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The World Bank

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Report No: 30721

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EUR 60.4 MILLION  
(US\$80 MILLION EQUIVALENT)

TO THE

KINGDOM OF MOROCCO  
FOR A

BASIC EDUCATION REFORM SUPPORT PROGRAM

January 7, 2005

Human Development Group  
Middle East and North Africa Region

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**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective December 22, 2004)

Currency Unit = Moroccan Dirham (MAD)  
MAD 1 = US\$ 0.12  
US\$ 1 = MAD 8.33

**FISCAL YEAR**  
January 1 – December 31

**ABBREVIATIONS AND ACRONYMS**

AREF	Regional Education and Training Academies [Académies Régionales d'Éducation et de Formation]	ICT	Information and communications technology
AWP	Annual Work Plan	LCS	Least-cost selection
CAS	Country Assistance Strategy	MDG	Millennium Development Goals
CERED	Center for studies and research on population [Centre d'Études et de Recherches Démographiques]	MFP	Ministry of Finance and Privatization
CGED	Budget Execution Controller	NCB	National Competitive Bidding
CIDA	Canadian International Development Agency	NGO	Non-governmental organizations
CNEF	National Education & Training Charter [Charte nationale d'éducation et de formation]	OED	Operations Evaluation Department
COSEF	Special Commission for Education and Training [Commission spéciale éducation formation]	OPCS	Operations Policy and Country Services
CSDSE	Strategic Framework for the Development of the Education Sector [Cadre Stratégique de Développement du Système Éducatif]	PARL	Public Administration Reform Loan
DEN	Department of National Education [Département de l'Éducation Nationale]	PESW	Programmatic Economic and Sector Work
DGBP	Directorate of General Affairs, Budget, and Assets [Direction des Affaires Générales, du Budget et du Patrimoine]	PIP	Program Implementation Plan [Plan de mise en oeuvre du PARSEM]
DSSP	Directorate of Statistics, Strategy and Planning [Direction de la Statistique et de la Planification]	PIRLS	Progress in International Reading Literacy Study
ESA	Environmental and Social Assessment	POM	Program Operations Manual
ESSF	Environment and Social Safeguards Framework	PTA	Parents-Teacher Association
FM	Financial Management	SBD	Standard Bidding Document
FMR	Financial Monitoring Report	SIL	Sector Investment Loan
GDP	Gross Domestic Product	SWAp	Sector-Wide Approach
GNP	Gross National Product	TGR	General Treasury of the Kingdom [Trésorerie Générale du Royaume]
GoM	Government of Morocco	TIMSS	Trends in International Mathematics and Scientific Study
GPN	General Procurement Notice	TOR	Terms of Reference
ICB	International Competitive Bidding	UNICEF	The United Nations Children's Fund
ICR	Implementation Completion Report	QCBC	Quality and cost-based selection
ISCAE	Institut Supérieur de Commerce et d'Administration des Entreprises	QER	Quality Enhancement Review

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**MOROCCO  
Basic Education Reform Support Program**

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## **A. STRATEGIC CONTEXT AND RATIONALE**

### **1. Country and sector issues**

1. Morocco's education system has shown remarkable progress despite adverse economic conditions. The country underwent a period of economic stagnation in the late 1990s and the early 2000s as a result of extreme drought that negatively affected a predominantly agricultural economy (with average GDP growth rates of 2.5 percent during the 1990s). Despite these challenges, education has been extended to almost all children at the primary level.<sup>1</sup> The national net enrollment rate for primary education increased from 52.4 percent (1990-1991) to 92.0 percent (2003-2004). Net enrollment in middle school has increased from 17.5 percent to 32.0 percent, and in upper secondary education from 6.1 percent to 14.9 percent over the same period.

2. The future development of the Moroccan formal education system, however, faces many new challenges. Internal inefficiency is high, as evidenced by high dropout and repetition rates (see Annex 1). Gender and geographical disparities remain important at all education levels. There is also rapidly growing demand for middle school, as a consequence of successful increases in access to primary education. Budget allocation to the education sector is already substantial at 6.6 percent of GDP, limiting the financial margin to expand the system. In this context, the education authorities need to simultaneously manage a complex education system and meet increasingly diverse demands while they implement a large-scale education reform.

### **2. Rationale for Bank involvement**

3. First, the Bank has substantial experience with large-scale education reform programs. The Bank can identify best practices in other countries with similar development challenges that can inform the reform process in Morocco. Second, as a major development partner, the Bank can help strengthen the link between education reform, macro-economic stability, and the development of other sectors, such as agriculture, health, water, infrastructure, legal, and social protection. Third, the Bank has provided continuous support to the Moroccan education sector since the 1960s. Many years of collaboration between the Government and the Bank have built commitment and trust. For these reasons, the Government of Morocco (GoM) requested the Bank to provide technical and financial support for their education reform, in the specific area of basic education.

4. Moreover, Bank support for decentralization and education sector reform is clearly spelled out in the Country Assistance Strategy (CAS). Strong emphasis is placed on social sector reform, and education is indicated as one of the pillars of social development. There is a strong link between illiteracy and poverty, and the availability of quality education will be critical for decreasing the poverty rate in Morocco. Higher primary education attainment levels are positively correlated with less poverty and improved living standards for the poor, particularly for women. The CAS also emphasizes the importance of community development and decentralization to reach the population in extreme poverty, mostly living in rural and peri-urban

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<sup>1</sup> Formal education consists of three levels of instruction: basic, upper secondary and higher. Basic education includes two sections: primary (grades 1-6) and middle (grades 7-9).

areas. Finally, the CAS states that the Bank will support the implementation of the National Education and Training Charter.

### **3. Higher level objectives to which the project contributes**

5. This operation supports the Government's efforts to meet the objectives of National Education and Training Charter. The Charter is the product of a national consensus to expand educational opportunities at all levels in a sustainable manner. With regards to basic education, the Charter aims to achieve universal net enrollment of six to fourteen-year-olds and improved quality of instruction by 2010. To this end, the GoM has begun a process of decentralizing key education functions to the regional, provincial, and school levels of the education system.

6. To address the next phase of the education reform, the GoM established a Strategic Framework for the Development of the Education Sector in February 2004. The Strategic Framework, elaborated with technical assistance from the Canadian International Development Agency (CIDA), outlines strategic plans to operationalize the Charter for the period 2005-2009. The key objective of the Strategic Framework over this period is to consolidate current achievements and to achieve full enrollment of children in basic education.

7. The Strategic Framework seeks to achieve two principal outcomes. First, it aims to reinforce sector capacity to manage an education system that delivers quality education in an efficient and sustainable manner. This will be achieved through partnership mechanisms, regular assessment of student learning, teacher support services, school quality improvement strategies, reinforced financial and human resource management, better information and communication systems, and more effective strategic and operational management. Second, the Strategic Framework will continue to expand basic education while ensuring higher retention rates.

8. To meet the above objectives, the Strategic Framework includes several key reforms and initiatives. First, it proposes a sustainable budgetary framework for the development of the education sector that includes a number of important measures to control and reallocate costs. Measures include: the optimization of teachers' instruction time, better use of school infrastructure, new construction norms, and partnerships with civil society for the provision of certain services (e.g., preschool, boarding facilities). Second, it consolidates the new governance structure of the sector by reinforcing the capacity of the central education ministry and decentralized regional offices through the introduction of contract budgeting and better human resource management. Third, it aims to improve enrollment and retention rates in rural areas, particularly for girls. Fourth, it supports the provision of special services through partnership grants for children who would not attend schools or would drop out of schools because of disability, poverty, distance from school, or cultural norms. These partnership grants support initiatives by local education stakeholders (e.g., local government, NGOs, local associations) to improve access to basic education. Fifth, the Strategic Framework supports the establishment of school-based projects to improve the quality of education.

9. By supporting Government's sector-wide reform, the Basic Education Reform Support Program (*Programme d'appui à la réforme du système éducatif marocain*-- PARSEM), contributes to improving the education system's capacity to better address complex demands. Improved access to quality education will strengthen the individual's capacity to exercise his or

her freedom. Moreover, a society with strong education foundations can compete more effectively in the global economy. In the long run, education will help reduce the incidence of poverty: a society with high levels of primary education attainment, particularly for women, is more productive and healthier. However, improved education is necessary, but not sufficient for fully attaining these higher-level objectives. The development of the education sector must be accompanied by sustained economic growth, better access to other social services, enhanced public sector efficiency, and reduced vulnerability to environmental hazards and degradation.

## **B. PROJECT DESCRIPTION**

### **1. Lending instrument**

10. PARSEM adopts a Sector-wide Approach (SWAp) to be implemented as a Sector Investment Loan (SIL). PARSEM supports the implementation of the education reform described in the five-year Strategic Framework mentioned above. It co-finances budget lines of the Department of National Education (*Département d'Éducation Nationale* – DEN) and its regional offices (*Académies Régionale d'Éducation et de Formation* – AREF) that fund selected components of the Strategic Framework, as well as certain non-salary recurrent AREF expenditures related to improving the quality of education.

11. The overall cost of PARSEM for five years is US\$ 275.47 million. The Government's Sector Policy Letter states that Morocco intends for the Bank to support PARSEM through two consecutive loans, each for an amount equivalent to US\$ 80 million. The first loan (this operation) supports the first three years of the implementation of PARSEM, which is estimated as US\$ 150.55 million.

12. To support the increased importance given to educational quality, PARSEM will co-finance the following AREF non-salary recurrent expenditures: (i) primary and middle school operations, (ii) support services for and supervision of teachers; and (iii) in-service teacher training. These expenditures correspond to PARSEM's general strategy for improving education quality, which focuses on teachers and school-level actions. The Government will increase expenditures for these budgetary categories, as additional resources are made available through savings produced by the education sector reform program (see Section C.4. Sustainability and D.1. Financial and Economic Analyses).

13. A specified proportion of the loan will be disbursed at the beginning of each calendar year, which constitutes the Borrower's fiscal year. Each disbursement will co-finance the budgetary lines that fund PARSEM for that particular year (including certain AREF non-salary recurrent expenditures discussed above). Program implementation will be tracked through regular reviews using pre-established Performance indicators, thus engendering the Government's capacity to monitor and implement complex reforms. Disbursements will depend on implementation performance. Through this approach, more effort can be focused on substantive aspects of the reform program, while reducing transaction costs for the GoM and the World Bank. As loan effectiveness will occur after the commencement of the GoM's fiscal year, there will be retroactive financing equal to 6 percent of the loan, limited to Euro 3,800,000.

14. Except for certain types of expenditures (e.g., technical assistance for institutional capacity building, and procurements above certain levels), and for environmental and social safeguards, the Bank will rely on the Borrower's own implementation systems and procedures (see Annexes 7, 8 and 10).

## **2. Project development objective and key indicators**

15. The principal objective of PARSEM is to support Government efforts to provide basic education of improving quality to all children ages six to fourteen in a financially sustainable manner. To meet this objective, PARSEM contributes to the establishment of practices, mechanisms, and approaches that will improve the education system on an ongoing basis.

16. PARSEM will be monitored through Performance indicators and Monitoring indicators. Both are listed in Annex 3.

17. *Performance indicators* are used to follow the annual progress of basic education development by tracking enrollment, repetition, retention, and complete rates. These indicators will be desegregated by gender and region (urban and rural). Target values for Performance indicators were identified on the basis of financial simulations conducted by the DEN and the Education Charter objectives (see Annex 9: Economic and Financial Analyses). Although Performance indicators are not directly linked to disbursements, they allow monitoring of the overall progress of the sector to achieve the objectives of the Charter.

18. *Monitoring indicators* are critical steps required to achieve the overall targets of PARSEM. They are linked to actions and activities that introduce new practices or have significant long-term impact on the development of the education system. They also reflect key policy decisions, such as the increase in teacher instructional time and the use of new construction norms. These indicators will be established on the basis of the DEN's Annual Work Plans and can be adjusted on the basis of progress made. Monitoring indicators will serve as benchmarks for disbursements. The link between Monitoring indicators and disbursements is described in Annex 7.

## **3. Project components**

19. PARSEM will support the implementation of the Strategic Framework described above. The actions to be supported by PARSEM are organized into three components.

20. *Component One: Generalize basic education [estimated cost: US\$ 95.87 million]:* This component's objective is to ensure that basic education is available to most school-age children by 2008. Its overall strategy is to increase the provision of schooling in a cost-effective manner by using new construction norms. It also funds provisions of social services (boarding facilities, school transport, etc) for under-served students by promoting partnerships with local stakeholders. Demand will also be strengthened through the promotion of pre-school education.

21. *Component Two: Improve the quality of education [estimated cost: US\$ 42.53 million]:* The objective of this component is to improve student learning and reduce dropout and repetition rates. The principal strategy implemented through this component is to establish the capacity

necessary to ensure ongoing improvements in the quality of education: systematic assessment of student achievement, cost-effective in-service teacher training and teacher support services, setting and using quality standards to promote and monitor school efforts to improve quality, and the development of a regularly programmed research agenda for the development of quality enhancement innovations.

22. *Component Three: Build institutional capacity [estimated cost: US\$ 12.16 million]:* This component supports the sector’s decentralization process at the central, regional, provincial, and local levels through capacity building. It also introduces two innovations. First, it will help implement the government-wide public administration reform within the education sector, through program budgeting and personnel deployment based on standard job descriptions. Second, it improves key systems (procurement, financial management, environment, and social protection) for greater accountability, transparency, efficiency, and performance.

23. The following table summarizes PARSEM’s three components and 13 sub-components.

**Table 1: Project Components and Sub-Components**

Component	Sub-Component
1: Generalize basic education	1.1 : Promote pre-primary education through partnership 1.2 : Achieve full primary education enrollment (grades 1-6) 1.3 : Increase equitable access to middle school (grades 7-9) 1.4 : Mobilize partnerships towards the expansion of basic education
2: Improve the quality of education	2.1 : Improve evaluation systems 2.2 : Improve support services for teachers 2.3 : Promote the quality of education at the school level 2.4 : Promote research to improve the quality of education
3: Build institutional capacity	3.1 : Support implementation of public administration reform in the education sector 3.2 : Reinforce human resource management 3.3 : Reinforce finance and administrative management capacity 3.4 : Improve communication and partnership with education stakeholders 3.5 : Reinforce change management in the education sector

#### 4. Lessons learned and reflected in the project design

24. PARSEM builds on the experiences and lessons learned from previous sector operations. The following key lessons were raised in Implementation Completion Reports (ICR) of other basic education projects: i) decentralization can accelerate implementation; ii) community contributions should be promoted; iii) a balanced approach between school construction and quality of education is important; and iv) executing agencies capacity should be evaluated prior to the beginning of the project.

25. In response to these lessons, the following measures were incorporated in the program design. First, PARSEM supports Government initiatives to decentralize education sector responsibilities to regional, provincial, and local levels, thus improving implementation capacity. Second, the program encourages local stakeholders to become more involved in the provision of school services so as to increase access to quality education (e.g., school-based projects and partnership agreements). Third, the program strikes a balance between access and quality of education. Fourth, as part of the project preparation process, the Bank conducted assessments on

the implementation capacity of the DEN and AREFs. These assessments indicated that the AREFs have the capacity to monitor and implement program activities.

## **5. Alternatives considered and reasons for rejection**

26. A Sector-wide Approach (SWAp) was selected after discussions with the GoM and with different units of the Bank. In October 2003, a Quality Enhancement Review (QER) was convened, which examined the comparative advantage of different Bank instruments. The QER concluded that adjustment lending would be premature considering the phase of the education reform and a standard investment operation would be too restrictive for such a broad-based program. The QER recommended that a pooled-finance investment operation (i.e., a form of Sector-Wide Approach) would provide the flexibility and the systemic vision to support this phase of Morocco's education reform. Moreover, this approach would simplify project implementation and emphasize results-based management.

27. The education sector reform encompasses all levels of education; however, the GoM strategically places more importance on basic education during the next phase of reform. For this reason, PARSEM concentrates on this level of education in alignment with the objectives and principal outcomes described in the Strategic Framework. The Bank is also engaged in continuing policy dialogue with the GoM for other levels of the education system. For example, Programmatic Economic and Sector Work (PESW) supports Morocco's higher education reform, and the on-going *Alpha Maroc* project reinforces capacity to implement adult literacy strategies.

## **C. IMPLEMENTATION**

### **1. Partnership arrangements**

28. The GoM and the World Bank will co-finance the project. Other aid agencies are also supporting the Strategic Framework and coordinating their efforts with this operation. They have expressed interest in joining a SWAp at a later phase, based on the results of this operation.

### **2. Institutional and implementation arrangements**

29. The DEN is ultimately accountable for meeting the objectives set out in the Strategic Framework, providing oversight, monitoring and evaluation, and technical support to the AREFs. Directorates in the DEN are responsible for their respective areas of expertise for program implementation. The Directorate of Strategy, Statistics and Planning (DSSP) serves as an overall coordinator for the Strategic Framework, and thus of PARSEM. In line with their general responsibilities, the AREFs will take charge of implementing most of the activities described in the Strategic Framework, such as construction, equipment, and partnership agreements. The DEN, through its relevant directorates, is responsible for implementing most of the institutional capacity building activities of the Strategic Framework.

30. A Program Operations Manual (POM) will guide implementation. The POM describes guidelines and procedures to successfully carry out Annual Work Plans (AWP). It defines procurement, financial management, and monitoring and evaluation mechanisms. This document also includes action plans for improving procurement and financial management



capacity within the education sector. The document will be disseminated to the DEN directorates as well as to AREFs before program implementation. Its contents will be regularly revised as institutional capacity improves and program implementation progresses.

### **3. Monitoring and evaluation of outcomes/results**

31. PARSEM is implemented through a results-based framework, monitoring progress of the education reform program through Performance and Monitoring indicators. As discussed in Section B.2 above, Performance indicators track the overall progress of the education sector, whereas Monitoring indicators track program implementation.

32. The DSSP is responsible for monitoring the implementation of the Strategic Framework and coordinates with other directorates and the AREFs responsible for specific actions and activities. Directorates and AREFs responsible for the implementation of specific activities will then provide updates on Monitoring indicators to the DSSP before the Bank-DEN semi-annual reviews held each year in September and March. The DSSP will then consolidate the information received from the directorates and AREFs, synthesize findings, and submit progress reports to the Bank in preparation for these reviews. The specific reporting formats for implementing agencies and for overall monitoring are detailed in the POM.

### **4. Sustainability**

33. The Government's program is ambitious, and requires significant financial, human and institutional resources to succeed. The government has adopted a number of strategies and measures to ensure program sustainability.

34. In terms of financial sustainability, the DEN and the Ministry of Finance and Privatization (MFP) will establish an annual financing plan for the implementation of the Strategic Framework. This financing plan ensures that sufficient resources are allocated to implement programmed activities and to cover their recurrent cost implications. Budget allocation and execution will be closely monitored through the review process described above.

35. Furthermore, the Government's program includes a number of measures that will improve the allocative efficiency within the sector, which are reviewed in greater detail in Annex 9 (e.g., maintaining student-teacher ratios in primary levels, increasing the number of hours taught per teacher at middle and upper secondary levels, and using existing infrastructure to meet the increasing demand for middle school education in urban areas). According to the Government's education sector financing strategy, these savings will be re-allocated toward recurrent non-salary budget categories that finance education quality actions and inputs, such as school operations, teacher support services, and teacher training.

36. Finally, in line with the Government's finance sustainability strategy, the Government has divided PARSEM into two phases. Over the first three years, the DEN will establish the mechanisms and systems to conduct better sector operations, while beginning to expand capacity at the sector. For the subsequent two years, these approaches will be operationalized and generalized. This operation supports the first phase of PARSEM.

37. In terms of institutional sustainability, the Strategic Framework aims to consolidate the transfer of responsibilities towards the AREFs, ensuring the deployment of appropriate staff and the allocation of needed resources. Furthermore, AREF and central staff will be provided with training as well as technical and material resources. Finally, the DEN aims to develop new mechanisms (e.g., teacher support services, information systems, financial and human resource management) that take advantage of the new decentralized structure of the sector.

## 5. Critical risks and possible controversial aspects

**Table 2: Project risks**

<b>Risk</b>	<b>Risk Mitigating Measures</b>	<b>Risk Rating</b>
<b><u>To meeting program development objectives:</u></b>		
Political pressures to provide increased access to education overshadows the need to improve quality and the institutional capacity of the sector, leading to unbalanced implementation of PARSEM.	Monitoring indicators will enable the Bank and GoM to track each component; results of reviews will be made available to the public.	S
PARSEM represents an ambitious program that could overwhelm the budding implementation capacity of the newly decentralized education system.	(i) Capacity building, system design, and piloting will be emphasized during the first year of implementation; (ii) Review process will provide opportunities to adjust program planning as more information is gathered regarding implementation.	S
The GoM might not be able to allocate the necessary resources to meet the objectives set out in the Strategic Framework.	Sector Policy Letter includes commitments to ensure program financing.	S
<b><u>From Components to Outputs</u></b>		
Management of partnership grants is an administrative burden for AREF.	DEN will develop tools and procedures and reinforce capacity of AREFs to implement partnership grants.	M
GoM fails to increase average number of hours taught by teachers or maintain student-teacher ratios at current levels.	(i) DEN will train polyvalent teachers; (ii) Annual teacher recruitment levels will reflect new targets of hours taught by teachers and student/teacher ratios.	M
Monitoring and administrating school-based projects might overwhelm local capacity.	Program includes training of school directors, teachers, and board members.	S
New modalities to improve teacher services not implemented.	Sector Policy Letter includes commitment to developing in-service training strategy.	M
Delays in redeployment of human resources and training of individuals to establish firm basis for decentralization.	During the first year of PARSEM, a human resource assessment will be conducted, and new distribution of responsibilities will be delegated to all administrative levels in parallel with the public administration reform.	M
Newly created entities requiring	(i) Capacity strengthening activities will be implemented	S

important institutional support pose a substantial fiduciary risk.	under close supervision by the central ministry. (ii) Training of appropriate finance staff with required budgeting and financial management skills within AREF and controllers at the delegations. (iii) Bank will ensure close supervision of the implementation and provide support to the AREF.	
The government cannot finance the recurrent expenditures necessary to improve quality.	In the Sector Policy Letter, the Government indicates its commitment to reallocating savings produced by reform measure towards education quality, and thus to financing targeted non-salary recurrent expenditures.	N
<b>Overall Risk Rating</b>		<b>S</b>
Risk Rating: H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)		

## 6. Loan conditions and covenants

### 38. Effectiveness condition:

- The Government shall submit to the Bank the legal opinion authorizing and approving the loan agreement within 120 days of signature.

### 39. Disbursement conditions:

- The Government shall confirm that no land acquisition is required for school renovation.
- The Government's compliance with the Monitoring Indicators is satisfactory to the Bank.

### 40. Covenants:

- In March of every year, the Government shall submit to the Bank an Annual Work Plan setting forth work programs, budgets, the annual allocation, the procurement plan and, where appropriate, revised Monitoring Indicators.
- In March of every year, the Government shall provide to the Bank an Annual Report: (a) describing progress achieved in the implementation of the Annual Work Plan approved for the previous year and evidencing compliance with the Monitoring Indicators, and (b) detailing the budgetary allocations for the following Fiscal Year as shall be necessary to ensure adequate financing and proper implementation of said year's Annual Work Plan.
- The Government will ensure that: (a) all school construction activities under PARSEM takes place on land owned by the Borrower and no resettlement of local population takes place; and (b) these activities are consistent with the Bank's environmental policies and the ESSF.

## D. APPRAISAL SUMMARY

### 1. Economic and financial analyses

41. The financial analysis performed for this operation indicates that meeting the sector goals of the Strategic Framework and the Education Charter is financially sustainable over the long

term, even though there will be a temporary spike of additional resource requirements over the next decade. Demand for basic and upper secondary education is expected to peak in five and ten years respectively, as falling fertility rates eventually decrease the size of the school-age population. It will be possible to shift some resources from primary to middle to upper secondary school over this period; however, financial simulations predict an overall financing gap averaging 12 percent of the education expenditure annually over the next ten years. The simulations assume an average economic growth rate of 5 percent and hold education spending as a proportion of government spending constant.

42. In order to temper some of the projected budgetary pressure, and thus improve financial sustainability, the Strategic Framework includes several measures and actions aimed at improving allocative efficiency in the sector. First, the DEN will increase the average number of hours taught by middle and upper secondary school teachers to officially sanctioned levels. One key strategy to achieve this aim is the introduction of polyvalent teachers who can teach more than one discipline. A second strategy put forward by the DEN is to limit the growth of non-salary expenditures allocated teachers and students social services (housing subsidies, boarding facilities, etc.). These savings will be reallocated to finance improvements in the quality of education (e.g., teacher in-service training and school grants). Financial projections indicate that, if these measures were applied, the financing gap for recurrent expenditures could be reduced to 4 percent of annual education expenditures.

43. However, on the investment side, a considerable gap could remain as the government attempts to meet targets to increase school enrollment (particularly if retention rates increase, as predicted). The DEN will conduct a study on construction norms during the first year of the program to determine whether more cost effective approaches could be adopted to reduce the overall cost of building schools. Additionally, using partnerships grants to local entities to establish and run boarding facilities for middle and upper secondary school students will decrease overall sector investment needs. Nevertheless, other measures will need to be developed over the medium term to address the potential impact of growing enrollments.

## **2. Technical**

44. The DEN's Strategic Framework represents a coherent and feasible set of actions and measures that are based on reasonable assumptions. In addition, it introduces a number of key innovations, supported by PARSEM, for the development of the education sector, including:

a. *New mechanisms for promoting partnerships:* AREFs will provide grants to local entities (e.g., local governments, NGOs, and local associations) to provide services to students and their families, thus helping to increase enrollment, attendance, retention, and achievement.

b. *New capacity for assessing student achievement:* Although the DEN has participated in a number of international assessments of student achievement (PIRLS and TIMSS), the Strategic Framework (and PARSEM) includes the development of a Moroccan system for assessing the distribution of and contributing factors to student achievement. This will prove to be an essential tool, as education stakeholders shift their focus from access to quality.

c. *The development of cost-effective teacher support services:* The Strategic Framework intends to promote higher teacher performance through the development of a coherent system of teacher support services, which will include cost-effective in-service training (through both site-based and distance training), more regular and effective inspections, and a reinforced role for school directors.

d. *The establishment of quality standards and school-based projects:* The DEN intends to develop new standards for ensuring school-level quality. These will serve as a framework for primary and middle schools to develop proposals for improving achievement and retention, which will in turn be financed through grants provided by the AREFs.

### 3. Fiduciary

45. **Procurement** (see Annex 8 for detailed information). An assessment of the Borrower's public procurement system concluded that it is solid and operates in a structured and reliable control environment. It does not present major fiduciary risks. The national legislation on procurement is generally in line with World Bank's guidelines. However, a few procedures would need to be adapted to conform with these guidelines:

- For *goods and works*: (i) all envelopes constituting a bid should be opened simultaneously in one public session, with the price read aloud and recorded; (ii) quantifiable evaluation criteria should be included in the bidding documents and, in the case of goods, a point system should not be used; (iii) the contract is awarded to the bidder who meets the qualifications required and whose bid has been determined to be responsive to the bidding documents, and offers the lowest evaluated bid; (iv) the requirement for bidders to have a local representative, established in Morocco, should be discontinued; and (v) the evaluation method for procurement of goods should be by lot (instead of by article).
- For *consultants*, open competitive bidding should not be applied. Invitation to bid should be addressed to a shortlist of firms, having the required qualifications and experience. The financial proposals will be opened publicly following completion of the evaluation of technical proposals.

46. At the central level of the DEN, procurement capacity was found to be satisfactory. At the decentralized level, there is more capacity within the provincial delegations (which are extensions of AREFs in the provinces) than within the AREFs. The AREFs have only become operational in mid-2003 and will need to strengthen the qualifications of their staff and to increase their material resources. In addition, standardized operational and procurement procedures need to be developed. By their legal status, the AREFs are not automatically subject to the national regulation that governs public procurement. They can establish their own regulatory procedures to be approved by their Board of Directors and the MFP. During this transitional period, the AREFs are adopting the present national regulation for their procurement activities, taking into account the few exceptions indicated above.

47. The overall risk is assessed to be moderate. This risk could lead to some delays in the implementation of PARSEM and will be mitigated by actions included under the institutional capacity building component. These actions will strengthen procurement management and

coordinate and harmonize capacity between the AREFs and the provincial delegations. Furthermore, the following measures will be implemented:

- Standardized bidding documents (SBD), to be approved by the Bank, are being developed in accordance with the guidelines of the Bank. The SBD will be used by the executing agencies of PARSEM (e.g., certain DEN directorates and the AREFs).
- Procurement rules and procedures are described in the POM.
- Annual technical audits and regular ex-post reviews are programmed, which will lead to action plans to implement recommendations.

48. The procurement plan for the first year of PARSEM is presented in Annex 8 and included in the POM.

49. ***Financial Management.*** As a Sector-Wide Approach (SWAp), the agreed FM arrangements in this operation aim to simplify procedures and reduce the transaction costs imposed by parallel systems required in traditional investment operations. Over time, it will help set the framework for more efficient implementation of the government's own education programs and a sustainable institutional capacity. It therefore, seeks to align with the government own procedures, improve on these where there are deficiencies and capitalize on all the reform initiatives going on in the country.

50. An assessment of the existing financial management capacity was conducted by Bank staff during the missions leading to appraisal. A summary of the findings of the assessment of the financial management capacity is presented below. Annex 7 presents a more detailed presentation of the assessment, and of government's planned actions to respond to identified shortcomings.

51. *A reliable system to account for public expenditures with low fiduciary risk.* The overall Moroccan public administration operates in a structured and reliable control environment, with uniform public accounting rules and procedures. It presents low fiduciary risk, even though efficiency and effectiveness can be enhanced.

52. *Newly created entities requiring important institutional support pose a substantial fiduciary risk.* The central administration of the DEN is part of the country general framework and as such, FM arrangements at the central level represent a low risk. However, with the decentralization of the DEN, the regional academies (AREFs) face certain financial management issues, as they take on their new roles: (i) weak staff capacity; (ii) absence of an accrual accounting and managerial accounting systems as required by their statutes; (iii) no audits of accounts currently in place; (iv) not fully defined FM relations between AREFs and their provincial delegations, (v) a lengthy budget preparation process from the central administration to the AREFs, delaying work program execution at the decentralized level; and (vi) the necessity to establish a management information system at the central level and at the AREFs level. Given the above, the level of risk at the AREFs is estimated to be relatively high. Though considered relatively high, at the decentralized level, the risk remains under strict central control until capacity is in place.

53. To mitigate and manage the identified risks: (i) given the existing acceptable financial management capacity at the central level within the Finance and Administration Division, the latter will have full responsibility of ensuring proper budgeting, accounting, reporting and internal control at the AREFs while capacity strengthening activities are being implemented; (ii) the GoM is particularly expected to establish and allocate appropriate finance staff with the required budgeting and financial management skills within AREF and controllers at the *provincial délégations within the first year of project effectiveness*, and (iii) the Bank will ensure close supervision of the implementation and provide support to the AREFs in this regard.

54. **Financial management capacity building activities and agreed arrangements.** The government will address the sector financial management issues through two main avenues. First, various reform initiatives aimed at improving the financial management of the public sector in general and the DEN in particular are currently being designed or are underway. The project integrates well within the on-going government reform of performance based budgeting, civil service reform, computerization of the public sector budgeting and accounting, the reform of the control function, etc, and will capitalize on other initiatives at the sector level.

55. Furthermore, as part of the Strategic Framework of the DEN, the sector is implementing a comprehensive action plan that aims at reinforcing financial management capacity throughout the sector. This action plan is incorporated into the third component of PARSEM and a number of progress indicators will track its implementation.

56. **Audit of the PARSEM.** Given the absence of regular audit and reporting at the center and decentralized levels, provisional arrangements in accordance with standards, and by auditors, acceptable to the Bank are being considered and agreed with the GoM until further capacity strengthening in this area. Annual audit reports prepared according to TORs acceptable to the Bank are to be submitted no later than 6 months following the end of each fiscal year being audited.

57. **Flow of funds and periodic reporting.** Bank funds will be transferred to a deposit account at *Trésorerie Generale du Royaume*, annually based on the agreed cash flow required to undertake the annual activities. The annual amounts will be agreed at negotiations and eventually revised during project implementation if needed. The MFP then transfers funds to DEN and AREFs respectively within its current budget execution framework and rules.

58. Semi-annual Financial Monitoring Reports (FMRs) will be submitted to the World Bank during the implementation of the program. The report will show budgeted amounts, disbursements by the MFP and the transfer of funds to the AREFs, commitments and payments by the AREFs for budget lines identified to finance PARSEM activities. These reports will be used as part of the ex-post review process that will determine subsequent disbursements of the PARSEM loan. A format of FMR has been agreed and endorsed with the MEN-Finance department at negotiations.

#### 4. Social

59. As stated above, the Education Charter was developed through extensive participation with education stakeholders. The DEN's Strategic Framework was established through a

strategic planning process that brought together central and regional education staffs. Thus, the Strategic Framework is endorsed by stakeholders responsible for implementation of the education reform program and aims to achieve education goals that have the support of Moroccan society.

60. PARSEM supports aspects of the Strategic Framework that specifically ensure more social equity and more stakeholder involvement: increasing enrollment and retention rates in rural areas, specifically targeting girl population; providing special services for underserved children through partnership grants; and supporting the establishment of school-based projects that target specific populations. Moreover, a large-scale communication strategy is incorporated in the program design, which aims to encourage the public to participate in education initiatives.

## **5. Environment**

61. No major hazards to land and people are anticipated during the implementation of PARSEM. However, both the Environmental Assessment (OP4.01) and Involuntary Resettlement Policy (OP4.12) were triggered. PARSEM was classified as Category B according to the Environmental Assessment Safeguards Policy 4.01. An environmental and a social assessment were jointly conducted during the preparation of the operation. A summary of findings is presented under Section D.6. Safeguard policies.

## **6. Safeguard policies**

62. In order to comply with the Bank's Operational Safeguards Policy relative to Environmental Assessment (OP 4.01) and the Involuntary Resettlement Policy (OP4.12), an Environmental and Social Assessment (ESA) was conducted for PARSEM during the preparatory phase of the operation. This assessment addressed environmental as well as social safeguards concerns mainly related to the construction of new schools. An Environmental and Social Safeguards Framework (ESSF) was prepared as a consequence of this assessment process, which details the mitigating as well as monitoring measures that are to be carried out during project implementation. It also lists ways to improve the capacity of implementing agencies.

63. The ESA findings are the following: (i) existing construction and operating standards, as well as construction monitoring norms do not fully guarantee the safety, health, and well-being of students, teachers, and personnel at schools; (ii) there is a lack of adequate resources for school maintenance; (iii) the practice of sole-source contracts with architects does not guarantee cost-effectiveness of school construction programs; and (iv) there is a sector-wide issue of arrears related to payment of land acquired for construction of schools.

64. Although existing land acquisition procedures in Morocco are, in general, consistent with corresponding Bank policy, the issue of arrears in payment of compensation is of concern. The Involuntary Resettlement Policy (OP4.12) was triggered because of the concern stemming from delayed payment of compensation for land acquisition although this issue is not specific to the education sector. An on-going Bank adjustment operation, the Asset Management Reform Loan (AMRL, 4700-MOR), is currently assisting the GoM to address this problem. Measures have been agreed with the Ministry of Education to minimize delays in compensation payments. The ESSF includes activities that will help improve the capacity for monitoring the progress achieved



in this regard. Finally, there is a covenant related to resettlement and a disbursement condition related to land acquisition (see Section B.5. Loan conditions and covenants).

65. The ESSF will be distributed with the Program Operations Manual (POM) to all implementing agencies before loan effectiveness. The ESSF constitutes a depository of norms and guidelines for the implementation of the PARSEM and for reporting on program progress. For example, this framework defines mechanisms for monitoring the application of construction norms and functional standards and payment of land acquired for school construction.

**Table 3: Safeguard Policies Triggered by the Project**

	Yes	No
<u>Environmental Assessment (OP/BP/GP 4.01)</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <u>OP/BP 4.04</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management ( <u>OP 4.09</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cultural Property ( <u>OPN 11.03</u> , being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement ( <u>OP/BP 4.12</u> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Indigenous Peoples ( <u>OD 4.20</u> , being revised as OP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests ( <u>OP/BP 4.36</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams ( <u>OP/BP 4.37</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <u>OP/BP/GP 7.60</u> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <u>OP/BP/GP 7.50</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## 7. Policy Exceptions and Readiness

66. No policy exceptions are anticipated.

**Table 4: Readiness filter for Morocco, MENA region**

List of Indicators	
Program is officially approved by the Government of Morocco	Yes
Executing /Implementation agencies identified	Yes
Organization of workshop for the preparation of the project	After effectiveness
Fiduciary and social safeguards are found adequate	Yes
Procurement documents are prepared for 1st year of the program	1st year procurement plan established
Bidding documents are launched for the first year of the program	No
Performance indicators and data collection methods for monitoring and evaluation are identified	Yes
Program Operations Manual (POM) prepared	Yes
Active participation of the program director in the preparation, appraisal, and negotiation of the loan	Yes

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

## **Annex 1: Country and Sector or Program Background**

### **MOROCCO: Basic Education Reform Support Program**

#### Country Background

1. Over the past two decades, variation in economic growth has affected the sustainability of public expenditures. Between 1980-1990, GDP average annual growth was 4.2 percent; however, it declined to 2.5 percent between 1990-2001 primarily due to intermittent droughts and stagnating industrial outputs. Economic growth improved for 2001 and 2002, at 6.5 percent and 3.2 percent respectively, owing greatly to recovered agricultural revenues and expanded tourism. As a result, unemployment rates decreased from 12.5 percent in 2001 to 11.6 percent in 2002, with a decline from 4.6 percent to 3.2 percent in the agricultural sector alone. Despite a short-term positive outlook, unemployment remains high nation-wide, and mostly in urban areas (18.7 percent in Q1 2003). Twenty-six percent of educated adults and thirty-four percent of youth are unemployed.

2. Morocco faces a high level of poverty. The national poverty level has increased from 13.1 percent in 1990-1991 to 19.0 percent in 1998-1999, an increase from 3.4 to 5.3 million people. Poverty is predominantly a rural phenomenon, with 27.2 percent of the rural population living under the national poverty line, compared to 12 percent in urban areas. It is estimated that approximately 64 percent of these poor are illiterate. Poverty is also correlated with limited access to health care and clean water, as well as high maternal as well as infant mortality rates.

#### Sector Background

3. By designating 2000-2009 as the decade for education and training, Morocco has emphasized the role of education as an element of human development and an effective tool for reducing poverty. This marks the beginning of the country's education reform. Significant advancements have been made, especially after the declaration of the Education Charter.

4. In 1999, a broadly representative Special Commission for Education and Training (*Commission spéciale éducation-formation*, COSEF) produced the National Education & Training Charter (*Charte nationale d'éducation et de formation*), endorsed by the Palace, the Government, and Parliament. The Education Charter establishes a national consensus on the Government's strategies to address education issues. It also sets out objectives for all levels of the education system, including universal primary education of children between the ages of six to eleven years by 2007, improved internal efficiency through measures to improve the quality of education, especially at basic education levels, and to help children access schools.<sup>2</sup> The Charter proposes a number of reforms to reach these objectives, including administrative decentralization, community involvement in school management, curriculum reform, and the introduction of partial user charges at higher levels of education. The Government has put in place the legislative framework for reform, most notably in the areas of decentralization at the

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<sup>2</sup> Formal education consists of three levels of instruction: basic, upper secondary and higher. Basic education includes two sections: primary (grades 1-6) and middle (grades 7-9).

central, regional, and school levels. As a part of this effort, the GoM created regional education offices (*Académies régionales d'éducation et de formation – AREF*).

5. *Millennium Development Goals.* Morocco has pledged to work towards achieving the Millennium Development Goals (MDGs). Of the eight global goals, two goals are directly related to education: (i) achieving universal primary education and (ii) promoting gender equality and empower women. A summary of Morocco's MDG goal and targets in education are presented below.

**Table 1-1: Millennium Development Goals for Primary / Secondary Education**

MDG Goal	Target	Indicator	1998 Value	2015 Value
Achieve completion of universal primary education	Ensure that by 2015, all children, boys and girls, complete universal primary education	Net enrollment rate in primary education	73.5%	100%
		Proportion of students starting first grade completing fifth grade	82.7%*	100%
		Illiteracy rate of 15 and 24 year olds	64.3%	100%
Eliminate gender disparity at primary and secondary education	Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015	Female / Male ratio:		
		- Primary	81.2%	100%
		- Middle school	75.4%	100%
		- Secondary	81.8%	100%
		- Higher Education	75.4%	100%
	Illiteracy rate for females (age 15-24) in comparison with male cohorts	69.5%	100%	

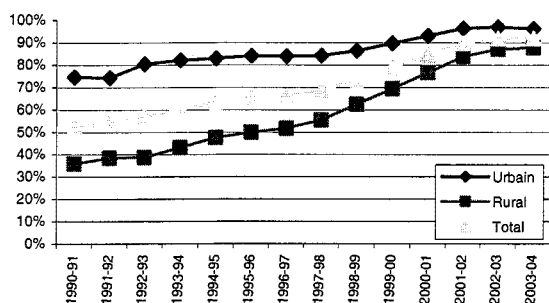
Note: (\*) 1999-2000 data

6. The next section briefly summarizes the current state of the education system, recent achievements, and challenges with regards to the following four issues: (i) equitable access to education; (ii) quality of education; (iii) institutional capacity; and (iv) financial sustainability.

### *Equitable access to education*

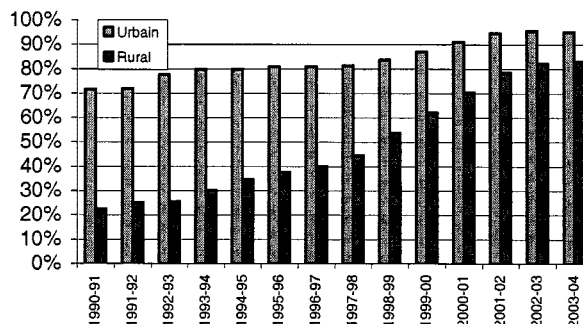
7. *Enrollment in Primary Education (Grades 1-6).* The implementation of the first phase of the reform has been an overall success; however, there are disparities in access to education especially between gender and in geographical regions. As Figure 1-1 indicates, Morocco has made significant progress towards reaching near universal primary education. The net enrollment rate for primary education has increased significantly from 52.4 percent (1990-1991) percent to 92.0 percent (2003-2004) at the national level. The rapid increase in student enrollment at the primary level is largely due to improvement in access through construction of schools. Although access to primary education has improved at the national level, disparities continue between urban and rural areas. In 2003-2004, 96.2 percent of children were enrolled in primary schools, compared with 87.8 percent in rural areas.

Figure 1-1: Primary net enrollment rate, 1990-2003



Source: DEN (2004) Education Statistics

Figure 1-2: Female net enrollment rate in primary education, 1990-2003



Source: DEN (2004) Education

8. Figure 1-2 shows increased girls' primary enrollment in both urban and rural areas. Despite national enrollment increase, the proportion of girls in rural regions in school is less than the proportion in urban settings. Most children who are not enrolled in primary schools are girls living in rural areas.

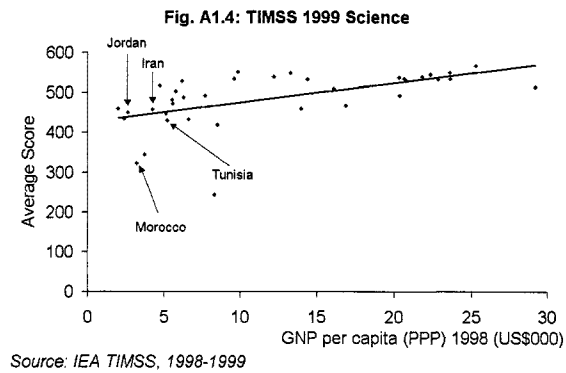
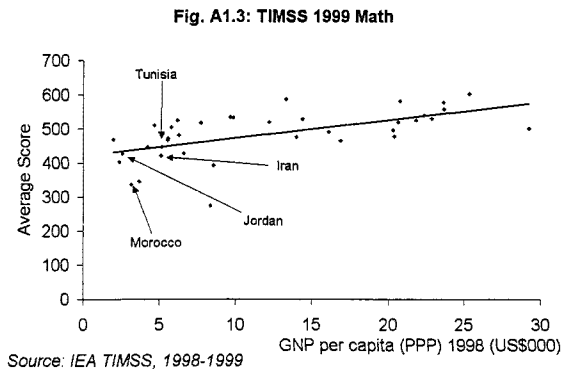
9. *Enrollment in middle school (Grades 7-9).* Although there has been an increase in both urban and rural areas, access to middle school education is still relatively low. In urban areas, enrollment has increased to 52.1 percent in 2003; rural areas, however, only register an enrollment rate of 11.7 percent. Again, the situation is worse for girls in rural areas, as less than 9.3 percent of female cohorts are enrolled in middle schools. The total number of students reaching upper-basic school is expected to increase from 1.1 million to 1.6 million students by 2010, if there are significant increases in internal efficiency (drop out and repetition rates) at the primary (Grades 1-6) level.

### Quality of education

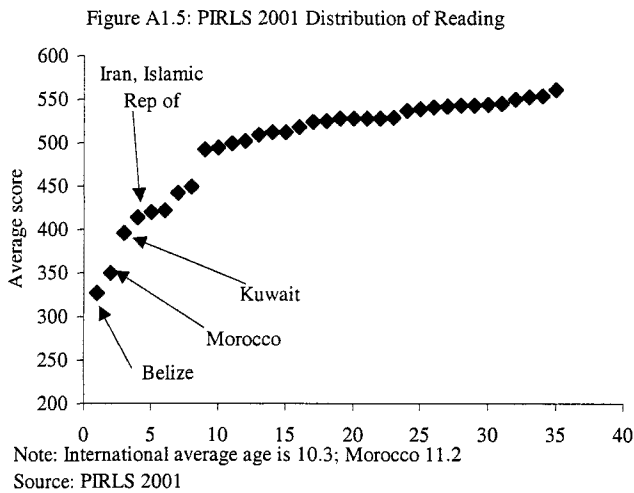
10. Although there has been a considerable increase in access to basic education, Morocco's education system continues to experience high internal inefficiency. The repetition rate is 13.6 percent for primary, and 18.4 percent for middle school education. The completion rate is 57.8 percent at the primary and 43.7 percent at the middle school level. According to a study conducted by COSEF in 1999, out of 100 students who joined the school system, 65 would complete the first cycle of basic education, 36 would go on to secondary school, 13 would pass the baccalaureate, and 5 would attend college. The reasons for dropout and repetition are multiple. Many students drop out because of exogenous reasons, such as family and individual problems. However, other reasons are directly linked to instruction. These include: the inadequacy of the curriculum, lack of teacher supervision and support, and little continuous assessment of student achievement.

11. Student learning is low in Morocco. According to an international study conducted by UNICEF and UNESCO, only 17.2 percent of the sample of 4,249 students from 12 delegations

acquired the competency in reading and spelling, and mathematics needed in every day life. As a participant of the Trends in International Math and Science Study (TIMSS) for the first time in 1999, Morocco ranked below what would be expected considering its level of economic development. Figures A1.3 and A1.4 show that Morocco is more than 100 points below the expected score.



12. Morocco also participated in the cross-national assessment of fourth-grade students in reading skills, the 2001 Progress in International Reading Literacy Study (PIRLS) (Figure A1.5). The results of PIRLS showed low reading comprehension for Moroccan fourth-graders (see Figure A1.3 and A1.4). Findings also revealed that only 23 percent of fourth graders placed above the minimum international benchmark (Lower Quarter Benchmark: 75th percentile) and only one percent of them scored above the Upper Quarter Benchmark (25<sup>th</sup> percentile).



13. In addressing these issues, the following advancements were made during the first phase of the sector reform: (i) new curricula were introduced in the first year of primary education in 2002-2003, as well as in second and third grades during the 2003-2004 academic year; (ii) five new school textbooks were published for first graders for the 2002-2003 school year; and (iii) 65

new school textbooks were prepared for four other grades for the 2003-2004 school year. Amazigh is taught in more than 300 primary schools starting in first grade. French is now introduced in second grade rather than in third grade.

14. Generally, however, more progress has been made on access objectives than on pedagogical ones. With a choice between pedagogical support services or construction, Morocco has tended to favor the latter. As a consequence, critical developments to ensure higher quality have lagged behind. These areas include: student achievement assessment systems, in-service teacher training and support systems, and the provision of quality-enhancing inputs to the classroom and school in a continuous manner.

### ***Institutional capacity***

15. The DEN has shown strong political will to decentralize responsibilities as a means to efficiently and effectively support the development of the education system. As a part of the education reform, which began in 2000, large-scale decentralization was instituted at all administrative levels of education. The number of administrative units at the central level (DEN) was decreased by more than half. In 2001, The AREFs were created and now carry out most of the management functions previously the purview of the DEN.

16. As a result of the creation of this new “level” of management, the education system is currently going through a transitional stage. A successful reorganization of the sector will, however, require more than an official transfer of responsibilities to new directors. Each level of the system will require a new mix of competencies, resources, and methods of operations. Furthermore, the relations between levels will change significantly. Operationalizing the reorganization will be a long-term endeavor requiring careful change management.

### ***Financial sustainability***

17. The expected increase in demand and other complementary inputs required to meet Charter objectives may signify additional resource needs for the sector. However, education expenditures are already high, with 6.6 percent of GDP allocated to this sector. A simple multiplication of current unit costs (not taking into consideration quality enhancing inputs) would lead to an unsustainable budget requirement (see Annex 9 for a detailed analysis). Essentially, the Charter objectives might not be attainable or sustainable without a reallocation of government resources, cost saving measures, and new sources of revenue.

### **Government Education Reform Strategy**

18. GoM is currently at a crossroads, as it faces new as well as persisting challenges to meeting education objectives. These include: (i) addressing the inequalities between gender and geographical locations especially in post-primary education; (ii) improving the quality of education; (iii) strengthening institutional capacity building of the educational system at all levels (schools, provincial delegations, regional academies, and Ministry) in the context of decentralization, and most importantly; and (iv) achieving the above-mentioned objectives within a sound and sustainable finance management.

19. Although large-scale institutional reform has taken place, the DEN has been slow to implement some of the more substantive reforms. For example, no strategic plan had been established to operationalize the Education Charter. The Ministry of Education has weak reform capacity and resistance to change has been strong amongst the Ministry rank-and-file. This state of affairs is not unique to Morocco. Implementation of the sector reform began to improve since the nomination of the new government in November 2002. New directors for the AREFs and the central directorates of the DEN were nominated in 2003, marking the true beginning of the process of decentralization of the education sector.

20. With technical assistance from Canadian International Development Agency (CIDA), the Government of Morocco (GoM) developed a Strategic Framework for the Development of the Education Sector (*Cadre Stratégique de Développement du Système Éducatif*) in February 2004. This document presents policy directions and strategies for the development of the education sector for the second phase of the education reform from 2004 to 2009.

The Strategic Framework:

- Establishes interim quantitative, qualitative and institutional targets to meet the objectives of the Education Charter;
- Explores critical steps in the development of the education sector by defining short and long-term goals;
- Elaborates a mid-term action plan (2005-2009) as a tool to consolidate knowledge, address constraints, and to reinforce conditions to achieve the goals of the education reform, in agreement with the recommendations of the Education Charter;
- Puts in place mechanisms and methods for coordination, monitoring and evaluation of efforts and achievements to attain targets.

21. The Strategic Framework is organized according to sub sector (pre-primary, primary, secondary, etc.) and only addresses pre-university education. Below is a summary of the key strategies included in the Strategic Framework as they relate to the basic education sub-sector.

### ***Increasing Access to Basic Education***

22. The primary objective of the Strategic Framework is to provide basic education with higher quality to all children ages six to fifteen in a financially sustainable manner.

23. Universal access to primary education is projected to be attained between by 2004-2008. Total primary education sector enrollments are stabilizing as a result of a decline in the school-age population. Due to these demographic changes, primary enrollment will decline from 3.8 million children in 2004 to 3.5 million by 2009.

24. During the same period, the number of students in middle school is expected to increase from 1.1 million to 1.6 million. This will require intensive preparation to increase access, better knowledge and management of pedagogical needs of students, and the mobilization of required financial resources to middle school education.

25. Additionally, the number of students in upper secondary school is expected to increase from 574,000 in 2004 to one million by 2009 and to 1.5 million by 2013. Therefore, it will be necessary to eventually ensure the quantitative, qualitative, and structural extension of this sub-sector of education.

26. The GoM will focus on basic education during the next phase of the education reform, the period covered by the Strategic Framework. The Government also aims to meet demand for primary education in remote rural areas. With a projected rapid increase in enrollment at the middle school level, the Government will build new middle schools, prioritizing areas with the greatest need.

27. The need for additional places in basic education will principally be met through public education. The DEN will keep the overall investment costs down by developing new construction norms. It is expected that the overall private school enrollment will increase from 9 percent to 14 percent in primary and middle school education by the end of the decade providing some relief for public expenditure.

### ***Improving the Quality of Education***

28. The Government aims to improve completion rates to 83.3 percent in primary education and 71.4 percent at the middle school level by the end of the decade. Repetition rates are expected to decrease from 13.6 percent (2003-2004) to 9.1 percent (2008-2009) at primary education, and decline from 18.4 percent to 12.1 percent at middle school level by the end of the decade.

29. The GoM will adopt the following policy actions during the next phase of the sector reform to meet these objectives: (i) reinforce pre-service and in-service teacher training; (ii) adapt curriculum and school textbooks to the needs of the students and their learning; (iii) introduce polyvalent teachers in middle school; (iv) reinforce language instruction in the curriculum; (v) reinforce information technology in schools; and (vi) improve social and material conditions for students in school settings, and (vii) ameliorate evaluation systems.

### ***Reinforcing Institutional Capacity***

30. As a result of the large-scale decentralization effort described above, all administrative levels are currently re-defining their roles, recruiting staff with new profiles, and adjusting to changes. The GoM is implementing the following three strategies: (i) restructuring the central structure (DEN); (ii) transferring many responsibilities to regional administrative levels, and (iii) strengthening human resource management. The first two efforts have already been realized. Furthermore, the DEN intends to engage in an ambitious institutional capacity building program at all levels of the system.

### ***Ensuring Fiscal Sustainability***

31. As part of the Strategic Framework, the DEN proposes a financing plan that includes measures to meet sector objectives within existing budgetary constraints. The plan incorporates three key policy measures for improving sector cost-effectiveness: (i) reducing repetition



(through quality enhancement), (ii) increasing the number of hours taught by middle school and upper secondary teacher (through the use of polyvalent teachers) so that they teach the maximum number of hours they are supposed to teach, (iii) allocating resources from primary to middle school as a consequence of the declining enrollments. Annex 9 provides a detailed analysis of this financing plan and the fiscal impact of these measures.

**Annex 2: Major Related Projects Financed by the Bank and/or other Agencies**  
**MOROCCO: Basic Education Reform Support Program**

School Education

1. World Bank. *Social Priority Program (BAJ) Education* (P005501). US\$ 54 million (approved), US\$ 44.4million (actual disbursement). 1996-2003.

The specific objectives of the project were (i) to contribute to the Government's efforts to boost its educational system in both qualitative and quantitative terms to make its performance correspond more closely to that in economically comparable countries, and (ii) to strengthen human capital by making education and literacy available to populations that have been deprived of them. The project would have an impact on both the supply of and demand for education, and would affect institutions both upstream and downstream of the formal education system.

Rating for Project Impact in Implementation Completion Report (ICR): Satisfactory

Rating for Project Impact in the OED Final Evaluation Report: Satisfactory

2. *Rural Basic Education Development Project* (P005460). US\$ 145 million (approved), US\$ 55 million (actual disbursement). 1992-1998.

The two main objectives of the project were to (i) promote greater equality of educational opportunity and increased school attendance by improving college enrollment figures among disadvantaged populations such as rural children and girls; and (ii) improve the educational environment through in-service teacher training, general inspections, curriculum development, and assessment of student achievement and proper use of students' materials.

Rating for Project Impact in Implementation Completion Report (ICR): Unsatisfactory

Rating for Project Impact in the OED Final Evaluation Report: Unsatisfactory

3. Rural Primary Education Project (P005480). US\$ 83 million (approved), US\$75 (actual disbursement). 1989-1996.

The objectives of the project were: (i) to increase access to primary schooling in rural areas; (ii) to increase rural primary education participation, particularly for girls; (iii) to improve the quality of primary education; (iv) to strengthen planning, monitoring and evaluation capacity; and (v) to strengthen the efficient and rational use of resources in primary education. These objectives were consistent with the Government's general policy to develop basic education in rural areas and its specific purposes: (a) to guarantee universal access to the first cycle of basic education; (b) to improve school participation, and the quality and effectiveness of the education system; and (c) to ensure better allocation of the resources assigned to basic education. The project was one of the first in the generation of projects that integrated a mix of inputs to address demand for education. These included educational materials, in-service teacher training, programs to train school directors and introduction of health topics in the primary school curricula.

Rating for Project Impact in Implementation Completion Report (ICR): Unsatisfactory

Rating for Project Impact in the OED Final Evaluation Report: Unsatisfactory

4. *Education Sector Reform Project (P005421)*. US\$150 million (approved and actual disbursement). 1986-1989.

The loan supported the implementation of the first two-year phase of the Government's education sector reform program, aimed at making the provision of education more equitable, more cost-effective, and more consistent with the country's medium-term development needs. It also aimed at developing and implementing a number of pedagogical measures to improve the quality of education while extending the coverage of basic education and controlling the growth of education expenditures.

Rating for Project Impact in Implementation Completion Report (ICR): Unsatisfactory  
Rating for Project Impact in the OED Final Evaluation Report: Unsatisfactory

#### Non-formal Education

5. *Alpha Maroc (P075808)*. Amount: US\$4.1 (approved). 2003-2005. (currently being implemented)

This project has two objectives: first, to improve the management system at the central, regional, and NGO levels; and second, to improve the quality of literacy programs in Morocco. This project is in its second year of implementation. The project is scheduled to close in December 2005.

Most recent Rating for Implementation Progress in the Project Supervision Report (PSR): Satisfactory (March, 2004)  
Most recent Rating for Development Objectives in the Project Supervision Report (PSR): Satisfactory (March, 2004)

#### Vocational Training

6. *Third Private Sector Development Project (P038978)*. US\$95.30 (approved), US\$89.20 (actual disbursement). 1996-2002.

The main objective of the project was to improve the competitiveness of the Moroccan private sector, by improving the skills of its workforce. Project preparation took place in a context of overall upgrading of the Moroccan industry. The authorities were seeking to intensify trade relations with the European Union (EU), while recognizing the increased competition which would result from the upcoming trade agreement with the EU. The Moroccan private sector had an urgent need to modernize, in particular its labor force. This resulted from an inefficient education system and insufficient in-service training. To help address this situation, the Bank based its strategy on a twofold support: (i) to the education system, e.g., through the BAJ project; and (ii) to the training system, in particular in-service training, through the present project.

Rating for Project Impact in Implementation Completion Report (ICR): Satisfactory  
Rating for Project Impact in the OED Final Evaluation Report: Moderately Satisfactory

7. *Second Vocational Training Project (P005426)*. US\$22.3 million (approved), US\$22.27 (actual disbursement). 1987-1994.

The specific objectives of the project are to consolidate and improve the quality of Morocco's vocational training system and to implement cost reduction and cost recovery mechanisms. It was designed to be complementary to the previous First Vocational Training Project (Loan 2479-MOR) which focused on expanding the capacity of the public vocational training system. The project would address its objectives by (i) improving instructor training; (ii) upgrading training programs, particularly, the re-equipment and minor refurbishing of 33 existing training centers and 15 technical centers; (iii) minor construction and equipping of 10 regional coordination units and 50 sub-regional units; (iv) equipping of 10 training/repair service units; (v) improving planning and management of the system; (vi) providing financing for expert services, fellowships and studies.

Rating for Project Impact in Implementation Completion Report (ICR): Satisfactory

Rating for Project Impact in the OED Final Evaluation Report: unrated

8. *Vocational Training Project (P005415)*. US\$27.1 million (approved), US\$23.06 (actual disbursement). 1984-1992.

The specific object of the project is to expand vocational training capacity consistent with future needs for the skilled labor force, improving coordination of vocational training, contributing to the financial viability of the main public vocational training institution and helping to develop appropriate future training activities. The project also aimed to help improve project selection and preparation in the public sector.

Rating for Project Impact in Implementation Completion Report (ICR): Unsatisfactory

Rating for Project Impact in the OED Final Evaluation Report: Unsatisfactory

### **Annex 3: Results Framework and Monitoring**

#### **MOROCCO: Basic Education Reform Support Program**

#### **Procedures for monitoring**

1. The Directorate of Statistics, Strategy and Planning (*Direction de la Statistique et la Programmation*, DSSP) of the DEN will be responsible for: (i) monitoring the implementation of the Strategic Framework; (ii) consolidating information provided by DEN directorates and the AREFs; and (iii) reporting PARSEM progress to the Bank. The DSSP will submit an Annual Report (AP) and an Annual Work Plan (AWP) to the Bank every year. It is also responsible for transmitting to the Bank necessary documents prior to the semi-annual supervision missions held in March and September. Specific reporting formats are described in detail in the Program Operations Manual (POM).
2. The Annual Work Plan (AWP) is the action plan for a given year of PARSEM. It includes the following four documents: (i) a Program Implementation Plan (PIP), (ii) the budget to finance the PIP, (iii) the list of Monitoring indicators for the current year, and (iv) the annual procurement plan.
3. The Annual Report (AP) describes the progress made during the course of the past year, as detailed in the corresponding Annual Work Plan. The AP presents the results of both performance and Monitoring indicators. This document also includes financial monitoring reports (FMRs), a progress report of implementation of safeguard policies (especially in relations to the Environmental and Social Safeguard Framework), an analysis of education sector expenditures, and a summary of problems encountered and lessons learned during the implementation of the program during the year in question.
4. Both these documents are submitted to the Bank for review during the Annual Review to be held in March of every year. The Bank will determine subsequent disbursements as a result of the Annual Review.
5. The DSSP is also responsible for providing necessary documents to the Bank prior to the semi-annual reviews held each September, in order to facilitate supervision by the DEN-Bank team. The September review provides an initial estimate of advancement towards the objectives and Monitoring indicators of the Annual Work Plan. Prior to the September review, the DSSP will also transmit a draft version of the subsequent year's Annual Work Plan. Finally, the DSSP will submit the semi-annual FMR for the first six months of the calendar year (refer to Annex 7 for further information on FMRs).
6. In addition, the DSSP will submit an Annual Financial Audit Report to the Bank, which will be conducted by an external auditor (see Annex 7 for more information).

## Indicators

7. PARSEM focuses on results-based management. It will monitor implementation progress of the education reform program through two sets of indicators: Performance indicators and Monitoring indicators. These indicators will be closely monitored during supervision missions.

8. *Performance indicators.* Performance indicators are used to follow the annual progress of basic education development by tracking enrollment, repetition, retention, and complete rates. These indicators will be desegregated by gender and region (urban and rural). Target values for Performance indicators were identified on the basis of financial simulations conducted by the DEN and the Education Charter objectives (see Annex 9: Economic and Financial Analyses). Although Performance indicators are not directly linked to disbursements, they allow monitoring of the overall progress of the sector to achieve the objectives of the Charter. A list of Performance indicators and their end of project targets is presented in Table 3-1.

9. *Monitoring indicators.* Monitoring indicators are critical steps required to achieve the overall targets of PARSEM. They are linked to actions and activities that introduce new practices or have significant long-term impact on the development of the education system. They also reflect key policy decisions, such as the increase in teacher instructional time and the use of new construction norms. These indicators will be established on the basis of the DEN's Annual Work Plans and can be adjusted on the basis of progress made. Monitoring indicators will serve as benchmarks for disbursements. The mechanism linking Monitoring indicators and disbursements is described in Annex 7. A list of Monitoring indicators elaborated for the five-year PARSEM is presented in Table 3-2; and a synthesized list of Monitoring indicators for the first year is presented in Table 3-3.

**Table 3-1: Results Framework of PARSEM : Performance Indicators<sup>3</sup>**

Net enrollment rate	2003-2004 (Baseline value)									2007-2008 (Target value)									
	Girls			Boys			Total			Girls			Boys			Total			
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	
Preschool	62.0%	17.5%	39.6%	67.0%	53.4%	60.2%	64.6%	35.7%	50.1%	97.7%	96.0%	97.0%	99.6%	96.0%	97.0%	98.7%	96.0%	97.0%	
Primary	95.3%	83.1%	89.2%	97.1%	92.2%	94.6%	96.2%	87.8%	92.0%	57.7%	40.0%	50.0%	62.0%	40.0%	50.0%	59.8%	40.0%	50.0%	
Middle	51.4%	9.3%	31.2%	52.9%	13.8%	32.8%	52.1%	11.7%	32.0%										
<b>Repetition rate</b>																			
Primary	9.7%	12.8%	11.3%	14.5%	16.7%	15.7%	12.2%	15.0%	13.6%	6.5%	8.6%	7.5%	9.7%	11.2%	10.5%	8.1%	10.0%	9.1%	
Middle	16.1%	11.9%	15.5%	21.1%	19.3%	20.6%	18.7%	16.9%	18.4%	10.6%	7.8%	10.2%	13.9%	12.7%	13.6%	12.3%	11.1%	12.1%	
<b>Retention rate</b> (Survival rate until end of cycle)																			
Primary	89.2%	47.2%	65.5%	81.9%	53.9%	65.7%	85.7%	50.9%	65.6%	NA	NA	86.9%	NA	NA	87.1%	NA	NA	87.2%	
Middle	80.8%	72.6%	79.3%	67.4%	64.4%	66.5%	73.8%	67.4%	71.5%	NA	NA	97.9%	NA	NA	82.0%	NA	NA	88.2%	
<b>End of cycle completion rate</b>																			
Primary	82.4%	38.1%	57.1%	75.4%	45.7%	58.1%	79.2%	42.2%	57.8%	118.6%	54.9%	82.2%	108.7%	65.8%	83.7%	114.0%	60.8%	83.3%	
Middle	56.6%	22.7%	51.6%	44.7%	17.1%	38.4%	50.3%	18.9%	43.7%	92.6%	37.1%	84.4%	73.2%	27.9%	62.9%	82.3%	31.0%	71.4%	

\*NA=not available

<sup>3</sup> Formal education consists of three levels of instruction: basic, secondary and higher. Basic education includes two sections: primary (grades 1-6) and middle (grades 7-9).

**Table 3-2: RESULTS FRAMEWORK: Monitoring Indicators for PARSEM 2005-2008**

Indicators	Responsible Directorate	Monitoring Indicators				
		2005	2006	2007	2008	2009
<b>COMPONENT 1: GENERALIZE BASIC EDUCATION</b>						
<b>SUB-COMPONENT 1.1: Promote pre-primary education through partnership</b>						
Framework to fund pre-school partnership proposals established	DCPEPS	Operational framework for partnership validated.	Number of pre-school students who benefit from partnerships agreements financed under PARSEM	% increase in number of pre-school students who benefit from partnership agreements financed under PARSEM	% increase in number of pre-school students who benefit from partnership agreements financed under PARSEM	% increase in number of pre-school students who benefit from partnership agreements financed under PARSEM
<b>SUB-COMPONENT 1.3: Increase equitable access to middle school education</b>						
Number of rural communities with access to middle schools	DSSP		Number of rural communities with access to middle schools	% increase in number of rural communities with access to middle schools	% increase in number of rural communities with access to middle schools	% increase in number of rural communities with access to middle schools
<b>SUB-COMPONENT 1.4: Mobilize partnerships toward the expansion of basic education</b>						
Proportion of students who receive assistance through social services via partnership grants	DCPEPS	Operational framework for partnership at primary and middle school levels validated	Number of students who benefit from social services provided through partnership grants	% increase in number of students who benefit from social services provided through partnership grants	% increase in number of students who benefit from social services provided through partnership grants	% increase in number of students who benefit from social services provided through partnership grants
<b>COMPONENT 2: IMPROVE THE QUALITY OF EDUCATION</b>						
<b>SUB-COMPONENT 2.1: Improve evaluation systems</b>						
Capacity to conduct evaluation on student learning in basic disciplines functional and institutionalized	DEOVFC	New evaluation system to assess student learning put in place	Publication of results of the first evaluation based on a sample of students in 2005		Publication of results of the evaluation based on a sample of students in 2007	
<b>SUB-COMPONENT 2.2: Improve support services for teachers</b>						



New strategy for in-service training and inspection of teachers put in place	DRHFC	New strategy for in-service training and inspection of teachers validated	Training of trainers conducted based on the new strategy on in-service training and inspection of teachers.	% of teachers [by grade cycle and region: urban and rural] who receive in-service training based on the new strategy	% of teachers [by grade cycle and region: urban and rural] who receive in-service training based on the new strategy	% of teachers [by grade cycle and region: urban and rural] who receive in-service training based on the new strategy
Number of inspection visits in primary and middle schools	DEOV/SFC		% of teachers in primary and middle school who receive at least one inspection during an academic year	% of teachers in primary and middle school who receive at least one inspection during an academic year	% of teachers in primary and middle school who receive at least one inspection during an academic year	% of teachers in primary and middle school who receive at least one inspection during an academic year
Optimization of teacher's work time	DRHFC		Results on the study on polyvalent teachers validated	Proportion of teachers teaching full hours	Proportion of teachers teaching full hours	Proportion of teachers teaching full hours
<b>SUB-COMPONENT 2.3: Promote the quality of education at the school level</b>						
Number of school-based projects developed, adopted, and implemented	DEOV/SFC	Strategy for school-based projects developed and validated	Number of school directors of the first cohort of school-based project selected	Number of school-based projects developed by first cohort of trained school directors	Number of school-based projects developed by second cohort of school directors trained in 2007	Number of school-based projects developed by third cohort of school directors trained in 2008
<b>COMPONENT 3: BUILD INSTITUTIONAL CAPACITY</b>						
<b>SUB-COMPONENT 3.3: Reinforce finance and administrative management capacity</b>						
Budget and financial management performance and capacity upgraded	DAGBP	Study on accounting system elaborated and validated, and operations manual elaborated and validated	Number of personnel at AREFs and DEN trained based on the new operations manual, and number of AREF, selected on an experimental basis, that use the accounting system	Number of AREFs using the accounting system and the new operations manual	Number of AREFs using the accounting system and the new operations manual	Number of AREFs using the accounting system and the new operations manual
New construction and equipment norms applied	DAGBP	Study on construction and equipment of norms developed and validated	Application of new norms in construction and equipment of schools	Application of new norms in construction and equipment of schools	Application of new norms in construction and equipment of schools	Application of new norms in construction and equipment of schools

New budgetary approach with an emphasis on results and contracts	DAGBP		Operations manual validated and disseminated	Number of AREFs using budget-programs with an emphasis on results	Number of AREFs that have signed results-based budgeting and budget-program	Number of AREFs that have signed results-based budgeting and budget-program
<b>SUB-COMPONENT 3.5: Reinforce change management in the education sector</b>						
Management Statistical Information System (MSIS) reinforced	DSSP		Master plan management statistical information system (MSIS) put in place	MSIS reinforced in DEN and in AREF		
<b>Number of Indicators</b>		<b>7</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>10</b>

**Table 3-2: First year Monitoring indicators, 2005**

Code	Sub-Component	Indicators	Responsible Directorate	Method for verification
<b>COMPONENT 1: GENERALIZE BASIC EDUCATION</b>				
1010101	SC 1.1	Operational framework for partnership validated	DCPEPS	Operational framework disseminated
1040201	SC 1.4	Operational framework for partnership at primary and middle school levels validated	DCPEPS	Operational framework disseminated
<b>COMPONENT 2: IMPROVE THE QUALITY OF EDUCATION</b>				
2010101	SC 2.1	New evaluation system to assess student learning put in place	DEOVSFC	1) Evaluation Team put in place ; 2) Training of the evaluation team ; 3) List of equipment
2020104	SC 2.2	New strategy for in-service training and inspection of teachers validated	DRHFC	Final report on the strategy for in-service training and inspection of teachers
2030202	SC 2.3	Strategy for school-based projects developed and validated	DEOVSFC	Final report on the strategy for school-based projects
<b>COMPONENT 3: BUILD INSTITUTIONAL CAPACITY</b>				
3030101	SC 3.3	Study on accounting system elaborated and validated, and operations manual elaborated and validated	DAGBP	List of appointed personnel in budgetary and financial services at each AREF
3030201	SC 3.3	Study on construction and equipment of norms developed and validated	DAGBP	Final report on the results of the study validated and disseminated

## **Annex 4: Detailed Project Description**

### **MOROCCO: Basic Education Reform Support Program**

1. PARSEM will support the implementation of the Strategic Framework of the Department of National Education (*Département de l'Éducation Nationale*, DEN), which defines a five-year operational plan towards the objectives of the National Education and Training Charter. The Bank and the Government have agreed that PARSEM will support those actions from the Framework that have the most strategic value for achieving Charter objectives and where the Bank has a comparative advantage. PARSEM essentially supports the activities from the Strategic Framework that will increase equitable access to basic education, improve educational quality, encourage stakeholder participation, ensure financial sustainability, and promote accountability in sector management.

2. The actions to be supported by PARSEM are organized into three components described below. In addition, PARSEM includes certain non-salary recurrent expenditures of the AREFs that finance education quality improvements.

#### **Component 1: Generalize basic education [estimated cost: US\$ 95.87 million]**

3. The DEN's Strategic Framework presents an ambitious program to ensure that basic education will be available to most school-age children by 2009.<sup>4</sup> This component focuses on three levels of education: (i) pre-primary; (ii) primary, and (iii) middle school. It improves access via the construction of primary and middle schools in rural areas and also supports the development of pre-primary, which is expected to contribute to sustaining primary enrollment rates and boosting retention rates. Finally, it promotes partnerships with education stakeholders to co-finance and co-manage social services for students (e.g., boarding facilities, school transportation). This basic education component is comprised of four sub-components.

4. *Sub-Component 1.1: Promote pre-primary education through partnership [estimated cost: US\$ 5.53 million].* The government emphasizes the importance of pre-primary education as a step before formal schooling, and has pledged in the Education Charter that pre-primary education will be accessible to all children ages four and five by 2007. This sub-component supports initiatives taken by local entities, such as local governments, associations, NGOs, and local communities to establish and run pre-schools. Regional Education and Training Academies (*Académies régionales d'éducation et de formation*, AREFs) will finance contracts with local entities to undertake various initiatives to establish pre-schools. These include construction of classrooms and schools, renovation of premises within public primary schools that are not currently utilized, improvement of pre-schools that do not meet construction norms, purchases of equipment and pedagogical material, and training for pre-school instructors.

5. *Sub-Component 1.2: Achieve full primary education enrollment (grades 1-6) [estimated cost: US\$ 15.85 million].* Significant progress has been made in improving access to education over the past decade. Morocco witnessed a rapid increase in net enrollment rate for primary education from 52.4 percent in 1990-91 to 92.0 percent in 2003-04. This was largely due to

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<sup>4</sup> Formal education consists of three levels of instruction: basic, secondary and higher. Basic education includes two sections: primary (grades 1-6) and middle (grades 7-9).

construction of classrooms. To improve current conditions, DEN will build new classrooms and renovate existing ones. Interventions include building of latrines, school fences, teacher housing, school playgrounds, and athletic fields. It will focus particular attention to regions that have the lowest enrollment rates, particularly for girls.

- *Activity 1.2.1: Construction and equipment of new classrooms in primary education.* Under this sub-component, approximately 350 classrooms will be built and equipped. These classrooms will be built in *douars* (zones) where there are more than 30 school-age children who live more than two kilometers away from the nearest school.
- *Activity 1.2.2: Renovation of existing primary schools.* This activity will help improve the conditions of the neediest primary schools in rural areas to help achieve minimal conditions for learning and teaching (see Subcomponent 2.3 for development of selection criteria). It includes the renovation of classrooms for 200 primary schools and the construction of adjunct structures (e.g., latrines, teacher housing, fences, recreation areas, administrative offices).

6. *Sub-Component 1.3: Increase equitable access to middle school (grades 7-9) [estimated cost: US\$ 69.67 million].* The rapid expansion of access to primary education has brought increasing demands for middle school education. Between 2004 and 2008, the number of students reaching middle school education will increase from 1.1 million to 1.6 million. This sub-component will support a rise in student enrollment at this level.

- *Activity 1.3.1: Construction and equipment of new middle schools in rural and peri-urban areas.* Taking into account the interventions of other donor agencies in the construction and equipment of new middle schools, an additional 70 middle schools will be built under PARSEM. School constructions under PARSEM will start in 2006, the second year of PARSEM, using the new construction norms that will be established during 2005. These schools will be built in regions that demonstrate the greatest need.
- *Activity 1.3.2: Renovation of middle schools.* This activity will help renovate 60 schools that are in critical physical conditions.
- *Activity 1.3.3: Construction and equipment of satellite middle schools.* Approximately 60 satellite middle schools will be built as extensions to existing primary schools and will be located in regions where standard middle schools are situated too far for students to commute. Satellite schools encourage continuation of education after the primary level.

7. *Sub-Component 1.4: Mobilize partnerships towards the expansion of basic education [estimated cost: US\$ 4.80 million].* This sub-component introduces an important innovation. It promotes partnerships with local education stakeholders to create social services for students who attend public primary and middle schools through partnership agreements, with a goal to improve access (enrollment and attendance). Construction of boarding facilities for middle schools will be financed through partnership grants under this sub-component.

- *Activity 1.4.1: Identification and development of new strategies for providing support services for middle school students in rural areas.* Currently, the principal response

adopted by DEN to address the needs of those who live far from school is to build boarding facilities. However, previous experiences have shown that building boarding facilities can be costly and hard to manage. A study to identify cost-effective and innovative options will be conducted to introduce various options that are adaptable to different situations and regions.

- *Activity 1.4.2: Partnership development.* The objective of this activity is to mobilize local entities, such as local governments, associations NGOs and local communities to provide services and support to schools through agreements with the AREFs. The agreements in the form of grants will finance proposals presented by local entities to implement the more cost-effective strategies defined in Activity 1.4.1 to improve enrollment and retention rates (e.g., student housing, transportation systems, and dormitories).

## **Component 2: Improve the quality of education [estimated cost: US\$ 42.53 million]**

8. Component 2 supports the development and institutionalization of various approaches to improve the overall quality of education. The primary objective of this component is to increase student learning and achievement and to help reduce high dropout and repetition rates. This component supports the following approaches in improving the quality of education: (i) assessment systems; (ii) training and inspection of teachers; (iii) quality of education at the school level; and (iv) research on quality of education.

9. *Sub-Component 2.1: Improve assessment systems [estimated cost: US\$ 1.19 million].* Improving the quality of education requires a coherent evaluation system that allows for all education stakeholders and decision makers to obtain complete, timely, and reliable information and data on student learning. A thorough diagnostic of student learning will help identify the reasons why students under-achieve and the results of that study will eventually contribute to measures and policies to improve the quality of education. This sub-component will support the development of various education assessment mechanisms to help better evaluate student achievement and learning, curriculum, and teaching practice and performance.

- *Activity 2.1.1: Implementation of system-level periodic assessment of student achievement.* This activity builds upon Morocco's participation in international cross-national examination of student achievement, such as TIMSS and PIRLS, as well as the macro-level study, *Programme National de Diagnostic et d'Appui aux Apprentissages*, program initiated by DEN since 1999 and supported by UNICEF in eight provincial delegations. This activity will support the development of a Moroccan sample-based student assessment system that will provide periodic and comparative evaluations of student achievement. It will also encourage the DEN to publish the results of the assessment by creating a monitoring indicator linked to this activity.
- *Activity 2.1.2: Improvement and standardization of examination systems.* An examination coordination unit will be created in each AREF. Furthermore, examinations will be standardized for the last year of middle school education. A test item data bank will be created and made available to AREFs for this purpose.

10. *Sub-Component 2.2: Improve support services for teachers [estimated cost: US\$ 24.09 million]:* This sub-component will assist the DEN create a system of continuous training and support of all pedagogical actors. Through this new system, the DEN will meet various professional needs, including the following: (i) introduction to new curricula; (ii) training of polyvalent teachers for middle school; (iii) training in formative evaluation and assessment of student learning at the class-room level; and (iv) training in new information technologies and communication (ITC). The emphasis of this sub-component is on in-service training, which is currently poorly developed and provided in an ad hoc fashion.

- *Activity 2.2.1: Elaboration and implementation of a new strategy of in-service training.* This activity will support the introduction of innovative and cost-effective practices for primary and middle schools teachers. It will first conduct an assessment of the current in-service training system, followed by the development of a new strategy for in-service teacher training, and finally the actual training of teachers based on the new strategy. The new in-service training system is expected to include both an approach based on on-site visits and clustering of schools, and distance training using new information technologies.
- *Activity 2.2.2: Reinforcement of the inspectorate and pedagogical administration.* Linked to Activity 2.2.1, this activity will train inspectors and administrative personnel so that they can monitor, inspect, and provide support services to teachers in classrooms. This activity will train inspectors, purchase necessary equipment, and ensure regular visits to primary and middle schools. This sub-component also includes training of 4,000 school directors.

11. *Sub-Component 2.3: Promote the quality of education at the school level [estimated cost: US\$ 16.57 million]:* This sub-component's objective is to improve the conditions of teaching and learning by channeling resources to the school level. Through the use of school quality standards and school level projects, this sub-component responds to local conditions and priorities to raise education quality.

- *Activity 2.3.1: Establishment of an operational definition of education quality.* On the basis of a participatory process, quality standards for schools (environment, pedagogical materials, etc.) will be established based on the quality standards developed by UNICEF's "Grille École de Qualité." These standards will then provide the basis for classifying schools for subsequent interventions. .
- *Activity 2.3.2: School-based projects.* Schools committees will develop proposals to improve learning that will be funded through grants provide by the AREFs. Proposals will be developed through the application of school standards developed in Activity 2.3.1 and an analysis of local conditions. Approximately 220 school-based projects will be financed at primary schools, and 110 school-based projects in middle schools.
- *Activity 2.3.3: Provision of pedagogical material for the neediest schools.* Using the classification of schools developed under Activity 2.3.1, the neediest schools in the poorest areas will receive didactic material, textbooks, documentation for school libraries, and school kits to raise teaching conditions. This activity will provide pedagogical

material to these neediest schools based on requests elaborated by school stakeholders, most notably school directors and parents associations.

12. *Sub-Component 2.4: Promote research to improve the quality of education [estimated cost: US\$ 0.67 million].* The objective of this sub-component is to conduct studies that can assist in the development of new approaches to improve education quality. A suggested list of studies cover topics such as: (i) the development of new textbook policies; (ii) the generalization of the new curriculum; (iii) the identification of options to address school absenteeism and dropout; (iv) the efficiency and impact of student orientation; (v) the integration of students with special needs; (vi) and the promotion of socio-educative activities. Actual study subjects will be decided each year, as part of the PARSEM review process. The findings of these studies could feed into future activities to improve educational quality.

### **Component 3: Build institutional capacity [estimated cost: US\$ 12.16 million]**

13. This component addresses the institutional capacity needs associated with the sector's decentralization process at the central, regional, provincial, and local levels. It reinforces administrative structures during the transitional stage of the decentralization process. Component 3 is comprised of five sub-components:

14. *Sub-Component 3.1: Support implementation of public administration reform in the education sector [estimated cost: US\$ 0.58 million].* The objective of this sub-component is to support the implementation of the government's public administration reform at the sector level. This reform aims to improve the performance and cost-effectiveness of public services. In the education sector, the reform will help institute a new personnel structure based on an analysis of key functions and competencies.

- *Activity 3.1.1: Develop a new organizational structure and staffing profiles.* An analysis of the current organizational structure and functions of different units at the central, regional, and provincial levels in terms of its efficiency, human and technical resource needs, and governance mechanisms will be undertaken. Furthermore, needs assessment will be undertaken to ensure an effective application of a new organization chart.
- *Activity 3.1.2: Redeployment of human resource.* This activity aims to effectively decentralize human resources by developing a redeployment strategy in line with the new organizational structure and staffing profiles.

15. *Sub-Component 3.2: Reinforce human resource management [estimated cost: US\$ 1.24 million].* This sub-component will develop the human resource management capacity at all administrative levels.

- *Activity 3.2.1: The sub-component will support the implementation of an integrated human resource management information system adapted to the needs at various administrative levels.*



- *Activity 3.2.2: Improvement of the processing of human resource management actions.* The objective of this activity is to simplify, accelerate, and rationalize many routine human resource decisions and procedures.

16. *Sub-Component 3.3: Reinforce finance and administrative management capacity [estimated cost: US\$ 8.98 million].* The objective of this sub-component is to put in place systems and tools to improve management of non-salary resources. Through this sub-component, result-based budgeting (*l'approche contrat-programme*) and program budgeting (*budget-programme*) will be introduced. These are also key aspects of the public administration reform. Several different facets of resource management will be addressed by this sub-component.

- *Activity 3.3.1: Improvement of budget and financial management.* Training and support will be provided to individuals responsible for budgeting and financial management in every AREF. The establishment of a computerized accounting system in each AREF will also be supported.
- *Activity 3.3.2: Introduction of new construction norms.* New construction norms will be developed with an aim of better ensuring the safety and health of students, reduce costs, and improve the pedagogical environment.
- *Activity 3.3.3: Implementation of asset management at the central (DEN) and regional (AREF) levels.* This activity will help elaborate and distribute guidebooks on asset management.
- *Activity 3.3.4: Capacity improvement in administrative management.* An improved information system for financial management will be implemented at the central and regional levels. Necessary equipment and software will be purchased and an operational manual will be developed for each AREF.
- *Activity 3.3.5: Results-based budgeting.* This activity will support the establishment of results-based budgeting in the AREFs. The AREFs will be provided technical support for developing their annual work plans.
- *Activity 3.3.6: Reinforcement of AREF's procurement capacity.* Staff at the central and regional levels will be trained on the creation and use of bidding documents for procurement through seminars, training sessions, and workshops.
- *Activity 3.3.7: Reinforcement of AREFs and Central Administration (DEN) with technical equipment.* The capacity of the administrative functions both at the central and regional levels will be strengthened by purchase and installation of new computers, printers, software, as well as other necessary equipment such as automobiles.

17. *Sub-Component 3.4: Improve communication and partnership with education stakeholders [estimated cost: US\$ 0.30 million].* The objective of this sub-component is to put in place a communication strategy to inform the central ministry, AREF, delegations, and schools of this large-scale education reform.

- *Activity 3.4.1: Elaboration and implementation of a communication strategy.* This activity aims to address the importance of reform at the central and regional levels. All actors and stakeholders involved in the development of the education sector need to be better informed.
- *Activity 3.4.2: Elaboration and implementation of a partnership strategy.* The aim of this activity is to inform the larger population of the importance of partnership in achieving the objectives of the National Charter and improving education in general in Morocco.

18. *Sub-Component 3.5: Reinforce change management in the education sector [estimated cost: US\$ 1.07 million].* The objective of this sub-component is to develop an information system and mechanism for monitoring and evaluation at all administrative levels so that there will be an efficient system for results-based monitoring of the education reform. This sub-component will help monitor the progress of the education reform supported by PARSEM. This sub-component consists of the following principal activities:

- *Activity 3.5.1: Elaboration of tools and mechanism for strategic planning or educational development.* This activity will finance the development of approaches, tools, and methods necessary to conduct financial simulations as well as quantitative and qualitative projections of the education sector. It will also help develop techniques necessary to conduct a needs analysis based on school mapping at pre-primary, primary, middle, and secondary education. These techniques will be available to the central and regional levels.
- *Activity 3.5.2: Development of capacity to strategically manage the reform process.* This activity will reinforce the information system by developing monitoring tools and by purchase of equipment necessary to manage and monitor the progress of the education reform.

## Annex 5: Program Costs

### MOROCCO: Basic Education Reform Support Program

The cost of the reform program is based on needs identified by the Department of National Education (DEN) to achieve the goals of the Strategic Framework. PARSEM is a sub-set of activities from the education Strategic Framework. The following table provides an indicative cost of PARSEM for the five years (2005-2009) based on activities provisioned under each component of PARSEM. The Bank will co-finance PARSEM. A first loan will be for 80 million US Dollars, covering approximately 53 percent of the overall cost of the first three years of the program. It is expected that a second loan will be prepared for years four and five of the program, equal to 80 million US Dollars.

**Table 5-1: Indicative Program Cost**

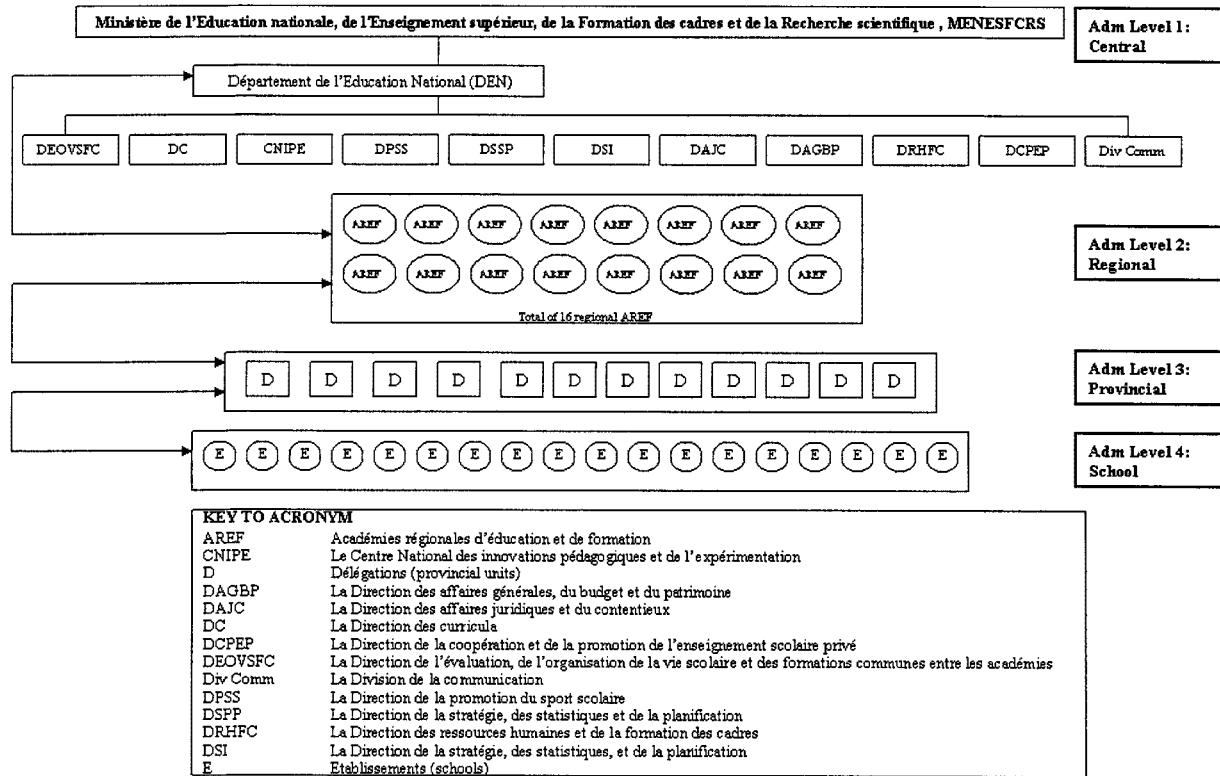
Program Cost By Component and Sub-Component	2005-2007 (3 years)	2005-2009 (5 years)
<b>1 : Generalize basic education</b>		
1.1: Promote pre-primary education through partnership	5.53	10.68
1.2: Achieve full primary education enrollment	15.85	26.11
1.3: Increase equitable access to middle school	69.67	144.16
1.4: Mobilize partnerships towards the expansion of basic education	4.80	8.62
<b>Total for Component 1</b>	<b>95.87</b>	<b>189.57</b>
<b>2 : Improve the quality of education</b>		
2.1: Improve evaluation systems	1.19	1.22
2.2: Improve support services for teachers	24.09	41.68
2.3: Promote the quality of education at the school level	16.57	24.26
2.4: Promote research to improve the quality of education	0.67	0.76
<b>Total for Component 2</b>	<b>42.53</b>	<b>67.91</b>
<b>3 : Build institutional capacity</b>		
3.1: Support implementation of public administration reform in the education sector	0.58	0.67
3.2: Reinforce human resource management	1.24	1.90
3.3: Reinforce finance and administrative management capacity	8.98	13.72
3.4: Improve communication and partnership with education stakeholders	0.30	0.63
3.5: Reinforce change management in the education sector	1.07	1.07
<b>Total for Component 3</b>	<b>12.16</b>	<b>17.98</b>
<b>Total Program Costs<sup>1</sup></b>	<b>150.55</b>	<b>275.47</b>

Note: 1MAD = US \$ 0.1205 (22 December 2004)

**Annex 6: Implementation Arrangements**  
**MOROCCO: Basic Education Reform Support Program**

1. *The institutional setting.* The Ministry of National Education, Higher Education, Civil Service Training, and Scientific Research (*Ministère de l'Education nationale, de l'Enseignement supérieur, de la Formation des cadres et de la Recherche scientifique*) is responsible for all formal education from preschool through university, as well as literacy and non-formal education initiatives. It consists of two Departments, which had constituted two separate ministries until July 2004: The Department of National Education (*Département de l'Education Nationale – DEN*) and the Department of Higher Education, Civil Service Training, and Scientific Research (*Département de l'Enseignement supérieur, de la Formation des cadres et de la Recherche scientifique*). Subsequently, there are Regional Academies of Education and Training (*Académies Régionales d'Education et de Formation – AREF*) that are responsible for educational activities (pre-primary through secondary, non-formal and literacy) in their respective jurisdiction. The AREFs are autonomous public entities, created by Law no. 07-00, Dahir no. 1-00-203 of May 19, 2000. They have their own administrative council, receive budgets from the Ministry of Finance and Privatization (MFP), and can collect revenues. Each AREF has several provincial delegations, which constitute their sub-regional extensions.
  
2. The DEN is responsible for setting policy, articulating strategies, issuing norms and guidelines, allocating investment and operating budgets at a national level, and exercising oversight. It consists of nine directorates. The AREF, along with their provincial delegations, elaborate regional development plans within the broad outlines developed by the DEN, develop procurement plans for works, goods and services, manage non-salary budgets (investment and recurrent) within their jurisdiction, deploy staff, and supervise and inspect teachers and schools.

**Figure 6-1: Organizational Chart of Pre-university Formal Education Sector**



3. The DEN is ultimately accountable for meeting the objectives set out in the Strategic Framework, providing oversight, monitoring and evaluation, and technical support to the AREF. Operational directorates in the DEN are responsible for their respective areas of expertise in program implementation. The Department for Strategy, Statistics and Planning (DSSP) in the DEN serves as an overall coordinator for the Strategic Framework. The AREFs along with the provincial delegations are responsible for implementing and monitoring most of the activities within the Strategic Framework, such as construction, equipment, and partnership agreements. The DEN, through relevant directorates, is responsible for implementing most of the institutional capacity building activities of the Strategic Plan. The following table summarizes the implementation responsibilities for all the subcomponents of PARSEM.

**Table 6-1: List of Activities planned under PARSEM and the Implementation Agencies**

ACTIVITY	Div/agencies resp. for implementation
<b>COMPONENT 1: GENERALIZE BASIC EDUCATION</b>	
<b>Sub-Component 1.1: Promote pre-primary education through partnership</b>	
Activity 1.1.1: Support towards pre-primary education	DSSP, DCPEPS, AREF
<b>Sub-Component 1.2: Achieve full primary education enrollment</b>	
Activity 1.2.1: Renovation of existing primary schools	DAGBP & AREF
<b>Sub-Component 1.3: Increase equitable access to middle school</b>	
Activity 1.3.1: Construction and equipment of new middle schools in rural and peri-urban areas	DAGBP & AREF
Activity 1.3.2: Renovation of middle schools	DAGBP & AREF
Activity 1.3.3: Construction and equipment of satellite middle schools	DAGBP & AREF
<b>Sub-Component 1.4: Mobilize partnerships towards the expansion of basic education</b>	
Activity 1.4.1: Identification and development of new strategies for providing support services for middle school students in rural areas	DAGBP & AREF
Activity 1.4.2: Partnership development	DAGBP & AREF
<b>COMPONENT 2: IMPROVE THE QUALITY OF EDUCATION</b>	
<b>Sub-Component 2.1: Improve evaluation systems</b>	
Activity 2.1.1: Implementation of system-level periodic assessment of student achievement	DEOVFC, Div of Evaluation, AREF
Activity 2.1.2: Improvement and standardization of examination systems	DEOVFC, Div of Evaluation, AREF
<b>Sub-Component 2.2: Improve support services for teachers</b>	
Activity 2.2.1: Elaboration and implementation of a new strategy of in-service training	DRHFC, DC, AREF, CNREE
Activity 2.2.2: Reinforcement of the inspectorate and pedagogical administration	DRHFC, DC, IGE, AREF
<b>Sub-Component 2.3: Promote the quality of education at the school level</b>	
Activity 2.3.1: Establishment of an operational definition of education quality	CNIPE, DEOVFC, AREF, delegations
Activity 2.3.2: School-based projects	DEOVFC with AREF, NGO, DAJC
Activity 2.3.3: Provision of pedagogical material for the neediest schools	DAGBP, AREF, delegations
<b>Sub-Component 2.4: Promote research to improve the quality of education</b>	
Activity 2.4.1: Preparation and implementation of five studies during the first phase of the program, workshop on the results, and identification of action plans based on recommendations and conclusions of each study.	DSSP, DC, DEOVFC
<b>COMPONENT 3: BUILD INSTITUTIONAL CAPACITY</b>	

ACTIVITY	Div/agencies resp. for implementation
<b>Sub-Component 3.1: Support implementation of public administration reform in the education sector</b>	
Activity 3.1.1: Develop a new organizational structure and position profiles	DRHFC, DSSP, AREF
Activity 3.1.2: Redeployment of human resource	DRHFC, AREF
<b>Sub-Component 3.2: Reinforce human resource management</b>	
Activity 3.2.1: Implementation of an integrated human resource management information system adapted to the needs in various administrative levels	DRHFC, AREF
Activity 3.2.2: Improvement of the processing of human resource management actions	DRHFC
<b>Sub-Component 3.3: Reinforce finance and administrative management capacity</b>	
Activity 3.3.1: Improvement of budget and financial management	DRHFC, DAGBP, AREF
Activity 3.3.2: Introduction of new construction norms	DAGBP
Activity 3.3.3: Implementation of asset management at the central and regional (AREF) levels	DAGBP, AREF
Activity 3.3.4: Capacity improvement in administrative management	DAGBP, DSI, AREF
Activity 3.3.5: Introduction to results-based budgeting	DAGBP, MF, AREF
Activity 3.3.6: Reinforcement of AREF's procurement capacity	DAGBP, AREF
Activity 3.3.7: Reinforcement of AREFs and Central Administration (DEN) with technical equipment	DAGBP, DSI, AREF
<b>Sub-Component 3.4: Improve communication and partnership with education stakeholders</b>	
Activity 3.4.1: Elaboration and implementation of a communication strategy	DIV COM
Activity 3.4.2: Elaboration of a strategy for partnership	DCPEP
<b>Sub-Component 3.5: Reinforce change management in the education sector</b>	
Activity 3.5.1: Elaboration of tools and mechanism to provision the prospective of educational development	DSSP, AREF
Activity 3.5.2: Development of capacity to strategically manage the reform process.	DSSP, AREF

4. In addition, the non-salary recurrent expenditures co-financed by this loan are included in the AREF budgets.

5. Since the AREFs are newly formed, their capacity for the implementation of many program areas is still in formation. Activities included under PARSEM will help improve capacity in many relevant areas such as: (i) program planning and budgeting, through the introduction of results-based budgeting; (ii) program implementation, through reinforced procurement and financial management capacity, and (iii) monitoring and change management, through strengthening information systems and the development tools necessary to strategically monitor and plan the education reform.

6. The DEN will develop Annual Work Plans (AWP) for the implementation of Strategic Framework activities, which will include action plans and Monitoring indicators used to track program implementation. The DEN will apprise the AREFs' Annual Work Plans from the point of view of regional implementation capacity and readiness, technical norms and standards, monitoring targets, and Strategic Framework objectives. It will subsequently approve the plans for financing. As part of the budget preparation process, the DEN will then submit a consolidated annual budget proposal to the Ministry of Finance and Privatization (MFP) for approval, which will consist of estimated capital expenditures and incremental recurrent expenditures for implementing the Strategic Framework for the following year, as well as expenditures for the operation and maintenance of the existing system.

7. The procedures for developing the AWP are described in detail in the Program Operations Manual (POM). The POM details guidelines and rules for all implementation agencies to successfully complete their Annual Work Plans, describing the procurement and financial management procedures (see Annexes 7 and 8 for a fuller description of procurement and financial management arrangements). The POM will be circulated to the AREFs for reference before effectiveness.



## **Annex 7: Financial Management and Disbursement Arrangements**

### **MOROCCO: Basic Education Reform Support Program**

1. During project preparation, the Bank mission assessed the financial management system at the central (Ministry of Education), regional (in a sample of 6 AREFs) and governorate (6 provincial delegations) levels, to determine the needed arrangements: (a) to ensure that the funds will be used for the intended purposes and (b) to contribute to building sustainable financial management capacity at the DEN. The mission also discussed financial management arrangements with the Ministry of Finance and Privatization (MFP), a key partner in this operation, to agree on aspects of the budget reform related to the program, such as reporting requirements, disbursement mechanisms, and other support needed for the successful implementation of this operation.
2. As a Sector-Wide Approach (SWAp), the financial management arrangements in this operation aim to simplify procedures and reduce the transaction costs imposed by parallel systems required in traditional investment operations. Over time, this procedure helps set the framework for more efficient implementation of the government's own education programs and improve institutional capacity. Therefore, it seeks to align Government own procedures with Bank guidelines, improve on these where there are deficiencies and capitalize on all the reform initiatives going on in the country. A starting point for the assessment was therefore, a compilation of all the existing reforms and activities aiming at improving public financial management performance.
3. The assessment focused on the following dimensions: (i) financial management systems, including the budgetary process, flow of funds, accounting system, internal and external controls, financial reporting, and financial management capacity in terms of adequacy of staff qualification and physical infrastructure (office, equipment); (ii) the required financial management capacity needed to implement the government's ongoing reform agenda (i.e. the performance based budgeting framework and the various other initiatives aimed at improving the public financial management performance); and finally the (iii) the action plan developed to improve the capacity of the DEN and AREFs over the short and medium term. These actions are part of the capacity strengthening activities under Component Three of PARSEM.

#### ***Summary of findings and risks analysis:***

4. ***A reliable system to account for public expenditures with low fiduciary risk.*** The overall Moroccan public administration operates in a structured and reliable control environment, with uniform public accounting rules and procedures. It presents low fiduciary risk. The latest core diagnostics undertaken by the Bank (CFAA (FY03) and CPAR<sup>5</sup>) show that the fiduciary framework of the GoM is basically sound and provides a strong control environment, even though efficiency and effectiveness can be enhanced. The major recommendations in the Country Financial Accountability are in line with the government's own reform program.

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<sup>5</sup> Country Procurement Assessment Review, FY 02.

5. ***Newly created entities requiring important institutional support pose a substantial fiduciary risk.*** The central administration of the DEN represents a low financial management risk. However, with the decentralization of the DEN, a process that began in 2000, the regional academies (AREFs) are now responsible for many fiduciary tasks. The AREFs are autonomous public entities (*établissements public à caractère administratif et social – EPA*), established by Law no. 07-00, have only become operational since mid 2003. As a consequence, these institutions face certain financial management challenges, as they take on their new roles. First, they have weak staff capacity, both in terms of numbers and competencies. Second, they did not adopt, as their statutes require, accrual accounting or managerial accounting. Third, they have not had their accounts audited so far, as prescribed by Law no. 07-00. Finally, the FM relationship between AREFs and the provincial delegations (which used to be extension services of the DEN but are now accountable to the AREFs) have not yet been clarified. This may result in a partial re-centralization of controls and excessive delays in the budget allocation and commitment, thus increasing the level of risk at the AREF level. The risk, though considered moderate at the decentralized level, remains under strict central control until capacity is in place.

6. To mitigate and manage the identified risks: (i) given the existing acceptable financial management capacity at the central level within the Finance and Administration Division, the latter will have full responsibility of ensuring proper budgeting, accounting, reporting and internal control at the AREFs while capacity strengthening activities are being implemented; (ii) the GoM is particularly expected to establish and allocate appropriate finance staff with the required budgeting and financial management skills within AREF and controllers at the *provincial delegations within the first year of project effectiveness*; and (iii) the Bank will ensure close supervision of the implementation and provide support to the AREFs in this regard.

7. ***A lengthy budget preparation process from the central administration to the AREFs, delaying work program execution at the decentralized level.*** The flow of funds to the AREFs is slow and complex. In general, the AREFs only receive the transferred funds at the end of the first semester of the budgetary year. The AREF budgets are established by their Board of Directors and are approved by the DEN and the MFP. The government budgetary allocations for the AREFs within the budget of the DEN are transferred to the AREFs through a lengthy process. A subsidy order is signed by the DEN, approved by the budget direction of the MFP and the budget execution controller (CGED) before the treasurer gives the order to transfer funds to the accounts of the AREF, which are open in the provincial treasury (*trésorerie provinciale*).

8. ***Necessity to establish a management information system at the central level and at the AREFs.*** In view of the DEN's role in guiding the sector reform program, it is necessary to strengthen its capacity in reporting through training of its staff and the establishment of an information system.

9. Given the absence of regular audit and reporting at the center and decentralized levels, provisional arrangements are being considered and agreed with the GoM until further capacity strengthening in this area. Annual audit reports prepared according to the TORs acceptable to the Bank are to be submitted no later than six months following the end of each fiscal year being audited.

10. **Government's approach to improving financial management capacity in the education sector.** The government will work to improve sector financial management through two main avenues. First, various reform initiatives aimed at improving the financial management of the public sector in general and the DEN in particular are currently being designed or are underway. For example, with the assistance of the Canadians (CIDA), the DEN has developed a manual on organization and accounting procedures that is still at the pilot stage. Ministry of Education is also working with the *Institut Supérieur de Commerce et d'Administration des Entreprises (ISCAE)* on an administrative procedure manual. They are also developing a management information system for six EPA (on pilot basis), including the AREF of Rabat. The project will capitalize on these and other capacity building activities going on in the country and will complement them under this operation.

11. Furthermore, as part of the Strategic Framework of the DEN, the sector is implementing a comprehensive action plan that aims at reinforcing financial management throughout the sector. This action plan is incorporated in the Third Component of PARSEM and a number of Monitoring indicators have been identified to track implementation.

### ***Flow of funds and periodic reporting***

12. Bank funds will be transferred to a deposit account at the General Treasurer of the Kingdom (*Tresorerie Generale du Royaume*), annually based on the agreed cash flow required to undertake the annual activities. The first annual amount was agreed at negotiations and subsequent annual disbursements will be determined after annual reviews. The MFP then transfers funds to DEN and AREFs respectively within its current budget execution framework and rules.

13. The government budgetary allocations for the AREFs are directly transferred to them by the Treasury. A subsidy order is signed by the DEN, approved by the budget direction of the MFP and the budget execution controller (CGED) before the treasurer gives the order to transfer funds to the accounts of the AREF, which are open in the provincial treasury (*trésorerie provinciale*).

14. Finally, semi-annual financial monitoring reports will be submitted to the World Bank during the implementation of the program. The report will show disbursements by the MFP and the transfer of funds to the AREFs, commitments and payments by the AREFs for budget lines identified to finance PARSEM activities. These reports will be used as part of the ex-post review process that will determine subsequent disbursements of the PARSEM loan.

### ***Assessment of sector financial management capacity***

#### **A) Financial management at the central level: DEN**

15. **Accounting system.** The accounting system is based on the rules of public accounting applicable to government financial and accounting operations, defined by Royal Decree 330-66 of April 21, 1967. The budget execution personnel (*ordonnateurs/sous-ordonnateurs*) and the public accountant keep separate accounts, referred to as **administrative accounting** and **treasury accounting**.

16. Administrative accounting, as maintained by the *ordonnateurs* and *sous-ordonnateurs*, is based on commitments. It records the execution of budget authorizations listed in the government's general budget and in each of the categories of special accounts. It covers commitments, certification of services rendered and issuance of orders to pay to the public accountant. Treasury accounting is the accounting of orders to pay received from the *ordonnateur* and of payments made. This is maintained by the General Treasurer of the Kingdom (*Trésorerie générale du Royaume*), who centralizes the operations performed by other public accountants. This accounting system records by chapter and, if appropriate, by article and by paragraph, appropriations and the payment of expenditures from the general budget and the special accounts.

17. The **administrative accounting** and the **treasury accounting** are reconciled on a monthly basis and on an annual basis in order to compare payments authorizations handled by the public accountant.

18. **Internal control.** The internal control system of public expenditure guarantees the separation of functions through a number of levels of *a priori* control, involving three independent actors: (i) the *ordonnateur* or *sous-ordonnateur* for the administrative phases of expenditure commitment, certification of services rendered and issuance of orders to pay; (ii) the Budget Execution Controller (*contrôleur d'engagement des dépenses*) for ex-ante control of expenditures at the commitment stage; and (iii) the public accountant for ex-ante control of expenditures at the payment stage and actual payment. This system involves three different sets of actors: the *ordonnateur / sous-ordonnateurs*, the Budget Execution Controller, and the General Treasurer in Rabat.

19. Another level of control is the "a posteriori" internal control performed by the central audit unit of the DEN.

20. **External control.** External control of public expenditures may be performed periodically by the *Cour des comptes*, the highest oversight level. This represents the independent audit of all public expenditures and can be performed independently at any time and scope. Control of accounts of the *Comptables publics* called "judgment of the public accounts" is a judicial process and is done annually by the *Cour*.

21. **Information system and financial reporting.** The current information system is based on the public accounting system. This system is not computerized. An "Evaluation and Reporting" unit has been created in the DEN's new organization chart to monitor the execution of work program contracts between the MFP, the DEN and the AREFs. This unit is not yet operational and needs strengthening in terms of personnel and physical infrastructure.

#### B) Financial management at the decentralized level: regional academies and their provincial delegations

22. **The regional academies (AREFs).** The AREFs are autonomous public entities, created by Law no. 07-00, Dahir no. 1-00-203 of May 19, 2000. They are subject to government oversight, exercised by the DEN, and to financial government regulations through MFP.

23. The AREFs are supervised by a Board of Directors, presided by the Minister of National Education. The Board reviews budget execution and approves work programs and budgets before submitting them to MFP. Each AREF is headed by a director, appointed by *dahir*. The directors were appointed in July 2003. At the time of this assessment, the AREFs were not fully staffed. A number of posts to head the divisions were filled at the end of 2003, but some remained vacant.

24. All AREFs organizational charts were approved by the MFP. The financial management and accounting function is assumed by a Budget Service unit, which is part of the Human Resources, Budget, and Equipment Division.

25. Work is on-going to establish standardized operational procedures. With the assistance from a consulting firm (financed by CIDA) a manual on accounting procedures and budget monitoring was developed in October 2003. However, this manual has not yet been widely disseminated. Among the six AREFs visited, only two were using the manual. In addition, the DEN is working with the Commerce and Enterprise Administration Institute (*Institut Supérieur de Commerce et d'Administration des Entreprises – ISCAE*) to establish an organization procedures manual.

26. ***The provincial delegations.*** According to Law no. 07-00, creating the AREFs, the provincial delegations are extensions of the AREFs and report directly to them. (Before the creation of the AREF, the provincial delegations reported directly to the MFP).

27. As the provincial delegations are extensions of the AREFs, they come under the AREF administration, organizational structure, thus adhering to the same regulations. At the time of the assessment, no budget delegations from the AREFs to their provincial delegations had occurred. Nevertheless, the provincial delegations have a solid experience in budget execution, monitoring and accounting, experience gained during the former organizational structure, when they were extensions of the DEN and reported directly to them.

### C) The budgetary process

28. ***AREF.*** The decree no. 2-0566 of January 24, 2003, which addresses the financial and accounting administration of the AREFs, stipulates that the Board of Directors must review the AREF budget before October 15 for the following budget year. The budget is presented to the Board and became effective once approved by the Ministry of National Education (the tutelage ministry) and the MFP. In case of delay in the budget approval, the recurrent budget can be executed up to one-twelfth of its previous level. This is not the case for the investment budget whose execution needs to wait for the final budget approval by the MFP. The AREF directors are *ordonnateurs* of the expenditures and revenues of their academies and can appoint their provincial delegations as *sous-ordonnateurs*.

29. ***Provincial delegations.*** The provincial delegations can be designated as *sous-ordonnateurs* by the AREFs for the execution of delegated operational and investment budgets. At the time of this assessment, there has not been any budget delegation. Until the time of this assessment, the provincial delegations are only providing technical support to the AREFs in the execution of the work programs. The DEN continues to delegate budget to the provincial

delegations for some financed projects still on-going and are expected to be closed shortly and/or for minor recurrent expenditures.

#### D) Flow of funds (see diagram on page 57)

30. **AREF.** The AREFs receive their funds through annual government budgetary allocation transferred from the budget of the DEN (*subvention*). Before funds are made available to the AREFs, their budget must be approved by their Board of Directors, then by the DEN and the MFP. Funds are then transferred from the DEN budget by the General Treasury (*Trésorerie principale*) in Rabat to the respective accounts of the AREFs in the provincial treasury (*trésorerie provinciale*). It takes an average of 3 months for the funds to reach the AREF accounts from the time the budget is approved by the DEN.

31. **Provincial delegations.** The AREFs can delegate funds to their provincial delegations. Funds are transferred to the provincial delegations accounts after being approved by the Budget Direction (*Direction du budget*) of the MFP and the State Controller (*Contrôleur d'état*) of the Direction of public enterprises and participation (*Direction des établissements publics et participations--DEPP*).

#### E) Accounting system

32. **AREF.** The AREF accounting system is based on the Government's accounting regulations applicable to public institutions (decree no. 2-89-61, November 10, 1998), which requires the keeping of three sets of accounting: budgetary, general and analytical, in accordance with the national general accounting rules (*Code général de normalisation comptable*).

33. At the time of the assessment, no AREF maintained general and analytical accounting systems. The AREFs were only maintaining the budgetary accounting manually, with the exception of some AREFs which maintain a budgetary accounting for the operating budget, using a computerized system based on ACCESS. The budgetary accounting consists of monitoring the execution of the budget in terms of commitments and payments in accordance with the general Chart of Accounts (*Plan comptable général*). At the end of the year, situations are established showing by budgetary line, the available credits, commitments, the balance to be committed, payments and the balance to be paid. The books for commitments and payments orders were not kept for 2002 and 2003; some AREFs planned to start using them for 2004.

34. The MFP is developing a management information system (named SIG EPA) for six pilot autonomous public entities, including the Rabat AREF. The system covers five modules in the following areas: general and analytical accounting, budget/purchase/inventories, human resources/wages and reporting. The system was expected to be operational in 2004, with further generalization afterwards.

35. There is no standardized structure for accounting. The accounting function is organized depending on individual initiatives and availability of resources within the AREFs. In three of the six AREFs covered by the assessment (Meknes, Kenitra and Settat), there was no accounting office because of the lack of staff appointed to that function. Under the best scenario, the monitoring of budget execution was conducted by the head of the budget office, with assistance

from the office in charge of procurement; otherwise, budget execution was monitored based on procurement activities. Accounting was done manually (Excel spreadsheet), with the exception of two AREFs (Meknes and Tetouan) which have an application developed under Microsoft Access to track the operating budget. Three other AREFs will develop the same application.

36. Documentation for expenditures is filed at the budget office; however, clear procedures need to be established. The budget and accounting personnel do not have the qualified professional profile. They tend to have worked as teachers and have not had formal education in finance and accounting.

37. **Provincial delegation.** The regulations that govern AREFs accounting do not describe rules for the provincial delegations. Nevertheless, the delegations have good budget execution, monitoring and accounting experience acquired during the former organizational structure when they were extensions of the DEN. It is the responsibility of the AREFs to consolidate the operations executed by the provincial delegations. Accounting procedures for the use of transferred funds should be included in the AREFs accounting procedures.

#### F) External control

38. Pursuant to the accounting decree governing the AREFs, their director must submit annual financial statements audited by independent external auditors, before June 30 of each year to their Board of Directors. The auditors should also indicate the reliability of the internal control. No audits have been performed since the creation of the AREFs.

#### G) Information system and financial reporting

39. The AREFs do not yet have a system that allows them to fulfill their obligations in terms of accounting and auditing. As indicated above, a system is being developed by the MFP and is expected to be operational in 2004.

#### H) Miscellaneous

40. **Physical assets:** The decree establishing the AREFs stipulates that the government physical assets are provided free of charge to the AREFs for their use. In the prospect of establishing an accounting system, it is critical to provide a module for asset safeguard and management.

41. **Expenditures under local government control:** The expenditures mainly consist of food supplies, cleaning supplies and fuel for schools, canteens and boarding facilities, which can represent up to 45 percent of the operating budget of a number of AREFs (excluding salaries). Those expenditures are not subject to regular *a priori* controls. Requests for food supplies are established by a manager (*régisseur*) at the school level, centralized at the provincial delegation, the AREF and *trésorier payeur* levels, to be then paid by transferring funds to the account of the *régisseur*. Expenditures paid on the advanced amount are justified and controlled *a posteriori* by the *trésorier*. Because of the large number of transactions, internal control procedures must be strengthened and clearly documented.

42. **Status of the personnel:** In accordance with Law 07-00, the status of AREF personnel is determined by decree. This status is not in place and AREF personnel are subject to the status of the civil service. Salaries remain centralized in the budget of the DEN.

I) Grant Agreements between AREFs and local communities/entities.

43. AREFs can finance local entities such as local governments, associations, NGOs, and local communities to implement community-based activities such as operating pre-schools and activities related to enhancing the quality of education. Under PARSEM, a procedures manual will be established to specify the management of the grants. The funding arrangements will be based on a standardized agreement between the AREF and the community/local entity and will define, among other things, the modalities of transfer of funds and financial management tasks. The beneficiaries will be responsible for: (i) maintaining a simple cash accounting of funds received from AREFs; and (ii) presenting regular reports, with needed supporting documentation, on the use of funds received and balances. They will also be subject to annual independent audit as part of PARSEM overall annual audit.

**Table 7-1: Action plan for activities related to financial management**

Actions and Activities	Responsible agency	Indicators	
		Target indicators	Deadline
<b>Sub-Component 3.1: Support implementation of public administration reform in the education sector</b>			
<b>Activity 3.1.1 : Develop a new organizational structure and staffing profiles</b>			
TOR for the assessment of the organizational structure	DRHFC; DSSP; AREF	TOR developed	June 05
Assessment study on the organizational structure conducted (data collection on the field, analysis, and preparation of the report based on findings and recommendations). The report will include a thorough analysis of different staffing profiles.	DRHFC; AREF	Assessment realized	May 06
Conduct workshops on main findings and recommendations. The recommendations validated by participants, and new recommendations integrated into the findings, ideas into the final version of the report.	DRHFC; AREF	Workshops are conducted with concerned participants.	Sept 06
Implementation of recommendations of the study	DRHFC; AREF	Findings implemented	Dec 08
<b>Sub-Component 3.3: Reinforcing finance and administrative management capacity</b>			
<b>Activity 3.3.1: Improvement of budget and financial management</b>			
Study on accounting system elaborated and validated, and operations manual elaborated and validated	DRHFC AREF	List of appointed personnel in budgetary and financial services at each AREF	March 05
Number of personnel at AREFs and DEN trained based on the new operations manual, and number of AREF, selected on an experimental basis, that use the accounting system	DRHFC AREF	Adequate training delivered	June 06
Establish a general accounting system according to the regulations of EPA in the AREFs covered by PARSEM	DAGBP, AREF	General accounting system put in place at each AREF	June 07



<b>Activity 3.3.4: Capacity improvement in administrative management</b>			
Launch the establishment of an information system to improve financial management at the central and AREF levels.	DAGBP	Information system is put in place	March 05
Evaluation of information system and statistics on AREF	DSSP, AREF	Final report on the evaluation of information system is disseminated	Dec 05
Information system at the central administrative level and AREFs put in place	DAGBP; DSI; AREF	Completion of the procedures manual with those related to MIS in AREFs and DEN	May 06
<b>Activity 3.3.5 : Introduction to contract budgeting approach</b>			
Seminar on the objective, information, and methods of program based budgeting and program contracting.	DAGBP, MF, AREF	Seminars are organized	April 06
Development of an operational plan to implement the program-budgeting and program contracting	DAGBP	Operational Manual developed.	June 06
Develop program budgeting and program contracting in a select number of AREFs.	AREF, DAGBP	Performance contracting and program budgets established for a number of AREFs	December 06

#### J) Annual external audit and periodic reporting arrangements for PARSEM

44. **Annual external independent audit of PARSEM activities.** The statements of budget execution of all PARSEM activities (including those of AREFs and delegations) will be audited annually by an auditor acceptable to the Bank and in accordance with terms of reference acceptable to the Bank. The audit will be conducted in accordance with acceptable auditing standards. The auditors will issue an opinion on the program financial statements. The audit will report on whether the Program Financial Statements (PFS) show true and fair view of its financial position and funds received and expenditures incurred. It will also provide an opinion on the Program internal control weaknesses, and whether the goods and services procured followed the Program's agreed procurement arrangements.

45. The report will be remitted annually to the Bank no later than June 30, following the end of the fiscal year subject of the audit. The program audit can, when available, be based on the AREFs annual audits for revenues and expenditure received and incurred by AREFs and their affiliates, when these audits are conducted by acceptable auditors and in accordance with acceptable standards to the Bank.

46. **Financial Reporting:** The GoM will prepare and submit to the Bank, following each semester, (and no later than 45 days following the semester end) financial monitoring reports (FMRs) showing the PARSEM budget execution for the semester, according to the format agreed during negotiations and annexed to the minutes of negotiations. The FMR will include the agreed budget lines of the PARSEM as they appear in the annual Government Budget (*Loi de Finance*) of the DEN.

47. The FMRs will include the budget allocation, levels of authorized commitments, payments and payment orders for the period of the report and cumulative amounts for program activities (central, AREF and delegation levels).

48. The reports are consolidated by the DGBP of the DEN. They include activities undertaken at the central level by the DEN and those undertaken at the regional and provincial levels under the responsibility of the AREFs. Annexes detailing the budget and its execution at the AREFs and provincial levels will also be included justifying the aggregate amounts reported per the *Loi de Finance* summary. Each AREF will be responsible for the preparation and submission of the semi-annual report related to the activities they are implementing per the program operations manual.

## **DISBURSEMENT**

49. *Methods of disbursement.* Disbursements for PARSEM activities will be made by annual payments to the Government budget, using the country budgetary system and procedures. On this basis:

- a) an advance payment of the annual cost of PARSEM will be made at the beginning of the first year of implementation and upon Government's request;
- b) subsequent annual payments are made based on the review of the implementation process;
- c) retroactive financing will be applied for the first year of financing.

50. This method will ensure that the implementation of the program is adequately funded in accordance with the annual work program and related costs agreed upon between the Bank and the Borrower. Disbursements will be made annually, early in the calendar year, against the following three items: (i) an agreed annual work plan, (ii) an approved budget for the implementation of the work plan, and (iii) FMRs indicating the level of expenditures of those budget lines that financed the previous year's work plan.

51. *Transfer of funds to Government.* The Government will open a special account at the General Treasury to receive funds earmarked for PARSEM. The account will be managed by the multilateral financial division (*Division du financement multilatéral*) within the Budget Directorate of the MFP. The MFP will be responsible for submitting all requests to the Bank for fund transfers, and ensuring that the withdrawal applications are prepared and submitted in accordance with Bank requirements and based on FMRs.

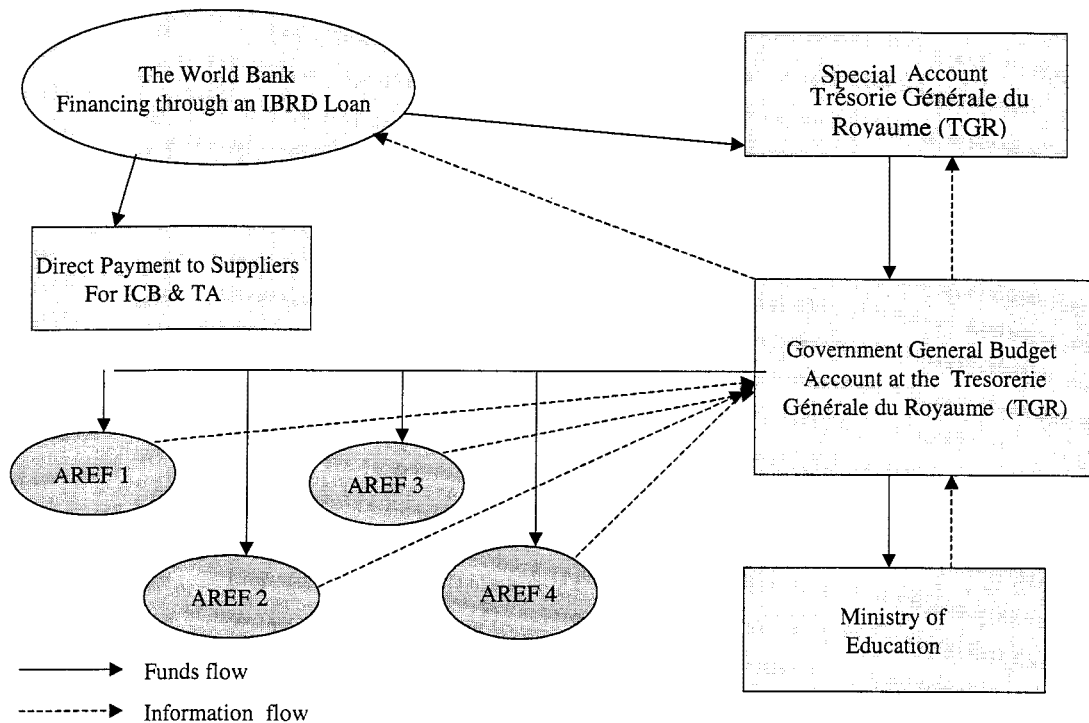
52. An initial deposit equivalent will be made at loan effectiveness at the borrower's request. For the subsequent years of the program, the Bank and the Government will review progress of the implementation of PARSEM. The implementation progress will be evaluated through review missions as well as information provided in progress reports detailing progress on operational indicators, financial, fiduciary and safeguard aspects. The content and format of the progress report are specified in the POM. The amount of the first disbursement was determined during negotiations. The amount of subsequent annual payments will be based on: (i) provisional cost of PARSEM for the year in question, (ii) the remaining balance of advanced payments made the year before, (iii) satisfactory progress in meeting Monitoring indicators, (iv) acceptable financial

monitoring report, and (v) technical and financial audit report produced by an external auditor. All withdrawal applications will be supported by FMRs.

53. It is expected that the government will spend for program activities in a given year an amount at least equal to that year's advance disbursement. However, if less than that amount is spent, the following year's advance disbursement will be adjusted accordingly (i.e. by the amount not spent the previous year) amongst other factors. All withdrawal applications will be reviewed by the Task Team before being approved for disbursement. Details of these arrangements will be outlined in the Disbursement Letter to be sent to the borrower.

54. **Categories of disbursement:** For disbursement purposes, and in line with ongoing efforts to simplify project implementation and disbursement of funds, PARSEM activities will be covered by a single category of disbursement in the loan agreement for goods, works and services required for the Program, including support for institutional capacity building, incremental operating costs and subgrants. This simplified approach to disbursement will further strengthen the use of, and reliance on, the Government budgetary system and procedures for project implementation. This approach will ensure that PARSEM activities are carried out effectively.

### PARSEM FLOW OF FUNDS



**Annex 8: Procurement Arrangements**  
**MOROCCO: Basic Education Reform Support Program**

**A) Assessment of the agency's capacity to implement procurement**

1. An assessment of the agencies to implement procurement activities for PARSEM was carried out in two phases during program preparation. The assessment reviewed the procurement systems related to process, organizational structure, controls, documentation, staffing and the general procurement environment.

2. Overall, the public procurement system is solid, operates in a structured and reliable control environment and does not present major fiduciary risk. The national legislation on procurement is generally in line with World Bank's guidelines. However, a few procedures would need to be adapted to conform with these guidelines:

- For *goods and works*: (i) all envelopes constituting the bid should be opened simultaneously in one public session, with the price read aloud and recorded; (ii) quantifiable evaluation criteria should be included in the bidding documents and, in the case of goods, a point system should not be used; (iii) contract is awarded to the bidder who meets the qualifications required, and whose bid has been determined to be responsive to the bidding documents and to offer the lowest evaluated bid; (iv) the requirement for bidders to have a local representative, established in Morocco, should be discontinued; and (v) the evaluation method for procurement of goods should be by lot (instead of by article); and
- For *consultants*, open competitive bidding should not be applied. Invitation to bid should be addressed to a short-list of firms, having the required qualifications and experience. The financial proposals will be opened publicly following the completion of the evaluation of technical proposals.

3. It should, however, be indicated that a number of procedures prescribed by the national legislation (Decree no. 2-98-482) need to be adhered to, particularly those related to: Article 21.2 concerning the minimum time allowed for bid preparation of 21 working days; Article 22.b) concerning the evaluation criteria for financial and technical capacity of bidders; Article 42.1 concerning the publication of evaluation results; Article 44 concerning justification for bids rejection; Article 81 concerning the publication of provisional programs; Article 83 concerning task definition of the person responsible for contract management; and Article 86 concerning control and internal audit. For contracts of very small value, the AREF can rely on shopping, using the actual public procurement regulation, pending the establishment of their own regulatory procurement code.

4. Selection and employment of consultants for activities related to institutional capacity building of the education system will be carried out at the central level, by the DEN. The DEN will also be responsible for the procurement of goods and equipment related to centralized activities, such as the establishment of the monitoring and evaluation system and the provision of

pedagogical goods for underserved schools. The AREFs, together with their provincial delegations, will carry out procurement for the remaining activities of PARSEM.

5. At the DEN, procurement capacity was found to be good. At the decentralized level, capacity was found to be satisfactory, with provincial delegations (which are extensions of the AREFs) having more capacity than the AREF. The AREFs are autonomous public entities and have only become operational since mid-2003. Because of their nascent establishment, the AREFs currently lack qualified staff and material resources, and their standardized operational and procurement procedures need to be strengthened. By their legal status, the AREFs are not automatically subject to the national regulation that governs public procurement. They can establish their own regulatory procedures to be approved by their Board of Directors and the MFP. During this transitional period, the AREFs are adopting the present national regulation for their procurement activities, taking into account the few exceptions indicated above.

6. The overall risk is assessed to be moderate. This risk could lead to some delays in the implementation of PARSEM and will be mitigated by the following action plan.

- PARSEM includes an institutional capacity building component under which there are activities aim to coordinate and harmonize and strengthen the existing procurement capacity of the AREFs and provincial delegations.
- Standardized bidding documents to be compatible with the Bank’s procurement and agreed with the Bank will be used by the entities executing PARSEM activities. Those documents include: (i) works, (ii) goods and equipment, (iii) employment of consulting firms (for technical studies and supervision of works, topography), and (iv) employment of individual consultants. A timetable for this action is presented in the table below.
- Procurement rules and procedures are described in the Program Operations Manual (POM).
- The procurement plan for the first year of PARSEM has been established and is included in the POM.

**Table 8-1: Timetable for the development of standardized bidding documents**

<i>Action</i>	<i>Due date</i>
<i>Establishment in draft form of invitation for bids, instruction to bidders and bid data, in collaboration with DAGBP and the Bank</i>	<i>Before March 31, 2005</i>
<i>Finalization and validation of above documents</i>	<i>Before June 30, 2005</i>
<i>Diffusion to procurement staff in AREFs, including their provincial delegations, and training</i>	<i>Before Dec. 31, 2005</i>
<i>Generalization of the use of the documents</i>	<i>Starting Jan. 1, 2006</i>

*It should be noted that, starting January 2005 and pending the finalization of the standardized bidding documents, for the activities of PARSEM co-financed with the Bank, existing documents will be used taking into consideration the guidelines described in the POM.*

## **B) Procurement Guidelines and Standard Documents**

7. ***The World Bank's procurement procedures. Goods.*** For high-value goods contracts above US\$ 3.0 million equivalent and high-value works contracts above US\$ 5.0 million equivalent, international competitive bidding (ICB) will apply and procurement will be made in accordance with the World Bank's "*Guidelines: Procurement Under IBRD Loans and IDA Credits*" dated May 2004. The World Bank's standard bidding document (SBD) for ICB will be used.

8. ***Consultants.*** All consultants' services for institutional capacity building will be procured in accordance with the World Bank's "*Guidelines: Selection and Employment of Consultants by World Bank Borrowers*" dated May 2004. The standard request for proposals (RFP) and the Standard Form of Contracts will be used for contracts above US\$ 200,000 equivalent. For the selection process of firms, the Sample Form of Evaluation Report for the Selection of Consultants (October 1999) will be used.

9. ***National procurement procedures. Goods.*** For other goods and works for which contracts are valued at US\$ 3 million or below and US\$ 5 million or below, respectively, national competitive bidding (NCB) will apply, with a few procedures adapted to conform with the World Bank's guidelines, as indicated under A) above. Agreed upon standard bidding documents will be used.

10. ***Consultants.*** For the selection of consultants services below US\$ 200,000 equivalent, the methods described below and appropriate consultation standard documents agreed upon with the Bank will be used.

## **C) Advertising and Procurement Plan**

11. A General Procurement Notice (GPN) will be published on-line in DG Market, in the United Nations Development Business and in at least three newspapers of national circulation. The GPN will provide a description of PARSEM and the general nature of procurement activities.

12. The concept of a procurement plan was discussed with the implementing agencies during the preparation of PARSEM. The first year procurement plan has been established, (presented below), and is included in the POM. It will be updated annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity.

PROCUREMENT PLAN - 2005 : CONSULTING SERVICES

Activity	Estimated cost (in \$E.U.)	Selection Method	Bank's prior review of RFP	Planned bid submission date	Note
<b>COMPONENT 1</b>					
1.1.1.01: Partnership conventions					
(i) Establishment of a partnership system	170,843	QCBS	No	5-Mar	
1.4.1.02, 1.4.1.03: Boarding strategy for lower secondary school					
(i) Development of terms of reference	10,843	Ind.Consult./ Cons.Qualif.	No	Jan.05	<i>Bank's review of terms of reference (TOR) produced by consult.</i>
(ii) Establishment and execution of the boarding strategy	319,783	QCBS	Yes	April 05	
(iii) Development of information campaigns	228,639	QCBS	Yes	Sept. 05	
<b>COMPONENT 2</b>					
2.1.1: Establishment of an evaluation system	215,687	QCBS	Yes	April 05	
2.1.2: Strengthening and standardization of exams	117,280	QCBS	No	Avril 05	<i>Bank's prior review of TOR</i>
2.2.1: Implementation of an in-service training	95,907	QCBS	No	Fév. 05	<i>Bank's prior review of TOR</i>
2.3: Establishment of a system to implement sub-projects promoting quality of education at the school level.	82,840	QCBS	No	Fév. 05	<i>Bank's prior review of TOR</i>
<b>COMPONENT 3</b>					
3.1.1.01 / 02: Review of DEN organizational structure					
(i) Development of terms of reference	24,096	Ind.Consult.	No	Sélect.du consult Fév.05	<i>Bank's review of TOR produced by consult.</i>
(ii) Study to review DEN structure	198,795	QCBS	Yes	Juin 05	
3.1.2.3.2.1: Elaboration of a development plan for decentralization	244,578	QCBS	Yes	Mars 05	
3.3.1.3.3.4.01: Upgrading financial management and budgetary capacity, including a computerized information system between the central and the decentralized levels.	133,458	Cons.Qualif.	No	Fév. 05	<i>Bank's prior review of TOR</i>
3.3.2: Study on norms and costs of construction	50,000	Cons.Qualif.	No	Fév. 05	<i>Bank's prior review of TOR</i>
3.3.3: Development of a system to manage patrimony	32,530	Ind.Consult.	No	Sélect.du consult Avril 05	<i>Bank's prior review of TOR</i>
3.3.4.02: Assessment of the statistics system in the AREF	21,687	Cons.Qualif.	No	Mars 05	<i>Bank's prior review of TOR</i>
3.3.4.03.04: Strengthening of DEN and AREF informations system	32,530	Cons.Qualif.	No	Mars 05	<i>Bank's prior review of TOR</i>
3.3.6: Strengthening of procurement capacity, including development of revised bidding documents					
(i) Development of bidding documents and procedures manual	31,325	Ind.Consult.	No	Sélect.du consult Jan 05	<i>Bank's prior review of TOR</i>
3.5.1: Development of M&E					
(i) Development of M&E tools at the DEN and the AREF	226,265	QCBS	Yes	Avril 05	
(ii) Establishment of a management system for M&E	228,434	QCBS	Yes	Avril 05	

PROCUREMENT PLAN - 2005 : WORKS AND GOODS

Activity	Estimated cost (in \$E.U.)	Selection Method	Bank's prior review of bidding documents	Planned submission date	Note
<b>COMPONENT 1</b>					
Generalization of basic education					
(i) Construction of 50 classrooms in 5 AREF (5 contracts at approx. \$180,700 per contract)	180,700	NCB	No	March 05	
(ii) Equipment for above classrooms (5 contracts at approx. \$10,800 per contract)	10,800	NCB	No	March 05	
(iii) Rehabilitation of 20 primary schools (2 contracts at approx. \$180,700 per contract)	180,700	NCB	No	March 05	
<b>COMPONENT 2</b>					
Strengthening of DEN and AREF evaluation system					
(i) Procurement of IT equipment	218,916	NCB	No	March 05	
Promotion of education quality at the school level					
(i) Procurement of educational goods for the needy schools	3,821,835	ICB	Yes	May 05	
<b>COMPONENT 3</b>					
Capacity strengthening at the DSSP					
(i) Procurement of IT equipment	16,265				<i>Combined with the procurement of IT equipment for the evaluation system above</i>

## D) Procurement Arrangements

13. *Procurement of civil works:* Works procured under PARSEM will include construction and rehabilitation of schools. Due to the geographically dispersed works in rural areas and availability of local contractors, as well as the relatively small value of contracts, it is expected that the contracts will not attract foreign competition. Standard bidding documents for NCB agreed upon by DEN, AREFs and the Bank will be used for contracts valued equal or below US\$ 5.0 million equivalent. For contracts valued above US\$ 5.0 million equivalent, the World Bank's procedures and SBD for ICB will be used.

14. *Procurement of goods:* Goods procured under the project will comprise of educational materials, furniture, IT equipment, etc. Standard bidding documents for National Competitive Bidding (NCB) agreed upon by DEN, AREFs and the Bank will be used for contracts valued equal or below US\$ 3.0 million equivalent. For contracts valued above US\$ 3.0 million equivalent, the World Bank's procedures and SBD for ICB will be used. The use of *bons de commande*, equivalent to the Bank's method of shopping, should be applied when permissible by the national legislation, as this method proves to be efficient for the acquisition of standard specification commodities that are of small value.

15. *Community participation procurement.* Systems to administer these agreements will be established, in conformity with the Prime Minister's decree of June 27, 2003, related to partnership. PARSEM's implementation plan indicates the establishment of such systems during the second year.

16. *Consulting services:* Consultant services will consist of architectural studies, preparatory design, supervision and inspection related to the construction and rehabilitation of schools, and technical assistance for activities related to institutional capacity building of the education system. The following methods will apply:

- *Selection based on individual consultants* qualifications for architects, on the basis of comparison of at least three CVs and workload. The fees will be based on actual national scale of charge.

- *Selection based on consultants' qualifications* for architectural firms hired for feasibility studies and supervision of works, on the basis of the consultants' qualification and references, work program and eventually regional preference.

- *Least-cost selection* for standard and routine services related to the control, supervision and topography work of construction and rehabilitation of schools.

- *Quality- and Cost-based selection (QCBS)* for other technical assistance related to capacity building of the education system. Bank's procedures and standard request for proposals will be used. Short lists of consultants for services estimated to cost less than US\$ 200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

17. The Bank's standard evaluation report models will be used.



## E) Frequency of Procurement Supervision

18. Procurement supervision efforts constitute an integral part of the Bank's supervision of the progress of PARSEM. Based on the moderate overall procurement risk assessment and the nature of PARSEM, procurement post reviews will cover 15 percent of contracts. This percentage will be adjusted during implementation depending on the performance of the executing agencies and the results of the reviews.

19. **External audit.** External annual audits will be undertaken by an auditor with terms of reference acceptable to the Bank and will include opinion on whether works, goods and services have been procured in accordance with agreed procedures and arrangements.

20. A list of actions and decisions to reinforce procurement capacity is presented below. These actions combine mid-term and long-term goals.

**Table 8-2: Activity and Actions to reinforce the capacity of implementation agencies**

Activity/Actions	Deadline	Agencies responsible for implementation
1. Establish a list of personnel with technical skills at AREFs (Division of budget and asset management) and the provincial level (services responsible for civil works).	Done	DEN, AREF
2. Propose an organizational chart of technical personnel in each AREF.	Received during negotiations	AREF
3. Define respective roles and responsibilities of the central level, AREFs and delegations.	Received during negotiations	DEN, AREF
4. Develop a draft version of a manual on procurement arrangements and procedures to be included in the Program Operations Manual.	Before the end of the first 6 months of implementation	DEN, MFP (DEPP et CGED) and WB
5. Develop draft standard bidding documents	June 30, 2005	DEN, MFP (DEPP et CGED) and WB
6. Disseminate and implement procedures described in the manual on procurement at AREFs and provincial delegations. These procedures must address the different levels of responsibility between the AREFs and the provincial delegations, as well as the internal audit function.	See action plan for Sub-Component 3.3.6	DAGBP, AREF
7. Establish an internal audit unit in the AREFs and reinforce the general audit system at the central MEN.	In coordination with the same action for financial management.	
8. Training in procurement	On-going activity during the implementation of PARSEM	DEN, MFP (DEPP et CGED) and the WB

## **Annex 9: Economic and Financial Analysis**

### **MOROCCO: Basic Education Reform Support Program**

1. One of the principal challenges facing the Moroccan education system is to simultaneously improve its overall quality, and thus increase the percentage of children completing education at all levels, and improve access to basic education. Additional resources would help reach this goal; however, education expenditures already make up over 6 percent of GDP and 31 percent of government expenditures. This annex will examine the fiscal impact of expanding the education system and improving quality using a financial simulation model.<sup>6</sup> The principal question it seeks to answer is whether the policy options to be implemented through the Strategic Framework are financially feasible (and sustainable), particularly recurrent expenditures generated by the government's program that will be supported by PARSEM.
2. The process for estimating the cost of reform has three steps. First, targets are set for the education sector with regards to access and internal efficiency. Second, an education finance model is used to determine the resources required to meet these targets. Finally, the impact on the government budget is estimated, the financing gap is identified, and options to close the gap are assessed.
3. *Simulation model:* The model simulates the evolution of primary, middle school, and upper secondary education.<sup>7</sup> While secondary technical/vocational education is offered, the impact of higher enrollments on these sectors is considered part of total secondary general expenditure. It is expected that the demand for middle and upper secondary education will rise sharply over the period under consideration (2005-2020). Projections are made using the model created by the Department of National Education (DEN), which uses 2003/04 school year as a baseline and the objectives outlined in the Charter for the flow of students through pre-university school levels to project targets.
4. Public resources available for the sector are determined on the basis of the expected growth of the economy, government spending as a fixed proportion of GNP, and education budgets as a fixed proportion of government expenditure. Expenditures pertaining to reforms are determined using data on enrollment, efficiency parameters such as repetition, dropouts and survival rates, and the rate of transition between education levels. Cost variables include teacher salaries, non-salary spending on materials, overheads, and transfers such as scholarships and other social services provided to students and teachers (housing, meals, transportation, etc.). The difference between the cost of meeting Charter targets and the projected education budget envelope determines the financing gap for each education level.

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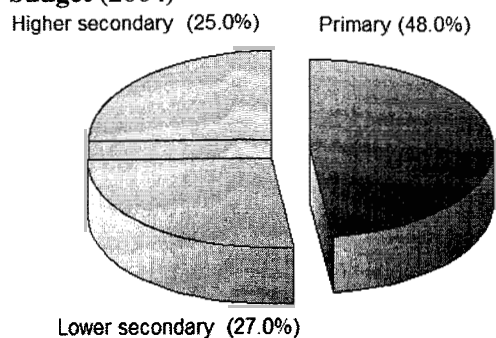
<sup>6</sup>This model draws on the Strategic Framework (*Cadre Stratégique de Développement du Système Éducatif*) produced by the Department of National Education (DEN), which outlines the two scenarios considered in this analysis. The results obtained from those scenarios (enrollments, resource requirements etc.) have been used to estimate the financial sustainability of the education reform program supported by PARSEM.

<sup>7</sup> Formal education consists of three levels of instruction: basic, upper secondary and higher. Basic education includes two sections: primary (grades 1-6) and middle (grades 7-9).

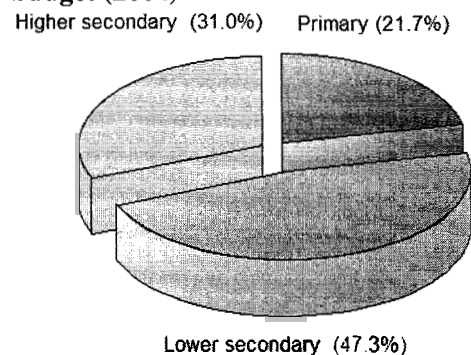
## Key variables and assumptions

5. *Estimating the budget envelope for education:* The simulations are done under the assumption that the economy will grow at an average annual rate of 5 percent (average of the past three years) over the planning period, 2005-2020. The government budget is assumed to remain constant at 22,7 percent of GNP, while the share of education recurrent budget in government recurrent budget is to stay at current levels (28.8 percent of sector recurrent expenditures and 6.7 percent of sector capital expenditures). Flexibility in education finance comes from a decline in primary school age population that would allow a reduction in the share of primary education in the total recurrent education budget. This enables a transfer of resources to middle and upper secondary education over the same period. The following diagrams illustrate the present structure of the budget of the education:

**Figure 9-1: DEN: Structure of recurrent budget (2004)**



**Figure 9-2: DEN: Structure of capital budget (2004)**



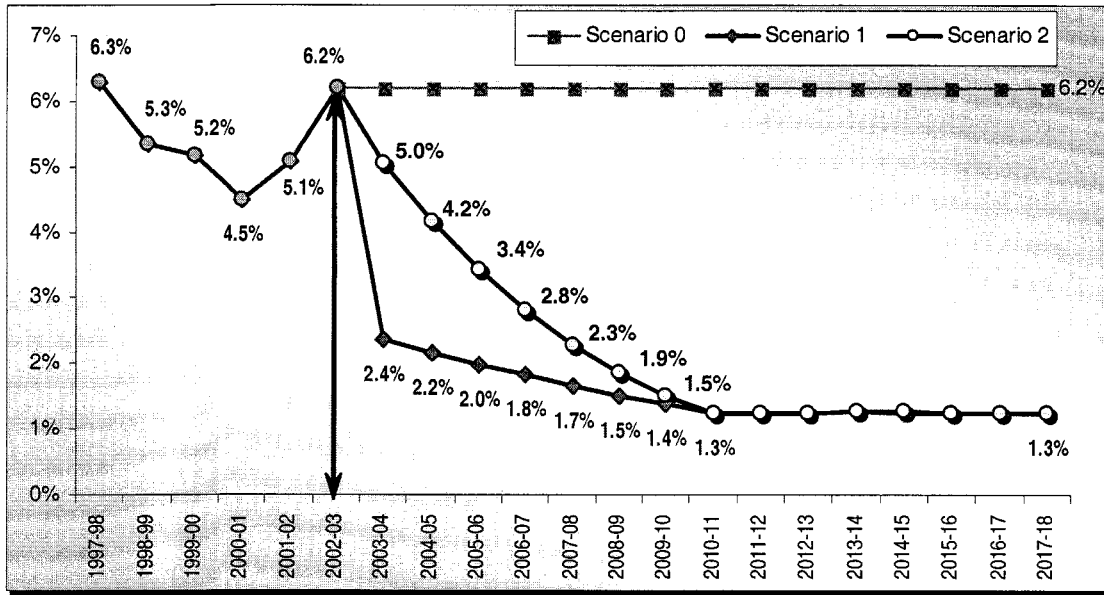
*Targets for student flows:* Specific targets have been set in the model for access to and efficiency of education. The enrollment projections are based on three base scenarios<sup>8</sup>:

- **Scenario 0 -- Baseline scenario:** assumes that current trends in internal efficiency (repetition, promoting, and retention) will remain unchanged for primary, middle school and upper secondary education.
- **Scenario 1 -- Efficiency scenario:** assumes improvements in internal efficiency at primary, middle school and upper secondary education levels, in line with the objectives of the Education Charter.
- **Scenario 2 -- Progressive scenario:** assumes a more gradual improvement of internal efficiency than that targeted by the Education Charter, reflecting recent trends at the primary education level.

<sup>8</sup> The same level of private sector enrollment is assumed in all three scenarios. Private school enrollment has increased from 6.3% of total primary education enrollment in 1999 to 7.9% in 2003. Maintaining the same rate of growth, we project private education to reach 14% and 20% of total primary enrollment in 2014 and 2020 respectively. In addition, transfers between the private and public sector were maintained constant for all three scenarios (60% of private primary education completers enter public middle schools and 3.5% of public middle school repeaters continue their studies in public upper secondary schools).

6. Meeting the Charter objectives for internal efficiency and retention will require an immediate and substantial reduction of drop out rates at the primary school level. Presently, average repetition rates are 13.6 percent and average drop out rates are 6.2 percent for primary education. According to the Charter, 90 percent of the cohort of children starting primary school in September 2003 should successfully finish primary school by the 2010-11 school year. This will require a drop out rate of less than 25 percent, starting in 2004-2005. Considering the challenge of such a sharp decline in dropout rates, scenario 2 presents a more gradual decrease. The following chart illustrates the projected evolution of drop out rates by scenario.

**Figure 9-3: Average primary education drop out rates by scenario**



For the 2003-2004 cohort, retention rates for each level are presented in the following table:

**Table 9-1: Evolution of retention rates by scenario and level**

	Primary (2010-11)	Middle School (2013-14)	Upper secondary (2016-17)	Baccalaureate (2017-18)
<b>Scenario 0</b>	66%	41%	20%	12%
<b>Scenario 1</b>	90%	80%	60%	52%
<b>Scenario 2</b>	81%	71%	54%	46%

7. In Scenario 2, the Charter objectives are achieved with a lag of two years compared to Scenario 1. For the 2005-2006 cohort, retention rates will be 90 percent, 80 percent and 60 percent to finish primary, middle, and upper secondary education respectively.

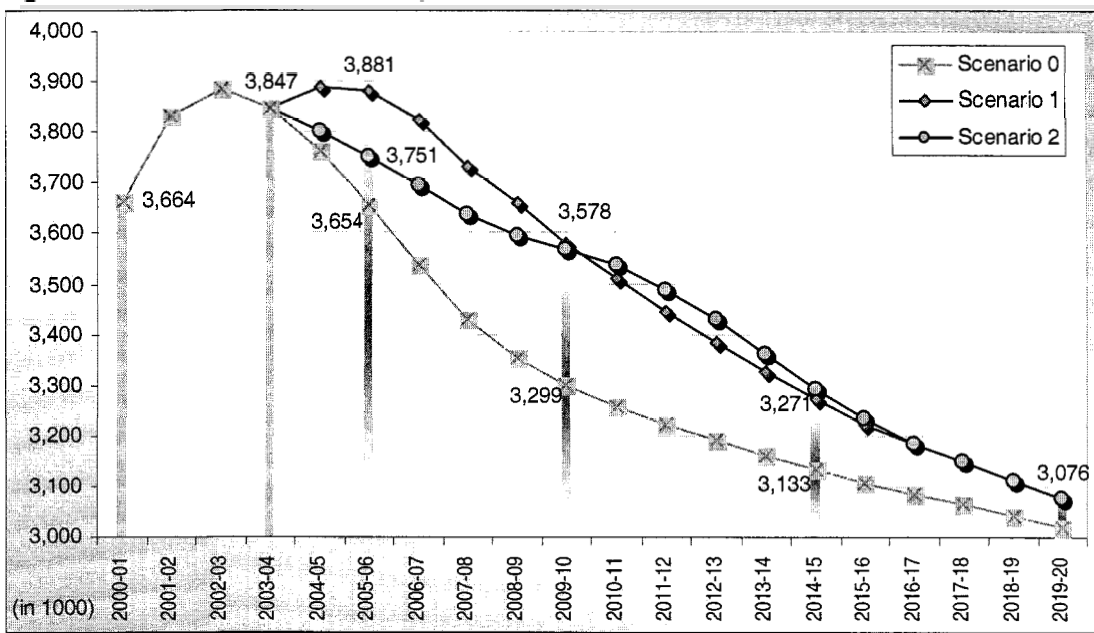
**RESULTS OF THE SIMULATION EXERCISE**

8. The results of the projections are presented in three sections: i) enrollment projections; ii) financial projections; and iii) finance gaps and options for optimizing expenditures.

## Enrollment projections

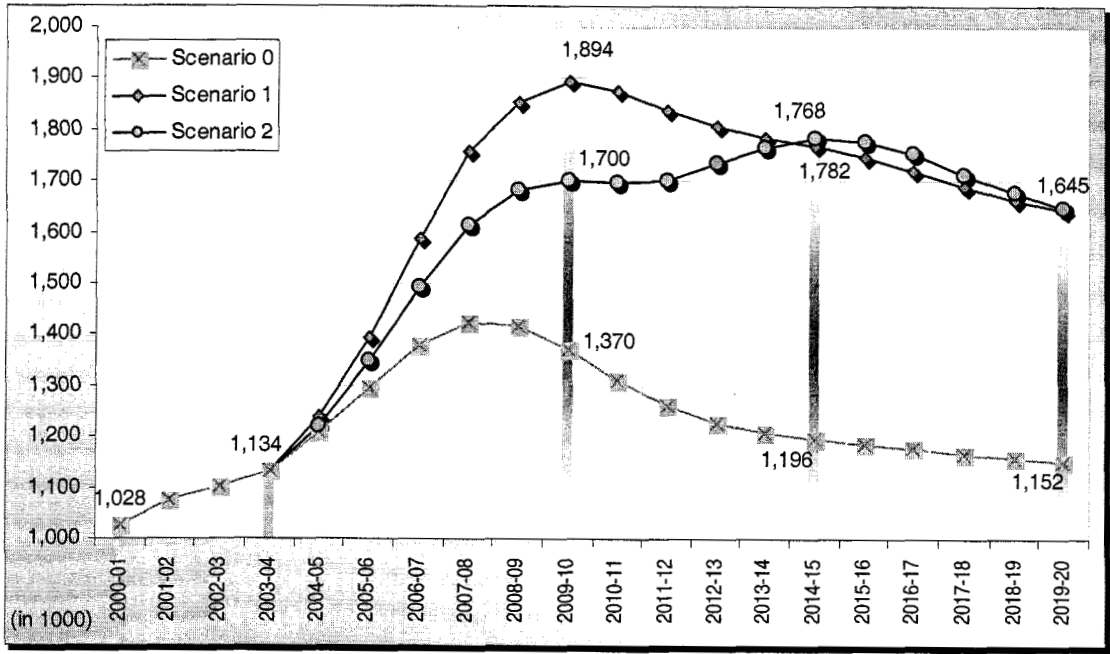
9. *Primary education:* Since the mid-1990s, the growth of the six-year-old population began to slow (annual growth rate between 1994 and 2001 of 1.47 percent). CERED (*Centre d'Études et de Recherches Démographiques*) forecasts the six-year-old population to stabilize at about 585,000 over the next decade. This demographic trend will temper overall demand for primary school, with overall enrollment expected to level at 3 million in 2019-2020 for all three scenarios. However, the underlying assumptions concerning the evolution of internal efficiency for each scenario produce substantially different paths. The higher the retention rates (as in Scenarios 2 and 1 respectively), the longer the period before the primary education population begins to decline. The following chart illustrates this point:

**Figure 9-4: Evolution of Primary Education Enrollments**



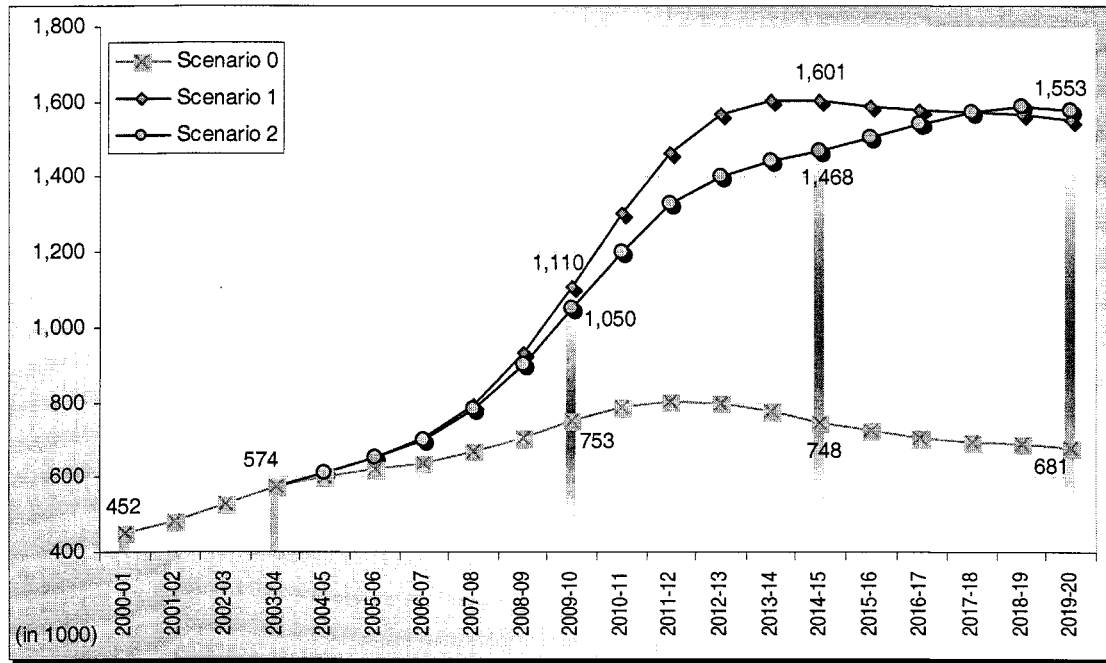
10. *Middle school:* Regardless of the evolution of primary education enrollments, there will be a substantial increase in demand for middle school education as a result of recent increases in access to primary education (average growth rate of 4.5 percent between 1998 and 2003). The projected rate of growth at the middle school level from 2004 to 2010 is expected to be 3.17 percent, 8.81 percent and 6.87 percent for Scenarios 0, 1, and 2, respectively. From 2011, the number of middle school students will decline for Scenario 0 and will stabilize for Scenarios 1 and 2 at approximately 1.6 million students. The following chart presents the results of the projections for the three scenarios.

**Figure 9-5: Evolution of Middle School Enrollments**



11. *Upper Secondary Education:* The same trends will occur for this level after a lag of 3 to 4 years; however, there is a greater variation between scenarios. The projections indicate that enrollments at the middle school level will double between 2003/2004 and 2009/2010 and will triple between 2004/2004 and 2014/2015. For Scenario 0, upper secondary school enrollments would be less than one-half of that in Scenarios 1 and 2. The following chart illustrates the results of the projections for the upper secondary level:

**Figure 9-6: Evolution of Upper Secondary Education Enrollments**



**Financial requirements**

12. *School infrastructure.* With Scenario 0, no new primary school classrooms will be needed. In contrast, the rapid improvement of retention rates inherent in Scenario 1 will necessitate the construction of an average 80 primary classrooms per year (approximately 131 primary schools) during the period covered by PARSEM (2005-2008). Fewer classrooms would be needed under Scenario 2 (27 schools for 2005-2008 and 25 for 2009-2014). Using Scenario 2 as a guide for investment decisions at this level would reduce the risk of an under-utilization of classrooms.

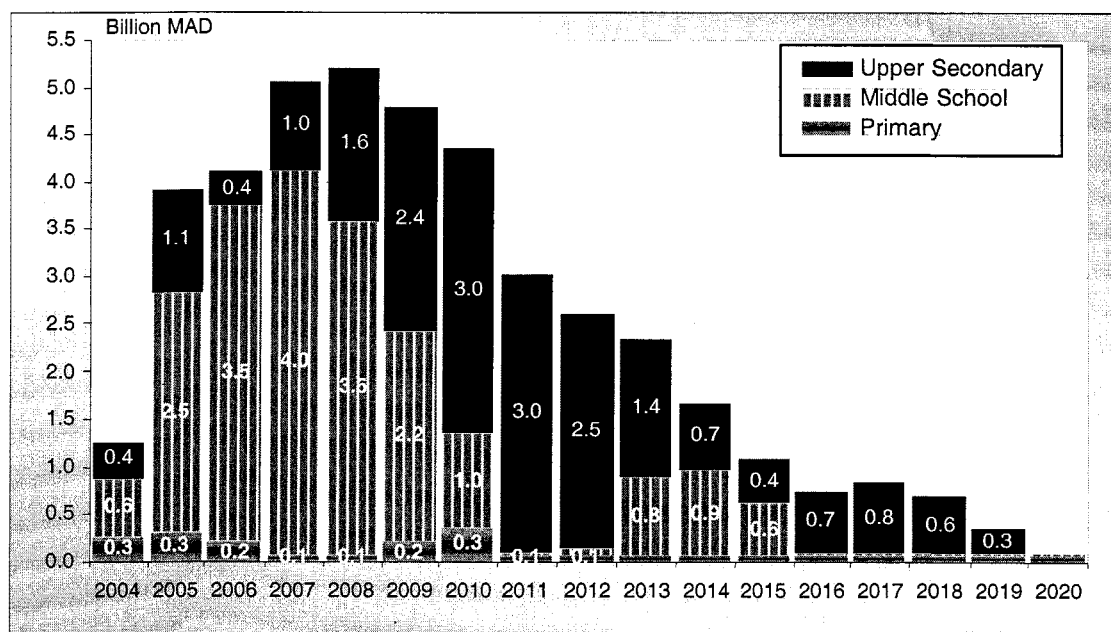
13. For middle school education, construction needs will be substantial for both Scenarios 1 and 2. Over the period 2005-2008, 411 middle schools will need to be built annually for Scenario 1 and 312 for Scenario 2. Even in the case of baseline scenario, 212 additional schools would be required annually. Demand for additional upper secondary schools will grow from 2009 to 2014, with an additional 234 schools per year needed for Scenario 1 and 189 for Scenario 2.

**Table 9-2: Demand for new schools by level of instruction**

	Primary Schools			Middle School			Upper Secondary Schools		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
<b>Scenario 0</b>									
Average 2005-2008				71	141	212	43		43
Average 2009-2014				2	3	5	42		42
Average 2015-2020									
<b>Scenario 1</b>									
Average 2005-2008	33	98	131	137	274	411	97		97
Average 2009-2014				26	51	77	234		234
Average 2015-2020									
<b>Scenario 2</b>									
Average 2005-2008	7	20	27	104	208	312	89		89
Average 2009-2014	6	19	25	25	50	75	189		189
Average 2015-2020				3	6	9	38		38

14. *Financing requirements.* The enrollment objectives of the Charter result in substantial increases in financing requirements over the next decade. Investment needs can be categorized into two periods: (i) rising demand for middle school education from 2005-2010, which translate into an annual financing requirement of 3.9 billion MD for Scenario 1 and 2.9 billion MD for Scenario 2 for school construction at current unit costs; and (ii) rising demand for upper secondary education from 2008-2013 with an annual school construction budget requirement of 2.9 billion MD for Scenario 1 and 2.3 billion MD for Scenario 2 at current unit costs.

**Figure 9-7: Projected investment budget by level of education (Scenario 2)**

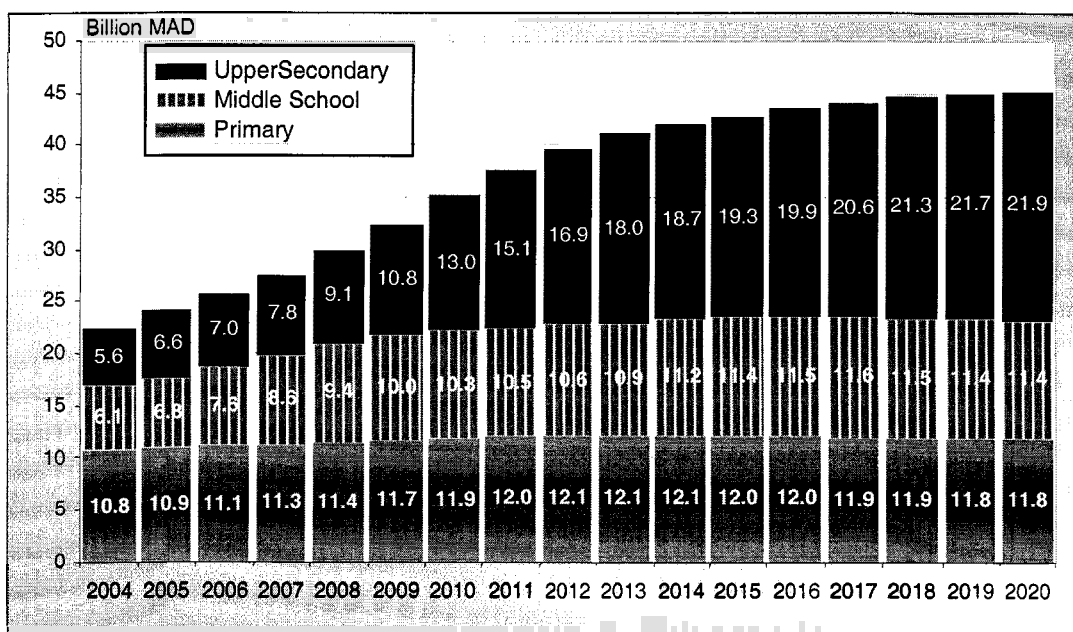


15. Subsequently, these new schools will cause recurrent expenditure requirements to almost double by 2014. This is primarily the result of the increase number of teachers needed in the



system to accommodate growing enrollments at the middle and upper secondary levels. The distribution of recurrent budgetary requirements by level of education is presented in the following chart.

**Figure 9-8: Recurrent budget requirements by education level (Scenario 2)**



### Financing gap and options

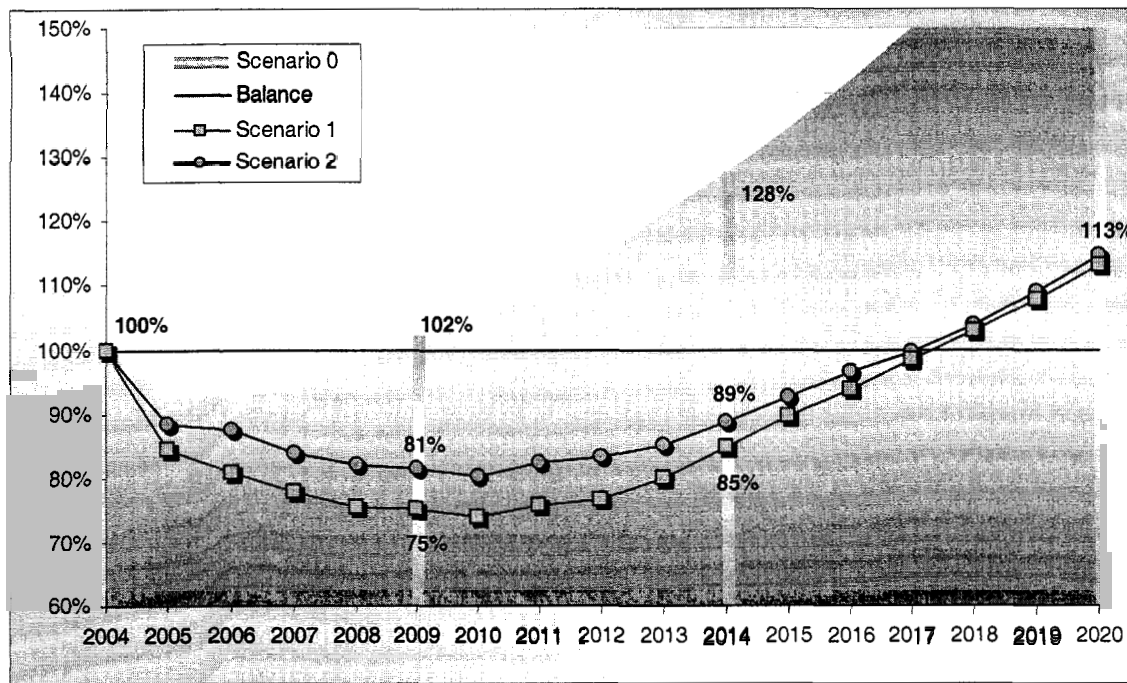
16. The following table summarizes the available resources for national education under the assumptions discussed in the previous section.

**Table 9-3: Potential public resources available for pre-university education, based on current parameters**

(in Millions MD)	Primary			Middle School			Upper Secondary			Total DEN		
	Recurrent	Capital	Total	Recurrent	Capital	Total	Recurrent	Capital	Total	Recurrent	Capital	Total
Average 2005-2008	12,211	309	12,520	6,869	674	7,543	6,360	442	6,802	25,440	1,426	26,865
Average 2009-2014	15,616	395	16,011	8,784	862	9,646	8,133	565	8,698	32,533	1,823	34,356
Average 2015-2020	20,927	530	21,457	11,771	1,156	12,927	10,899	758	11,656	43,597	2,443	46,040

17. For Scenarios 1 and 2, the projected capital budgets for education presented in Table 3 fall substantially short of investment needs at the middle school level during the period 2005-2008 (with deficits running from 81 percent to 85 percent) and at the upper secondary level during the period 2009-2014 (deficits of 74 percent to 79 percent). The following chart illustrates the evolution of the financing gap for all three levels. It shows a persistent financing gap averaging 21.4 percent during the period 2005-2014 under Scenario 1 and 16.7 percent under Scenario 2.

**Figure 9-9: Proportion of financing requirements covered by projected allocation of public resources for education (assuming current parameters)**



### Options for reducing the financing gap

18. In order to ensure more sustainable financing for the sector, the simulations undertaken by the DEN have focused on four possible areas of optimization: (i) a more efficient use of personnel; and (ii) a more balanced allocation of non-salary resources between social and pedagogical expenditures (iii) delaying the improvement of teaching conditions, and (iv) a more optimal usage of school infrastructure to calculate the potential impact of these measures. Scenario 2 was used as a baseline which reflects the implementation capacity of the envisaged reform.

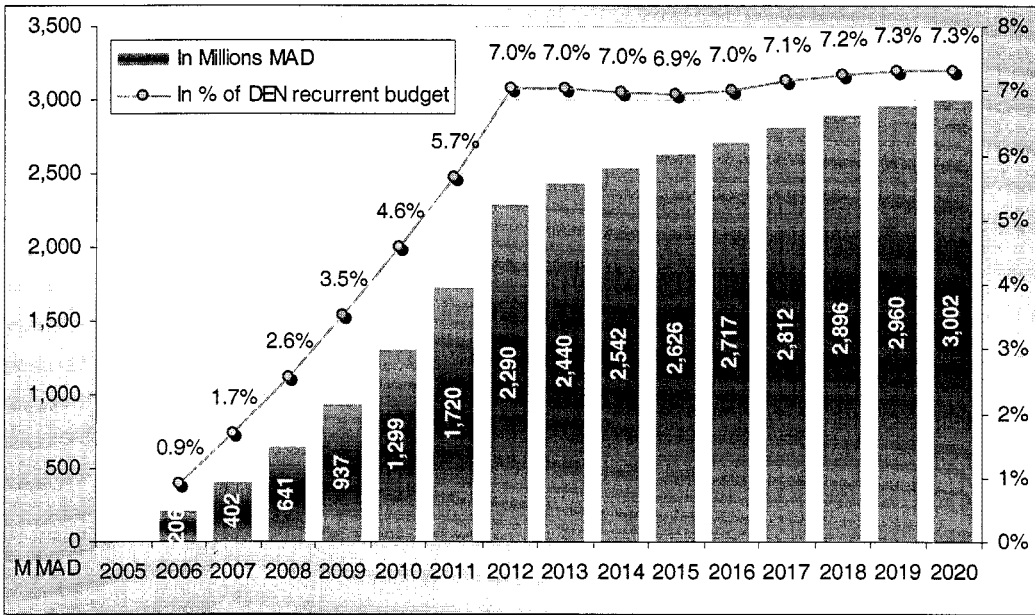
19. **Optimizing salary expenditures:** On average, middle school and upper secondary school teachers do not teach the full number of hours officially required (90 percent at the middle school level and 83 percent at secondary). The simulations assume a progressive increase in the average number of hours taught to 98 percent of the required total by the year 2011. With the construction of new schools, particularly in rural areas, the DEN aims to train polyvalent teachers who can teach more than one discipline. This option will reduce the demand for additional teachers at middle and upper secondary levels. Under Scenario 1, projections show that 2,925 and 4,808 additional teachers would be needed every year for middle and upper secondary schools respectively during the period 2008-2014. Without optimization of hours taught, 3,697 and 5,883 teachers would be needed for middle and upper secondary schools. This option would reduce the financing gap by “creating” resources equal to more than 3.4 billion MD annually over the period 2015-2020. This represents more than 10 percent of the overall financing needs for middle and upper secondary education. These projections include an annual

real salary increase of 2 percent (5 percent nominally). The following table summarizes the impact of optimizing teaching hours on the financing gap.

**Table 9-4: Optimizing salary expenditures: Number of teaching positions gained**

	Annual recruitment needs at middle school		Annual recruitment needs in upper secondary		Number of teaching positions gained	
	Without optimization	With optimization	Without optimization	With optimization	Middle school	secondary
Average 2005-2008	5 959	5 187	3 455	2 744	772	711
Average 2009-2014	2 701	2 095	7 562	5 836	606	1 725
Average 2015-2020	2 310	2 354	3 341	3 111	-44	230

**Figure 9-10: Optimizing salary expenditures: Potential savings**

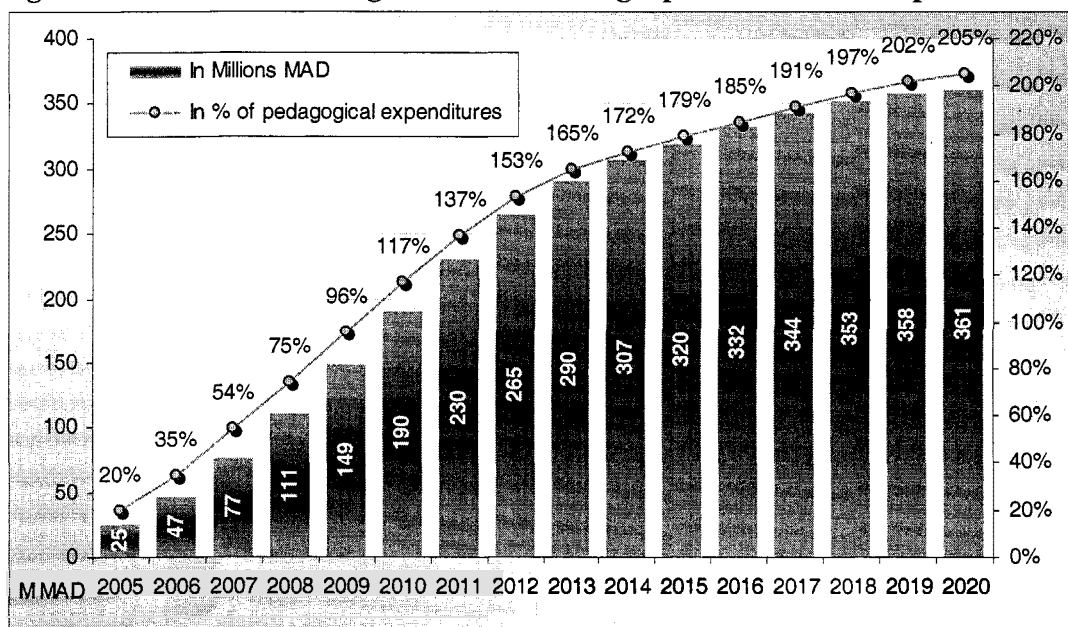


20. **Optimizing operating expenditures:** Salary expenditures represent more than 94 percent of the overall recurrent budget of the DEN. Almost two-thirds of the remaining 6 percent are allocated to social expenditures and one-fourth is reserved for administrative costs. As a consequence, pedagogical expenditures (school supplies, pedagogical materials) only represent 12 percent of non-salary expenditures or less than 0.7 percent of the recurrent budget.

This level of allocation does not reflect the increased focus on education quality and retention, key objectives of the Education Charter. One of the hypotheses retained in order to optimize social and pedagogical expenditures is that the budget of social services for DEN personnel (e.g. housing subsidies) remains unchanged at their 2004 level, and that the reallocation of these savings would go towards pedagogical expenses. The following chart presents potential savings

from reallocating a portion of social expenditure towards pedagogical expenditures. It shows that pedagogical expenditures could double by 2009 and triple by 2018 through this reallocation.

**Figure 9-11: Potential savings from reallocating a portion of social expenditures**



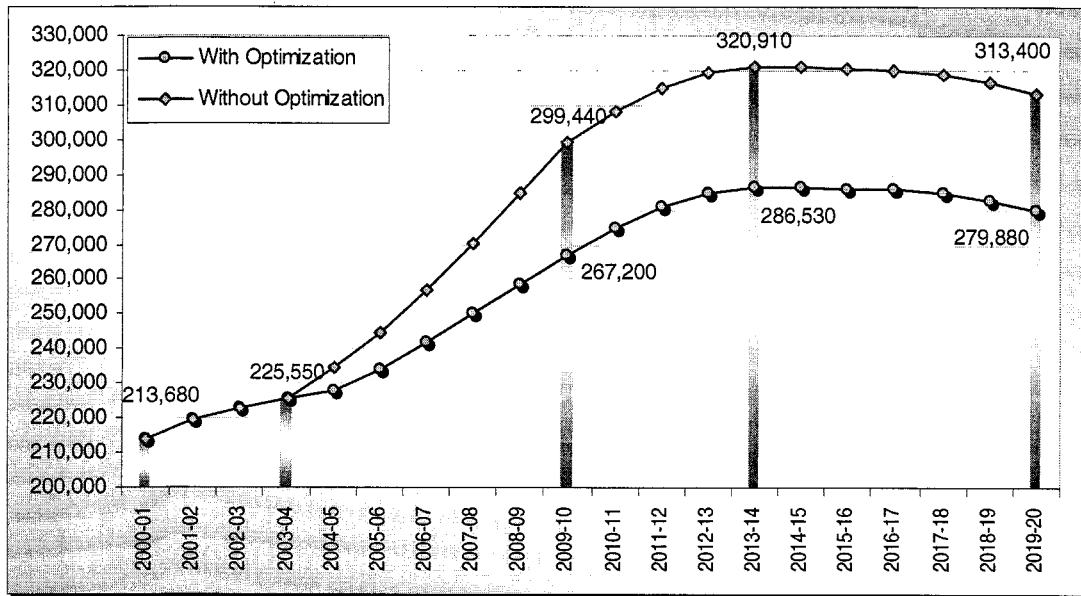
21. **Delaying the improvement of teaching conditions.** Under the base projection, teaching conditions would be gradually improved by decreasing pupil / class ratios, teacher / class ratio and teacher / pupil ratios. If these improvements were delayed until the next decade, the ratios would be maintained at current levels. These ratios would be allowed to improve after 2013. The following chart presents ratios with and without this option.

**Table 9-5: Pupil/class and pupil/teacher ratio**

	Student / class			Teacher / class			Student / teacher		
	Primary	Middle School	Upper Secondary	Primary	Middle school	Upper Secondary	Primary	Middle School	Upper Secondary
1995-96	28,80	31,90	30,00	1,02	1,68	2,40	28,3	19,0	12,5
2000-01	29,27	32,30	29,63	1,02	1,66	2,27	28,8	19,5	13,0
2003-04	28,97	34,20	36,18	1,02	1,66	2,17	28,4	20,5	16,7
2009-10 (Without optimization)	26,01	31,00	32,39	1,00	1,70	2,20	26,0	18,2	14,7
2009-10 (With optimization)	28,97	34,20	34,00	1,00	1,66	2,10	29,0	20,6	16,2

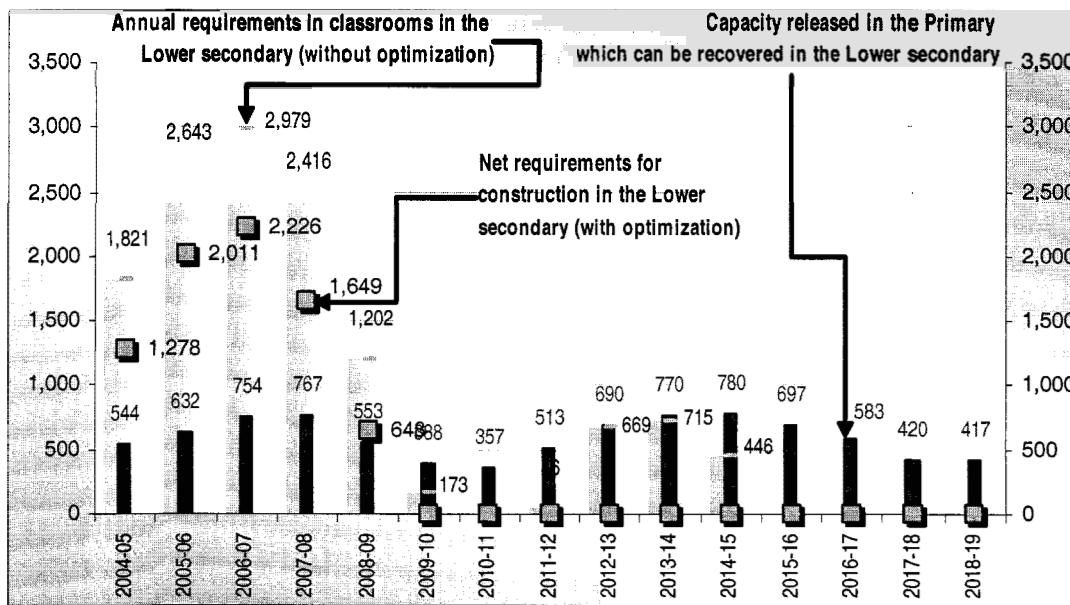
22. Additionally, implementing options to optimize the use of school classrooms (see below) would free up 22,300 teaching positions by 2007-08 and over 40,000 by 2013-14. The number of teachers required is illustrated in the following chart.

**Figure 9-12: Number of teachers required: with and without optimization**



23. *Optimizing of the use of school infrastructure.* The decrease in demographic pressure and improvements in the efficiency of primary education will free up capacity in primary school classrooms. Up to 5,400 classrooms by 2007-08 and 13,000 by 2013-14 would no longer be in-service. Traditional school mapping does not take into consideration the total number of classrooms that would be available in one school cycle to reallocate them to another level of education. Under this option, half of the non-used classrooms at the primary level are reassigned to the middle school level, after renovation and the provision of complementary equipment. The following chart illustrates the needs of classrooms in middle school and the net requirement after transfers from primary to middle school.

**Figure 9-13: Requirements in classrooms at middle school level (without and with optimization)**



**Financial Equilibrium after the optimization of expenditures**

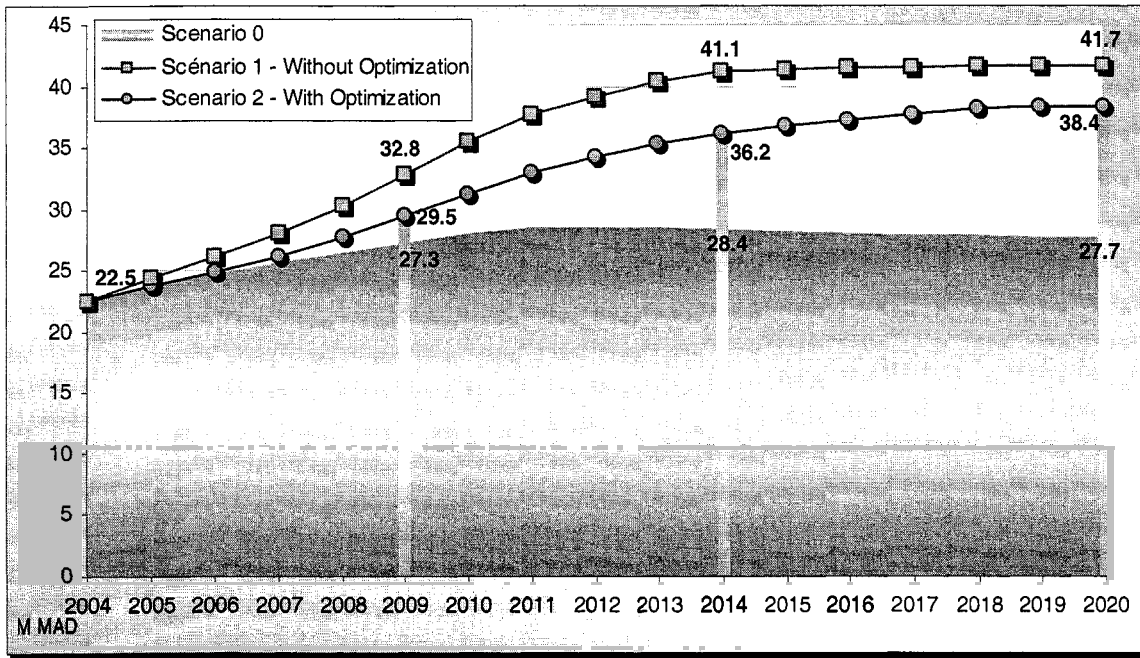
24. Through the moderation of sector objectives and the application of the options discussed above, the financial needs of the national education sector are substantially reduced. On average of 1.3 million MD is gained every year between 2005-2008, up to 4.8 million MD between 2009-14, which is close to 13 percent of the recurrent budget of the sector. The available resources for investment budget increase on an annual average of 1.5 million MD between 2005-2008, which is one third of the needs of the investment budget. The following table provides the details of the available resources:

**Table 9-6: Available resources through optimization of resources**

	Recurrent budget		Investment budget		Total	
	in millions MAD	in % of Budget	in millions MAD	in % of Budget	in millions MAD	in % of Budget
Average 2005-2008	1,273	4.7%	1,624	34.2%	2,897	9.1%
Average 2009-2014	4,769	12.5%	984	31.0%	5,753	14.0%
Average 2015-2020	6,437	14.6%	122	19.0%	6,559	14.6%

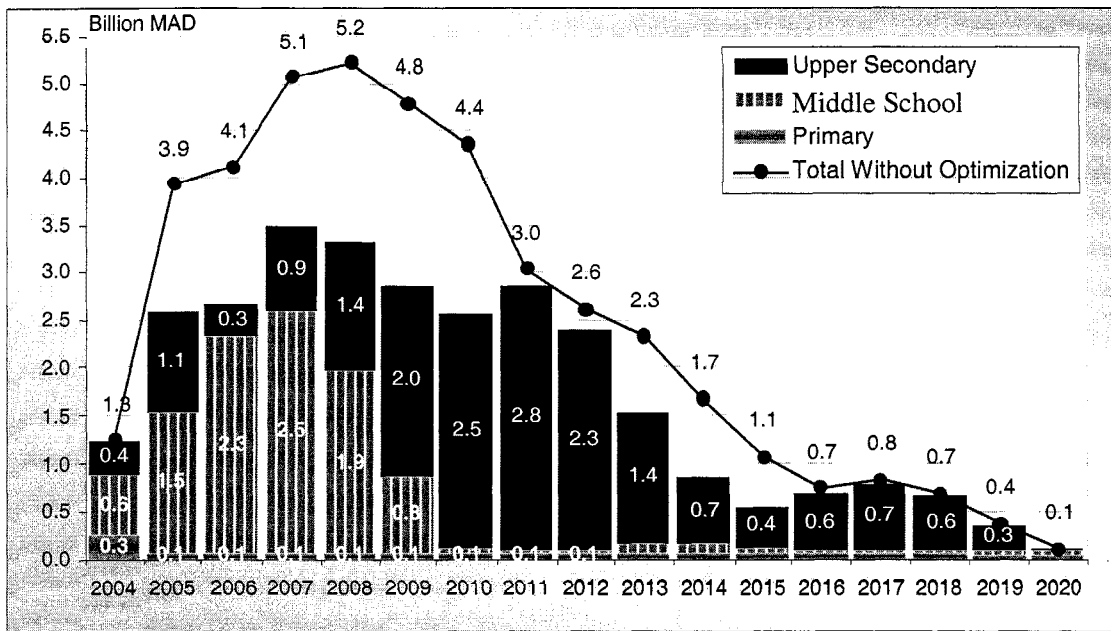
25. The evolution of financing needs in DEN’s recurrent cost using different scenarios is illustrated in the following chart. It shows that recurrent cost in Scenario 1 is close to 33 billion MD by 2009, and more than 41 billion MD by 2014. The different options for optimization introduced in Scenario 2 allows a reduction of the overall budget by 29.5 and 36.2 billion MD, respectively.

**Figure 9-14: Projection of financing needs: comparing scenarios**



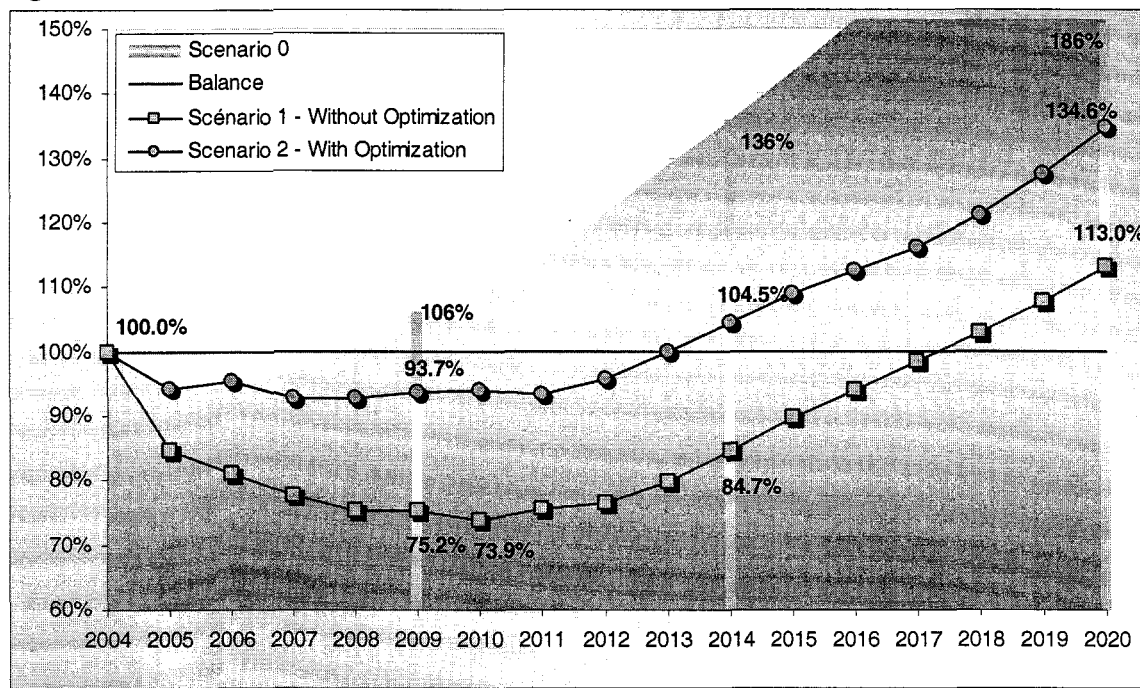
26. The investment needs show an annual average of 3.0 billion MD during the period covered by PARSEM (2005-2009), which will decrease to 2.2 billion MD during 2009-2014. The following chart illustrates the change in investment needs after optimization. It also shows the projected investment budget before and after optimization.

**Figure 9-15: Projected investment budget before and after optimization**



27. The different optimization options would considerably reduce the financing gap for national education during the next years. The financing gap would be limited to less than 5 percent during 2005-2012 while it would exceed 26 percent in Scenario 1 without optimization. After 2013, the surplus in the education budget can be allocated to improving teaching conditions. The following graph illustrates this point:

**Figure 9-16: Financial Equilibrium of National Education Budget**



### Conclusion

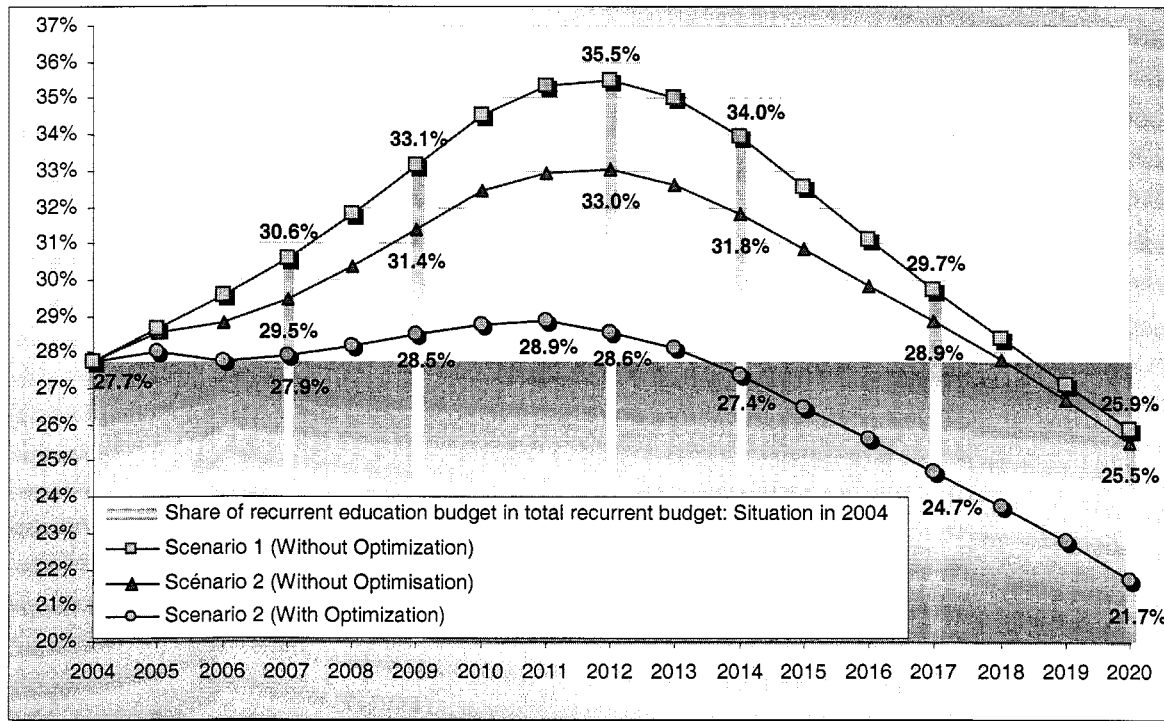
28. Meeting the objectives of the Charter to improve access to all levels of education as well as improve teaching conditions would require substantial increases in recurrent and investment budgets (Scenario 1 – base option without optimization). The Scenario 2 tempers this rate of change, delaying the achievement of certain quantitative and qualitative targets by two years (from 2010 to 2012). The financing gap calculated on the basis of potential resources for the education sector increases progressively reaching 26 percent in 2010. Even with the optimization of the number of hours taught by teachers, the gap persists, reaching 21 percent in 2009. Covering sector expenditures would require a significant increase in the proportion allocated to the education sector in relations to the Government budget reaching almost 36 percent in 2012 of the recurrent budget.

29. Expected improvements in efficiency at the primary level would also be attained in a more progressive manner. The improvement in teaching conditions (reduce the ratio of pupil / class and pupil / teachers) would be carried out after the full achievement of all enrollment rate targets (i.e., after 2013). Under this scenario, the current budget allocated to the National Education would remain under 29 percent of the overall government budget.



30. These results are achieved through a number of options to optimize the use of resources allocated to the education sector. These options include the reallocation of a portion of social expenditure to pedagogical expenditure, better utilization of human resources (increasing the number of hours taught by middle and upper secondary school teachers and maintaining current student/teacher ratios). Without the application of these options, the recurrent budget would be more than 33 percent of the national education budget of the government by 2012 (see Figure 8). Regarding the investment budget, despite the excess capacity that could be freed up at the primary level to be utilized for middle schools, an additional effort will need to be made over the next five years to capitalize the results achieved during the previous years of the education reform. This needs to be linked to the present needs in middle school and secondary education to meet the objectives of the Charter by 2010 in middle school and 2014 for secondary education. The following chart presents the equilibrium condition for the recurrent education budget as a proportion of total government recurrent expenditures for scenario 1 and 2, with and without optimization.

**Figure 9-17: Share of Recurrent Education Budget in Total Government Budget: Equilibrium Condition**



31. The share of primary, middle and secondary education expenditures follow the trends given in following chart. In the final year, the share of primary falls to 29 percent, while that of middle school education increases to 35 percent in 2006, before falling to 25 percent in 2018. Upper secondary education would have to increase its share to 46 percent by 2018 for fiscal sustainability.

## **Annex 10: Safeguard Policy Issues**

### **MOROCCO: Basic Education Reform Support Program**

1. In order to comply with the Bank's Operational Safeguards Policy relative to Environmental Assessment (OP 4.01) and the Involuntary Resettlement Policy (OP 4.12), an Environmental and Social Assessment (ESA) was conducted for PARSEM during the preparatory phase of the program. This assessment addressed environmental as well as social safeguards concerns mainly related to the construction of new schools. An Environmental and Social Safeguards Framework (ESSF) was prepared as a result of this assessment process, which details the mitigating measures that need to be carried out during project implementation as well as ways to improve monitoring capacity. These measures will be carried out concurrently to ensure proper compliance with the Bank Operational Policies triggered by the project namely the above-mentioned OP. 4.01 and OP.4.12.

2. The ESSF takes also into consideration the current institutional and regulatory framework in Morocco as applicable to PARSEM. This reform program is prepared and will be implemented as a Sector Wide Approach (SWAp) operation, meaning that it will be an integral part of a larger reform program in the education sector. The ESSF has been made available to the public through the DEN website as well as in the participating AREFs and the World Bank InfoShop.

3. The findings of the ESA are the following: (i) existing construction, functional standards, and construction monitoring norms do not guarantee the safety, health, and well-being of students, teachers, and personnel at schools; (ii) there is a lack of adequate resources for school maintenance; (iii) the practice of sole-source contracts with architects do not guarantee cost-effectiveness of school construction programs; and (iv) there is a sector-wide issue of arrears related to payment of land acquired for school construction.

4. Moreover, although existing land acquisition procedures in Morocco are consistent with the corresponding Bank's policy, the issue of arrears in payment of compensation is of concern. The Involuntary Resettlement Policy (OP4.12) was triggered because of the concern stemming from delayed payment of compensation for land acquisition. This issue is not specific to the education sector. The Bank's adjustment operation, the Asset Management Reform Loan (AMRL, 4700-MOR) is currently assisting the Government of Morocco to help improve the situation and to alleviate further problems. The ESSF includes monitoring activities with regards to the level of arrears in the education sector over the duration of PARSEM. Finally, there is a covenant related to resettlement and a disbursement condition related to land acquisition (see Section B5: Loan conditions and covenants).

5. The GoM and the Bank agreed that PARSEM will only finance school rehabilitation projects that do not require acquisition of new land. For new school construction, priority will be given to schools that do not require purchase of new land. These measures will help decrease the incidence of arrears in payment. The DEN and the AREFs will set up a budget line to finance new land acquisition, and pay judicial fines and penalties for delays in compensation.

6. In addition, the PARSEM operation includes Monitoring indicators that cross-reference many of the commitments made in the ESSF. For example, with regards to the above mentioned environmental issues, new construction norms will be introduced during the first year of program implementation and applied starting the second year (no new construction activities under PARSEM is programmed during the first year of the project). This progress will be closely tracked through Monitoring indicators (see Component 3.3). Furthermore, to ensure that PARSEM does not contribute to an increase in the amount of the arrears related to land acquisition, Monitoring indicators linked to asset management were also established under Component 3.3 (see list of Monitoring indicators in Annex 3).

7. A suggested list of measures designed to address the issues pointed out above are presented in Table 10-1. A list of indicators has been identified for the GoM to monitor improvements in the following areas: 1) capacity building; 2) mitigation measures; and 3) monitoring and evaluation. These measures are included in the ESSF as crucial steps for the Government to improve their performance in addressing environment and social safeguard issues.

8. Moreover, mitigating and monitoring measures identified in the ESSF will be distributed along with the Program Operations Manual (POM), which will be available to all implementing agencies before loan effectiveness. The ESSF constitutes a central depository of norms and guidelines for the implementation of the government's program and for reporting on program progress. For example, this framework defines mechanisms for monitoring the application of construction norms and functional standards and payment of land acquired for school construction.

9. Finally, there is a covenant related to resettlement and a disbursement condition related to land acquisition (see Section B.5. Loan conditions and covenants).

10. The list of AREFs that will benefit directly from the PARSEM are the following: Grand Casablanca, Chaouia-ourdigha, Doukala-Abda, Fès-Boulmane, Gharb-chrarda-bani hassan, Marrakesh-Tansift-Alhaouz, Meknes-Tafilalt, L'Orientale-Oujda, Rabat-Salé-Zemmour-Zair, Souss-Massa-Draa, Tadla-Azilal, Tanger-Tetuan, Taza-El Houseima-Taounate.

**Table 10-1: Action Plan for environmental and social safeguards<sup>9</sup>**

Measures	Related PARSEM Operation	Objectives					
		Sources of verification	Indicator	Year 1	Year 2	Year 3	Year 4
<b>Capacity strengthening measures</b>							
Update and develop operating standards for school buildings	SC 3.3 : Reinforce finance and administrative management capacity	Audit report	Action completed	To be completed during the first semester	--	--	--
Design and implement system for monitoring issues related to land acquisition	SC 3.3 : Reinforce finance and administrative management capacity	Audit report	Action completed	To be completed during the first semester	--	--	--
Conduct workshop on the implementation of environmental and social safeguards as defined in the operational manual (with the support of the World Bank) for AREF	SC 3.3 : Reinforce finance and administrative management capacity	Audit report	Number of staff trained	30	15	--	--
Conduct consultation workshop on land acquisition (with the support of the World Bank) for AREFs and DEN	SC 3.3 : Reinforce finance and administrative management capacity	Audit report	Number of staff trained	30	15	--	--
Proper procedures for environmental and social safeguards described in the POM (including procedures for managing contention regarding land acquisition)	SC 3.3 : Reinforce finance and administrative management capacity	- Manual completed and validated - Audit report	Ratio of AREFs using new procedures	To be completed before negotiations	100	100	100
<b>Mitigating measures</b>							
Implement new and updated set of operating standards and construction norms for school buildings (including site selection)	SC 3.3 : Reinforce finance and administrative management capacity	- Report completed and validated - Audit report	Ratio of AREFs using new set of operating standards and construction norms	To be completed during second semester	100	100	100

<sup>9</sup> A « benchmarking » system will be put in place for all activities involving the AREFs. An incentive mechanism will be established to help improve performance. This will provide incentives to improve their monitoring capacities, as well as encourage competitiveness among AREFs by disclosing their performance based on modalities specified as agreed with the DEN.

Measures	Related PARSEM Operation	Objectives					
		Sources of verification	Indicator	Year 1	Year 2	Year 3	Year 4
AREFs Implement maintenance and up keeping measures	SC 3.3 : Reinforce finance and administrative management capacity	- Audit report (on the basis of an appropriate sample)	Performance scale from 1 to 100	100	100	100	100
<b>Monitoring and Evaluation</b>							
Monitor number of contentious cases related to compensation of land acquisition for school construction in the education sector	SC 3.3 : Reinforce finance and administrative management capacity	Report from the litigation department of Ministry of Education - Report from the Central Directorate for Assets / MoF (Direction Centrale des Domaines du Ministère des Finances)	Amount of arrears for land acquisition in the education sector	Total of arrears should decrease relative to previous year	Total of arrears should decrease relative to previous year	Total of arrears should decrease relative to previous year	Total of arrears should decrease relative to previous year
Implement monitoring plan during construction of school as defined in the POM	SC 3.3 : Reinforce finance and administrative management capacity	- Report completed and validated - Audit report	Ratio of AREFS using the monitoring plan	To be completed during first semester	100	100	100
Conduct Annual audit of the overall implementation of environmental and social safeguards	Supervision missions	- Audit report	- Audit submitted	Yes	Yes	Yes	Yes

**Annex 11: Project Preparation and Supervision**  
**MOROCCO: Basic Education Reform Support Program**

	Planned	Actual
PCN review	February 2004	February 2004
Initial PID to PIC	May 2004	May 2004
Initial ISDS to PIC	May 2004	August 2004
Appraisal	June 2004	December 2004
Negotiations	September 2004	December 2004
Board/RVP approval	October 2004	February 2005
Planned date of effectiveness	April 2005	
Planned closing date	June 2008	

Key institutions responsible for preparation of the project: Department of National Education (DEN), The Directorate of Statistics, Strategy and Planning (DSSP).

Bank staff and consultants who worked on the project included:

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CHAOUALI Rafika	Sr. Financial Management Specialist	OPCFM
DUBEY Ashutosh	Economist of Education	MNSHD
ENGLISH Linda	Sr. Education Specialist	MNSHD
KADER Claudine	Project Assistant	MNSHD
KIJIMA Rie	Education Specialist	MNSHD
KONATE Kangbai	Education Specialist	MNSHD
LAURENT Catherine	Sr. Public Sector Management Specialist	MNSED
MELKONIAN Hovsep	Sr. Finance Officer	LOAG2
MOTAMEDI Alaleh	Procurement Specialist	MNACS
SEDERLOF Hjalte S. A.	Implementation Specialist	ECSHD
SPRATT Jennifer	Education Specialist	Consultant
WEBBER David	Lead Finance Officer	LOAG1
WILDT Andreas	Lead Procurement Specialist	MNACS
YAMOURI Najat	Sr. Participation Officer	MNCMA
ZAAFRANE Hafedh	Economist of Education	Consultant

Bank funds expended to date on project preparation:

1. Bank resources: US \$ 872,210.89
2. Trust funds: US \$ 964,421.32
3. Total: US \$ 1.83 million (as of November 1, 2004)

Estimated Supervision costs:

1. Estimated annual supervision cost: US \$ 85,000

**Annex 12: Documents in the Project File**  
**MOROCCO: Basic Education Reform Support Program**

Program Implementation Plan:

The Project Implementation Plan (PIP) is located in the Project files.

Government Documents:

COSEF (2000). Regards sur le système d'éducation formation au Maroc. Rabat: COSEF.

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DEN (2004). Programme d'Appui à la réforme du système éducatif marocain. Rabat: MENESFCRS.

Government of Morocco (2003). Rapport National Relatif aux Objectifs du Millénaire pour le Développement. Rabat: Government of Morocco.

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MENJ (2003). Statistiques Scolaires: Bilan de la rentrée scolaire 2002-2003. Rabat: MENJ

MENJ and CIDA (2003). Planification Stratégique. Rabat: MENJ.

World Bank Documents:

OPCS (2001). Key Performance Indicators for Managing and Achieving Results. (Unofficial document).

OPCS (2004). Sector-Wide Approaches: Concept, Applications, and Implications. Washington D.C.: World Bank.

World Bank (1999). Changing Patterns of Illiteracy in Morocco: Assessment Methods Compared. LSMS Working Paper, Number 115. Washington, D.C: World Bank.

World Bank (2004). Country Brief: Middle East and North Africa Region—Morocco. Washington, D.C: World Bank.

World Bank (2004). Evaluation Préliminaire du Système de Gestion Financière des Agences d'Exécution du Programme, Mars – Avril 2004 (Maroc). Washington D.C.: World Bank.

World Bank (2004). Evaluation Préliminaire du Système de Passation de Marchés des Agences d'Exécution du Programme, Février – Avril 2004 (Maroc). Washington D.C.: World Bank.

World Bank (1994). Kingdom of Morocco: Poverty, Adjustment, and Growth. (2 volumes). Washington, D.C: World Bank.

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World Bank (1990). Reaching the Disadvantaged: Social Expenditure Priorities in the 1990s. Washington D.C: World Bank.

Other donor documents:

UNDP (2003). Human Development Indicators. Website:  
[http://www.undp.org/hdr2003/indicator/cty\\_f\\_MAR.html](http://www.undp.org/hdr2003/indicator/cty_f_MAR.html) [2004/4/10]

UNESCO (2004). EFA Global Monitoring Report. Paris: UNESCO.



**Annex 13: Statement of Loans and Credits**  
**MOROCCO: Basic Education Reform Support Program**

Project ID	FY	Purpose	Original Amount in USS Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P069124	2003	MA-Rainfed Agriculture Development	26.80	0.00	0.00	0.00	0.00	28.55	0.40	0.00
P005516	2003	MA-ASSET MANAGEMENT REFORM	45.00	0.00	0.00	0.00	0.00	26.58	-1.32	0.00
P075808	2003	MA-Adult Literacy (Alpha Maroc)	4.10	0.00	0.00	0.00	0.00	4.75	0.75	0.00
P073531	2002	MA-Social Development Agency	5.00	0.00	0.00	0.00	0.00	6.86	0.90	0.15
P056978	2001	MA-IRRIGATION BASED COMMUNITY DEV.	32.57	0.00	0.00	0.00	0.00	31.40	8.20	0.00
P048314	2000	MA-PROTECTED AREAS MANAGEMENT	0.00	0.00	0.00	9.80	0.00	9.96	9.69	0.00
P063918	2000	MA-LEGAL AND JUDICIAL DEVELOPMENT	5.30	0.00	0.00	0.00	0.00	2.97	1.90	0.00
P065757	2000	MA-SUSTAINABLE COASTAL TOURISM DEV.	2.20	0.00	0.00	0.00	0.00	0.79	0.37	-0.01
P005525	1999	MA-HEALTH MANAGEMENT	66.00	0.00	0.00	0.00	20.33	45.69	60.10	-0.38
P005524	1999	MA FES/MEDINA REHAB.	14.00	0.00	0.00	0.00	4.40	7.85	11.18	0.75
P005519	1999	LAKHDAR WATERSHED MG	4.00	0.00	0.00	0.00	1.00	1.78	2.78	0.00
P005521	1998	MA-WATER RESOURCE MGMT.	20.00	0.00	0.00	0.00	3.28	8.33	11.37	0.00
P043725	1997	MA-RAILWAY RESTR & PRIV	85.00	0.00	0.00	0.00	0.00	44.68	49.24	26.67
P005503	1996	SEW.& WATER REUSE II	40.00	0.00	0.00	0.00	12.00	11.96	23.96	0.17
Total:			349.97	0.00	0.00	9.80	41.01	232.15	179.52	27.35

**MOROCCO**  
**STATEMENT OF IFC's**  
**Held and Disbursed Portfolio**  
**In Millions of US Dollars**

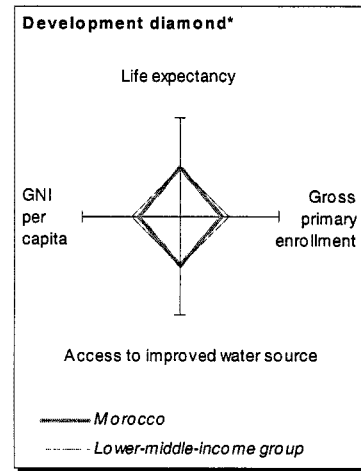
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2000	Maghreb Inv. Mgt	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
2000	Maghreb Invest P	0.00	5.00	0.00	0.00	0.00	4.75	0.00	0.00
2001	Medi Telecom	56.42	0.00	22.13	319.63	56.42	0.00	22.13	319.63
Total portfolio:		56.42	5.02	22.13	319.63	56.42	4.77	22.13	319.63

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
2003	Al Amana Micro	0.00	0.00	0.00	0.00
2002	SGRI	0.00	0.00	0.00	0.00
Total pending commitment:		0.00	0.00	0.00	0.00

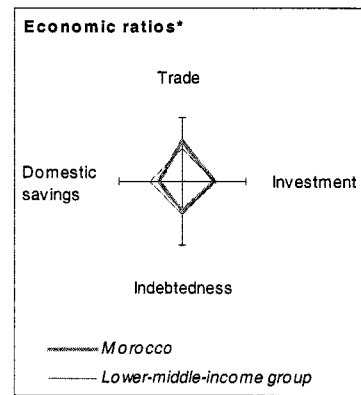
## Annex 14: Country at a Glance

### MOROCCO: Basic Education Reform Support Program

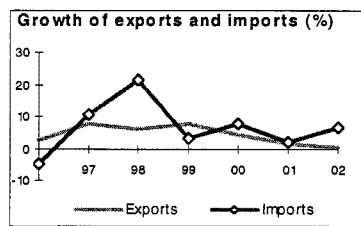
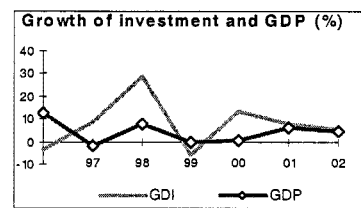
POVERTY and SOCIAL	M. East & North Africa		
	Morocco	Africa	Lower-middle-income
<b>2002</b>			
Population, mid-year (millions)	29.6	306	2,411
GNI per capita (Atlas method, US\$)	1,90	2,070	1,390
GNI (Atlas method, US\$ billions)	35.3	670	3,352
<b>Average annual growth, 1996-02</b>			
Population (%)	16	19	10
Labor force (%)	2.5	2.9	12
<b>Most recent estimate (latest year available, 1996-02)</b>			
Poverty (% of population below national poverty line)	19	..	..
Urban population (% of total population)	57	58	49
Life expectancy at birth (years)	68	69	69
Infant mortality (per 1,000 live births)	39	37	30
Child malnutrition (% of children under 5)	..	..	11
Access to an improved water source (% of population)	80	88	81
Illiteracy (% of population age 15+)	49	35	13
Gross primary enrollment (% of school-age population)	94	95	111
Male	101	98	111
Female	88	90	110



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1982-2002				
	1982	1992	2001	2002	2002-06
GDP (US\$ billions)	15.4	28.5	33.9	37.3	
Gross domestic investment/GDP	28.2	23.2	24.8	25.2	
Exports of goods and services/GDP	19.2	25.1	30.7	29.9	
Gross domestic savings/GDP	13.8	16.5	19.5	19.3	
Gross national savings/GDP	18.2	21.7	25.0	24.0	
Current account balance/GDP	-12.1	-1.5	4.8	..	
Interest payments/GDP	4.3	8.1	2.7	2.9	
Total debt/GDP	80.4	79.7	58.9	49.9	
Total debt service/exports	44.8	40.6	18.2	32.9	
Present value of debt/GDP	..	..	43.4	..	
Present value of debt/exports	..	..	104.6	..	
<b>(average annual growth)</b>					
GDP	4.2	3.0	6.5	4.5	3.4
GDP per capita	2.0	1.3	4.8	2.9	1.7

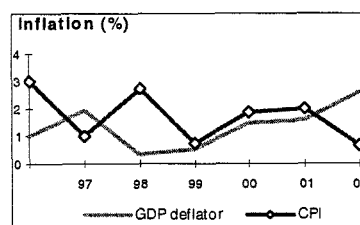


STRUCTURE of the ECONOMY	1982-2002			
	1982	1992	2001	2002
<b>(% of GDP)</b>				
Agriculture	15.3	15.4	15.8	16.1
Industry	31.9	32.3	31.4	31.1
Manufacturing	17.3	18.1	17.3	17.3
Services	52.8	52.3	52.8	52.8
Private consumption	67.9	66.7	62.4	64.8
General government consumption	18.3	16.8	18.1	16.0
Imports of goods and services	33.7	31.8	36.1	35.9
<b>(average annual growth)</b>				
Agriculture	5.3	1.7	23.0	7.0
Industry	3.2	3.5	3.0	3.5
Manufacturing	4.2	3.0	4.0	4.5
Services	4.3	3.2	5.1	4.5
Private consumption	4.3	3.4	3.9	10.0
General government consumption	3.8	3.9	14.5	-6.0
Gross domestic investment	2.9	5.1	8.1	5.6
Imports of goods and services	5.9	6.5	2.3	6.7



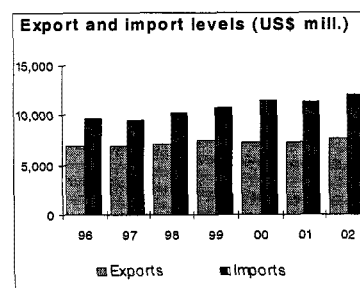
## PRICES and GOVERNMENT FINANCE

	1982	1992	2001	2002
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	10.5	5.7	2.0	0.6
Implicit GDP deflator	7.2	4.4	1.6	2.6
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	22.0	26.2	24.5	24.0
Current budget balance	..	..	-1.4	0.2
Overall surplus/deficit	-12.1	-2.3	-0.8	-3.4



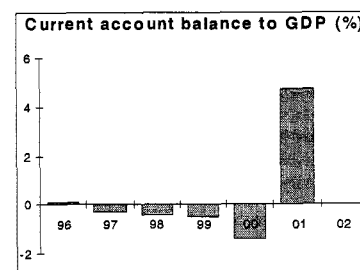
## TRADE

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Total exports (fob)	2,065	5,045	7,256	7,663
Agriculture	546	1,186	1,745	1,958
Phosphorus rock	572	307	445	439
Manufactures	407	2,612	3,822	3,966
Total imports (cif)	4,315	8,113	11,394	12,083
Food	580	895	1,370	1,459
Fuel and energy	1,173	1,124	2,026	2,086
Capital goods	953	2,019	2,237	2,393
Export price index (1995=100)	70	87	82	85
Import price index (1995=100)	78	91	89	88
Terms of trade (1995=100)	89	95	91	96



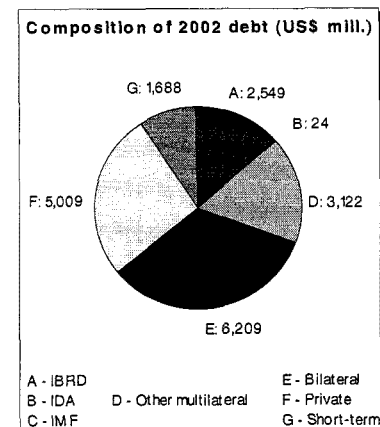
## BALANCE of PAYMENTS

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Exports of goods and services	2,989	7,134	10,541	10,941
Imports of goods and services	5,199	9,043	12,380	13,109
Resource balance	-2,230	-1,909	-1,839	-2,168
Net income	-650	-1,057	-944	-1,066
Net current transfers	981	2,533	2,520	2,567
Current account balance	-1,867	-433	1,611	..
Financing items (net)	2,061	1,116	374	..
Changes in net reserves	-194	-683	-1,985	223
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC, local/US\$)	6.0	8.5	11.3	11.0



## EXTERNAL DEBT and RESOURCE FLOWS

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	12,401	22,674	19,944	18,601
IBRD	698	3,408	2,500	2,549
IDA	41	37	25	24
Total debt service	1,721	3,894	2,556	3,691
IBRD	89	518	452	412
IDA	1	1	2	2
Composition of net resource flows				
Official grants	163	182	172	..
Official creditors	726	471	-432	-727
Private creditors	804	49	62	-399
Foreign direct investment	80	503	2,658	..
Portfolio equity	0	0	-8	..
World Bank program				
Commitments	136	275	8	33
Disbursements	135	477	61	45
Principal repayments	38	270	280	269





MAP SECTION

