. The system is managed by the General Treasurer of the Kingdom (*Trésorerie Générale du Royaume* [TGR], a unit under the MEF), and its functionalities include supplier registration, publication, and downloading of tenders and terms of references, submission of tenders by vendors, results of bid evaluations, contracting of tenders, and online payment. This marketplace is expected to allow each supplier to save an average of MAD120,000 annually on various documentation fees and deposits.

The first phase of this project involves the creation of a database consisting of all registered suppliers and public procurements. However, the TGR had to create its own classification of suppliers and procurements due to the absence of common standards, codification and data sets, and so forth. In the future, this database can be consolidated with the business registry, customs systems, and taxpayer registration databases for small and medium enterprises and large taxpayer units. In the second project phase, the system will be adapted and rolled out to the municipalities to allow for local government e-Procurement. This is because fighting corruption and enhancing transparency in public procurement is essential at all levels of public administration, and more than 50 percent of total government procurement is conducted by municipalities.

In the third phase, a monitoring and evaluation (M&E) system will be developed to monitor the progress and the costs of public procurement as captured in the e-Procurement system. The M&E component will contribute to increased understanding of the impact of transparency on costs, productivity gains, and the quality of process and contracting mechanisms. In the medium to long term, it is estimated that more than 80 percent of the central administration's offers, terms of reference, and results of bidding will be available online, with 50 percent availability for the local administration.

In the final fourth phase the e-Procurement platform could be outsourced to the private sector in order for it be maintained, updated, and transformed into a world-class application. This is because of the inability of government agencies to retain information technology (IT) talent based on low civil service salary levels, and the outsourcing of the platform through a public-private partnership (PPP) will serve as test of the Government and the private sector's aptitude and performance.

Based on the above, several challenges remain for the government. These may include: (a) scaling-up of the system to local communities; (b) hand-holding, change management training for all ministry staff to adopt and use the system, with a 100 percent compliance rate in all agencies by 2009; (c) monitoring the results and improvements; (d) allowing the system to exchange data with other systems based on common standards and an enterprise architecture for government information systems; and (e) outsourcing the system to a private sector entity under a PPP agreement to maintain it at a world-class level in terms of usability, reliability, privacy, security, and interoperability.

E-Customs (Base Automatisée des Douanes en Réseau)

An efficient and effective customs administration is essential to the welfare of any country. e-Customs systems implemented as part of an entire trade facilitation process also bring benefits to countries in terms of export and GDP growth and job creation, decreased transactions costs, and higher competitiveness.

A key service in IDARATI is the e-Customs system dubbed *Base Automatisée des Douanes en Réseau* (BADR), launched in 2003. BADR provides businesses, shippers, and customs agents ready access to declarations through the Internet, and it consists of several online services such as customs guarantees, clearance of vehicles or motorcycles, and status and progress check in real time. As a result, clearance time has been reduced from five days to less than an hour, and electronic payments are current (currently through only one partnering bank). BADR is also connected to the Integrated Budget Information system (*Gestion Intégrée de la Dépense*), the tax system, and the *Direction Générale des Impôts*, all of which are managed by MEF. The system has not undergone standard international certification and quality assurance processes that off-the-shelf systems go through. Hence, additional effort is required for quality assurance, mass deployment of BADR to all the major ports, and for its integration into a full-functioned, completely web-based platform accessible via the Internet. In addition, capacity building, change management, and committed local and central leadership are critical to its success. In the long run, BADR and its users would also benefit from being outsourced to the private sector under a PPP arrangement to take care of its maintenance, update, and quality assurance.

Integrated Budget Management System (Gestion Intégrée de la Dépense)

The GID system is an exchange platform among ministries for processing payments, commitments, and debits and credits of public moneys, and it currently connects 40 percent of the decentralized Treasury offices across the country. The system is developed by the Ministry of Finance's TGR group and is based on an off-the-shelf treasury system built on a Services Oriented Architecture (SOA). Additional resources are needed for completing the rollout and the capacity building for MEF staff, and the integration of GID with other government systems (the human resource system, for example) is of critical importance for the Government to fully benefit from this application.

E-RH: Human Resources Management System

The Ministry of Finance (MEF) is currently implementing the e-RH system based on an off-the-shelf Enterprise Resource Planning solution from Systems Applications Programs (SAP). This application is already implemented in the MEF and Ministry of Interior for more than 95 percent of their staff, and is to be rolled out in the Tourism, Commerce and Industry, Health, and Habbous ministries. The project represents a positive step for the public administration because it cross-leverages on each organization's resources, builds process consistency, and realizes cost economies of scale. In the longer term, it is imperative for the human resources systems of various ministries to interoperate as administrations are reorganized or as staff are transferred between agencies, and so forth. However, there is no single system for all the Moroccan administrations to date.

E-Sante: e-Health Assurance Maladie pour tous

The Ministry of Health (MoH) has embarked on a major national insurance reform project, which aims to provide coverage, online health insurance services, and information for public and private-sector employees, and the poor and unemployed. For this purpose, an e-Health system would link stakeholders and supply chain members in a single portal—including the insured population, insurances (under MoH), medical suppliers, pharmacies, doctors, hospitals, and clinics. It is estimated that 10 million people will be able to access their health insurance records online, and the services would include health and insurance tips, drug prices and availability information, and lists of doctors and providers. Concurrently, the system would also allow MoH to monitor diseases and illnesses based on insurance records and to create proactive, preventive health care programs for the populace. In addition, the system will ensure transparency in drug prices and locations, and eliminate existing arbitrage opportunities among different retail locations. The largest challenges lie in the rollout of the portal and its integration with other access programs (Genie, El Mourchid, existing Cyber cafés, la Poste, and so forth).

CROSS-SECTORAL STRATEGIC PRIORITIES

The attention to cross-sectoral issues is important to ensure that government policy in this area follows a coordinated and common approach that is aimed at maximizing synergies and disseminating good practices across ministerial departments. These cross-sectoral strategic priorities affect those elements that are common to all e-government initiatives (these elements are often referred to as *horizontal* measures).

Interoperability Framework, Norms, And Prioritization Of Services

A coherent interoperability framework is vital for a coordinated and integrated rollout of e-government services. These standards are needed to provide clear guidelines for achieving interoperability across various organs of the Government and across various agencies with regard to management of information, and have to be elaborated not only for the technologies involved but also for issues as basic as the naming of websites to creating e-mail addresses. Interoperability covers: (a) Technical—concerned with networking, interfaces, data formats, and so forth; (b) Semantic—implies a common ontology for exchanged information to achieve common understanding; and (c) Organizational—concerned with such things as modeling business processes and aligning information architectures.

Currently, there are no interoperability frameworks or standards for e-government in Morocco, and concerns have been expressed in the IDARATI program documents. Therefore, there is a need for expansion of the program to (a) map and assess the number of entities, existing record systems, workflow/process, and so forth, to identify the first-tier administrative units for possible implementation; (b) develop an interoperability framework that covers technical standards, semantics, and organizational interoperability, with an emphasis on flexibility, modular design, functionality, and support, taking into account the information gained from the mapping and assessment activity; and (c) conduct a thorough review of national interoperability frameworks from other countries, taking into account experiences from these and other similar frameworks.

The current websites of the public administrations in Morocco have substantially different layout, functions, colors, information, and so forth, or they are not regularly updated or offer basic content such as contact information. The e-government Committee has recognized the importance of such norms and therefore identified several domains for normalization that relate to issues of accessibility, content, navigation, and formats. Among these issues it appears particularly important to underline the need to:

- Develop norms to be embodied in visuals, identify manuals and technical guidelines covering issues related to usability, accessibility, service uptime, graphic elements, content management, layout, and basic functionalities; and

- Disseminate the finalized manuals and guidelines to the public administrations, and set up an internal website dedicated to these norms for ready access.

A service prioritization process is also essential for e-government programs because it enables appropriate resource allocation, creates linkages between expected project outputs and program-level objectives, and bases project plans on realistic assumptions.

Benchmarking, Evaluation Frameworks, And Performance Indicators

The development of the benchmarks, evaluation frameworks, and indicators is required for multiple purposes such as measuring comparative global performance, assessing impact, project management, risk assessment and management, reporting, and as a means of communication of project status among different actors. At present there are a number of impact assessment frameworks to measure e-government benefits. A comprehensive monitoring and evaluation framework has not been developed yet in Morocco. The e-Maroc strategy mentions the intention to develop, by November 2007, a national ICT observatory, to keep track of all ICT policy initiatives, including those for e-government. Given the lack of a monitoring and evaluation (M&E) framework, it is particularly important to conduct global benchmarking of e-government (central and local) in relation with the overall economic and social performance of Morocco.

Public-Private Partnerships

Public-private partnerships (PPPs) can help relieve governments of the financial and administrative burden of providing the service, while enabling them to retain an important role in regulating and monitoring the performance of the private partner. In addition, risks are shared between the public and private parties, and these partnerships can enable faster deployment of better services from governments to its constituents. PPPs also facilitate the transfer of know-how, best practices, and methodology from the private to the public sector. The Moroccan e-government Committee strongly encourages the use of PPPs for new e-government projects. However, no feasibility study had been conducted to assess the viability and affordability of the PPP approach and there are no laws that specifically deal with this matter in the country. Hence an emerging policy need is to ensure that the use of PPPs is viable for e-government services in Morocco—that is, that it is economically and financial viable for the public sector, with appropriate risk and reward balance for the public and private sectors, and is value for money for the public sector.

Based on the strength of Morocco's software/IT industry, the private sector is thought to have the capacity to support these PPPs. The initial assessments may indicate that several existing programs in Morocco are feasible for outsourcing, including e-Procurement, government portals and networks, end-user support, e-mail and archive management, e-Human Resources, and el-Mourchid. Therefore, the eventual outsourcing of some of these programs would contribute significantly to the sustainability of the Government's public administration reform and modernization efforts, and to the country's e-government programs.

E-Security

E-Security is a crucial horizontal element for safe and trusted online transactions. It enables the electronic authentication of users and protects data such that transactions have legal standing. Without e-Security, applications in such areas as e-commerce, civil registries, and business registries cannot be feasibly implemented. Morocco has highlighted the importance of e-Security in its policy and implementation papers. The IDARATI document outlines the need for the GoM to work toward guaranteeing (a) data authenticity, (b) data privacy and confidentiality, (c) data integrity, and (d) non-repudiation of data. It also discusses the necessity of proper frameworks in the legal and regulatory and technical and institutional realms, noting especially the need for (a) a legal framework on electronic security, (b) a certification policy, (c) certification service providers, and (d) certification authorities.

In addition, the Moroccan E-government Implementation Plan (*Plan de Mise en Oeuvre e-Government*) identifies specific activities such as (a) creating an e-Security Policy, including securing e-transactions through e-signatures and authentication, (b) awareness-raising on e-Security topics in the public and private sectors through seminars and training, (c) creating an e-government platform for hosting secure e-government applications, and (d) establishing a certification authority. Against the backdrop of these ongoing efforts, in part with other donors (for example, efforts to create a certifying authority with American support), the remaining priorities are in the areas of legal and regulatory framework, security methods, and compliance with international norms and standards.

ISSUES AND OPPORTUNITIES

Establishing A Coordination Body And A Government Cio

As discussed, E-government services and use e-government as a tool for administrative reform would benefit significantly from the creation of a clearly identified governance structure for coordination, facilitation, and capacity building. It is imperative that this governance structure have the support at the highest institutional level (the endorsement of the Prime Minister is necessary), and both the authority and financial means for its operation. In addition, this body should be entrusted with the mission to accelerate the use of e-government as a tool for administrative reform in order to achieve increased transparency, public sector efficiency, and improved services to businesses and citizens. Hence, the creation of a Government Chief Information Officer (CIO) would provide much-needed leadership and impetus for the e-government program and be a strong element of the governance structure. This CIO's role is to enable public service transformation through the strategic deployment of technology, drive the development of shared services, and act as the "face" of Morocco's e-government program. Fundamentally, the CIO will be a change leader who helps other government leaders see the possibilities, then drive that vision of transformation through administrations where the bureaucracy and culture make it difficult to change.

Incorporating Global Best Practices

Morocco has produced outstanding e-government strategies. It now faces the challenge of implementation, transforming broad strategic orientations into practical services to citizens, and achieving measurable improvements in the functioning of the public sector. It has to recognize relevant international best practices, and identify ways to use them most productively. The following areas would be of particular importance in this process: (a) "Back-office" functions; (b) multichannel delivery, and Web 2.0 approaches; (c) optimizing decentralization/deconcentration objectives through online delivery of public services; and (e) externalization/outsourcing, and private-public partnerships.

Implementing A Demonstrative Service

Morocco's e-government program will benefit significantly from the rapid implementation of at least one major, highly visible, and transformative e-government service. This key service will help to communicate the viability of the e-government program by allowing citizens and businesses to see, experience, and measure the contribution of e-government to improvements in their daily lives, which in turn will contribute to increased demand and speed of deployment. Moreover, this will be a quick win that accelerates benefits to the citizens and businesses in the most effective and efficient manner, and the process will enable knowledge transfer to the ministries, agencies, and personnel involved. The intentional selection of a transformative service will also catalyze a radical change in the public administration's processes, contribute to simplification of procedures, and herald in-depth changes to the Government's back-office functions.

ANNEX 6. NOTE ON THE POVERTY AND SOCIAL IMPACT ANALYSIS

This annex takes stock of what is known about the social effects of the Bank-supported program and informs the design of the PARL-III. It starts with short definitions of the PSIA tools used in this Project Appraisal Document, then discusses the priorities concerning distributional effects of key supported reforms, and proceeds to a list of possible areas of positive and negative impacts on material and non-income poverty, taking stock of the existing evidence to identify gaps.

Public sector reforms only start to be subject to systematic PSIAs (see Box A7.1).

Box A7.1. Experience of PSIAs in other Countries

Reforms entailing restructuring the public sector in view to improve its efficiency are increasingly popular around the world. However, there are no examples of comprehensive assessment of their poverty and social impacts. Instead available PSIAs focus on issues related to a key component of such programs: public sector retrenchment.

- **Adverse selection to public sector downsizing programs.** This issue arises when the retrenched workers are essential for the operation of a unit producing a socially valuable service, and their contribution to society is greater than their wages. If they leave, public sector downsizing may show negative economic returns.

- **Direct impact on workers.** There are several findings of several studies on the determinants of welfare losses from job displacements in developing countries and transition economies. Welfare losses tend to vary depending on the design of reform. A most recent example is the case of Vietnam, where downsizing of state enterprises included compensation packages addressing gender specific labor market outcomes of displaced workers.

- **Overall effects.** Downsizing may affect the welfare of other stakeholders than retired public sector employees. Remaining workers constitute the most visible case. Other affected stakeholders include caterers and providers of services to public agencies and state-owned enterprises. Taxpayers, taken as a group, are also among the stakeholders in a downsizing operation.

Source: Juan Jose Diaz, "Public Sector Downsizing," in World Bank (2007). "Analyzing the Distributional Impact of Reforms," Chapter 4. Rama (1999).

In Morocco's case, the emphasis of "PSIA" type work was on managing carefully the consensus building needed for the reform. PARP reforms that are carried out are gradual. They mainly affect *how* different public sector agents work. With the new job classification and remuneration systems, the corps and cadres system are deeply changing. To build consensus around the reforms and overcome possible institutional resistance by sectoral ministries and social pressure by some groups of civil servants for salary increases, the Government undertook a number of steps. However, the design of the each component: HR reforms, new job classification system, new remuneration system all include the analysis of implementation, interest groups affected and the steps to overcome likely resistance. Rather than doing a stand alone PSIA, these tools are fully internalized into each component of the program. The participation and consultation process was specific to each component and was aimed at consensus building. A good example of such an approach is ERP. It combined careful design of compensation package with a communication campaign. It resulted in a massive yet smooth managed departure of civil servants (more than seven percent of the workforce over a period of only one year). The program was voluntary by design, and it met with no opposition.

PSIAs are prepared (OP 8.60) in order to have a better understanding of the potential impact of a specific reform on different social groups, with a particular focus on the poor. A PSIA identifies potential winners and losers of a policy reform to facilitate decisions about the design, sequencing, timing, and appropriateness of proposed reforms, and to better define compensatory and complementary measures. Any PSIA starts with this question: "*Whether specific country policies supported by the operation are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups.*"

The ERP

Direct welfare effects of the ERP. The program resulted in an overall increase of savings and wealth. The average compensation package amounted to 290,000 dirhams per worker (as opposed to the average annual wage of 80,000 and a poverty line of about 15,000 dirhams annually per average family). It is obvious that public servants as a group are not at the bottom levels of poverty incidence and vulnerability indices (World Bank 2004). Hence, the ERP unlikely did not result in an increase in poverty. Moreover, since most of those who departed were highly paid senior servants, there was some reduction in the excessively high earning inequalities in the state sector. The government later promoted or hired less senior staff with lower salaries.

Poverty impact of the early retirement program: opportunities. The voluntary departure program overall resulted in budgetary savings of about 1 percent of GDP. Such savings exceed the budget of several nationwide social assistance programs. Hence, the ERP created potential fiscal space to be reallocated to the social protection system.

Poverty impact of the early retirement program: service delivery. Initially, there were concerns with the departure of teachers and health care providers. In fact, the understaffing of some local centers and schools in remote areas was a condition which preceded the PARL (for example, in the health sector a deficit of 9,000 nurses as documented in a Bank Poverty Assessment (World Bank 2004). However, the detailed analysis of departures show that majority of them were concentrated in Grand Casablanca and Rabat – Salé – Zemmour – Zaer region, characterized by the lowest poverty incidence and best access to services. The program also affected senior staff aged over 50 years old occupying management positions, and not teachers or nurses providing services to the poor. Finally, recent staff hires have been assigned there where needs are more important. Thus, the overall effects on provision of services to the poor are not negative. The work is on-going under the public administration PESW to collect more sectoral data to quantify the overall effects and identify areas where it was negative. Based on these efforts recommendations will be developed on how to mainstream such data collection into the sectoral MIS to avoid any negative effects on service delivery in the future and monitor the effects of improved service quality.

Gender analysis. In Morocco, the ERP resulted in a slightly higher incidence among women: 8.3 percent of female civil servants as opposed to 7.2 percent among male public employees left the service (KPMG). Given overall low employment rate of females in Morocco, this had marginal negative effects on the gender balance in employment opportunities as retired women barely represented only 0.4 percent of the total female labor force in Morocco in 2005 (World Bank 2007). Morocco uses gender—disaggregated reporting system on staffing, which is used to monitor all changes in the public service.

Other PARP reforms

PARP reforms affect employment, service delivery, and changes in governance. *Employment* is a channel for impact that is directly observable. PARL affected labor market structure and labor demand by reducing distortions and by generating new labor demand in the public sector and through indirect effects—in other sectors. KPMG report estimates for example that some job creation took place in the construction and services spurred by the investments activated by early retirement payments (16,000 new jobs).

Most detailed analysis of gainers and loser from PARL reforms are included in Table 7 (see main text). Based on such Table, PARL-III has many elements that may potentially lead to very positive effects on the Moroccan poor in the medium term. Close monitoring of the program and its effects can also help to substantially improve the poverty reduction effectiveness of this operation. Hence, continued effort is needed to monitor and analyze the loan social impact. This will be done through three avenues. First, the integrated household survey (2006–07 and its follow-up) will be used to assess the baseline level quality of service delivery and coverage of the poor and their changes over time. This work will be carried out as part of joint activities under the programmatic poverty assessment. Second, reporting cards will be piloted and

mainstreamed to measure the quality of public services for different socioeconomic groups and provide feedback to policy makers. The same objective of enhancing public administration's efficiency as well as accountability could also be achieved by adopting grievance mechanisms such as ombudsman mechanisms or local administration services (for example, community scorecards). This would allow not only to reinforce efficiency and accountability of the public administration, but would also capture accountability and responsiveness of deconcentrated services. This will be part of the TA under the programmatic public administration PESW. Third, the e-government component of PARL-III will be used to reinforce civil society involvement and ensure better transparency of administrative services. One element of this could be targeted at the citizen identity registration process. This will serve as a pilot for collecting stakeholder consultation/feedback through on-line survey, and then later can be used to collect their feedback on any system that is tested / implemented through the reform program.

ANNEX 7. MOROCCO – IMF ASSESSMENT LETTER TO THE WORLD BANK³
April 3, 2008

Contact person: Mr. Mark Lewis (mlewis@imf.org, 623-8027).

This note provides IMF staff's current assessment of Morocco's macroeconomic conditions and outlook for the coming period, after the last Article IV Consultation held on August 2007.

Macroeconomic Performance and Policies

Macroeconomic conditions remain generally strong. Real GDP growth is estimated to have fallen from 8 percent in 2006 to 2.2 percent in 2007 due to a sharp fall in cereal production. However, nonagricultural GDP growth remained close to 6 percent, driven by robust activity in both the manufacturing and service sectors.

The external position remains comfortable. Strong demand coupled with higher food imports and fuel prices has eroded the external current account surplus, which is now close to balance. However, the weakening current account was more than offset by rising capital inflows, notably of foreign direct investment, and as a result, foreign reserves rose by \$4 billion to \$24.1 billion at end-2007, equivalent to 7.3 months of imports. External debt continued to decline and a recent debt sustainability analysis indicates that external vulnerabilities are limited. Recent analysis also suggests that the Moroccan dirham, which is pegged to a basket of currencies dominated by the Euro, is in line with fundamentals.

Major strides in the consolidation of public finances were achieved in 2007. The deficit narrowed to almost zero in 2007—down from 2 percent of GDP in 2006 and against a 2007 budget deficit target of 3.4 percent of GDP—due in particular to surging tax receipts. Revenue improved by 2.5 percent of GDP compared to 2006 due to the elimination of exemptions, improved tax administration, and high tax buoyancy in key sectors. Higher revenue was only partly offset by increased spending, in particular on subsidies for petroleum products and capital spending. The stock of public debt fell to about 55 percent of GDP, down from 58 percent in 2006.

Inflation fell in 2007, despite a surge in credit to the private sector. End-of-period inflation fell to 2 percent from 3.3 percent in 2006, although inflation would likely have been several points higher if there had been full pass-through of world oil and commodity prices on administered prices. Asset prices have risen sharply in the past year and credit growth has been very rapid on the back of strong nonagricultural growth, suggesting that demand pressures remain strong. In this setting, the central bank has left its key policy rate unchanged at 3.25 percent but indicated its determination to act quickly should inflationary pressures emerge.

The medium-term outlook is favorable. Real GDP growth in 2008 is expected to be above 6 percent, driven by a rebound in the agriculture sector, strong private sector investment, and construction. Over the medium term, nonagricultural GDP is projected to remain well above 5 percent on average, with inflation at about 2 percent. Despite very large tourism and remittance flows, strong economic activity with continued robust investment is expected to keep the external current account balance mildly negative in the coming years. Nonetheless, continued capital inflows—notably foreign direct investment—should help keep official reserves at a comfortable level. Fiscal consolidation would strengthen public savings.

Morocco's main challenge is to sustain and improve upon its good economic performance to further reduce unemployment and ensure that growth benefits all. The authorities have already strengthened their efforts to reduce the impediments to accelerated growth. The dialogue between the Moroccan authorities and Fund staff has focused on three key areas: fiscal consolidation, financial sector reform, and increasing Morocco's integration into the world economy.

³ This assessment reflects information drawn from a March 2008 staff visit to Morocco as well as other information provided by the authorities. The last Article IV consultation for Morocco was completed in August 2007.

The authorities have made important strides on their medium-term fiscal consolidation strategy, although fiscal risks remain. At current world prices, subsidies will weigh much more heavily on the budget in 2008 if policies remain unchanged. And in the face of renewed pressures to boost public sector wages, the authorities will need to weigh carefully the impact of wage increases on public finances in the medium term. Despite expected continued buoyant public revenue, these factors could crowd out other public spending, constraining the authorities in their aim to gradually increase expenditure on public investment and education. The 2008 budget deficit target of 3.5 percent of GDP is broadly consistent with the authorities' medium-term fiscal consolidation objectives, but does not appear ambitious in view of the favorable deficit outcome in 2007. In particular, the outturn for the 2008 deficit will most likely be lower if, as expected, the strong revenue performance continues, and the authorities successfully contain current spending. A key step will be for the authorities to carry out their intention of better targeting subsidies to lower-income groups.

Morocco's banking sector is sound and the country to date has been little affected by the international financial market turmoil and slowdown in the developed economies. The recent FSAP update mission concluded that the banking sector was adequately stable and resilient to shocks. The write-off of a substantial amount of nonperforming loans has strengthened the balance sheet of the banking sector, and the restructuring of the two troubled state-owned banks is complete.

The authorities continue with actions to further integrate Morocco in the global economy. Recent free-trade agreements—notably with the U.S. and Turkey, and regional partners in the context of the Agadir agreement—will help boost trade. Further multilateral tariff reductions as well as liberalization of trade in services are appropriate next steps in the trade liberalization strategy. In the same spirit, the authorities' gradual efforts to liberalize capital account transactions should serve Morocco well by boosting investment, and the authorities intend to accompany these efforts with steps to limit financial sector vulnerabilities and susceptibility to sudden shifts in flows. The authorities' intention to move gradually to a more flexible exchange rate regime in the medium term could help to ensure the successful integration of Morocco in the global economy.

ANNEX 8. MOROCCO FISCAL SUSTAINABILITY ANALYSIS

	Actual					Projections						
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Baseline: Public sector debt 1/	62.0	59.9	63.7	58.2	54.9	52.7	50.4	47.7	45.3	43.1	41.1	
o/w foreign-currency denominated	16.5	14.1	13.2	11.2	11.3	10.4	9.9	9.4	8.8	8.4	7.9	
Change in public sector debt	-2.9	-2.1	3.8	-5.5	-3.3	-2.2	-2.3	-2.7	-2.5	-2.2	-2.0	
Identified debt-creating flows (4+7+12)	-5.2	-2.1	1.2	-5.8	-4.0	-3.1	-2.4	-2.8	-2.6	-2.3	-2.1	
Primary deficit	0.7	0.3	1.4	-1.8	-3.4	-1.2	-1.1	-1.4	-1.2	-1.0	-0.8	
Revenue and grants	21.7	22.7	24.3	25.6	28.3	27.5	27.0	26.9	26.7	26.5	26.5	
Primary (noninterest) expenditure	22.4	23.0	25.7	23.8	24.9	26.3	25.8	25.4	25.5	25.6	25.7	
Automatic debt dynamics 2/	-3.4	-0.3	2.5	-3.6	0.0	-1.4	-1.0	-1.1	-1.2	-1.1	-1.1	
Contribution from interest rate/growth differential 3/	-0.6	0.7	0.7	-2.6	0.7	-1.4	-1.0	-1.1	-1.2	-1.1	-1.1	
Of which contribution from real interest rate	3.1	3.7	2.1	2.0	1.9	1.9	1.8	1.6	1.4	1.3	1.3	
Of which contribution from real GDP growth	-3.7	-3.1	-1.4	-4.6	-1.2	-3.3	-2.8	-2.7	-2.6	-2.4	-2.4	
Contribution from exchange rate depreciation 4/	-2.8	-1.0	1.7	-1.0	-0.7	...	...	...	...	...	...
Other identified debt-creating flows	-2.5	-2.1	-2.6	-0.4	-0.5	-0.5	-0.3	-0.3	-0.2	-0.2	-0.2	
Privatization receipts (negative)	-2.5	-2.1	-2.6	-0.4	-0.5	-0.5	-0.3	-0.3	-0.2	-0.2	-0.2	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes (2-3) 5/	2.3	0.0	2.5	0.3	0.7	0.9	0.1	0.1	0.1	0.1	0.1	
Public sector debt-to-revenue ratio 1/	285.6	263.9	262.3	227.5	193.9	191.4	186.8	177.7	169.5	162.4	155.5	
Gross financing need 6/	20.5	22.5	19.0	12.2	12.1	12.7	11.6	10.5	9.9	9.5	9.1	
in billions of U.S. dollars	10.2	12.7	11.2	8.0	8.9	10.7	10.6	10.4	10.7	11.2	11.7	
Scenario with no policy change (constant primary balance) in 2008-2013						52.7	51.8	50.9	50.0	49.1	48.3	
Key Macroeconomic and Fiscal Assumptions Underlying Baseline						52.7	50.3	47.9	45.5	43.0	40.6	
Real GDP growth (in percent)	6.1	5.2	2.4	8.0	2.2	6.5	5.7	5.7	5.8	5.8	5.9	
Average nominal interest rate on public debt (in percent) 8/	6.0	5.9	5.8	5.6	5.7	5.8	5.8	5.5	5.3	5.3	5.3	
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	5.2	6.3	3.7	3.7	3.4	3.8	3.8	3.5	3.3	3.3	3.3	
Nominal appreciation (increase in US dollar value of local currency, in percent)	16.2	6.5	-11.2	8.9	6.6	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	0.8	-0.3	2.1	1.9	2.3	2.0	2.0	2.0	2.0	2.0	2.0	
Growth of real primary spending (deflated by GDP deflator, in percent)	6.4	8.1	14.5	-0.1	6.9	12.7	3.8	4.0	6.2	6.0	6.3	
Primary deficit	0.7	0.3	1.4	-1.8	-3.4	-1.2	-1.1	-1.4	-1.2	-1.0	-0.8	

1/ Central government gross debt.

2/ Denominated debt; and ε = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi(1+g)$ and the real growth contribution as $-g$.4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $\alpha \varepsilon(1+\tau)$.

5/ For projections, this line includes exchange rate changes.

6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.

7/ The key variables include real GDP growth; real interest rate; and

primary balance in percent of GDP.

8/ Derived as nominal interest expenditure divided by previous period debt

stock.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Annex 8.1. Central Government Public Finances (in percent of GDP)

	Est.				Budget				Proj.			
	2004	2005	2006	2007	2008	2008	2009	2010	2011	2012		
Revenue 1/	22,5	23,9	25,3	28,0	27,3	26,8	26,7	26,6	26,6	26,4		
Revenue (excl. Fonds Hassan II) 1/	22,5	23,8	25,2	27,9	24,6	24,6	26,7	26,6	26,6	26,3		
Tax revenue 1/	20,2	21,8	22,3	25,4	22,8	25,2	25,1	25,1	25,1	25,0		
direct taxes	7,3	8,3	8,8	10,1	9,0	10,3	10,3	10,3	10,4	10,4		
indirect taxes	8,8	9,2	9,6	11,2	10,3	11,3	11,3	11,3	11,3	11,3		
import taxes	2,7	2,8	2,3	2,4	1,9	1,9	1,8	1,7	1,7	1,5		
other tax revenues	1,4	1,6	1,6	1,8	1,7	1,7	1,7	1,7	1,7	1,7		
Non tax revenue (excl. privatization, and Hassan II Funds)	2,2	2,0	2,9	2,5	1,8	1,5	1,5	1,5	1,4	1,3		
Expenditures and net lending (excl. Hassan II Funds)	27,0	29,9	27,6	29,1	28,5	29,4	28,7	28,7	28,5	28,4		
Current expenditures	21,0	24,2	21,5	22,0	21,3	21,5	20,6	20,6	20,2	19,8		
Wages	11,3	11,9	11,0	10,8	10,2	10,4	10,2	10,2	10,0	9,8		
Food and petroleum subsidies 2/	1,6	2,2	2,3	2,7	2,4	3,0	2,0	2,0	1,8	1,7		
food	...	0,7	1,0	0,7	0,0	0,7	0,7	0,4	0,3	0,3		
petroleum	...	1,4	1,3	2,0	2,3	2,3	1,6	1,6	1,5	1,4		
butane gaz	...	0,4	0,8	0,7	0,8	0,8	0,6	0,6	0,5	0,5		
Interest	3,5	3,3	3,2	3,2	2,9	2,8	2,6	2,6	2,3	2,2		
Other current spending	4,6	6,9	5,0	5,3	5,7	5,8	5,9	5,8	6,0	6,1		
Capital expenditures (budget) 3/	4,0	3,5	3,9	4,3	4,6	4,8	5,0	5,3	5,5	5,8		
Road fund	0,3	0,4	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3		
Transfers to local governments 4/	1,8	1,9	2,0	2,5	2,3	2,5	2,5	2,5	2,5	2,5		
Net lending	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0		
Balance of other special treasury accounts	0,5	0,9	0,6	1,0	0,3	0,3	0,3	0,3	0,2	0,2		
Hassan II Funds expenditures	0,2	0,5	0,5	0,5	0,4	0,4	0,4	0,4	0,4	0,4		
Interest payments to Hassan II Funds	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1		
Overall balance (commitment basis, incl. Hassan II Funds)	-4,2	-5,6	-2,3	-0,5	-3,7	-2,6	-2,1	-2,1	-2,0	-2,1		
Grants	0,3	0,5	0,4	0,4	0,4	0,3	0,3	0,3	0,2	0,2		
Privatization and GSM revenues	2,1	2,6	0,4	0,5	0,5	0,3	0,3	0,3	0,2	0,2		
Change in arrears	0,4	-1,6	-0,1	0,0	-0,9	0,0	0,0	0,0	0,0	0,0		
Financing	1,5	4,1	1,5	-0,4	3,8	2,6	2,0	1,5	1,6	1,7		
Domestic financing	3,0	4,8	2,0	-1,0	3,7	2,5	1,8	1,3	1,4	1,5		
External financing	-1,5	-0,7	-0,5	0,5	0,1	0,1	0,2	0,2	0,2	0,2		
Memorandum items												
Current balance	1,5	-0,3	3,7	6,0	3,5	6,1	6,9	6,9	7,2	7,4		
Primary balance	-0,7	-2,3	1,0	2,7	-0,8	1,0	1,3	1,3	1,1	0,9		
Total Central Government debt (end period)	59,9	63,7	58,2	54,9	54,1	50,4	47,7	45,3	45,3	43,1		
domestic 5/	45,9	50,5	47,0	43,6	43,6	40,5	38,4	36,4	36,4	34,7		
external	14,1	13,2	11,2	11,3	10,4	9,9	9,4	8,8	8,8	8,4		

Sources: Ministry of Finance and Privatization; and Fund staff estimates.

1/ Includes tariffs earmarked for food subsidies (équivalents tarifaires) and revenues of the road fund (Fonds Routier)

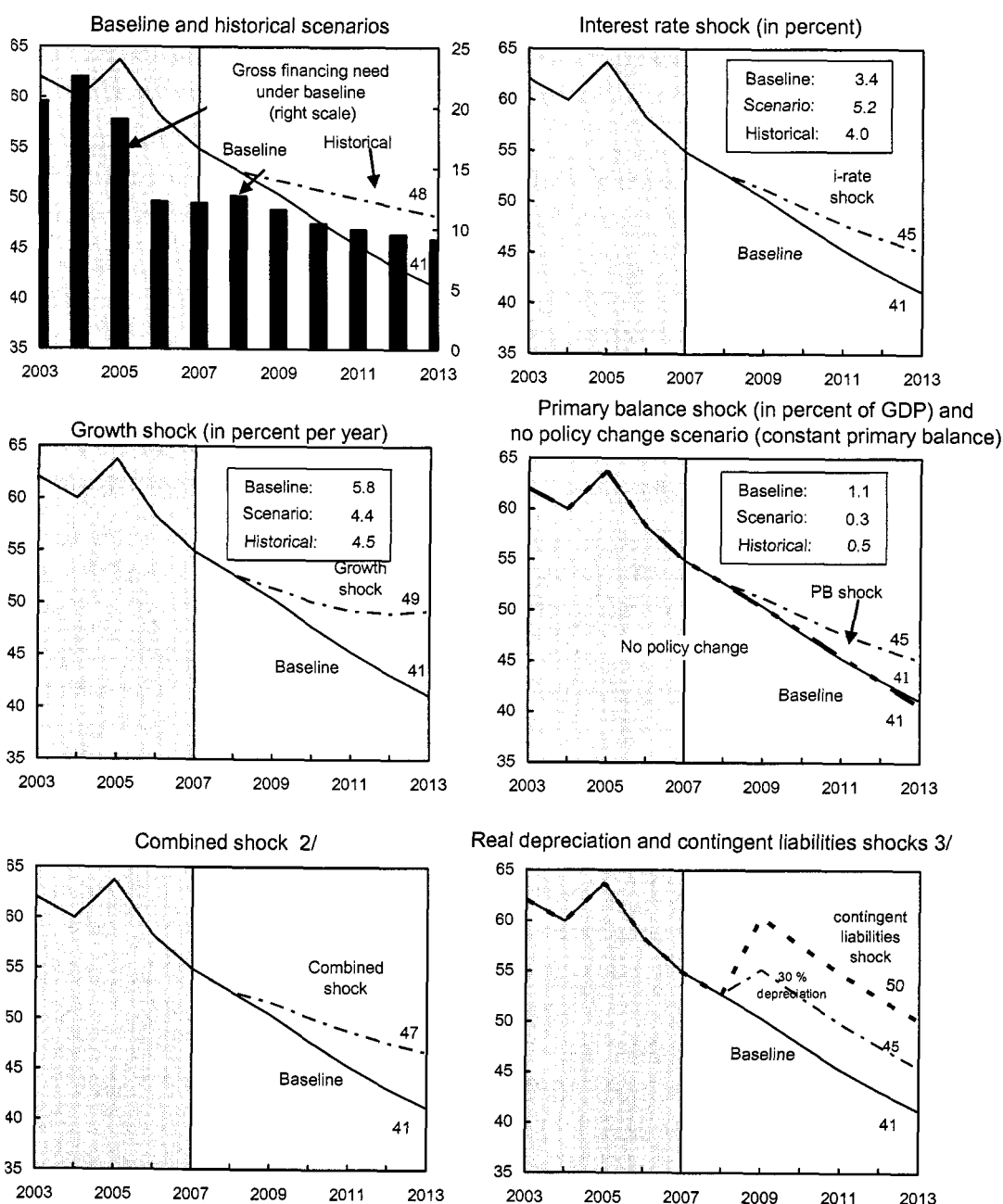
2/ Includes food subsidies financed from earmarked tariffs (équivalents tarifaires).

3/ Budgetary capital expenditures excluding Fonds Routier and investment spending by the Fonds Hassan II

4/ Corresponds to 30 percent of VAT revenue.

5/ Excludes the net position with the Central Bank outside statutory advances. Projections are based on the balance excluding Hassan II Funds.

Annex 8.2 . Morocco: Public Debt Sustainability: Bound Tests 1/ (Public debt in percent of GDP)



Sources: International Monetary Fund, Morocco desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.

3/ One-time real depreciation of 30 percent and 10 percent of GDP shock to contingent liabilities occur in 2009, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

ANNEX 9. MOROCCO PARL-III TEAM

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