

**Document of
The World Bank**

**MOROCCO INTEGRATED DISASTER RISK MANAGEMENT AND
RESILIENCE PROGRAM**

Fiduciary Systems Assessment

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Acronyms and Abbreviations

BGE	<i>Budget General de l'Etat</i> (State General Budget)
CAS	<i>Compte d'Affectation Special</i> (Earmarked Budget Line)
CDC	<i>Cours des Comptes</i> (Court of Accounts)
CDM	<i>Commission des marchés</i> (Procurement commission)
CNCP	<i>Commission Nationale de la Commande Publique</i> (National Commission of Public Procurement)
DAA	Directorate of Administrative Affairs
DAPS	<i>Direction des Assurances et de la Prévoyance Sociale</i> (Department of Insurance and Social Welfare)
DEPP	<i>Direction des Entreprises Publiques et de la Privatisation</i> (Department of State-owned enterprises and Privatisation)
DLI	Disbursement-Linked Indicators
FLCN	<i>Fonds de Lutte contre les Catastrophes Naturelles</i> (Fund for the Fight against Natural Disasters)
FSEC	<i>Fonds de Solidarité Contre les Évènements Catastrophiques</i> (Catastrophic Events Solidarity Fund)
FSA	Fiduciary Systems Assessment
GCC	General Contract Conditions
GDP	Gross Domestic Product
GFMIS	Government Fiscal Management Information System
GOM	Government of Morocco
IGAT	<i>Inspection Générale de l'Administration Territoriale</i> (General Inspectorate of Territorial Administration)
IGF	<i>Inspection Générale des Finances</i> (General Inspectorate of Finance)
ICPC	<i>Instance Centrale de Prevention de la Corruption</i> (The Central Authority for Corruption Prevention)
IMF	International Monetary Fund
INDH	National Human Development Initiative Project
KFPI	Key Fiduciary Performance Indicators
LG	Local Governments
MEF	Ministry of Finance
MoI	Ministry of Interior
PAP	Program Action Plan
PCU	Program Coordinating Unit
PEFA	Public Expenditure and Financial Accountability
PforR	Program-for-Results
POM	Program Operations Manual
PPD	Public Procurement Decree
SBD	Standard Bidding Documents
SG	<i>Secretariat General</i> (Secretariat General)
SGG	General Secretariat of the Government
SOE	State-Owned Enterprise
TGR	<i>Trésorerie Générale du Royaume</i> (General Treasury of the Kingdom)

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EXECUTIVE SUMMARY

1. **Purpose of the FSA.** The main principles that guided the preparation of the FSA are to ensure that: the fiduciary systems for the program are reliable and offer reasonable assurance for transparency, accountability with clear decision making and performance, that the capacities in place are adequate for proper implementation of program activities and appropriate use of the funds; and that the risks identified are properly mitigated. The FSA comprises separate assessments of the risks relating to the Program's procurement, financial management, and fraud and corruption aspects. It provides an assessment of the fiduciary systems applicable to the Program, the institutional arrangements defined for the Program and the fiduciary risks associated to the Program. It also measures recommended as part of the Program Action Plan (PAP) to mitigate the key risks identified so as to be able to track and improve the fiduciary performance. On fraud and corruption aspects, the FSA assessed the availability of fiduciary information, the oversight of Program activities, the management of complaints, the grievance redress mechanism and the fight against fraud and corruption.
2. **The nature of the Program makes it difficult to predict the individual entities likely to access the funds.** Indeed, the activities to be principally financed under the Program will be selected following calls for proposals, launched periodically (on a yearly basis). In general, the categories of entities that will access FLCN funding are potentially central or deconcentrated government entities such as ministries, governorates, autonomous government agencies (i.e. *établissements publics, agences de bassin*), or SOEs on one hand and local government entities such as Municipalities, Associations of Municipalities, Municipality-owned enterprises (i.e., *Sociétés de Patrimoine, Sociétés de Développement Local*), or local government agencies on the other hand.¹ In this context, the FSA places particular emphasis on evaluating the Program systems at the level of the MoI as one of the key Program implementation agencies, especially for sub-programs One and Two.²

Procurement and financial management

3. **The FSA builds on the experience and knowledge of Moroccan Public Procurement and Financial Management systems (ongoing dialogue on procurement reforms, specific studies such as the “Enabling procurement reforms in Middle East and North Africa, case of Morocco”, 2009 PEFA (national), 2007 CFAA, etc.), previous diagnostics, past experience with communes, SOEs and ministries and reports including audits.** A main feature of this Program is its cross cutting and cross-sectoral nature, with involvement of several entities as described in the paragraph above (i.e., ranging from ministries to SOEs and communes, including remote, small and medium). The fiduciary rules and procedures applicable to the Program refer all to the country systems and are described in this FSA.
4. **The Program's flow of funds was discussed and agreed with the Budget Directorate of the MEF.** Bank proceeds will be reflected in the BGE, under the CAS-FLCN. They will be transferred to the single treasury account of the State at the TGR. Beneficiaries (project proponents) will also use accounts that are part of this network of accounts (ministries, municipalities, government agencies, other public sector entities). Following calls for proposal and project selection of projects to be co-financed through the CAS-FLCN, the beneficiaries (projects proponents) will sign an FA with MoI to detail the specific arrangements for the financing of risk management and resilience investments. The calendar, conditions, amounts, and procedures for the transfer of funds between MoI and the project proponents will be

¹ For the typology of projects see PAD Annex 1.

² Will be implemented by MEF.

specified in the FA. Disbursement of Bank proceeds will be made at the request of the Borrower upon achievement of disbursement-linked indicators (DLIs). The disbursement arrangements for the Program may allow for advances once the Program becomes effective.

5. **Accounting and financial reporting are primarily handled by the TGR in relationship with the line ministries and communes.** Monthly budget execution reports are published with less than 3-month delay in its Monthly Statistical Bulletin for Public Finance (*Bulletin Mensuel des Statistiques des Finances Publiques*), published on TGR website. These monthly statements on budget execution will provide line ministries, communes with access to detailed data on the execution of their budgets and help them prepare a quarterly update of budget execution. With the Government Fiscal Management Information System (GFMIS) in place, line ministries and local governments have access to most data on their budget execution on a real time-basis. However, SOEs do not have access to that system (GFMIS) and therefore, will have to generate financial information on their budget and particularly those related to the Program, using specific systems.
6. **Procurement will be conducted in accordance with the public procurement decree (State, local governments and administrative SOEs) or specific procurement rules compliant to a large extent with the public procurement decree (non-administrative SOEs, autonomous government agencies).** A new public procurement decree (PPD) was adopted in December 2012 and came into effect on January 1, 2014. It addresses some of the main weaknesses and gaps that characterized Moroccan public procurement system, with regard to transparency, accountability, efficiency, risks of corruption, and mechanisms to manage complaint and to redress grievance. The key features of the decree are the following: (i) it constitutes a unified regulatory framework for procurement applicable to public sector (state, local governments and administrative state-owned enterprises) and (ii) it brings the selection of architect in line with the principles of competition and equal treatment of bidders. Following this reform, all non-administrative SOEs and autonomous government agencies have been requested to revise their procurement rules to comply with the new decree (which is done in most of the cases).
7. **Apart from the PPD and the specific procurement rules, standard bidding documents (SBD) including General Conditions of Contracts (GCC) exist.** Together with the decree, they provide to the procuring entities the tools they need to conduct their procurement activities. The GCC include provisions for management of contractual relations between the contractor and the employer. They will be used for all the Program.
8. **The use of electronic procurement portal (ref. art 147 of PPD) has increased the availability of procurement related information such as bid opportunities, calls for proposals, cost estimates, contract-related documentation and results of tendering publicly available.** Moreover, the electronic procurement system includes additional features like the electronic submission of bids, a suppliers 'database, electronic reverse auctions, and grouped purchases. Their use is limited only to entities subject to the public procurement decree (State, local governments and administrative SOEs). So far, the experience on the use of electronic procurement is very limited and its impact not yet assessed.
9. **Procurement Planning and the publication of the plans are made mandatory by the public procurement decree (PPD).** Each public procuring entity is required according to the PPD, to publish its procurement plan which shall include all contracts planned for the fiscal year, under its budget. The publication should be done at least two national newspapers (one in Arabic and one in foreign language) and on the procurement electronic portal, no later than the end of the first quarter of each fiscal year. This requirement fosters the access to information on procurement opportunities for all potential bidders.

10. **Setting of non-monetary criteria for the evaluation of bids is a challenge.** In most of the cases, bid evaluation criteria are solely based on prices, whereas other criteria than price expressed in monetary term could improve the cost effectiveness in procurement.
11. **The PPD fosters open competitive bidding as the default procurement method.** It requires that bidding opportunities be advertised in at least two newspapers (one in Arabic and the other in a foreign language) and on the public procurement portal. For each bidding process, a procurement committee is set up, comprising representatives of the procuring entity and the Controller of the Ministry of Finance (TGR or DEPP). The controller's main role is to ensure that the rules and procedures are followed accordingly. In particular cases where the estimated contract amount does not exceed MAD 200,000 the shopping method could be used. This threshold could be raised exceptionally for LG up to MAD 500,000 by decision of the Minister of Interior, on a case-by-case basis.
12. **Controls oversight of procurement and audits.** There are many controls and oversight over the procurement and contract award process, all laid out in the PPD. They are performed by the controller of the MEF (TGR for ministries and LG and DEPP for SOEs). The controls look at the compliance with the provisions of the PPD in terms of quality of bidding documents, respect of bidding procedures including advertisement and opening and they also review for approval approval/formal clearance ("Visa préalable") the evaluation report and the draft contract. For LG, other controls (review and approval) on procurement by the MoI (Governor of the province) may apply.
13. **All the implementing entities are subject to external audits.** These audits are conducted respectively by the General Inspectorate of Finance (IGF) for ministries, the administration and SOEs and by the General Inspectorate for Territorial Administration (IGAT) for local governments and non-administrative SOEs. Furthermore, the Supreme Audit Institution (*Cour des Comptes*) could audit all public entities, irrespective of their nature.
14. **The complaints management in procurement has been identified as one of the main weaknesses of the Moroccan procurement systems³** as it was viewed as not independent enough and did not offer sufficient guarantee for an effective and fair treatment for bidders. The treatment of procurement complaints (non- judicial) was part of the responsibilities of the "Commission des marches" (CDM), composed only of representatives of public entities (no private sector or civil society). The CDM has no power to suspend ongoing procurement processes and its decisions are not binding. When courts are involved, the judicial decision takes too long and happens usually after contract execution. To modernize and improve the efficiency of the current system, the government has embarked in an ambitious reform process to transform the CDM into a "*Commission Nationale de la Commande Publique*" (CNCP) that is more independent, and has the authority to make binding decisions and to suspend ongoing procurement processes. It comprises representatives from private sector and civil society, in addition to public entities. The decree creating the CNCP has been approved by the council of government in September 2015. CNCP has the mandate to handle and manage complaints in procurement and contract execution. Other responsibilities of the CNCP include (i) regulation of policies, documents and standards for public procurement and (ii) coordination and oversight of training in procurement.
15. **Fraud, corruption, and debarment of Contractors.** Morocco's new constitution, enacted on July 1, 2011, explicitly mentions the need to fight corruption and to ensure good governance and transparency as fundamental tools of public sector management. It also recognizes the right to citizen participation in

³ ref. UCS assessment in 2011

government decision-making and public engagement, as well as the right to access public information. The new Constitution sets the ground for more transparency and efficient use of public resources, through Title II on conflict of interest, misconduct in public procurement, misuse of public funds, greater transparency, accountability, and fight against fraud and corruption and through Title XII for good governance.

16. The National Human Rights Council (*Conseil national des Droits de l'Homme - CNDH*) was established by the 2011 Constitution⁴ as a successor of the former Advisory Human Rights Council (*Conseil consultatif des Droits de l'Homme - CCDH*) to consolidate the country's rule of law. The Council is a constitutional body equipped with legal and financial autonomy and independence vis-à-vis the legislature, executive and judiciary branches. It is mandated to hear a broad range of complaints any claim for violation of human rights (including social and economic rights as well as fraud in public administration matters). The Council and its thirteen regional commissions received 41,704 complaints and grievances from its establishment in 2011 to 2013. A significant part of complaints brought to the Council related to allegations of violations of the rights of users of public administration services. In addition, the Council is empowered to initiate and conduct necessary investigations and inquiries in case of violations (*autosaisine*) and recommends sanctions.
17. The Institution of the Ombudsman (*L'Institution du Médiateur*) is a constitutional body that was established by the new Constitution⁵ to replace the former Grievances Office (*Diwan Al Madalim*). The Ombudsman's mandate covers handling complaints and grievances of citizens, domestic or foreign individuals or legal entities against the administration (including regional and local governments) and organizations that benefit from financial support of the State. The Government is obliged by law to respond within a time limit to any Ombudsman request. The Ombudsman has been granted legal and financial autonomy as well as independence towards the legislature, executive and judiciary branches. The Ombudsman is, in addition, empowered with capacity of investigation on its own initiative (*autosaisine*). It is free and easily accessible as grievances, complaints and claims can be introduced through regular or registered mail, fax or internet. Four regional offices have been created and are operational to represent the institution at the local and regional level and facilitate access for citizens. According to its latest annual report, the total number of complaints and grievances treated by the institution reached 1,919 in 2013, a majority of which involved the MoI, the MEF, the Ministry of Education, the Ministry of Employment and Social Affairs, and regional and local governments. Complaints brought to the Ombudsman mostly related to administrative, real estate and financial and legal cases.
18. The Government will use its own systems to take all appropriate measures to prevent fraud and corruption in connection with the Program. The Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 1, 2012 and revised July 10, 2015 (the Anti-Corruption Guidelines) will apply. The Bank's debarment list, which is easily accessible, will be checked by all procuring entities before awarding contracts. The Government has developed experience on this with the EU Anti-Fraud Office. The MoI will handle and report to the Bank allegations occurring under the Program via the annual reports during Program implementation. Discussions have been held with the Government on the World Bank's prerogative of administrative inquiry for allegations of fraud and corruption. The Government's collaboration with the Bank on the administrative inquiries into allegations which the Bank intends to pursue has been confirmed during appraisal. In accordance with the Bank's Anti-Corruption guidelines for PforR operations, the Program will take steps to ensure that "any

⁴ Article 161 of the 2011 Constitution.

⁵ Article 162 of the 2011 Constitution and Royal Decree n° 1-11-25 of March, 17th 2011.

person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension". The MoI will verify the names of the contractor against the Bank's database⁶ of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program.

19. The Borrower will: (a) take all appropriate measures to ensure that the Program is carried out in accordance with the Bank's Anti-Corruption Guidelines; (b) take all appropriate measures to prevent fraud and corruption in connection with the Program, including (but not limited to) adopting and implementing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted; (c) promptly inform the Bank of all credible and material allegations or other indications of fraud and corruption in connection with the Program that come to its attention, together with the investigative and other actions that the Borrower proposes to take with respect thereto; (d) unless otherwise agreed with the Bank with respect to a particular case, take timely and appropriate action to investigate such allegations and indications; report to the Bank on the actions taken in any such investigation, at such intervals as may be agreed between the Borrower and the Bank; and, promptly upon the completion of any such investigation, report to the Bank the findings thereof; (e) if the Borrower or the Bank determines that any person or entity has engaged in fraud and corruption in connection with the Program, take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its recurrence; and (f) ensure that any person or entity debarred or suspended by the Bank is not awarded contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension.

20. **In addition to the MoI (which is in charge of the management of the Program, specifically Sub-programs One and Two), several other entities such as ministries, local governments and SOEs and public agencies will be in charge of the implementation of Program activities.** As part of the arrangement for the management of the Program, the Direction of Administrative Affairs (DAA) of the MoI, will provide support to the Program coordination unit (the Secretariat) on all fiduciary aspects. It has dedicated services and experienced staff working on fiduciary matters, according to the Moroccan rules: planning, budgeting, procurement, accounting, reporting, etc. The DAA is already involved in other operations financed by the Bank in Morocco (ex. INDH2, Local government support project) and is well familiar with Bank procedures. Within the DAA, the division of Budget and Accounting on the one hand and the division of Procurement on the other, will be the main divisions involved in the Program. The division of Budget and Accounting will be responsible for programming the annual budget of the Program, the management of the budget including release of funds to selected projects proponents according to financing agreements (MOU) signed by MoI and the MEF and the project proponents (cf. Article 22 Organic Law on Finance, 1998), processing of payment request on contracts and transmission to Treasurers, etc.. The division of Procurement will be responsible for procurement and approval of payments for all activities directly managed by the MoI within the program (Secretariat General). Also as part of its fiduciary role, the DAA will be responsible for producing the financial statements for purposes of the financial audit of the Program. For all projects selected following the call for proposals, the project proponents (ministries, local governments and SOEs) will have the responsibility to handle procurement and financial management. Among the local governments (municipalities, provinces, prefecture and region), there is a need to distinguish provinces, prefectures and large urban communes, which are usually well structured and have dedicated staff for management of fiduciary, from rural communes and small and medium size urban communes that have generally weak capacities and insufficient staff, and lack training. As for the ministries and SOEs, they have in general, dedicated and well organized services for management of fiduciary, with experienced staff. However, there are a few common issues which relate

⁶ [https:// www.worldbank.org/debarr](https://www.worldbank.org/debarr)

to staff workload that have negative impact on performance and the lack of training on fiduciary topics such as budget management, procurement, internal audit, financial management, etc. It is key to the Program's risk mitigation that fiduciary aspects of project proposals and the fiduciary capacity of project managing entities will be part of the criteria for the selection of projects. Project proponents will prepare and submit periodical reports including fiduciary aspects and performance, to the MoI, according to an agreed format. Furthermore, an information management system will be developed to help monitor and evaluate the implementation of projects and activities funded. All information collected from regional level will be aggregated at central level and help make decisions when needed, to improve the program and individual projects and activities' performances.

21. The overall risk for the Program has been rated SUBSTANTIAL.

22. Considering the systemic constraint on the budgetary system in Morocco and the potential weakness of some project proponents, mitigation measures are proposed in the Program Action Plan. A few indicators are also proposed to monitor fiduciary performance over the implementation.

23. The main risks identified in the Program are the following:

- Lack of independent appeal system and efficient process for handling complaints;
- Quality and timeliness of annual audited and financial statements;
- Low fiduciary capacity among a few category of project proponents, namely rural communes;
- Delay in the transfer of financial resources for the Program (from General Budget to CAS-FLCN and from CAS-FLCN to project proponents' account);
- Delays in bidding process and contracts award and payment;
- Issue associated with the quality of design and specifications;
- Lack of technical skills for preparation of quality bidding documents and accurate cost estimates;
- Issue of capacity for contract management;
- Non-compliance with procurement procedures;
- Issues of weak contract supervision and lack of training.

24. To mitigate the risk identified, the following set of actions are proposed as part of the Program Action Plan:

- In addition to the newly created CNCP (decree approved by the council of government on September 2015) that has the responsibility to manage complaints arising in procurement and contract management, set up a grievance redress mechanism for the program. Such a system could also feed the procurement complaints system managed by the CNCP;
- Support for the design and supervision of works. In the case of sub-projects, including works for construction or retrofitting of infrastructures, it will be required to the sponsor to use the services of qualified firms or their own departments with the relevant expertise in case the sponsor is a public entity, to assist in the technical design of these works and in the supervision of the works;
- Profile of project proponents and capacity building program. Following the selection of sub projects, MoI will assess the project proponents to establish the profile of each of them and therefore to identify the capacities in place and the needs for capacity building. Such an assessment will lead to the establishment of fiduciary training needs for each sponsor and the establishment of an annual training plan for the program. The training plan will be implemented as part of the program of action.

Measurement of fiduciary performance of the Program

25. The following fiduciary indicators are proposed. They will be monitored and the recommendations and correctives measures proposed will complement the actions proposed above, to mitigate the risks identified and improve Program execution.

a. Procurement:

- Bidding processes conducted according to plan;
- Time period for payment of invoice;

b. Financial management

- Timeliness of annual financial statements of the program;
- Timeliness of program annual audit report.

I. Introduction

1. This document is the Fiduciary Systems Assessment (FSA) of the World Bank-financed Morocco Integrated Disaster Risk and Resilience Management Program-for-Results (“the Program”). The assessment was carried out by the Bank fiduciary team through the preparation phase, in accordance with the Policy and Directives on PforR Financing. It was conducted, in close collaboration with the Bank technical team, through analysis of available documents and working sessions with the main stakeholders. The FSA comprised an integrated assessments of the fiduciary risks relating to the Program’s procurement, financial management, and fraud and corruption. It provides a picture of the current situation of the fiduciary systems applicable to the Program, the institutional arrangements defined for the Program and the fiduciary risks associated to the Program. It includes also the measures recommended as part of the PAP, to mitigate the risks and actions to track and improve the fiduciary performance.

2. The FSA considers whether the Program’s fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program’s institutional arrangements, financial management and procurement systems, and governance systems.

3. The FSA was conducted based on current knowledge of Moroccan public procurement and financial management systems, previous diagnostics, past experience with communes, SOEs and ministries, reports and audits, as well as an assessment of the Program institutional management arrangements, in particular in terms of Ministry of Interior (MoI) and Ministry of Finance (MEF) capacity to manage the fiduciary aspects of the Program, as well a sample of potential implementation agencies. The FSA also reflects the assessment of various types of potential beneficiaries on a sample basis, including various municipalities (like Agadir, Marrakesh or Casablanca) and a governorate (Rabat) The Bank fiduciary team was involved from the preparation stage and met with the country’s control bodies⁷, as well as the General Treasury of the Kingdom (Trésorerie Générale du Royaume - TGR) and the Directorate of Budget and Accounting of the Ministry of Interior (MoI).

4. Findings from the assessment, as well as a review of existing analytical and diagnostic work, conclude that the Program’s fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes.

II. Program Description and Expenditure Framework

5. The proposed Program will support a subset of the Moroccan Government’s program in the area of risk management and resilience to natural hazards. In particular it will strengthen aspects of all three sub-programs of the Government program. Specifically, the Program will support the i) institutional and capacity building; ii) risk reduction investment and ii) disaster risk financing and insurance sub-programs of the Government Program. The Program will be included in the government annual budget, in particular in a special purpose account (*compte d’affectation special, CAS*) i.e., the *Fonds de Lutte contre les Effets des Catastrophes Naturelles (FLCN)*.⁸

⁷ The General Inspectorate of Territorial Administration (*Inspection Générale de l’Administration Territoriale - IGAT*), the Central Body for Corruption Prevention (*Instance Centrale de Prévention de la Corruption - ICPC*), the Court of Accounts (*Cour des Comptes - CDC*), and the MEF’s General Inspectorate of Finance (*Inspection Générale des Finances - IGF*).

⁸ Expenditures under Sub-program 3 are not as explicitly covered in this FSA as the precise source and allocation of future required expenditures to capitalize the FSEC will be developed as part of the Program.

6. Morocco has launched an ambitious public financial management reform leading to improved alignment of the Moroccan public procurement and financial management systems with international practices. Overall, these systems have experienced a very positive development over the past decade. Budget execution is generally predictable and does not deviate substantially from planned and voted budget.

III. Program Institutional Arrangements

7. At the overall Program management level, the FLCN Secretariat, housed in the Secretariat General's office (SG) of the MoI will play the role of the Program Coordinating Unit (PCU) and will serve as Bank interface for the Program (specifically for sub-program one and two), together with the Direction de Budget and the DAPS in the MEF (for sub-program three). The PCU will be responsible for coordination, facilitation, and monitoring of day-to-day implementation of the Program. It will also support the work of the Steering Committee and the National Selection Committee. The PCU will additionally be in charge of preparing the Program Midyear Report, the Program Progress Report and the Program Financial Statements--and be responsible to the implementation of the Program according to the Program Operations Manual (POM) which will be prepared prior to Program effectiveness. The DAA (*Direction des Affaires Administratives*) of the MoI will provide support fiduciary support to the PCU. It will be in charge of procurement and financial management at central level. For subprogram three, the Direction de Budget and the DAPS in the MEF will be the lead implementation agency. Detailed reporting guidelines will be included in the program operations manual (POM). It has to be noted that this reporting covers the entire Program, irrespective of the funding source (Bank or other).

IV. Financial Management Systems

8. The Program proceeds will follow the national budget formulation process, structure, and classification. This system has been formally assessed in the 2009 PEFA⁹ assessment. Each government adopts and presents to Parliament its five-year development plan. The current government program covers the period 2012-2016. It outlines the main policy priorities and objectives, including in terms of macro-economic policy and public finances, such as bringing down the budget deficit to 3% of GDP by 2016. This program is complemented by sector-specific strategies covering different time horizons and budget resources. While these policy priorities and strategies inform the budget preparation, there is no formal or systematic link.

9. The current budget reform aims at strengthening this link and the transparency of budget allocation, through the adoption of a programmatic budget structure and performance objectives and indicators. The organic law introducing these changes was submitted to the Parliament. The swift implementation of this reform would increase the consistency between the budget and the government's priorities. For the 2015 budget, four pilot ministries will test this new budget structure and present to Parliament a programmatic budget and performance objectives, with the support of the Bank. The government program includes a fiscal target (a deficit of 3% of GDP by 2016 compared to 7.4% in 2012) and the Precautionary and Liquidity Line agreed in 2012 with the IMF includes fiscal forecast. However, Morocco does not yet publish a multiannual budget framework. Multiannual budget programming is foreseen in the organic budget law.

⁹ Public Expenditure and Financial Accountability Program.

10. The budget classification is consistent with GFSM 2001¹⁰ and the government subscribed to the IMF's SDDS¹¹ on the norms and codes for fiscal information. Morocco regularly reports (to the IMF) and publishes its fiscal data. The budget classification uses a combination of an administrative and functional classification aligned with COFOG¹². The budget is comprehensive, covering the general budget of the State (*Budget Général de l'Etat* - BGE), the annex budgets (*Budget Annexe*), the special treasury accounts (*Comptes Spéciaux du Trésor* - CST), the special purpose accounts (*Compte d'Affectation Spéciale* - CAS) as well as the autonomously-managed government services (*Services de l'Etat Gérés de Manière Autonome* - SEGMA). Transfers to agencies and local governments are recorded, not their own revenues in the absence of consolidated accounts. The current rollout of the same financial management information system to local governments should facilitate such consolidation in the near future.

11. Program's proceeds will be entirely reflected in the BGE. As part of the Budget, special accounts are used to reflect the earmarking of public resources to specific purposes. In particular, the Program will be financed, principally, through the existing "*Fonds de Lutte Contre les Effets des Catastrophes Naturelles*" (FLCN) set up through Law 40-08 (2009 Budget Law) as a "*Compte d'Allocation Spéciale*" (CAS) and the *Ordinateur* of the FLCN is the MoI. The FLCN will receive standard contributions through the general budget and leverage additional financing resources through co-financing of individual sub-projects. It will be used to channel Bank proceeds under the Program (specifically sub-program one and two). The CAS-FLCN's expenditures and resources are annually planned as part of the general Budget process, through a dialogue between the MoI and the MEF to come up with estimates which are presented to, modified and voted by Parliament. This process has been regularly applied to the FLCN since it was established. It has to be noted that reporting of Program proceeds covers the entire Program, irrespective of funding source (Bank or other) and thus also includes co-financing mobilized for FLCN funded projects.

12. By its nature, a CAS is a mechanism to dedicate funding to specific activities and is allowed a number of expenditure categories. If resources exceed expenditures for a given fiscal year, this excess is reported to the following fiscal year. These CAS are created by law (mostly the annual budget law), are voted by Parliament as part of BGE, and follow the normal budget process in terms of budgeting process, budget classification, accounting, reporting and control. The GoM has set up a "*Fonds de Lutte Contre les Effets des Catastrophes Naturelles*" (FLCN) as a dedicated disaster-related financing vehicle created by Law 40-08 of the 2009 Budget Law as a "*Compte d'Affectation Spéciale*" (CAS). The objective of the FLCN has been to better enable the Government to strategically finance risk management activities. The FLCN has implemented a total of 1961 million MDH (US\$ 220 million) in investments since its inception in 2009.

13. The Program's flow of funds was discussed with the Budget Directorate of the MEF. Bank proceeds will be reflected in the BGE, under the CAS-FLCN (for sub-programs one and two). They will be transferred to the single treasury account of the State at the TGR. Beneficiaries will also use accounts that are part of this network of accounts (municipalities, government agencies like *établissements publics*, other public sector entities). Beneficiaries will sign MoUs with the MoI and MEF to detail specific arrangements for the financing of risk management and resilience investments. The calendar, conditions,

¹⁰ Government Finance Statistics Manual 2001 prepared by the IMF

¹¹ Special Data Dissemination Standard

¹² Classification of the Functions of Government developed by the OECD

amounts, and procedures for the transfer of funds between the MoI, MEF and the sub-project proponents will be specified in the FA.¹³

14. Disbursement of Bank proceeds will be made at the request of the Borrower upon achievement of disbursement-linked indicators (DLIs). An advance may be disbursed once the Program becomes effective to facilitate the achievement of DLIs results. This potential advance would be available throughout the Program implementation on a revolving basis.

15. The Program's funding predictability is hampered by a weak multi-year budget framework. Nevertheless, overall, budget execution is fairly centralized and the performance of budget execution is fairly satisfactory, even if end-year budget execution reports are produced with delay, 2012 being the last fiscal year when this report was published. Reporting would have to cover all funding sources of projects, including transfers from the CAS-FLCN and potential co-financing sources. Therefore, Program's financial sustainability and funding predictability do not pose a specific risk.

16. Accounting and reporting are primarily handled by the TGR in relationship with the line ministries. Monthly budget execution reports are published with less than 3-month delay in its Monthly Statistical Bulletin for Public Finance (*Bulletin Mensuel des Statistiques des Finances Publiques*), published on its website. Through this TGR's statement, line ministries have access to detailed data on the execution of their budgets and main ministries use this information to prepare a quarterly update of budget execution. Since the Government Fiscal Management Information System (GFMIS) has been rolled out, line ministries and local governments have access to most data on their budget execution on a real time-basis. The TGR sends a monthly report to the MEF presenting a statement of budget transactions, special account transactions, and cash flow transactions for the month, accompanied by statements for previous periods.

17. There are few processes to measure the efficiency of the Program's expenditures. Generally, there is a weakness in the evaluation of the efficiency of public expenditure in Morocco, which led to an ambitious budget reform leading to program-based budgeting with a performance approach, an annual evaluation of performance, and the use of performance indicators. The CDC regularly includes in its work plan evaluation of programs, which involves at the same time regularity audits and performance audits. The CDC routinely publishes reports on local governments, as well as other decentralized and deconcentrated public sector entities. In particular, the CDC regularly makes observations *on the compliance with the public procurement procedures, delays in contracts in works execution, non-application of penalties for late execution, lack of internal control, and excessive use of purchase orders instead of open competition* that are recorded in its annual public report. There is little evidence in a number of cases that observations from the CDC are acted upon according to a firmly established and implemented action plan. This being said, it has been agreed with the MoI that the budget process related to the CAS-FLCN could progressively adopt a multi-year programmatic approach as per the draft organic Budget law submitted to Parliament.

18. The Program will finance disaster risks prevention projects and activities selected annually following a call for proposals launched by the MoI. The type of projects are mostly infrastructures for prevention from floods, earthquake or other natural disasters (i.e., structural activities), but could be also studies, research, development or acquisition of knowledge tools related to various disaster types, outreach, etc. (i.e., non-structural activities). The project proponents eligible to submit their proposals

¹³ The flow of funds for sub-program three will be determined based on the final adoption of a funding strategy for Morocco's Solidary Fund FSEC to be established under Morocco's disaster risk insurance law, once approved.

could be ministerial departments, local governments or state owned entities or several of those entities in association. Categories of entities to access FLCN funding will potentially be the following¹⁴:

- Central or deconcentrated government entities: Ministries, governorates, autonomous government agencies (*i.e. établissements publics, agences de bassin*), or SOEs.
- Local government entities: Municipalities, Associations of Municipalities, Municipality-owned enterprises (*Sociétés de Patrimoine, Societes de Développement Local*), or local government agencies.

19. The capacity of municipalities and local agencies or enterprises to implement investment operations funded through transfers from the central government has been evaluated based notably on the knowledge of a sample of 5 municipalities (Agadir, Marrakesh, Casablanca, Rabat and Tangiers) that have been assessed under the Urban transport Program for Results (P4R), and also based on previous diagnostics, past experience with MoI (INDH and PACT), the communes, SOEs and ministries, reports and audits. It appears that the financial management framework of the five municipalities is generally solid in terms of internal control mechanisms. The budget process and financial reporting frameworks are also clear and stable, even though there is ample room for improvement. The accountability framework is broadly in place.

20. The main risks are as follows: the institutional setup for investment management in municipalities is not firmly established and is evolving quite rapidly but at an unpredictable pace with central government promoting a model whereby municipal investment would be mostly undertaken through municipality-owned enterprises. Nevertheless, in most municipalities, these entities still do not exist, which means that most of the activities will be designed and implemented directly by municipalities. Given the relatively low performance of these municipalities in executing their investment budgets in recent years, this might constitute a bottleneck for the Program. It might therefore be useful to consider specific support for municipalities to design and implement risk management and resilience-related investments. As part of the overall management arrangement for the Program, the Directorate of Administrative Affairs (DAA) of the MoI, will provide support to the PCU on all fiduciary aspects. It has dedicated services and experienced staff working on fiduciary matters, according to the Moroccan rules: planning, budgeting, procurement, accounting, reporting, etc. For all sub-projects selected following the calls for proposal for FLCN co-financed investments, the project proponents (ministries, local governments, public agencies and SOEs) will have the ultimate responsibility to handle procurement and financial management. Among the local governments (municipalities, provinces, prefecture and region), there is a need to distinguish the provinces, prefectures and large urban communes, which are usually well structured and have dedicated staff for management of fiduciary, from rural communes and small and medium size urban communes that have generally weak capacities and insufficient staff, which lack

¹⁴ Following the first call for projects, ninety one (91) applications for a total cost of 3.250,93 million MAD (out of which 1.009,19 million MAD requested for financing from CAS-FLCN) have been received. Among the applications received, 81 (89%) are from local governments (communes, provinces, etc.), 4 (4.4%) from SOEs and public agencies and 6 (6.6%) from ministries. For the first batch, a total of twenty three (23) projects were selected: seventeen (17) projects from local governments (total cost of 488 million MAD and 145 million MAD financing requested from CAS-FLCN), three (3) projects from SOEs and public agencies (total cost of 244 million MAD and 43 million MAD financing requested from CAS-FLCN) and three (3) from ministries (total cost of 305 million MAD and 63 million MAD financing requested from CAS-FLCN). Most of the projects related to the construction of infrastructures to prevent risk of flood, earthquakes and landslide. In this first batch of approved operations, the individual cost of projects ranges from 2.7 million MAD (0.3 million US\$) to 200 million MAD (21 million US\$). These project costs are below the OPRC threshold.

training. As for the ministries and SOEs, they have in general, dedicated and well organized services for management of fiduciary, with experienced staff. However, there are a few common issues which relate to staff workload that have negative impact on performance and the lack of training on fiduciary topics such as budget management, procurement, internal audit, financial management, etc. As part of the capacity building, some public entities that are providing support to projects proponents in the technical design of their proposals, such as ABHs are expected to provide support also in contract management and even in the procurement process, when required. Such arrangement will be clarified in the financing agreement, as needed.

21. It will be important that fiduciary concerns be addressed in the selection mechanisms for projects to be funded by the FLCN and that any entity willing to access FLCN financing be subject to a fiduciary assessment which modalities will be detailed in the OM. In particular, the selection process would have to evaluate whether the project's implementing agency has sufficient capacity to perform procurement operation and provide the necessary financial reports in a timely fashion. It has been established during Program preparation that the PCU has the capacity to mitigate fiduciary risks at the projects level by relying on strong country systems, including in terms of intergovernmental fiscal relationships, oversight and supervision by ministries of public entities and SOEs within their remit, general financial reporting mechanisms. As an additional and exploratory measure, it would be useful also to develop a comprehensive reporting framework for the FLCN that would be supported through a pilot integrated reporting IR approach. The IR approach would help link FLCN's strategy, governance, performance and prospects in the context of its external environment. Also, additional dedicated capacity building measures can be undertaken.

V. Procurement Systems

22. This section evaluates, from a procurement perspective, the degree to which there are reasonable: (i) arrangements for planning and budgeting; (ii) procurement rules, including their accessibility to the public; (iii) capacity for contract management and administration; (iv) complaint mechanism, including clarity on how they are used; (v) systems for program oversight and control. This section also identifies actions to enhance the procurement systems during program preparation and implementation (the latter are included in the Program Action Plan - PAP).

23. **A new public procurement decree (PPD) was adopted in December 2012 and came into effect on January 1, 2014.** It seeks to address some of the main weaknesses and gaps that have continued to characterize Morocco's procurement system, in particular in terms of transparency, accountability, efficiency, risks of corruption, and mechanisms of complaint and redress. Key features of the new decree include the unification of the regulatory framework for procurement to include the entire public sector (applying to local governments as well as all administrative state-owned enterprises). It also brings the selection and award methods for architect contracts in line with the principles of competition and equal treatment of bidders.

24. **In addition, the new PPD reinforces the legal basis for e-procurement in Morocco.** Morocco's public procurement portal has been operational since October 2007, with responsibility for its development and management vested in the General Treasury of the Kingdom (TGR). The e-portal has increased the availability of information, especially in terms of making calls for proposals widely available, making contract-related documentation available to all potential bidders, disclosing an estimated cost for the goods or projects to be procured, and publishing the results of tendering contests. The portal is now able to publish bids and calls for tender, and it also features database that tracks information about procurement procedures (including multimedia guides) and contract amounts per year. Additional features for the next phase are currently in development, with the application texts about to be

published. These include electronic submission of bids, a suppliers 'database, electronic reverse auctions, and grouped purchases.

25. The new constitution introduced citizen's right to access information (article 27), to be consulted (article 13) and to complaints (article 15) in order to strengthen the governance of public services and to strengthen public participation. These core governance reforms apply to public administration as well as LG and are key levers that will contribute to improving transparency and accountability at LG's level and mitigate the shortcomings and issues highlighted in many reports (Supreme Audit Institution « SAI », economic and social council, the Central Institution for the Prevention of Corruption (ICPC)).

26. The council of Minister chaired by the King has recently approved three organic laws respectively for Regions, Provinces and Prefectures and Communes. This is a materialization of Morocco engagement to move for further decentralization in the management of public affairs, including disaster risk management.

Arrangements for procurement under the program

27. ***Procurement rules and procedures:*** Procurement under the Program in Morocco will be executed in accordance with the GoM's procurement procedures and regulatory framework.¹⁵ However, as confirmed by the borrower during project preparation, the Program does not include any activities assessed to be likely to have a significant adverse impact on the environment and/or affected people, as defined in the Policy and Directives on PforR Financing, nor works, goods, and consultancy contracts above the Operations Procurement Review Committee (OPRC) thresholds (high risk activities).

28. The main procurement methods to be used under the program for Works, Goods, Services and Consultants contracts, are Open National Competitive Bidding (ONCB), and Shopping (purchase orders). The use of this later method is limited to a list of works, goods and services which amount for individual PO could not exceed 250,000.00 MAD (*ref. list in annex 4 of the PPD No.2-12-349 dated 8 "Joumada" 1434 (March 20, 2013)*). This threshold could vary for some SOEs.

29. Procurement under the Program will be carried out using Morocco's existing systems and processes for Public Procurement Management. The Program will be housed within the country's budgetary framework (MoI and municipalities) and will rely on existing institutional systems for its implementation.

30. **Procurement Planning.** Funds for public procurement contracts are secured from the state budget, including from the FLCN which is a dedicated disaster-related financing vehicle created by Law 40-08 of the 2009 Budget Law (as a "*Compte d'Allocation Spéciale*" (CAS) as well as co-financing mobilized from other public sources. All implementing entities receiving funding from the FLCN will reflect in their respective procurement plans the activities funded under the Program, as required by the PPD.

31. ***Record Keeping and Document Management Systems.*** In general, procurement documentation is kept in all public entities including rural municipalities. Usually, procurement documents are managed

¹⁵ State-owned enterprises (SOE) are not automatically subject to the PPD and may establish and apply their own procurement rules once the rules are adopted by their respective Boards and approved by the Ministry of Finance.

by three different services: (i) "*service des marchés*" (procurement phase), (ii) the accounting service (for payment purpose), and (iii) the technical department (contract supervision and management). Although the documentation is not located at a single place, it is exhaustive.

Program procurement activities

32. The Program procurement activities include predominantly capital expenditures that are focused on two broad categories: (a) *Structural*: these are physical on-the-ground activities that directly reduce disaster risk and are typically the most capital intensive. They include works and goods for flood protection investments in both rural and urban areas. For example and without limitation, those works and goods concern constructions such as river levees, flood walls, diversion channels and holding basins; seismic retrofitting of public buildings such as schools, hospitals, fire and police stations and key government offices, warning systems (flood, landslide, early earthquake warning, tsunami) and small scale community-based risk-resilient infrastructure such as earth retaining walls and debris flow dams. (b) *Non-structural*: these relate to consultant services for planning and improvement of knowledge, and include planning, management, ICT, capacity and institutional activities that are directly focused on disaster risk management. Examples include development of natural hazard elements to be incorporated in *Agence Urbaine* plans; hazard mapping to more accurately define zones of high flood, seismic, tsunami, landslide and other risk; activities contributing to improved risk governance, such as technical assistance supporting the national risk management strategy, improvements in disaster risk assessment tools, training in these tools and more generally in risk reduction technology, and a national ICT system for risk assessment and monitoring.

Procurement Oversight, Governance

33. Controls and oversight of procurement. The PPD lays out various control and oversight over the procurement and contract award process. The first control is an ex-ante and is performed by the controller who represents the MEF (respectively "*Contrôleur des Engagements*" from TGR for ministries and LG and the "*Contrôleur d'Etat*" from DEPP for SOEs). It mainly consist in checking compliance with the provisions of the PPD (in terms of quality of bidding documents, respect of bidding procedures including advertisement and opening, ...). The second control, which consist in the review and approval/formal clearance ("*Visa préalable*") of the evaluation report and the draft contract by the controller is ex ante. For local governments (LG), other controls (review and approval) on procurement by the MI (*Governor of the province*) may apply. The General Inspectorate of Finance (*Inspection Générale des Finances - IGF*) of the MEF will conduct annual audit of the Program Financial Statements (including procurement aspects), together with the General Inspectorate of Territorial Administration (*Inspection Générale de l'Administration Territoriale - IGAT*). It was agreed that IGAT will be the Independent Verification Agent (IVA) for the DLIs of the Program. Below is a presentation of each entity.

34. *The Treasury of the Kingdom (TGR)*: The TGR, part of the Ministry of Finance, plays an essential role in the monitoring of budget execution, as directed by Art. 124 of the General Accounting Regulation (Order No. 330-66 of April 21, 1967), which stipulates that TGR must "send a monthly report to the Finance Ministry presenting a statement of budget transactions, special account transactions, and cashflow transactions for the month," accompanied by statements for previous periods. TGR summarizes this data in its "Monthly Statistical Bulletin for Public Finance," published on its website. Through TGR's data sheets, the central offices of the technical ministries have access to detailed data on the execution of their budgets; the main ministries use this information to prepare a quarterly update of budget execution. The Budget Directorate prepares a budget execution report for each ministry at the end of the year, and the main ministries' own financial staff prepares the administrative accounts (*compte administratif*) by budget chapter, article, paragraph and line. These documents are sent to the Court of Accounts for their report on the budget review act. Besides, the TGR is also in charge since 2006 of commitment controls. A

series of rationalization reforms have provided line ministries with more autonomy in managing their budgets (partial fungibility) and have implemented a system of ex ante financial controls more risk-based, less systematic and focused on high-value/high-risk operations. It has still to be seen whether this protracted reform agenda has had sustainable behavioral impact.

35. The IGF (*Inspection Générale des Finances* - General Inspectorate of Finance) was established in 1960 as control department for public finances in the MEF. Its mandate includes: (i) the inspection and monitoring of the financial and administrative aspects of government services, including regional and local governments and state-owned enterprises, and (ii) the financial and budgetary evaluation of public policies, programs, and expenditures. Despite being linked to MEF, the IGF has clearly proven its credibility and independence. As a result, it has been accepted by the World Bank and other IFIs and donors. The IGF is staffed with more than 60 auditors (*inspecteurs*) with adequate capacity and has been using, in recent years, audit methods and processes that are comparable to international standards as confirmed by the 2009 PEFA.

36. The IGAT (*Inspection Générale de l'Administration Territoriale*) is the MoI's internal body that is in charge of inspecting and auditing this ministry's activities¹⁶. In addition, it is responsible for inspecting and auditing municipalities which are under the guardianship (*tutelle*) of the MoI. Furthermore, this institution accompanies the important reforms engaged by the MoI such as the on-going decentralization and the improvement of fiduciary management by local authorities. The IGAT has conducted audits for the INDH 1 IPF and is doing so in INDH 2 PforR, jointly with the IGF, based on a charter that defined the objectives and methods of the joint audit. Missions conducted by the IGAT usually cover a review of municipal procedures as part of technical, operational and accounting audits. Overall, the IGAT is not fully independent from the executive but have proven its credibility and, as a result, has been have been accepted by the Bank.

37. The MoI will also be responsible for preparing the Program financial statements. The protocols for the receipt and compilation of annual Program financial statements will be agreed with counterparts by appraisal. The annual audit of the Program financial statements will be carried out by the IGF. The audit report will be sent to the Bank not later than six (6) months after the end of the year under review. The terms of reference for the audit will be discussed and agreed with the IGF by appraisal. The capacity of the MoI for preparation of Program financial statements has been assessed and found satisfactory.

38. **External audits.** All the implementing entities are subject to the external audits. These audits are conducted respectively by the General Inspectorate of Finance (IGF) for ministries and SOEs, General Inspectorate for Territorial Administration (IGAT) for LG and private audit firms for SOEs. Furthermore, the Supreme Audit Institution (*Cour des Comptes*) has the ability to audit all these implementing entities, no matter their nature. The various audits listed above (ex post reviews of procurement aspects), focus mainly on regularity, economy, and efficiency.

Arbitration and complaint management

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

¹⁶ Decree n°2-94-100 of June 16th, 1994 and Local Finance Law 45.08 of February 18th, 2009

40. **Complaint management:** The “*Commission Nationale de la Commande Publique*” (CNCP), a newly created entity which decree has been approved by the council of government in September 2015, has the mandate to handle and manage complaints in procurement and contract execution. Other responsibilities of the CNCP include (i) regulation of policies, documents and standards for public procurement and (ii) coordination and oversight of training in procurement. The number of complaints or anonymous whistle blowing cases declared by ICPC is usually small: about 100 allegations at national level after the first year the launch of ICPC secured electronic site. This is a sign of lack of bidders’ confidence in the systems with regard to appeal mechanisms or judicial process, and of their fear to be penalized. More generally, the fear of retaliation is so deeply entrenched in Moroccan contractors’ minds that very few cases of corruption are signaled, flagged or raised to attention. This is most probably because the current complaints management system does not appear to be independent enough and to offer sufficient guarantee for an effective and fair treatment (no involvement of the contracting entity in the treatment of the complaint, power to suspend ongoing procurement procedure, etc). The judicial decision, when courts are involved, take too long and happen usually after contract execution. Procurement complaint treatment (non- judicial) is part of the responsibilities of the complaint handling body (CNCP, currently “*Commission des marches*”- CDM). Inadequate human and financial resources allocated to the CDM prevented it from fulfilling the complete set of responsibilities entrusted to it, which contributed to a lack of efficient complaint management mechanism. Its role in handling complaints was minimized by a lack of binding decision power, and the inability for complainants to directly address complaints to the CDM. To address these deficiencies, the Moroccan Government launched an ambitious reform to considerably extend the institutional structure resources, and authority of the existing CDM. A draft decree to establish a National Commission of Public Procurement (“*Commission Nationale de la Commande Publique – CNCP*) to replace the CDM is already prepared by the SGG with the participation of key stakeholders (Ministry of Economy and Finance, TGR, representatives of private sector,...) and is in its final stage of approval by the council of government. With the decree on CNCP effective, the Commission will gain more autonomy and independence.

VI. **Fraud and Corruption and Debarment of Contractors**

41. Morocco's new constitution, enacted on July 1, 2011, explicitly mentions the need to fight corruption and to ensure good governance and transparency as fundamental tools of public sector management. It also recognizes the right to citizen participation in government decision making and public engagement, as well as the right to access public information. The new constitution sets the ground for more transparency and efficient use of public resources, through Title II on conflict of interest, misconduct in public procurement, misuse of public funds, greater transparency, accountability, and fight against fraud and corruption and through Title XII for good governance.

42. The National Human Rights Council (*Conseil national des Droits de l'Homme - CNDH*) was established by the 2011 Constitution¹⁷ as a successor of the former Advisory Human Rights Council (*Conseil consultatif des Droits de l'Homme - CCDH*) to consolidate the country’s rule of law. The Council is a constitutional body equipped with legal and financial autonomy and independence vis-à-vis the legislature, executive and judiciary branches. It is mandated to hear a broad range of complaints any claim for violation of human rights (including social and economic rights as well as fraud in public administration matters). The Council and its thirteen regional commissions received 41,704 complaints and grievances from its establishment in 2011 to 2013. A significant part of complaints brought to the Council related to allegations of violations of the rights of users of public administration services. In

¹⁷Article 161 of the 2011 Constitution.

addition, the Council is empowered to initiate and conduct necessary investigations and inquiries in case of violations (*autosaisine*) and recommends sanctions.

43. The Institution of the Ombudsman (*L'Institution du Médiateur*) is a constitutional body that was established by the new Constitution¹⁸ to replace the former Grievances Office (*Diwan Al Madalim*). The Ombudsman's mandate covers handling complaints and grievances of citizens, domestic or foreign individuals or legal entities against the administration (including regional and local governments) and organizations which benefit from financial support of the State. The Government is obliged by law to respond within a time limit to any Ombudsman request. The Ombudsman has been granted legal and financial autonomy as well as independence towards the legislature, executive and judiciary branches. The Ombudsman is, in addition, empowered with capacity of investigation on its own initiative (*autosaisine*). It is free and easily accessible as grievances, complaints and claims can be introduced through regular or registered mail, fax or internet. Four regional offices have been created and are operational to represent the institution at the local and regional level and facilitate access for citizens. According to its latest annual report, the total number of complaints and grievances treated by the institution reached 1,919 in 2013, a majority of which involved the MoI, the MEF, the Ministry of Education, the Ministry of Employment and Social Affairs, and regional and local governments. Complaints brought to the Ombudsman mostly related to administrative, real estate and financial and legal cases.

44. The Government will use its own systems to take all appropriate measures to prevent fraud and corruption in connection with the Program. The Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 1, 2012 and revised July 10, 2015 (the Anti-Corruption Guidelines) will apply. The Bank's debarment list, which is easily accessible, will be checked by all procuring entities before awarding contracts. The Government has developed experience on this with the EU Anti-Fraud Office. The MoI will handle and report to the Bank allegations occurring under the Program via the annual reports during Program implementation. Discussions have been held with the Government on the World Bank's prerogative of administrative inquiry for allegations of fraud and corruption. The Government's collaboration with the Bank on the administrative inquiries into allegations which the Bank intends to pursue has been confirmed during appraisal. In accordance with the Bank's Anti-Corruption guidelines for PforR operations, the Program will take steps to ensure that "any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension". The MoI will verify the names of the contractor against the Bank's database¹⁹ of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program.

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

¹⁸Article 162 of the 2011 Constitution and Royal Decree n° 1-11-25 of March, 17th 2011.

¹⁹[https:// www.worldbank.org/debarr](https://www.worldbank.org/debarr)

agreed between the Borrower and the Bank; and, promptly upon the completion of any such investigation, report to the Bank the findings thereof; (e) if the Borrower or the Bank determines that any person or entity has engaged in fraud and corruption in connection with the Program, take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its recurrence; and (f) ensure that any person or entity debarred or suspended by the Bank is not awarded contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension.

VII. Fiduciary Risk Assessment

46. The assessment shows that the Program fiduciary systems are generally in line with international standards and normally provide reasonable assurance that the financing under the program may be used for the intended purposes, subject to the correction of the deficiencies and weaknesses of the implementing entities, mainly the municipalities, provinces, regions, SOEs, ministries and consortium. The deficiencies and weaknesses highlighted include: (i) at the country level, a weak complaints handling mechanism and mechanism for efficient management of fraud and corruption in contract execution and (ii) at implementation level, a weak capacity of a few category of projects proponents to design, implement and manage their projects, and to conduct procurement and handle properly financial management, the lack of tools to measure fiduciary performance etc. These gaps and weaknesses have the potential to make the fiduciary risk of the Program high thereby impacting the ability of the Program to achieve its intended results. Therefore, a Program Action Plan is prepared based on the findings and conclusions of the Fiduciary Risk Assessment that will mitigate to a large extent the fiduciary risks and weaknesses identified. Considering the existing weaknesses in Program fiduciary systems and the time and effort required to implement the Program Action Plan and the capacity building initiatives, the residual fiduciary risk rating for the Program is rated as *substantial*.

VIII. Remedial actions to be included in the PAP

47. The following activities are included in the Program Action Plan (PAP) for improving the performance of fiduciary systems supporting the Program implementation:

48. The table below summarizes the PAP' actions.

<i>Action</i>	<i>Responsibility</i>	<i>Timeline</i>
Adopt programmatic multi-year budget classification for the CAS-FLCN, in line with the draft organic budget law tabled to Parliament.	MoI/MEF	Programmatic and performance-based presentation of CAS-FLCN for the 2018 Budget
Include in financing agreement between the MoI and project proponents: (i) provisions for availability of technical competence for design and preparation of technical specifications, and for contract management and supervision of works and (ii) timeline for project implementation, including for bidding process.	MoI	Annually
Action plan for audit recommendations made by auditors is prepared and implemented	MoI	Updated annually

IX. Monitoring of fiduciary performances

A. Key fiduciary performance indicators (KFPI)

49. Key fiduciary performance indicators (KFPI) have been defined to monitor program performance. These indicators relate to bidding process, contract execution and timeliness of reporting.

50. The following indicators have been defined to measure fiduciary performance in the program:

a. Procurement

- Bidding processes conducted according to plan²⁰
- Time period for payment of invoice

b. Financial management

- Timeliness of annual financial statements of the program
- Timeliness of program annual audit report

B. Details of the KFPI*

Procurement			
Procurement Stage	Indicators	Definitions	Responsible for data collection
Bidding	Bidding processes conducted according to plan	The financing agreement for each project includes an implementation plan, with timeline for procurement process. Percentage of bidding process completed as planned	Implementing Agencies
Payment	Time period for payment of invoice	How long it takes for invoices approved by the project sponsor the effectively paid to the contractors/consultants/suppliers	Implementing Agencies
Financial management			
Stage	Indicators	Definitions	Responsible for data collection
Reporting	Timeliness of annual financial statements of the program	Deadline: April 30 of each year	MI:FLCN DB:MEF
	Timeliness of program annual audit report	Deadline: June 30 of each year	Implementing Agencies

(*) The verification of the KFPI will be included in the TOR of the auditors (IGF)

²⁰ Refer to project implementation plan in the financing agreement, which include timeline for bidding process