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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT

FOR A PROPOSED LOAN

IN THE AMOUNT OF US\$200 MILLION

TO

THE KINGDOM OF MOROCCO

FOR A

SECOND TRANSPARENCY AND ACCOUNTABILITY  
DEVELOPMENT POLICY LOAN  
(HAKAMA II)

September 22, 2015

Governance Global Practice  
Middle East and North Africa

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## KINGDOM OF MOROCCO—GOVERNMENT FISCAL YEAR

January 1<sup>st</sup>–December 31<sup>st</sup>

### CURRENCY EQUIVALENTS

(Exchange rate effective as of June 19, 2015)

US\$1 = 0.885Euros; US\$1 = 9.6 Dirham

### ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency ( <i>Agence Française de Développement</i> )
AfDB	African Development Bank
ATI	Access to Information
BAM	Central Bank (Bank Al-Maghrib)
CIGov	Inter-ministerial committee on e-Government Services for Citizens
CPAR	Country Procurement Assessment Report
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DPL	Development Policy Loan
EIB	European Investment Bank
EU	European Union
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GID	Integrated Financial Management Information System ( <i>Gestion Intégrée de la Dépense</i> )
GRS	Grievance Redress Service
Hakama	Governance in Arabic
HR	Human resources
IBRD	International Bank for Reconstruction and Development
ICT	Information and communications technology
ICPC	Anti-Corruption Agency ( <i>Instance Centrale de Prévention de la Corruption</i> )
IGF	Inspectorate General of Finance ( <i>Inspection Générale des Finances</i> )
IMF	International Monetary Fund
MAD	Moroccan Dirham
MAGG	Ministry of General Affairs and Governance
MEF	Ministry of Economy and Finance
MENA	Middle East and North Africa
MTEF	Medium-Term Expenditure Framework
NGO	Nongovernmental organization
OBL	Organic Budget Law
OECD	Organization for Economic Co-operation and Development
OGP	Open Government Partnership
PARL	Public Administration Reform Loan
PEFA	Public Expenditure and Financial Accountability
PEM	Public Expenditure Management
PER	Public Expenditure Review
PFM	Public Financial Management
PLL	Precautionary Liquidity Line (IMF)
PPIAF	Public-Private Infrastructure Advisory Facility
PPPs	Public-private partnerships
SMEs	Small and Medium Enterprises

SGG Secretary General of the Government  
SOEs State owned Enterprises  
TA Technical assistance  
TGR General Treasurer of the Kingdom (*Trésorerie Générale du Royaume*)  
TTL Task Team Leader  
WBG World Bank Group

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**KINGDOM OF MOROCCO**  
**SECOND TRANSPARENCY AND ACCOUNTABILITY**  
**DEVELOPMENT POLICY LOAN**  
**(HAKAMA II)**

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## **ACKNOWLEDGMENTS**

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Special thanks are due to the Ministry of General Affairs and Governance, the Ministry of Economy and Finance, the Ministry of Interior, the Ministry for Civil Service and Administrative Modernization, the Ministry in charge of relations with Parliament and Civil Society and the Secretariat General of the Government for their cooperation.

**LOAN AND PROGRAM SUMMARY**  
**KINGDOM OF MOROCCO**  
**SECOND TRANSPARENCY AND ACCOUNTABILITY**  
**DEVELOPMENT POLICY LOAN**

<i>Borrower</i>	Kingdom of Morocco
<i>Implementing Agency</i>	Ministries of Economy and Finance; General Affairs and Governance; Interior; Relations with Parliament and Civil Society; Civil Service and Administrative Reform; Industry, Commerce, Investment, and ICT; Secretary General of the Government.
<i>Financing Data</i>	Terms: IBRD variable-spread loan with 25 years maturity, including a 5 year grace period with Level Repayment. The Front-End Fee will be financed out of the loan proceeds (capitalized). Amount: US\$200 million.
<i>Operation Type</i>	It is the second Development Policy Loan (DPL) in a programmatic series of two single-tranche operations. The first loan was approved by the Board on October 29, 2013.
<i>Pillars of the Operation and Program Development Objectives</i>	<p>The DPL supports policy reforms in two key areas: (i) Strengthening transparency and accountability in the management of public resources; and (ii) Fostering open governance.</p> <p>The program development objective is to strengthen mechanisms promoting transparency and accountability in the management of public resources and to support legal reforms fostering open governance in Morocco in line with the new Constitution.</p>
<i>Result Indicators</i>	<p><b>Pillar I: Strengthening mechanisms for transparency and accountability in the management of public resources:</b></p> <ul style="list-style-type: none"> <li>• A more open and transparent budget process, through the publication of the performance plans for 10 departments on the website of the Ministry of Economy and Finance in 2016;</li> <li>• A more consistent implementation of public procurement rules across the public sector evidenced by the increase in the number of procuring entities subject to the new procurement rules from 1,571 (2012) to 3,345 (2016);</li> <li>• Real time information on budget execution in 100 percent of local governments through the roll out of an integrated expenditure management information system (GID) in 2015.</li> </ul> <p><b>Pillar II: Fostering open governance:</b></p> <ul style="list-style-type: none"> <li>• Morocco’s eligibility to the Open Government Partnership through the adoption of a law on access to information in 2016;</li> <li>• Strengthened citizen voice and engagement confirmed by a 15 percent increase in 2016 in citizens having access to the right of petitions and public participation measured by the World Justice Project’s Rule of Law index;</li> <li>• Improved citizen access to key administrative documents, evidenced by a five-fold increase in the number of birth certificates ordered online on <a href="http://www.Watiqa.ma">www.Watiqa.ma</a> and delivered by registered mail between 2012 and 2016.</li> </ul>
<i>Overall Risk Rating</i>	Substantial
<i>Operation ID</i>	P154041





**IBRD PROGRAM DOCUMENT FOR A  
SECOND TRANSPARENCY AND ACCOUNTABILITY  
DEVELOPMENT POLICY LOAN (HAKAMA II)  
TO THE KINGDOM OF MOROCCO**

**1. INTRODUCTION AND COUNTRY CONTEXT**

1. **This Program Document describes the Second Transparency and Accountability Development Policy Loan (Hakama II)** which will take the form of a one-tranche budget support operation in the amount of US\$200 million. It is part of the first programmatic series of two DPL operations in support of structural reforms strengthening transparency and accountability in the management of public resources and new policies fostering more inclusive and open governance in Morocco. The DPL series has been prepared jointly with the European Union (EU) and the African Development Bank (AfDB), leveraging a further US\$250 million in support of the budget, procurement and open governance reforms. This operation follows the *First Transparency and Accountability Development Policy Loan (Hakama I)*, which was approved by the World Bank (WB) Board of Executive Directors on October 29, 2013. The Hakama DPL series complements the Morocco Economic Competitiveness and the Capital Market Development and SME Finance DPLs series. In line with the World Bank Group's Country Partnership Strategy in Morocco for the FY14-17, the Hakama DPL series aims to strengthen the integration between cross-cutting governance reforms and downstream service delivery challenges. It is directly linked to the two operations under preparation aimed at improving governance and service delivery in education and in the City of Casablanca, respectively.

2. **While Morocco has been able to reduce extreme poverty, boosting shared prosperity and fostering more inclusive socio-economic development remain core priorities to renew the social contract, in line with the Bank's corporate goals and the new MENA strategy.** Despite progress towards achieving the Millennium Development Goals, vulnerability and inequality remain challenges as evidenced by the high and steady Gini coefficient (0.41), causing a sense of deprivation and frustration among the citizens<sup>1</sup>, which calls for the renewal of the social contract. Numerous development programs and substantial social spending (24.4 percent of total public expenditures excluding debt) have not yielded the expected results. Socioeconomic disparities and access to quality public services remain major issues particularly affecting the poor and vulnerable, who are most dependent on public programs and services. This situation affects the Government and the World Bank's goal to boost shared prosperity.

3. **Persistent socio-economic disparities illustrate potential efficiency gains of development programs and public expenditures as well as underlying governance challenges affecting the quality of public policies and services.** Unequal access to quality education and resources continue to hinder Morocco's human development progress, particularly pertaining to women. In a country still confronted by significant social challenges, women are particularly affected by the lack of socio-economic progress in many areas.<sup>2</sup> The

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<sup>1</sup> The surveys conducted by the Arab Center for the Rule of Law and Integrity and the report from the Economic and Social Council's on the governance of public services, published in October 2011, substantiate these perceptions.

<sup>2</sup> Morocco: Mind the Gap: Empowering Women for a More Open, Inclusive and Prosperous Society. World Bank (2014).

multiplication of public policies, programs and institutions has exacerbated coordination challenges and created redundancies and inefficiencies. The country's increasing regulatory and institutional complexity has blurred responsibility and accountability along the service delivery chain. Limited voice and accountability in the design and implementation of public policies undermine their effectiveness and hampers improvement as highlighted in the MENA Flagship report on *Trust, Voice and Incentives* (WB, 2015). Insufficient checks and balances expose public institutions and services to capture, discretion and corruption, as shown by diagnostic studies undertaken by Morocco's Anti-corruption Institution (ICPC) in the health and transportation sectors<sup>3</sup> and by the preliminary results of the Bank's 2015 enterprise survey. These multidimensional governance challenges are affecting the Government's ability to deliver the expected socio-economic opportunities and public services and are thus at the heart of the World Bank's new MENA strategy and its first pillar aimed at strengthening the social contract.

4. **The new progressive Constitution aims to respond to citizens' high expectations and to renew the social contract by strengthening the country's governance framework and by fostering a more open and inclusive development process.** The constitutional reform aims to bring about the expected change by: (i) empowering Parliament through greater legislative powers and increased oversight of government; (ii) enhancing the role and electoral legitimacy of the Head of Government; (iii) strengthening the independence of the Judiciary; (iv) enhancing participatory democracy and citizen engagement; (v) strengthening the accountability of public institutions; and (vi) adopting far-reaching regionalization as a democratic and decentralized system of governance. In furthering these good governance principles, Article 154 of the new Constitution also stipulates that public services are subject to standards of quality, transparency, accountability, and responsibility, thus addressing civil service reform as integral to the reinforcement of performance and results. The new Constitution also provides for equality of Moroccan citizens and obligates public bodies to promote liberty and equality for male and female citizens and to foster participation in political, economic, social and cultural life.

5. **The constitutional reform, supported by this program, represents the first phase of a medium term reform agenda.** A five-year period is foreseen for the implementation of these new constitutional provisions, which require an overhaul of the country's legislative framework, including 21 organic laws and over 240 laws and regulations, resulting in far reaching institutional and operational implications. The full implementation of these new policies and mode of governance across the public sector is expected to take a decade, as shown by similar transition experiences. The Government has opted for a gradual reform implementation and an iterative approach to foster reform appropriation and adaptation, while generating initial results that will help build trust and sustain reform momentum.

6. **In this context, the objective of Hakama II is to support the foundations for improved governance, by consolidating and deepening the cross-cutting policy reforms initiated under Hakama I in the areas of transparency and accountability.** The first Hakama DPL series supports a package of intertwined measures aimed at establishing the legal foundation for greater transparency, accountability and participation across the entire public sector, in order to improve the performance of public programs and services along the service delivery chain. The structural policy measures supported under **Pillar I** include the

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<sup>3</sup> Corruption diagnostic studies by ICPC in the transport and health sectors in 2011: <http://www.icpc.ma/wps/portal>

programmatic and performance informed budgeting reform, procurement reform, a legal and institutional framework for public-private partnerships, corporate governance of state-owned enterprises (SOEs) and agencies, as well as fiscal decentralization and local governance.

7. **Under Pillar II, the program supports the development of the underlying legal framework providing for a more open and inclusive mode of governance** through policy measures strengthening citizen voice and participation. These measures aim to strengthen fiscal transparency, access to information, public consultation and citizen petitions, in line with the new constitution, directly enabling increased citizen engagement in policy making by setting the legal building blocks for participation. These reforms have all undergone a process of public consultation, supported by the Bank and informed by international good practice, thus providing a good baseline upon which the legal framework was developed. Citizens are given the opportunity to access and comment on draft laws, submit petitions, voice their concerns and priorities in public consultations, and benefit from e-government services. These essential new rights are expected to promote inclusion and help to expand the scope of public engagement to benefit of women and other marginalized groups. Empowering these groups is central to addressing development challenges collectively, to achieving an open and inclusive society, and to accelerating and sustaining growth. These reforms will also enable Morocco to join the multi-lateral Open Government Partnership (OGP)<sup>4</sup>, which is among the country's top priorities.

8. **Implementation of this comprehensive governance reform agenda has proven challenging and has experienced delays.** The main challenges associated with the program relate to the scope and complexity of the constitutional reform agenda, which are heightening existing governance and capacity constraints in the short term. **Nonetheless, the Government commitment to the ambitious reform agenda remains strong.** Despite an important change in the government coalition in July 2013, the new Government reiterated its commitment to implement the 2012-2016 program and the new constitution. While another, smaller, cabinet reshuffle took place in May 2015, the existing government program has remained a priority and reform momentum was restarted. Some key organic laws, particularly those addressing political reforms, have been adopted. These include such laws as the Political Parties Law (2011), the Organic Laws on the House of Representatives and the Upper Chamber (2011 and 2012, respectively), the Organic Law on Local Government Elections (2012), and the Organic Law on Appointment to Senior Positions (2012). The organic laws on the judiciary, the budget as well as on local governments have been approved by the Council of Ministers on January 29, 2015. More recently, progress has been achieved in advancing the right of public engagement through the adoption of the organic law regarding local governments and the organic laws on public petitions and legislative motions, supported by this DPL series.

9. **The Hakama DPL series aims to mitigate implementation risks by taking a holistic and integrated approach to implementation support over the medium term. This is expected to include** a follow up DPL series foreseen in the CPS and parallel technical

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<sup>4</sup> <http://www.opengovpartnership.org/> - The OGP was launched in September 2011 by eight founding members and has now 65 members, with only two from MENA (Jordan and Tunisia). The high level inter-governmental partnership provides a platform to share commitments and experiences about reforms fostering a more open and inclusive mode of governance. To join, countries must meet minimum eligibility criteria and demonstrate commitments in four areas: (i) fiscal transparency, (ii) access to information through a law that guarantees the public's right to information and access to government data, (iii) asset disclosures related to elected or senior officials, and (iv) citizen engagement in policymaking through public consultation. Three of these four areas are supported by this DPL series.

assistance. The holistic approach aims to maximize reform synergies across the public sector at the national, local and SOE level. It also aims to strengthen the link between upstream policy reforms and downstream sector challenges and operations. The integrated approach aims to provide parallel support to the design and implementation of these key policy reforms. The Bank is providing parallel technical assistance to the central and local governments as well as to Parliament for the implementation of the Hakama reforms. This includes a capacity building program for Parliament and a US\$4 million project financed by the MENA Transition Fund, which supports the implementation of the public consultation and petition policies, the performance budgeting reform, the procurement and fiscal decentralization reforms. The EU and the AfDB are providing additional capacity building and training support. The design of this DPL includes a sequenced implementation of the structural reforms, including quick wins to build reform momentum and, where possible, an iterative process to allow adaptation based on the results from the ground (budget reform, corporate governance reform). The DPL series builds also on the previous Public Administration Reform Loan (PARL) series, which supported notably the modernization of the public administration and the civil service reform. In support of the ambitious reform program underway, technical assistance by the Bank will target various stakeholders whose engagement is key and therefore will help reinforce the implementation and consolidate sustainability.

## 2. MACROECONOMIC POLICY FRAMEWORK

### 2.1 RECENT ECONOMIC DEVELOPMENTS

10. **Morocco has made a major economic and social leap forward during the last 15 years.** While many countries in the region have witnessed stagnating economic growth, and indeed are currently under enormous economic turmoil, Morocco has been able to achieve respectable per capita income growth and preserve political stability, which in turn allowed for significant improvement in many social indicators. Morocco's real per capita income almost doubled since a period of sluggish growth in the 1990s; the poverty rate was halved during the period; average literacy rate among adults more than doubled; and Moroccans' life expectancy at birth soared to exceed 74 years. This performance was mainly due to the implementation of sound macroeconomic policies and structural reforms.

11. **Notwithstanding this performance, the Moroccan economy has remained structurally oriented toward non-tradable activities and reliance on a volatile, weakly productive agricultural sector.** The agriculture sector is still contributing around 13 percent to GDP but, given the volatile nature of its output, represents a drag on the growth potential of the economy. Meanwhile, non-tradable sectors, of which construction and main services, gained an increased share of GDP at the expense of manufacturing. The manufacturing sector has been suffering from weak competitiveness, partly due to slow structural transformation and diversification of the sector. On the demand side, domestic demand has been the main driver of growth, fueled by high and increasing public sector investments and consumption. Given this orientation, Morocco has made little productivity gains over the past two decades despite high levels of investment.<sup>5</sup> Investment efforts—dominated by publicly funded large infrastructure projects—have not triggered a growth take-off through higher total factor productivity (TFP)

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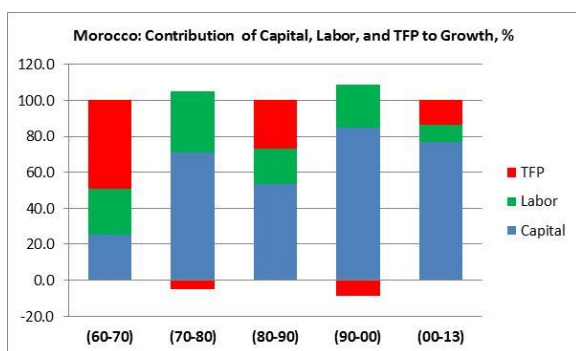
<sup>5</sup> Morocco has consistently invested 5 to 10 percentage points of GDP more than peer countries and its total investment as a share of GDP has increased from 25 percent of GDP in the 1990s to an average 34 percent currently.

(Figure 1). As a result, Morocco has yet to ensure the productivity gains needed to support the emergence of a larger middle class. The challenge of increasing and further sharing prosperity remains paramount.

12. **One important explanatory factor behind Morocco’s weak productivity gains can be traced to its difficulty in benefitting from the current wave of globalization.** Morocco’s share of global exports has hovered around 0.15 percent since the mid-1970s. The price of the national export basket has generally been higher than that of key competitors. High and rising export prices are symptomatic of persistent weaknesses in the competitiveness of Moroccan enterprises on the global market. While existing firms have increased their market share for existing products in existing destinations, the renewal of the exporter base with entry and exit of firms is limited, and the existing firms exhibit little product or market innovation.

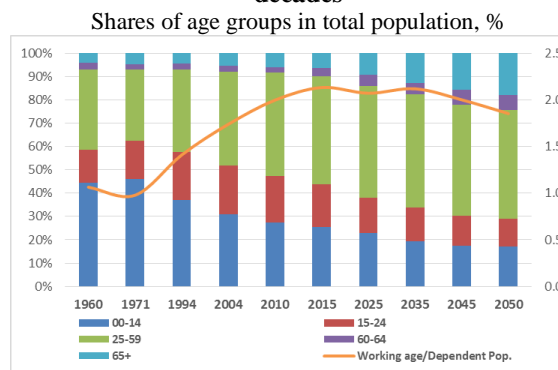
13. **Also, Morocco has yet to catch the dividends of its demographic transition.** While the ratio of working age to dependent population more than doubled since early 1970s (to reach a factor of two in 2014), the economy struggled to translate the demographic transition into higher standards of living. This was mainly due to a low labor force participation, especially among women, and an education system that could not significantly improve the quality of education and thus the productivity of workers. However, the demographic window of opportunity is not closed and Morocco should still be able to benefit providing that far-reaching reforms of the labor market, education system, and overall public governance are implemented swiftly (Figure 2).

**Figure 1: Growth has mainly been driven by capital accumulation**  
Contribution in %



Source: Haut Commissariat au Plan and World Bank staff calculation

**Figure 2: The window to benefit from the demographic dividend will start closing in two decades**



14. **Morocco’s economy and macroeconomic framework suffered a series of adverse external shocks.** While the 2008 financial crisis has had limited direct effects on Morocco’s economy, the subsequent Eurozone crisis and slowdown of economic growth in Europe have had more serious repercussions. As a result, economic growth beyond the agricultural sector has decelerated to an average of 3.9 percent since 2007, compared to 4.5 percent during 2000-2006 and macroeconomic indicators began to deteriorate. On the upside, the emergence of new growth drivers in higher value-added industries (such as car manufacturing and aeronautics) and the expansion of Moroccan companies in Africa are potentially creating the conditions for Morocco to become a regional hub for investments between Europe and Sub-Saharan Africa.

**Table 1: Key Macroeconomic Indicators**

	Actual				Est.	Proj.		
	2011	2012	2013	2014		2015	2016	2017
<b>Real economy</b>	Annual percentage change, unless otherwise indicated							
Real GDP	5.2	3.0	4.7	2.4	4.6	2.5	4.4	5.0
Agriculture	5.7	-9.1	17.9	-2.5	14.0	-5.0	2.0	2.0
Non-agriculture	5.2	4.7	3.0	3.3	3.1	3.9	4.7	5.4
Per Capita GDP	3.8	1.6	3.3	1.3	3.5	1.5	3.3	3.9
GDP (nominal--local currency)	4.5	3.4	6.3	2.6	5.4	3.8	5.6	6.4
<b>Contributions:</b>								
Consumption	3.8	4.1	3.0	2.3	3.4	1.3	2.2	2.7
Investment	3.5	-0.3	1.8	-1.1	0.6	0.9	1.5	1.5
Net exports	-3.5	-0.6	0.0	1.3	0.6	0.4	0.7	0.8
Imports	5.0	1.7	-1.5	1.8	4.8	5.5	5.5	5.5
Exports	2.1	2.6	2.4	6.3	8.0	8.0	8.5	8.5
Unemployment rate (ILO definition)	8.9	9.0	9.2	9.9	...	...	...	...
GDP deflator	0.1	0.4	1.0	0.2	0.8	1.2	1.2	1.3
CPI (pa)	0.9	1.3	1.9	0.4	0.7	1.0	1.0	1.1
<b>Fiscal Accounts</b>	Percent of GDP, unless otherwise indicated							
Expenditures	33.1	35.0	32.1	31.9	30.4	29.8	29.3	28.9
Revenues, including all grants	26.4	27.6	26.7	27.0	26.0	26.2	26.3	26.1
Budget Balance	-6.7	-7.4	-5.4	-4.9	-4.4	-3.7	-3.0	-2.9
Central Government Debt	53.7	59.7	63.5	65.2	66.6	67.9	67.3	66.1
<b>Selected Monetary Accounts</b>	Annual percentage change, unless otherwise indicated							
Base Money	6.4	4.5	3.1	6.2	...	...	...	...
Credit to non-government	10.4	5.1	3.5	3.6	...	...	...	...
Interest (key policy interest rate)	3.25	3.25	3.00	2.50	...	...	...	...
<b>Balance of payments</b>	Percent of GDP, unless otherwise indicated							
Current Account Balance	-7.9	-9.5	-7.9	-5.7	-3.0	-2.6	-2.3	-2.1
Imports	45.2	47.5	45.6	44.9	45.1	45.9	46.3	46.6
Exports	31.5	32.5	31.1	32.5	37.0	38.3	39.3	39.6
Foreign Direct Investment, net	2.5	2.8	3.1	3.2	2.7	2.8	2.7	2.7
Net reserves in US\$, bln (eop)	20.3	17.2	18.4	20.0	25.9	29.5	31.4	33.7
In months of next year's imports	5.2	4.2	4.3	5.5	5.6	6.0	6.0	6.0
As % of short-term external debt	2.4	2.0	2.1	2.3	3.0	3.4	3.6	3.9
External Debt (Long Term)	25.4	30.0	31.8	35.0	35.4	35.7	33.7	32.5
Terms of Trade, change in %	4.1	-13.1	-15.8	4.0	-0.9	-0.2	-0.4	-0.4
Exchange rate (average)	8.09	8.628	8.40	8.41	...	...	...	...
<b>Other memo items</b>								
GDP, nominal MAD, bln	802.6	827.5	872.8	895.8	943.9	979.4	1,033.9	1,099.8
GDP, nominal US\$, bln	99.2	95.9	103.9	106.6	115.3	120.0	127.0	135.2

Source: Morocco Government and World Bank staff estimates and projections.

15. **On the fiscal front, the Government took a series of measures to consolidate its public finances, including the reform of the fuel subsidy system in 2013.** The fiscal deficit decreased from a record high of 7.4 percent of GDP in 2012 to a deficit of 4.9 percent GDP in 2014 and a target of 3 percent of GDP in 2017. The activation of a price indexation mechanism helped cut subsidies by an impressive 24 percent in 2013 (or almost 2 percentage points of GDP). Its full implementation over 2014 helped cut further subsidies by 21.5 percent (or 1.2 percentage point of GDP). The elimination of subsidies for all liquid petroleum products and the fall of world prices allowed subsidy outlays to be reduced by more than 64 percent over the first quarter of 2015. Risks of the reform reversal are low due to the strong political will to deepen the reforms even further to improve efficiency of budget expenditure, and the insignificant direct impact of the reform on the poor and vulnerable population. The ongoing consolidation of social programs, and more effective benefit targeting, should help offset any rise in domestic prices resulting from external shocks.

16. **In parallel, the Government also began to rein in other recurrent expenditures, while consolidating tax revenues.** The fiscal consolidation measures in 2014 also included limiting the rise of the wage bill by 2.6 percent through higher wages freeze and limit on new hiring of civil servants. Thanks to these measures, the wage bill edged up by 0.5 percent only over first half of 2015. The consolidation also entailed improving tax collection through the expansion of the tax base, harmonization of tax rates and fighting tax evasion. As a result, the budget deficit last year was kept at 4.9 percent of GDP as envisaged by the Budget Law. In this context, and also thanks to increasing capital grants from the Gulf Cooperation Council (GCC) – which reached US\$1.6 billion by end 2014– the Government’s financing requirements have significantly decreased compared to the period 2012-2013. The pressure on domestic liquidity was further eased by the successful issuance of 1 billion Eurobonds in international financial markets under relatively favorable terms (3.5 percent for 10-year maturity). As a result, the central Government debt stock increased at a slower pace in 2014 than in earlier years, and reached 65.2 percent of GDP by end 2014 (compared to 63.5 percent of GDP in 2013).

17. **Consistent with the fiscal tightening, the balance of payments indicators have also improved in recent years.** After widening steadily since 2007 to reach its highest level at 9.5 percent of GDP in 2012, the current account deficit shrunk to 7.9 percent of GDP in 2013 and further to 5.7 percent of GDP in 2014. The dynamism of the new high-tech sectors (mainly automotive and aeronautics) continued over the first half of 2015. The capital account has also improved in 2014, with the above mentioned Eurobonds issuance and the issuance of US\$1.85 billion raised by the state owned phosphate company *l’Office Cherifien des Phosphates* (OCP). Net foreign direct investment (FDI) inflows increased by 8 percent in 2014 and jumped further by 20.3 percent over the first half of 2015 (as compared to the same period last year). Consequently, net foreign reserves increased by more than US\$1.5 billion, reaching US\$20 billion at end 2014, or the equivalent of 5.5 months of 2015 imports.

18. **Given Morocco’s exchange rate regime and track record of low inflation, the monetary policy aims at accommodating the economy’s liquidity needs subject to a foreign exchange reserve target.** To contain the adverse effects of looser monetary and fiscal conditions on foreign exchange reserves, Bank Al-Maghrib (BAM) tightened monetary conditions in 2013 and limited the growth of money supply to 2.8 percent (compared to 4.5 percent in 2012). As foreign exchange constraints have begun easing again since the beginning of 2014, BAM further reduced the banks’ reserve requirement to 2 percent in March 2014 and cut its policy rate twice in 2014, from 3 to 2.75 percent in September and 2.50 percent in December—the lowest rate on record. However, despite easing monetary conditions, banks’ credit to the economy increased only moderately last year (2.2 percent year-over-year), and slightly higher by end April 2015 (up 2.5 percent). This could reflect the continued accumulation of non-performing loans, which reached the equivalent of 6.9 percent of bank credit to the private sector at end 2014 and 7.2 percent at end April 2015.<sup>6</sup>

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<sup>6</sup> The increase in the non-performing loans (NPLs) is explained by two main factors: first, the pre-crisis banking sector exposure to real estate, mainly tourism projects but also high-standing residential projects. These sectors were hard hit by the 2008-2010 crisis, which resulted in increasing NPLs. Second, the central bank has conducted a comprehensive assessment of assets quality of the banking sector and related NPLs. Furthermore, following the increase in 2013 of the minimum capital adequacy ratio to 12 percent and the introduction of a minimum Tier 1 ratio of 9 percent, the central bank has ensured compliance with the new banking prudential requirements.

## 2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

19. **In the short term, domestic demand, both consumption and investment, will remain the main drivers of growth but with a growing contribution from net exports.** Domestic private consumption is expected to contribute the most to growth in the near future, but with declining shares to the benefit of investment and net exports. Helped by relatively high output gap, underlined by low capacity utilization and an unemployment rate currently close to 10 percent, the supply side of the economy would be able to scale up its output to meet the extra demand without much pressure on production factors.

20. **Over the medium to longer term, Morocco's macroeconomic prospects are essentially linked to the country's capacity to generate productivity gains.** With an investment rate hovering around 35 percent of GDP since 2008, Morocco has little room for further accumulation-led growth. Future economic growth would therefore need to come from increased total factor productivity. Along with the sector strategies already under implementation, these efforts would involve in the first instance improving the quality of domestic investments and continuing to attract large flows of FDIs, and over the longer run building the soft infrastructure associated with less tangible—but not less important—assets related to the accumulation of human, institutional and social capital. In this context, Morocco could also reap the demographic dividend before the demographic transition reverses itself.

21. **Both short and medium term prospects will continue to depend on the pursuit of sound macroeconomic policies, including a robust fiscal consolidation, a prudent monetary policy and greater flexibility in exchange rate management.** In line with the new constitutional requirement, the Government is committed to fiscal stability and to progressively reduce the budget deficit to the medium term target of 3 percent of GDP in 2017 through the implementation of a set of reforms. Key measures include: (i) continuing the reform of the universal subsidy system; (ii) accelerating the fiscal and pension reform agenda; (iii) introducing a ceiling on wage expenditures and tighter controls of carry overs; and (iv) enhancing the performance of the public sector and the efficiency of public expenditures and investments. The two latter are part of the new organic budget law.

22. **The 2014 and 2015 Budget Laws confirmed the Government's strategy to continue reforming the subsidy system and launch the reforms of the pension and fiscal systems this year.** In January 2014, the Government stopped supporting prices of gasoline and industrial fuel oil and implemented a plan phasing out subsidies on diesel by the end of the year. These steps constituted major milestones toward a comprehensive subsidy reform. Parliament also adopted the Organic Budget Law, introducing performance budgeting to improve public service delivery and efficiency. To improve further the investment climate, the Government announced its intention to proceed with justice reform, improve access to financing, especially for the Small and Medium Enterprises (SMEs), address access to land constraints, develop logistics services, and reinforce technical training. Assuming these reforms continue, growth in the non-agriculture economy could pick up to around 5.5 percent over the medium term, with inflation kept below 2 percent and the budget deficit at 3 percent of GDP (Table 1 and 2 in Annex 4).

23. **Improving the efficiency of public expenditures, especially in the social sectors, constitutes a critical governance challenge.** High spending with respect to GDP in sectors such as education, health, and other social programs, has not translated into significant improvement in social indicators, which put Morocco behind countries with less social



spending ratios. The explanation of the weak efficiency of public spending lies partly in the weak public expenditure programming and management system (PEM) and to some inefficient social programs, such as fuel subsidies. The new Organic Budget Law (OBL) supported by this DPL will contribute to the enhancement of the PEM through implementing multi-year programming approach and performance budgeting. Combined with the modernization of public procurement, the development of public and private partnerships (PPPs) and strengthened governance of SOEs and agencies, these reforms are expected to improve the transparency and accountability in the design and implementation of development programs and expenditures. The fuel subsidy reform will not only contribute to improving expenditure efficiency, but also to enhancing fiscal space that would benefit better targeted and efficient social programs. The share of social ministries in the budget increased since 2013 (Annex 4, Table 4). All these factors have the potential to improve the allocative and operational efficiency of public expenditures.

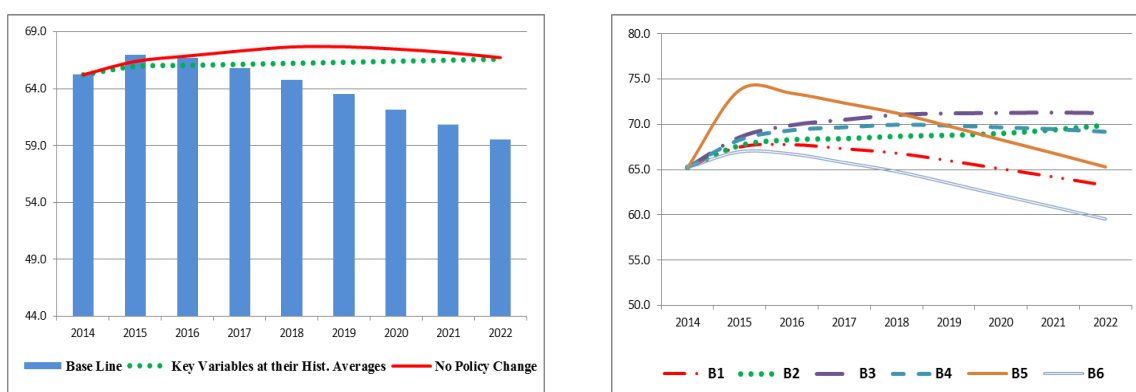
**24. The external position is expected to remain sustainable over the medium term provided that key critical reforms under implementation continue to take hold.** The current account deficit is projected to gradually decline to around 2.3 percent of GDP in 2017 benefiting from improved export potentials and a recovery of tourism activities and workers' remittances. The latter would benefit from the anticipated progressive recovery in Europe, the main source of remittances flow to Morocco. This scenario critically assumes that Morocco would benefit from its continued reform efforts supported by a number of World Bank-financed DPLs. These reforms, along with sector strategies already under implementation, would translate into higher productive private investments, including FDIs, and progressive gains in competitiveness of its exports, including tourism. Exports should also benefit from some diversification toward the BRICS and other major developing countries, including in Sub-Saharan Africa.

**25. External debt is expected to peak at around 35.7 percent of GDP in 2016.** Foreign reserves remain around six months of imports, assuming foreign investors retain confidence and GCC financial support continues. External financing requirements constitute a moderate concern in the medium term, given the still low external debt, financial support from the GCC, access to international markets, and still adequate foreign reserves. Current account deficits are projected to narrow steadily in the medium term, and financing them should not be a constraint. Any remaining financing gap could be filled by tapping international markets.

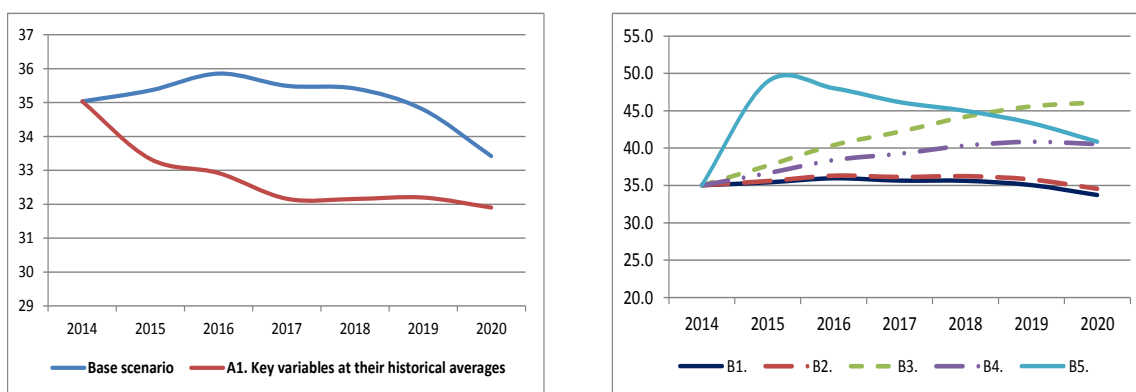
**26. The public debt sustainability analysis indicates that the framework remains sustainable although it would weaken under a scenario of medium term downside risks (Figure 3).** Indeed, when the debt sustainability analysis is based on the assumption of "no-policy-change", the debt stock increased steadily over the period 2015-2019 before levelling off. All the six bound tests proved sustainable over the medium term, although two of them show debt-to-GDP ratios in the range of 69-71 percent by 2022.

**Figure 3: Central Government and External Debt Sustainability (in % of GDP)**  
 Alternatives Scenarios and Bound Tests<sup>7</sup>

**Central Government Debt**



**Morocco's External Debt**



Source: Government and World Bank staff calculation

27. In July 2014, the IMF approved a second 24-month arrangement for Morocco under the Precautionary and Liquidity Line (PLL) in an amount equivalent to SDR 3.2 billion (about US\$5 billion).<sup>8</sup> When concluding the 2014 Article IV Consultations, the IMF underlined the strong policy actions of the Government that allowed reducing economic vulnerabilities, especially thanks to the fuel subsidy reform. The IMF called for continued fiscal consolidation to generate fiscal space for social programs and enhance investment expenditures, while reducing public debt. The second review of the current PLL completed on July 24, 2015, confirmed that economic performance has been strong and steady reform effort has helped reduce fiscal and external vulnerabilities. It underlined the significant progress made in reforming the subsidy system, while expanding social programs for vulnerable population. It called for a timely implementation of the pension reform to ensure the viability of the system. While external position has been improving, the review called for further progress on structural reforms to improve the business environment that will help strengthen competitiveness, growth

<sup>7</sup> B1: Real interest rate is at baseline plus one standard deviations; B2: Real GDP growth is at baseline minus one-half standard deviation; B3: Primary balance is at baseline minus one-half standard deviation; B4: Combination of B1-B3 using one-quarter standard deviation shocks; B5: One time 30 percent real depreciation in 2015; and B6: 10 percent of GDP increase in other debt-creating flows in 2014.

<sup>8</sup> This follows the first PLL approved in August 2012 (SDR 4.12 billion, approximately US\$6.2 billion).

and employment. The reforms include strengthening governance, transparency and the job market. The second PLL will continue to provide a potential line of credit until July 28, 2016.

28. **In sum, progress toward fiscal consolidation and improvement in external indicators underscore that the Government’s macroeconomic policy framework remains adequate for development policy lending.** Nevertheless, difficult conditions in the global and regional environment and the slow pace of some key reforms entail significant downside risks. Slower recovery of the global economy, especially in Europe, would limit Morocco’s export potential, including tourism and remittances, which would require additional macroeconomic adjustments. A surge in oil prices triggered by geopolitical tensions would constitute a vulnerability risk to the economy for its impact on the external position and terms of trade. Greater volatility of the world financial markets is also a source of risk. In addition, the three debt sustainability analysis tests that put the medium-term public debt-to-GDP ratio in the 70-73 percent range highlight the risks posed by a limited reform scenario. Yet, Morocco has also demonstrated its willingness and capability to adjust policies and introduce corrective measures to overcome the adverse effects of shocks. Morocco managed to keep its investment grade rating and its access to international financial markets with relatively favorable conditions. The successful implementation of the Government’s revamped development strategy would enable to mitigate the negative effects of most of the anticipated risks discussed above.

### 2.3 RELATIONS WITH THE IMF

29. **The World Bank and the IMF maintain a close collaboration in Morocco.** Fund and Bank teams have regular exchanges on macro-financial issues with a common understanding on the division of labor and a shared assessment of the critical macroeconomic challenges facing the country. Discussions focus on the respective work programs and recent macro-financial developments and prospects. Bank-Fund collaboration reflects the importance of transversal DPLs in the Bank’s portfolio. Fund staff participates in Bank project reviews, while Bank staff are consulted in the preparation of IMF missions and contribute to the Fund’s Article IV consultation missions to Morocco. The coordination is particularly close on the reform of the organic budget law, supported by this DPL. The ongoing analytical work being carried out by the Fund team focuses on (i) the medium-term outlook for public finances; (ii) an analysis of the real exchange rate; and (iii) the macroeconomic implications for Morocco of the global financial crisis and its aftermath in Europe.

## 3. THE GOVERNMENT’S PROGRAM

30. **The 2012-2016 government program, anchored in the 2011 Constitution, was presented to Parliament on January 26, 2012 and structured around five key pillars, including:** (i) deepening national identity and social cohesion; (ii) the rule of law, regionalization and governance; (iii) job creation and economic development; (iv) national sovereignty and social development; and (v) strengthening social services, including those aimed at Moroccans living abroad. The scope of the DPL series focuses on the second pillar linked to good governance, encompassing a range of organic laws and policy reforms foreseen in the government’s legislative plan, approved on November 22, 2012.

31. **Implementing the new constitutional provisions and rights is the Government's first priority and an enormous undertaking.** It includes a range of key structural reforms such as the revamping of the judicial legal framework, a major decentralization reform and the adoption of a new set of organic laws on public petitions, legislative motions and access to information, covering the entire public sector. In total, the legislative plan foresees the adoption of a total of 243 legal texts, including 21 organic laws<sup>9</sup>, the weight of the latter is important as they set the underlying legal foundation for all others. This new legislation has therefore also far reaching implications on the existing legal and regulatory framework which will need to be updated accordingly.

32. **While the government program remains well underway, developments over the course of the past year have slowed down progress on certain reform areas.** In October 2013, a government reshuffle took place after months of political tension that impacted reform momentum on a range of key structural socioeconomic, judicial and governance-related measures. Another but smaller cabinet reshuffle took place in May 2015. The participative approach in the design of laws also resulted in longer delays. Such a deep and comprehensive reform program also increased the existing institutional and administrative capacity constraints and generated bottlenecks notably at the Secretary General of the Government (SGG), which is tasked with consulting, finalizing and transmitting all legal texts to Cabinet. The SGG has recruited 40 new legal advisers and stepped up its efforts of inter-ministerial coordination and legal consolidation. Moreover, important coordination challenges remain both at the central, as well as at the local government level. These challenges are partly mitigated at the policy and program levels through the new performance budgeting reform, which highlights potential synergies and enables to strengthen the coordination of programs and projects. Likewise, the strengthened regional governments as well as walis and governors are tasked with a stronger coordination function at the local level.

33. **While the government's reshuffle and capacity constraints resulted in a period of slower reform pace, some notable progress has already been made.** The incoming Government endorsed the existing government program and reinstated reform momentum, particularly in the fields of judicial reform, higher education and social solidarity among others. Some key organic laws, particularly those in line with political reform, have been achieved. These include such laws as the Political Parties Law (2011), the Organic Laws on the House of Representatives and the Upper Chamber (2011 and 2012, respectively), the Organic Law on Local Government Elections (2012), and the Organic Law on Appointment to Senior Positions (2012). The organic laws on the judiciary, the budget as well as on local governments have been approved by the Council of Ministers on January 29, 2015. More recently, progress has been achieved in advancing of citizen engagement through the adoption of the organic law on regions and communes and the organic laws on public petitions and legislative motions, supported by this program. The combination of policy support through the Hakama DPL series in addition to targeted technical assistance on key reforms supported by the DPL aim to help mitigate the challenges relating to eventual implementation on the ground.

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<sup>9</sup> From the 2012-2016 Government legislative plan

## **4. THE SECOND TRANSPARENCY AND ACCOUNTABILITY OPERATION**

### **4.1 LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION**

**34. The program development objective is to strengthen mechanisms promoting transparency and accountability in the management of public resources and to support legal reforms fostering open governance in Morocco in line with the new Constitution.**

**35. The Hakama DPL series builds on the results and the lessons learned from past public sector engagement in Morocco in terms of scope, design and approach.** The past Public Administration Reform Loan series (PARL I to IV) supported the initial wave of public sector reforms in the areas of public financial management reform, civil service reform, public procurement and e-government. The first Hakama DPL series builds on the technical work and initial experience with performance budgeting, medium term expenditure frameworks and public procurement. It supports the legal, institutional and operational consolidation of these reforms. For instance, the civil service reform was negatively impacted in 2011, notably by important new hiring, mostly on social grounds. This confirmed the need to renew the social contract on more sustainable grounds. As a result the second pillar of the Hakama DPL series supports the post Arab Spring demands for a more open and citizen centric mode of governance. In terms of design, the Hakama series adopted a more integrated and holistic design aimed at maximizing synergies across policy reforms and stakeholders. It also adopted an iterative and adaptive approach for the structural reforms, while integrating quick wins to support the reform momentum.

**36. The program is composed of the two following pillars:**

#### **A. STRENGTHENING MECHANISMS FOR TRANSPARENCY AND ACCOUNTABILITY IN THE MANAGEMENT OF PUBLIC RESOURCES**

**37. The government program aims to modernize public financial management, improve external accountability and allocative efficiency of public resources.** The adoption of multiannual budget perspectives combined with stricter control of the wage bill and subsidies aim to improve the efficiency of public resources management and the fiscal space over the medium term, while strengthening fiscal responsibility as foreseen by the Constitution (Article 77). These reforms should free up scarce public resources to support priority programs and services. The programmatic and results-focused budget approach will enhance the oversight function of an empowered Parliament by providing it with more say in the budget-setting process and increased external accountability over government use of public resources. Parliament will benefit from: (i) more timely information on budget assumptions and perspectives early in the budget process, (ii) greater visibility on budget allocations to different programs, intended objectives, and corresponding performance indicators; and (iii) performance monitoring and evaluation. The executive's accountability towards citizens and taxpayers will also be strengthened by the publication of ministerial budget programs and their performance plans and reports. The increase in accountability and scrutiny over the allocation and use of public resources is expected to reduce inefficiencies, waste and disparities. The Government consecrate this new programmatic performance informed budget management approach in its new organic budget law approved by Parliament on April 28, 2015. The organic law foresees ministerial performance objectives and indicators aimed at improving the effectiveness and efficiency of public policies and programs and the quality of public services.

It also foresees the adoption of gender informed performance objectives and indicators, when relevant. This represents an important opportunity to mainstream gender sensitive reforms across government. The new budget management approach is currently being rolled out to up to 16 ministries for the 2016 budget, with the support from the Bank, which is also providing capacity building to Parliament.

**38. The Government aims to improve the effectiveness of public programs and services by strengthening managerial responsibility and internal accountability for performance.** The new performance-informed budgeting approach will be implemented across the public sector. High level ministerial performance plans will be cascaded down along the management and service delivery chains. Program heads and managers will be responsible for implementing the programs, contracting with service providers and for reporting back on the programs' performance. A strengthened performance monitoring and evaluation framework is being adopted to inform management, improve accountability and foster a performance culture in the administration. Although performance-based pay is not yet planned, the new framework may gradually influence civil service incentive structures, which are mainly driven by administrative compliance and inputs. Likewise, the reform of ex-ante financial controls aims to provide greater managerial flexibility to departments that strengthen their internal control frameworks.

**39. Enhancing transparency and competition in contractual relations with the private sector is another key priority for both the Government and businesses. It is the objective of the public procurement reform and the adoption of a legal framework for PPPs, supported by this program.** These policy reforms, combined with the implementation of e-procurement are expected to increase competition and value for money of public spending while providing new economic opportunities, as well as a level playing field for all firms. Likewise, the adoption of a legal framework for PPPs is expected to attract more private investment and expertise towards key public services, complementing constrained public finances. This framework is aligned with the core transparency and competition principles of the procurement code and includes institutional measures, such as a dedicated PPP unit and a gate-keeping commission headed by the Ministry of Economy and Finance (MEF), aimed at fostering sound PPPs and mitigating the risk of contingent liabilities. This approach is also expected to foster a more integrated and consistent public investment management, irrespective of the sources of funding.

**40. Building on the lessons learned from past public sector reforms, the government reform agenda follows a holistic approach across the public sector and adopted a strategy to improve corporate governance of SOEs and agencies.** The Government adopted a code of corporate governance for SOEs on March 19, 2012 and started implementing it in 25 pilot entities. This code introduces good practice principles and recommendations for better governance and accountability mechanisms for SOEs and agencies. These principles include measures for responsible and transparent management of SOEs, reliability, integrity and effectiveness of their actions, and accountability and transparency of the decision making process in order to meet expectations and aspirations of various stakeholders.

## **B. FOSTERING OPEN GOVERNANCE**

**41. Access to information is a key constitutional provision and, as such, a priority of the government program.** A draft law which underwent national consultation and lengthy inter-ministerial reviews, presents a two-pronged approach: (i) fostering proactive disclosure of

information (which will help show quick results in the short term), and (ii) enabling the public to request information from all central and local public bodies following clear and time bound request and appeal procedures and defined exceptions. This new policy represents a core lever to foster transparency and accountability across the public sector. It is also key to enable meaningful citizen engagement and to improve the business environment. An enterprise survey carried out in Morocco end of 2014<sup>10</sup> confirms the important economic impact of firms' access to public sector information and databases. The adoption of the access to information law will enable Morocco to fulfill the eligibility criteria for the membership in the multilateral Open Government Partnership. The MEF has formalized a policy of regular disclosure of key budget information. Other ministries such as the Secretary General of the Government (SGG) also implement similar initiatives, such as publishing draft laws for public consultation online. The scope of these public consultations has recently been expanded, including texts not strictly linked to the US Free Trade Agreement of 2009.

42. **The right of petitions remains a priority in line with the new constitutional principles of participatory democracy.** The new right has been concretized through an organic law on petitions at the national level (ref. n° 44-14), the integration of the right of petitions in the organic laws on regions and communes, and eventually, in the revision of the Parliament's internal bylaws. The organic petitions law (ref. n° 44-14) has been approved by the Council of Ministers. The draft law has been prepared based on the recommendations of the year-long *National Dialogue on citizens' new constitutional rights*, which reached nearly 7,000 civil society organizations across Morocco at the national and local level. Having adopted an inclusive approach with civil society at the onset of this reform, the new legal framework marks a notable shift in government recognition of the importance of consultations and citizen engagement. The integration of the right to petition also at the local level and in Parliament further solidifies a comprehensive access to this right across the country's governance system. Furthermore, these essential new rights expand the scope of citizen engagement, in order to achieve an open and inclusive society and to strengthen democracy and development. Such new rights will help to encourage gender-sensitive policies by empowering more systematic engagement of women and groups that are on the margin of public decision making, particularly at the local level, thus helping mitigate their vulnerability. Next steps supported by parallel Bank technical assistance includes the establishment of a centralized e-participation platform which will include e-Petitions, the establishment of a petitions committee, the development of implementing regulations at the national and local level, revised internal parliamentary bylaws which integrate the petitions process, as well as trainings and guidelines for public officials and members of Parliament. A more detailed description of the World Bank support to this reform is included in section 4.2- Pillar II below.

43. **In 2009, the Government adopted a large e-government agenda “Maroc Numeric 2013” and is in the process of finalizing the follow up strategy “Maroc Numeric 2020”.** This strategy aims to develop a knowledge-based economy focusing on information and communication technologies (ICT), and improving public service delivery at the central and local levels. An inter-ministerial committee (CIGOV) was established to oversee implementation. Services and projects were prioritized based on international benchmarking conducted by the Government and proposals from civil society. Among the 69 e-gov projects

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<sup>10</sup> In this ongoing study, the Bank surveyed over 380 firms, in cooperation with Morocco's main business association (CGEM) to assess the importance, access and use of public sector information and the related costs and benefits.

foreseen in the strategy, 25 are operational, including six transactional online services. One example of a major transformative project is *Watiqa*, covering both central and local governments and enabling citizens to order birth certificates and other administrative documents online and to receive them by registered mail. This innovative application aims to reduce transaction costs and risk of discretion and corruption linked to direct interaction with local officials.

44. **The Constitution empowered regions as full-fledged local governments in order to strengthen local democracy and service delivery.** This structural reform was developed through a year-long participatory process led by the consultative commission for regionalization. The commission’s white paper recommended upgrading the regions into directly elected local governments with enhanced functions and resources, based on the principle of subsidiarity. This new level of decentralization has been consecrated in the constitution and in organic laws. It further led to the consolidation of the current regions in fewer and bigger regions to increase their economic and social attractiveness and maximize synergies. This decentralization agenda is a core pillar of the government’s program.

#### 4.2 PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

45. **The ten prior actions and associated results indicators of this DPL are set out in Annex 1.** In light of contextual considerations, two out of 10 indicative triggers envisioned at approval of the first DPL of the series are revised, namely triggers #7 and #8. These revisions are warranted by the change of sequencing of the reforms and will not affect the program development objectives. They are expected to have a positive effect on the results and synergies of the supported reforms. The table below summarizes and explains these substantive revisions.

**Table 2. Material Changes in Accountability and Transparency DPL Prior Actions**

Indicative Trigger (as stated in the Program Document of the DPL I)	Revised Prior Action	Change and Rationale
<p><b>Indicative trigger #7:</b> Implementing regulations of the new law on the governance and financial control of agencies and state owned enterprises aimed at modernizing State oversight and increasing their managerial flexibility and accountability have been adopted.</p>	<p><b>Prior action #7:</b> Decision-making bodies of 15 additional State owned enterprises and agencies, have adopted a resolution and an action plan to implement the new code of corporate governance for State owned enterprises</p>	<p>It is proposed to replace the initial trigger related to the law on governance and control of SOEs and agencies- by the prior action that builds on the DPL I and expands the implementation of the corporate governance code in the additional 15 priority SOEs and agencies.</p> <p>This would bring the number of SOEs and agencies implementing the code up from five (supported by prior action #5 of DPL I) to a total of 20 and thus increase the results of this series. The lessons learned from implementation will inform the finalization of the SOE governance law and allow for appropriate public and inter-ministerial consultations and the law’s alignment with the new organic budget law and the performance approach (prior action #1 of DPL2).</p>



<p><b>Indicative trigger #8:</b> The Minister of the Interior has prepared and submitted the draft decree revising the financial transfer system to local governments for consultation, in order to strengthen the legal framework and transparency of the rules as well as their impact in terms of incentives and equalization, in line with the new regionalization strategy.</p>	<p><b>Prior action #8:</b> The organic law No.111-14 on regions has been published in the National Gazette No 6380 dated July 23, 2015</p>	<p>The Government revised the sequencing and ambition of the decentralization reform, in line with the recommendations of the consultative commission for regionalization. It decided to first strengthen and clarify the mandate and resources of empowered regional governments, hold elections, and then revise the current transfer and equalization system.</p> <p>This is consistent with the Bank’s policy advice and diagnostic of the transfer and equalization system finalized in 2014. This overhaul of the legal framework for local governments represents an opportunity to strengthen their mode of governance and to align it with the core public financial management and open governance reforms supported by this program, thereby substantially enhancing its ambition and coherence.</p>
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***PILLAR I. STRENGTHENING TRANSPARENCY AND ACCOUNTABILITY IN THE MANAGEMENT OF PUBLIC RESOURCES***

**Component A: Adopting performance informed budgeting**

**Prior action #1:** The organic budget law No. 130-13, introducing programmatic performance oriented budgeting has been published in the National Gazette No 6370 dated June 18, 2015. The implementing decree No 2-15-426 of such law has been published in the National Gazette No 6378 dated July 16, 2015.

**Prior action #2:** The Head of Government has issued circular No 4/2015 dated June 18, 2015, introducing a comprehensive performance monitoring and evaluation policy comprising the establishment of ministerial performance plans, performance audits and program evaluations.

**Prior action #3:** Five (5) ministries have transmitted to Parliament (i) their 2015 programmatic budget proposals and (ii) the corresponding performance plans.

**Prior action #4:** The Ministry of Economy and Finance has published on its Website the Government’s medium term budget framework and the programmatic budget allocations for five (5) ministries.

46. **Rationale:** Public programs and expenditures lack allocative and operational efficiency. Budget preparation and management processes are essentially input- and compliance driven, with limited attention given to performance and results. The budget structure is opaque and constrains strategic budget allocation, management, and oversight. The structure is also highly fragmented, with more than 25,000 paragraphs and budget lines primarily based on administrative and economic classifications. Likewise, highly prescriptive rules on transfers and reallocations limit managerial flexibility and the potential for greater operational efficiency. These weaknesses affect spending efficiency and accountability within the public administration, as well as in relation to Parliament and taxpayers. For instance, priority sectors such as education and justice, which have benefited from additional resources in a fiscally constrained environment, have not shown the corresponding increase in performance, as evidenced by international assessments such as TIMMS and preliminary findings of the public expenditure reviews.<sup>11</sup>

<sup>11</sup> Public expenditure reviews were undertaken by the Bank in the health, education (2013) and justice sectors (2014).

47. The adoption of a programmatic budget classification and multi-annual budget programming, coupled with new managerial responsibilities and increased flexibility in the management of public expenditures, are thus intended to respond to existing weaknesses and to increase transparency and allocative efficiency. This will require the introduction of a performance management approach across the public sector, closely integrated with the budget cycle, as well as the establishment of robust performance monitoring and evaluation systems. The Government, ministries, and program managers' commitment to performance objectives and reporting on their achievements is considered a key lever to strengthen transparency and the executive's internal and external accountability. This information will enable increased oversight from Parliament and citizens, which is expected in turn to improve the outcome of public programs and services. Finally, tighter controls of the wage bill and budget carry-overs in the organic budget law are opportunities to address key weaknesses in current budget preparation and management processes. Along with stronger macro-fiscal forecasting, these reforms contribute to the Constitution's new principle of fiscal responsibility (Article 77).

#### **Policy actions:**

48. **Prior action #1 foresees the adoption of the new organic budget law and implementing decree.** The organic budget law has been adopted by Parliament in May 2015 and its implementing decree has been adopted in July 2015. This prior action represents the foundation and long awaited legal basis for the adoption of the new programmatic budget structure, the performance informed multi-annual budgeting approach, as well as the above mentioned fiscal consolidation measures. The organic law and the performance informed budgeting approach represent the cornerstone of Morocco's new public management framework. The law has undergone thorough consultations in addition to a lengthy adoption process. The gap between the adoption of the law and its full implementation could be mitigated through the early implementation of core provisions of the law by regulatory means in line ministries providing key public services (prior action #3 of DPL 2). The legal framework and early implementation benefitted from the Bank support, including through a dedicated twinning project with the French Ministry of Finance and public expertise from Canada. The Head of Government has extended and deepened the implementation of the performance informed budgeting approach successive waves of departments by circulars issued respectively in mid-2014 and mid-2015, along the budget preparation process. The circulars anticipated the core provisions of the organic budget law and formalized the policy and procedures for establishing ministerial performance objectives and indicators to measure the effectiveness and efficiency of the respective programs, as well as the quality of public services. Departments are required to provide multiannual cost estimates for their programs and to provide gender informed indicators where relevant. This early implementation provided useful feedback for the finalization of the implementing regulations and revealed the uneven capacity and readiness across departments. These insights informed the training and capacity building support provided by the MEF with the support from the Bank.

49. **Prior action #2 relates to the adoption of a monitoring and evaluation framework for ministerial performance plans, audits, and evaluations.** This framework is formalized in the organic budget law and specified in a circular issued by the Head of Government on June 18, 2015. The circular includes detailed operational procedures and guidelines that will be tested and gradually implemented in 15 departments along the 2016 budget, with Bank support. The comprehensive framework has four dimensions: (i) a performance commitment and reporting system by line ministries monitored by the MEF as part of the budget approval and

supervision process. The ministerial performance program accompanying the budget proposal and a year-end performance report will be sent to Parliament and published online; (ii) an inter-ministerial review process between the MEF and the respective line ministries for quality control and multiannual budget programming purposes; (iii) ex-post performance audits covering programs and their performance objectives and monitoring systems; (iv) ex-post program evaluations. The performance audits and evaluations will be carried out jointly by ministerial inspectorates and the Inspectorate General of Finance, possibly involving external experts. The ex-post performance audits and evaluations will be carried out in three-year cycles, after the program implementation. This comprehensive monitoring and evaluation system is essential to ensure quality control, transparency and accountability of ministries. The efficacy of this performance approach will depend upon the actual usage of performance information generated by managers, leadership and Parliament, as well as by the reward and sanction system put in place. In order to strengthen these, the performance discussions will be fully integrated in the budget discussions and will include the recommendations and actions for improvement stemming from the performance audits and evaluations. The Bank is providing implementation support, as well as training and capacity building to both the executive and Parliament for that purpose, involving high level practitioners from France and from Canada through an institutional twinning project.

**50. Prior action #3 relates to the gradual roll out of the reform to at least five ministries for the 2015 budget in order to reduce the implementation gap of this structural reform.**

This gradual implementation helps build appropriation and expertise both within the executive and Parliament, while providing a feedback loop to fine-tune this new performance informed budgeting approach. To date, nine ministries have restructured their budgets in programs and submitted them to Parliament; seven ministries have established their performance plans and sent them to Parliament along with their 2015 programmatic budget proposals. These ministries include: Economy and Finance; Agriculture; Water and Forestry; Transport and Equipment; Education; Vocational Training; and Finance. Three more ministries are in the process of finalizing their performance plans: Health; Justice; and Foreign Affairs. A third wave of six departments is foreseen for the 2016 budget. This will bring the total number of departments implementing the performance budgeting approach along the 2016 budget to 15, covering more than half of the budget and the key public service providers<sup>12</sup>. The evaluation of the two first waves of performance plans showed good progress and understanding while revealing disparities in ownership and quality across departments. Building on the lessons learned, the guidance and accountability chain have been strengthened by introducing detailed guidelines and templates, a validation process of the performance plans by the MEF prior to submission to Parliament, the increased involvement of the secretary general of each department and the mandatory publication of the performance plans and reports online. While the actual publication of the performance plans goes beyond the prior action, it is an important result in terms of increased fiscal transparency.

**51. Prior action #4 relates to gradual implementation of the multi-annual budgeting** which aims to make the budget more strategic and provide the necessary medium term outlook to ministries that are implementing the new programmatic and performance budget management approach. The new organic budget law foresees implementation of multi-annual

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<sup>12</sup> Departments of Education; Vocational Training; Health; Agriculture; Water and Forestry; Transport and Equipment; Justice; Foreign Affairs; Finance; Higher Education; Fisheries; Housing; Handicraft; Solidarity and Women; and Social Affairs.

budgeting in 2019 but the MEF has started pilot testing this approach as of 2014 for the MEF, as well as five line ministries. This policy builds on earlier efforts to develop ministerial medium term expenditure frameworks (MTEFs) and draws the lessons from its mixed success. Past efforts at the sector level suffered from the lack of legal basis and guidance on ceilings from Finance, notably due to the absence of a global MTEF, as well as from the disconnect between the MTEFs and the ministries' annual line item budgets sent to Parliament. The new policy aims at addressing these weaknesses, by (i) enshrining it in the organic budget law, (ii) publishing a global three-year rolling MTEF on which the ministerial MTEFs will be anchored, (iii) linking the medium term expenditure forecasts to the ministerial budget programs and performance plans, and (iv) integrating the process with the budget preparation and discussions. While the policy and procedure are being developed with the support from the Bank, they are being tested as of 2015 with the preparation and publication of the first global MTEF and the medium term expenditure forecasts for the budget programs of the first wave of departments that have adopted a programmatic budget and performance plans. All documents are published on the website of the MEF. This experience will be expanded and strengthened in 2016 and provide a useful feedback for the policy development. For instance, ministries will now be requested to publish their year-on-year adjustments and to explain the differences.

52. **Expected results:** While not solving all the weaknesses of the public financial management system, the new programmatic budget structure and the development of strategic performance objectives and indicators for each program will improve government transparency and accountability in the allocation and management of public resources. The development of a multi-annual budget framework and the introduction of managerial flexibility within programs will contribute to the improvement of operational efficiency in the medium term. The performance documents prepared by each minister and program manager offer a baseline for performance contracting as well as for monitoring and evaluation, including by the MEF, its Inspectorate General (IGF), by the Court of Audit, and by the Parliament. It is expected that the performance plans for at least 10 departments will be publicly available on the MEF's website at completion of the DPL series. The initial results of this early implementation of the reform are encouraging, notably in terms of transparency and increased attention to performance objectives and indicators within the executive and in Parliament, both receiving technical assistance from the Bank, including on performance budgeting and analysis. The next step will be to roll out this approach along the service delivery chain and to increase the managers' flexibility and accountability for results. The Public Expenditure and Financial Accountability (PEFA) diagnostic, currently ongoing with the 2015 methodology, will provide a baseline and an assessment of the initial results of the performance budgeting reform. The performance information included in the budget is expected to lead to a higher score of the new indicator PI-8 compared to the baseline situation. As the new 2015 PEFA methodology is currently being tested, the possible changes to the PEFA indicators would need to be taken into consideration during the evaluation of the DPL series.

## **Component B: Improving competition and transparency in public procurement and public-private partnerships**

### **B1. Public Procurement**

**Prior action # 5:** The Council of Government has approved draft decree No 2-14-867 dated September 10, 2015 establishing the National Public Contracts Committee, with a mandate on oversight, complaints handling and training, and including non-State actors.

53. **Rationale:** The modernization of the procurement framework aims at improving transparency and accountability in financial management as well as value for money. The new procurement decree adopted in 2013 (prior action #3 of DPL1) strengthened and modernized procurement rules and processes, introduced e-procurement, and extended the scope to the whole public sector, thereby increasing competition and reducing the risk of corruption. However, the scope and depth of the changes require a comprehensive implementation strategy as confirmed by a recent study from the World Bank<sup>13</sup>. This primarily includes the updating of all operational guidelines and bidding documents (prior action for the EU), an extensive training and capacity building program for all public buyers (ongoing with Bank support), and a transparent and inclusive oversight body and complaints handling mechanism supported by this prior action.

54. **Policy action: The *Commission Nationale de la Commande Publique (CNCP)* is an institutional cornerstone of the public procurement reform.** Currently, the Treasury General of the Kingdom (TGR) is in charge of the procurement guidelines, the procurement and firm databases, compliance controls, as well as of complaints handling. This reform aims at separating the regulatory and the implementation functions and to establish a more independent and effective review and complaints handling process. This can be ensured by placing the Commission at the SGG, who is not involved in procurement transactions and controls but in charge of procurement regulations and capacity building. The autonomy and effectiveness of this new body will be further strengthened through membership of non-state actors, independent decisions on a procurement process, clear rules regarding potential conflicts of interest, and binding response times to complaints. Non-state members of the Commission include representatives from private sector federations of engineers, civil works and commerce as well as independent persons recognized for their expertise. This new Commission has also a training and capacity building function including the development of training courses and the training of trainers that can be deployed across the public sector. The decree establishing this Commission has been adopted on September 10, 2015.

55. **Expected results:** The scope of public procurement rules has been expanded to the entire public sector, covering also all local governments and architect contracts and most public agencies (125). 114 SOEs and agencies operating in a commercial sector are required to adopt their own procurement regulations, aligned with the principles and rules of the national code. Out of these 114 SOEs and agencies, 104 adopted such rules, eight are in the process of having them approved and two have just sent them to the MEF for clearance. As a result of the reforms supported by the DPL series, the number of procuring entities subject to the new procurement rules is expected to reach 3,345 in 2016. The introduction of e-procurement and reverse auctions is expected to increase competition and to accelerate the tendering process, leading to new business opportunities for all firms and generating substantial savings for the Government. It is estimated that the use of reverse auctions for the purchase of standard supplies will increase the value for money once implemented in 2016 and result in 10 percent savings on the supplies purchased through this mean. The establishment of a regulatory body and complaints handling mechanism is expected to increase the transparency and accountability of public procurement.

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<sup>13</sup> Morocco Procurement Improvement Report Final GAC, WB, 2015

## **B2. Public-Private Partnerships**

**Prior action # 6:** The implementing decree No 2-15-45 dated May 13, 2015 of Law No 86.12 on Public Private Partnerships Contracts has been published in the National Gazette No. 6365 dated June 1, 2015.

56. **Rationale: Persistent socio-economic development challenges and regional disparities highlight the need to scale up public infrastructure and service delivery.** Considering severe budgetary constraints and the limited capacity of the public administration in certain sectors/regions, such a scale up requires a greater involvement of private operators through PPPs to leverage financial resources, capacity and technology. Although Morocco has past experience in the delegated management of public services and carried out PPPs in specific sectors such as transport, energy and water, it lacks a comprehensive and unified legal framework. At the national level, partnerships are covered by heterogeneous sector specific regulations or launched on an ad-hoc basis. This situation limits the transparency and competition of PPPs and creates legal and fiscal uncertainties, which may discourage both public bodies and potential firms, particularly in the non-traditional sectors. As the financing and operating modalities of PPPs differ from classical public works or services contracts, they are not covered by the public procurement decree and tendering practices may vary greatly. Furthermore, PPPs may entail important risks and contingent liability for the public sector. The corollary of leveraging more private financing for public investments or services implies a long term financial commitment (over 30 years) from the Government. While such partnership may alleviate the pressure on the investment budget in the short term, PPPs may also constrain future expenditures and result in contingent liabilities. Thus, PPPs represent important opportunities to help address the deficit in public investments but entail also a number of risks that need to be carefully assessed and managed.

57. **Policy action: The Government is developing a modern and unified legal framework for PPPs to foster increased competition, transparency, and legal certainty and thereby attract private investors in public services and infrastructure.** These partnerships aim at benefitting from private sector capacity, innovation and financing in service delivery, while ensuring optimal risk sharing. This entails allocating responsibilities and payment arrangements for services rendered to the party exhibiting optimal performance results and efficiency. The law also strengthens competition rules for such partnerships by introducing competitive bidding and clear rules for competitive dialogue. In order to ensure that selected projects are justified and can be implemented as viable PPPs, the law foresees the development of clear criteria for the assessment and selection of projects, a review committee at the MEF, as well as a performance monitoring and evaluation system for project implementation. This committee and the new selection criteria will help a more integrated process for the selection and management of public investments, irrespective of their source of financing. Furthermore, the law mandates all new PPPs to comply with standard contractual provisions which will improve the transparency and accountability of such contractual relations.

58. **Expected results: The PPPs law has been published in the National Gazette in January 2015 and its implementing decree has been published in June 2015.** This comprehensive and unified legal framework enters into force in 2015. It will increase the legal certainty for both private operators and public bodies, thus creating an enabling environment for an increase in PPPs and alternative modes of public service delivery. It will foster increased competition and enhance the transparency of such contractual arrangements by mandating the

approval by decree for all PPPs concluded with the State as well as the publication of a summary of these contracts. The impact in terms of private investment and service delivery can only be seen in the medium term, given the time needed to build a pipeline of viable projects and conclude such complex contracts.

### **Component C: Enhancing financial control and governance of SOEs and public agencies**

**Prior action # 7:** Decision-making bodies of 15 additional State owned enterprises and agencies, have adopted a resolution and an action plan to implement the new code of corporate governance for State owned enterprises.

59. **Rationale: SOEs and agencies play an important role in the economic and social development of Morocco, particularly through the implementation of public policies and the delivery of basic services.** At end August 2014, the public portfolio consisted of 239 public institutions, 42 limited companies and 437 financial participations and subsidiaries, of which 229 are majority owned (direct and indirect public ownership above 50 percent). They represent two-thirds of public investment and half of public expenditures. It is thus essential to fully involve SOEs in the governance and public sector reform agenda. In order to strengthen their performance and effectiveness, SOEs are expected to strengthen their governance and transparency. The SOEs also fall within the scope of the law on access to information, and to this day, very few publish their financial statements or governance structures online. Strengthening transparency is a priority for reforms to improve the governance and oversight of SOEs. Thus, the corporate governance code for SOEs was officially launched on March 19, 2012 by a circular from the Head of Government. This code aims to establish good governance practices of SOEs and to entrench the values and principles of transparency and accountability. This code includes recommendations, rules and guidelines in the following five areas: (i) the role of the government, distinguishing between the functions and tasks assigned to the government and that are likely to influence the conditions under which the SOEs operate (its role as a strategic guidance, shareholder, oversight and control), (ii) the role and responsibilities of governance structures, (iii) the rights of shareholders and the equal treatment due to them, (iv) transparency and dissemination of information, and (v) relationships with stakeholders and the equal treatment due to them. The code also presents important potential synergies with the other reforms supported under this operation, including those relating to fiscal transparency, public procurement and the budget reform, as most SOEs and agencies will be an integral part of the new performance framework introduced by the new organic budget law.

60. **Policy Action: This program supports a sequenced approach, including the adoption and implementation of governance standards in key SOEs and public agencies, while developing a new legal framework.** SOEs and agencies are required to apply the corporate governance code or to explain what provisions are not relevant and why (“comply or explain principle”), following a corporate governance diagnostic developed by the MEF with the Bank’s support. Under the first operation, the Government agreed to test the code in five strategic SOEs and agencies, with a strong interface with citizens and delivering public services<sup>14</sup>. For the second DPL in this series, it was agreed to expand the adoption of the code to at least 15 more SOEs and agencies providing key public services in the housing, social, and agricultural sectors and to set up dedicated governance structures in two major transport

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<sup>14</sup> ADM (the highway agency); SIE (an investment company in the energy sector); RADEEMA (the electricity and water utility of Marrakesh); CMR (pension fund); Office des changes (FOREX), representing total sales of US\$3.4 billion and 2,194 staff in 2014.

SOEs<sup>15</sup>. The implementation of the code will be supervised through a monitoring and evaluation framework, which measures notably: (i) establishment of the required internal governance structures, such as governance and audit committees, (ii) the development of a risk framework specifying the main risks faced by each SOE and mitigating measures taken, (iii) the signature of performance contracts, when appropriate, and (iv) publication of each SOE's governance structures, their activities, as well as their updated financial statements in the official journal.

**61. Expected results: To date more than 20 SOEs and agencies have adopted action plans to implement the corporate governance code and 19 SOEs and agencies have started implementing its core provisions and established a dedicated governance committee.** To date, seven have developed a risk framework. While all SOEs and agencies are publishing their financial statements annually in the official journal and are included in the annual report sent to Parliament along with the budget law and published on the MEF's Website, only three SOEs and agencies from the sample are posting their financial statements online. The MEF is thus taking actions to foster more proactive disclosure online, in line with the new access to information policy. This reform aims to increase the transparency and accountability of SOEs and agencies delivering core public services, with the objective to improve the scope and quality of their services, their operational efficiency while better managing the risks for the state. The detailed results indicators and targets are specified in Annex 1.

#### **Component D: Modernizing local governance and financial management.**

**Prior action # 8:** The organic law No.111-14 on regions has been published in the National Gazette No 6380 dated July 23, 2015.

**62. Rationale: Advancing regionalization is a key pillar of Morocco's governance transition, as confirmed by the new Constitution and regionalization strategy adopted in March 2011.** The strategy aims to improve local socio-economic development and to reduce regional disparities by empowering local governments and strengthening their governance. Articles 140-141 of the Constitution states that local governments will benefit from increased competences and corresponding resources according to the principles of self-administration and subsidiarity. Furthermore, the cross-cutting governance reforms supported by this operation, such as access to information and public petitions equally apply to local governments. These deep and comprehensive changes, particularly at the regional level, require (i) an overhaul of the current legal framework governing local governments, (ii) the modernizing of the institutional and operational setup both at the central and at the local level, including the revision of the current transfer and equalization system, (iii) the strengthening of local governments' transparency and accountability, as well as (iv) substantive capacity building and training. All diagnostics of local governments, done by the Court of Audit, the Bank (PEFA national and subnational (ongoing)), and partners active on the decentralization agenda (AFD, USAID, FITCH) underline the serious weaknesses in local governance, local finances and financial management and human resources. The low PEFA score (C) on inter-governmental fiscal relations as well as the technical assistance and diagnostic carried out by the Bank on the current transfer and equalization system (2014), confirmed the need to clarify the competencies and resource sharing between the central and local governments, to consolidate and strengthen

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<sup>15</sup> El Jadida urban development agency; ADS social development agency; ANPME (SME promotion); ANDA (aquaculture agency); ONP (fisheries agency); nine Agriculture development Offices; JZN (Zoo); RAM (Airline); ONCF (Railways), representing total sales of US\$2.6 billion and 17,022 staff in 2014.



the system's legal basis, to clarify the policy objectives of the transfers and equalization, and to adopt a clear and rules based system incentivizing local performance and reducing disparities.

The Government decided to prioritize the revision of the legal and institutional framework governing local governments and to consolidate the regions before revising the transfer system, in line with the recommendations from the consultative commission on regionalization and prior to the local elections held on September 4<sup>th</sup>, 2015. In parallel, the financial management system for local governments has been strengthened through the roll out in 2014 of an integrated financial management system (GID-CL) linked to the national system (DPL I prior action). This new sequencing of the reform thus requires a revision of the indicative trigger #8, which initially envisaged a draft decree on the transfer and equalization, and its replacement by the approval of the new organic law on local governments.

**63. Policy action: The new organic law on regions consecrates the regionalization strategy and the new constitutional provisions on decentralization and local governance.**

The regions are empowered and upgraded in fully fledged regional governments, with directly elected regional councils and presidents, thus strengthening their democratic legitimacy and decision making power. Unlike before they will manage their own budget and their decisions can only be contested by the executive on legal grounds before the administrative tribunal. Their governance structure and policies are strengthened through special permanent commissions (on budget and thematic), mandatory consultative bodies with citizens, who have the right to petition, provisions on transparency, asset declaration and conflict of interest. The regions' own competencies have been substantially expanded and include (i) economic development, (ii) vocational training and employment, (iii) non-farming rural development, (iv) regional transport, (v) culture, (vi) environment, (vii) spatial planning and development, and (viii) partnerships. Likewise, the competencies shared with the State and the ones that can be transferred have been substantially expanded and clarified. The transfer of sector specific competencies will be managed through contracts with the state, enabling to differentiate between the regions based on their priorities and capacity. Financial resources will be increased accordingly and are expected to be multiplied by 10 over a period of 10 years. A regional development agency in charge of managing the regional projects is foreseen to strengthen the implementation capacity of these new governments. The legal framework for public financial management of local governments has been modernized and aligned with the national reforms notably in terms of programmatic budgeting, performance management, and financial controls.

While the adoption of this organic law represents a cornerstone in the decentralization agenda and important synergies with the national reform program, its implementation will require time and substantial capacity building at the local level. Along with other partners, the Bank is providing training and capacity building notably on local financial management, procurement, local service delivery as well as on the new petition policy. However, this support will need to be substantially scaled up by the state.

**64. Expected results: The organic law has been approved by Parliament in May 2015.**

This new law is expected to empower regional governments in several ways: (i) a clearer mandate with distinct competencies, (ii) the president of the elected regional government will become the authorizing officer of the regional budget (before it was the regional governor), (iii) its own administrative staff, (iv) a financial management information system (GID CL), (v) financial resources expected to increase up to tenfold over ten years, and (vi) increased popular legitimacy (through direct elections and increased citizen engagement/ petitions). The full implementation of these new provisions and structural changes are expected to take at least a

decade, according to international experience. While this goes well beyond the time frame of the First Hakama DPL series, this prior action is expected to contribute to its development objectives and to complement the transparency and accountability reforms at the national level. 100 percent of local governments would provide real time information on budget execution via GID CL and start producing consolidated administrative accounts annually starting in 2015. Furthermore, this prior action builds on the DPL I, which aimed to put in place the systems needed for sound financial management. Since 2014, all local governments use the integrated financial management information system, which substantially improved the timeliness and accuracy of their financial reporting. This real time information on the budget execution and payments will enable the newly established regional governments to better manage their budgets and mitigate their fiduciary risk. For the first time, the Government is in a position to consolidate the national and local accounts, thus increasing fiscal transparency. In the medium term, this reform is expected to increase the transparency and accountability of regional governments regarding their management and delivery of basic public services. 100 percent of regional governments established in 2016 would have been directly elected with their presidents in charge of their own budgets. The organic law foresees also citizens' right to petitions and to influence the regional council's agenda. The regional councils are obliged to respond to petitioners and to publish the minutes of the council meeting and its decision on the eligible petitions. In the medium term, the effective implementation of this new right is expected to build citizens' trust in their new regional governments and to foster a more participatory local development process.

## ***PILLAR 2: FOSTERING OPEN GOVERNANCE***

### **Component A: Enhancing fiscal transparency and access to information**

**Prior action #9:** The draft law No. 31-13 on access to information has been transmitted to Parliament by the Head of Government on June 8, 2015.

65. **Rationale: Weak access to information has been highlighted as a major challenge for many years, as evidenced by the low ranking of Morocco on Global Integrity's 2010 transparency indicators.**<sup>16</sup> Access to information is a prerequisite for government accountability and meaningful citizen engagement. The demand is there, but access remains a challenge and discretionary. A nano survey<sup>17</sup> of 15,020 internet users conducted by the Bank in April 2014 across Morocco confirmed citizens' strong demand. 71 percent of respondents wanted more information from the Government but found it difficult to access. 26 percent of respondents are even willing to pay for it. Beyond the governance dimension, there is also the economic dimension, which was a main driver of the Public Sector Information (PSI) use and reuse policies in the OECD countries in recent years. More transparent, timely, and reliable PSI provides a level playing field, reduces transaction costs, and allows private investors to make better economic and financial decisions. Studies conducted in the EU have estimated the value of PSI at Euro 27 billion (MEPSIR 2006) and its potential economic impact at Euro 140 billion (Vickery 2011). A firm survey conducted in 2014 by the Bank with Morocco's main business association (CGEM) confirmed the largely untapped potential economic impact of improving the firms' access to PSI in Morocco. However, in the absence of a specific transparency policy

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<sup>16</sup> Global Integrity rankings for Morocco's access to information framework is "very weak," with a ranking of 42nd out of 100 in the most recent rankings. The sub-component on the strength of the legal framework places Morocco at 33<sup>rd</sup> out of 100.

<sup>17</sup> <https://finances.worldbank.org/dataset/World-Bank-Morocco-Citizen-Engagement-Nano-Survey-tg37-mj88>

and a unified legal framework concretizing the constitutional right to access information, disclosure is often *ad hoc* and subject to discretion. The new momentum generated by the Constitution and the Government's commitment to transparency offers a unique opportunity to strengthen both the rights-based approach and the proactive disclosure of information in order to both strengthen governance and maximize economic benefits.

66. **Policy action: Building on the fiscal transparency initiated under the first DPL, the Government put in place the legal framework for general access to public sector information.** After a lengthy and difficult approval process, the access to information law, broadly in line with international good practice was finally sent to Parliament in June 2015. The law has a broad scope, including all types of information and covering all public bodies, including the central and local governments, Parliament, courts, and all other public or private bodies providing public services. It strengthens the proactive disclosure policy, establishes a right to request, use and reuse public sector information to some extent, and specifies the process, as well as relatively broad exemptions. It also establishes a dedicated information commission tasked with oversight, advice and capacity building on the implementation of the law, as well as with complaints handling. Its decisions are not binding but citizens can also appeal to the administrative tribunal. A number of additional steps will be necessary to ensure the adequate implementation of this law, which has far reaching implications on the organization of public bodies and their interaction with citizens. This includes the preparation of detailed operational policies and guidelines for public officials, standard requests and complaints forms and processes, the appointment of information officers, the modernization of information filing and management systems, the setup and adequate staffing, and funding of the information commission and of its monitoring and evaluation schemes. The effective implementation of this cross-cutting law/ reform, for which a three-year implementation period is foreseen, will also require substantive training and capacity building programs across the public sector. The Bank and other donors are providing technical assistance for the implementation of this law, including on the bylaws, request forms and training modules. The Ministry of civil service and administrative reforms has developed an implementation action plan, including information and outreach. It has also committed to mainstream training on access to information in the departments' training plans.

67. **Expected results: The adoption of this access to information law provides a foundation for greater government transparency and accountability and facilitates the scrutiny of public sector information by both the media and citizens in the medium term.** This will require substantial implementation efforts, as well as a strong demand for information from civil society, which requires large information and outreach campaigns. In the short term, Morocco will become eligible to join the Open Government Partnership as a result of the adoption of the law. This high level intergovernmental partnership might provide visibility and incentives for the effective usage and implementation of this new constitutional right. The law is also expected to facilitate the access and use of PSI by firms with a positive impact on their transaction costs and sales. The fiscal transparency policy implemented throughout the DPL series and complemented by the performance budgeting reform under pillar I, will increase the budget information accessible to the public ahead of the budget approval. Considering the substantial changes in the assessment methodology of the 2015 Open Budget Index, this indicator can no longer be compared to the 2012 baseline assessment and is replaced by an indicator measuring the effective implementation of the new access to information policy: "the implementation of the unified information request form and the information exchange mechanisms for information officers in at least two ministries".

## **Component B: Improving citizen voice and engagement**

**Prior action # 10:** The draft organic law No. 44-14 on public petitions, in line with the recommendations of the National Dialogue has been adopted by the Council of Ministers on July 14, 2015.

68. **Rationale: The act of petitioning is an important right as evidenced by international experience, where citizens gain the right to change government policies or practices through peaceful mass expression. It is thus a core feature of participatory democracy.** Demand for participation is high in Morocco, as confirmed by a recent nano survey conducted by the World Bank of a random sample of internet users in Morocco on their experience and interest in citizen engagement. Although 84 percent of respondents said that they never engaged with Government, 58 percent said they were interested in participating in the public decision making process and willing to commit time and effort to do so. To date, this potential for engagement is largely untapped in the absence of a preexisting formal basis for the right of citizens to submit petitions to government. The topic of petitions, which is considered an important element of good governance, is usually prescribed at the lower level of ordinary laws or regulations. However, with the inclusion of this right in the Constitution, the right of petitions now has a preeminent status as an organic law, which supersedes any potential contradictory law or regulation. Beyond being a symbolic gesture, the petitions law has profound legal and practical implications by introducing new avenues for public engagement. The new right will also help to further Morocco's reform towards participative democracy by providing citizens with a means to initiate a bottom-up dialogue with public entities.

69. **Policy action: At the national level, the Government adopted a legal framework for public petitions implicating all of Government, as well as the legislative branch, specifying the conditions and the process for submitting petitions.** For the Parliament, the petitions process will be specified by its internal bylaws. At the local level, the organic laws on regions and communes have been adopted and include the right of petitions, with the procedures to be established through accompanying implementing regulations. This new legal framework institutionalizes the right to petition at the national and at the local level, in line with the key recommendations from the year-long National Dialogue on Civil Society's Constitutional Rights and broadly in line with the international good practice. Ongoing parallel World Bank technical assistance is supporting a number of additional steps that are necessary to ensure the adequate implementation of this reform, including the establishment of a centralized e-Participation platform (which includes an e-Petitions mechanism), to help centralize and facilitate the usage and transparency of public consultation and petitions processes for citizens. Furthermore, the law foresees the establishment of a national petitions committee, tasked with determining the admissibility of petitions, responding to petitioners and directing petitions to concerned bodies. The effective implementation of this policy will require the development of detailed implementing regulations at the national and local level, and the internal bylaws of Parliament, guidelines for public officials, as well as a manual for MPs and staff of Parliament, standard submission processes, monitoring and evaluation schemes, and broad training programs for both the administration and the Parliament. The Bank's targeted technical assistance is underway in parallel to support the implementation phase of this reform, starting with the local level before being rolled out at the national level, along with the expected adoption of the organic law on petitions by Parliament, beginning of 2016.

70. **Expected results: Extending the scope of citizen engagement in the form of a legal framework on petitions, including an organic law on petitions at the national level will**

**increase citizen’s voice and respond directly to the obligations and rights enshrined in the new Constitution.** The advancement of this legal right is a key measure signaling a changing mode of governance and an opportunity to strengthen dialogue between the Government and civil society. Furthermore, expanding the scope of public engagement through the law on petitions will help strengthen targeted representation of policy priorities in line with citizens' demands, as well as expand the scope for social accountability. The Bank has supported the National Dialogue committee through the DPL 1 and provided international expertise on international good practice. Expected results include an increase of citizen engagement, confirmed by a 15 percent increase in 2016 in Morocco’s score on the World Justice Project’s Rule of Law Index measuring the access of citizens to the right of petitions and participation in government decision making.

**Table 3: DPL 2 Prior Actions and Analytical Underpinnings**

Prior Actions	Analytical Underpinnings that informed the policy actions
<b>Pillar 1: Strengthening Transparency and Accountability in the Management of Public Resources</b>	
<b>Prior action #1.</b> Status: <i>completed</i>	<p>Public expenditure reviews (PER) conducted in the health, education and justice sectors (2012-2014) as well as the report on the governance of public services by the Economic, Social and Environmental Council of Morocco (CESE, 2013) confirm serious challenges in the allocative and operational efficiency of public expenditures and services. Common weaknesses cited include: (i) insufficient transparency and accountability in the funding and provision of public services, (ii) inefficiencies in the allocation of resources, (iii) weaknesses and delays in the implementation of public expenditures, (iv) uneven productivity of service providers and negative perception by citizen, (v) absenteeism, and (vi) and persistent disparities in the access to and quality of basic public services. A Bank-HCP study on public health expenditures confirms the negative incidence of these shortcomings on poor citizens.</p> <p>On <u>performance budgeting</u>, the PEFA (2009, currently being updated) highlighted weaknesses in policy orientations of the budget and parliamentary oversight, which will be addressed by the introduction of a functional and programmatic budget structure. The above mentioned public expenditure reviews also informed discussions on how to strengthen the performance monitoring and evaluation system along the service delivery chain. International benchmarking, policy advice and notes have been provided on: (i) the new organic budget law and programmatic classification, (ii) fiscal rules and multiannual budget programming, (iii) performance monitoring and evaluation, and (iv) public agencies; A Subnational PEFA on Agadir has been carried out and another one on Casablanca is ongoing, in cooperation with the French development agency (AFD) and the Public-Private Infrastructure Advisory Facility (PPIAF).</p> <p>The <u>procurement reform</u> benefitted from different diagnostics (CPAR, Country System Assessment, GAC assessment) and substantial advice from the Bank since its inception, including on the preparation of the new procurement decree, the oversight and recourse body, and on e-procurement.</p> <p>Both the World Bank/IFC and the EU have provided substantial technical advice on the preparation of the <u>PPP reform</u> as well as on the <u>corporate governance code</u> in Morocco. The PPP reform benefitted from technical assistance on the law, decree and guidelines, including through PPIAF funding. In April 2015 the Bank and IFC supported a national conference on PPPs aimed at generating a pipeline. A further PPIAF funded TA is currently supporting the assessment of a project pipeline in the transport sector, in close cooperation with IFC and European Investment Bank. The <u>corporate governance code</u> for SOEs and agencies was informed by the World Bank Corporate Governance ROSCs completed in 2002 and in 2011. The ROSC assessment benchmarked Morocco's legal and regulatory framework, practices, and enforcement framework, against the OECD principles. They provided the analytical underpinnings for the improvement of SOE’s governance structure, internal control framework, financial accounting and reporting system, and transparency.</p> <p>The <u>regionalization agenda</u> was informed by analytical work by the Bank and the EU, including the MENA local governance policy review, the policy note on decentralization and devolution in Morocco prepared in 2010, and a diagnostic study and technical assistance on the fiscal transfer and equalization system carried out in 2013-2014. It provides international benchmarking and recommendations for the sequencing of the</p>
<b>Prior action #2.</b> Status: <i>completed</i>	
<b>Prior action #3.</b> Status: <i>completed</i>	
<b>Prior action #4.</b> Status: <i>completed</i>	
<b>Prior action #5.</b> Status: <i>completed</i>	
<b>Prior action #6.</b> Status: <i>completed</i>	
<b>Prior action #7.</b> Status: <i>completed</i>	
<b>Prior action #8.</b> Status: <i>completed</i>	

Prior Actions	Analytical Underpinnings that informed the policy actions
	fiscal decentralization reform. Advising to first stabilize the new legal framework, clarify the roles and responsibilities of local governments, the way they are financed before revising the transfer and equalization system. This led to the focus on the organic laws governing local governments and on the substitution of the indicative trigger #8.
<b>Pillar 2: Fostering Open Governance</b>	
<b>Prior action #9.</b> <b>Status:</b> completed  <b>Prior action #10.</b> <b>Status:</b> completed	The Bank supported the development of new policies on <u>access to information and public participation</u> through international benchmarking, policy advice and notes on the legal and regulatory framework. Policy notes were developed on good practice for public petitions and legislative motions based on international experience. A nano survey was conducted by the Bank, assessing feedback from internet users across Morocco on key policy reforms on public engagement, including access to information (ATI), public consultations and petitions. An ongoing research on the economic benefits of access to public sector information provided further analytical underpinnings to this reform. The Bank supported international knowledge exchange on these reforms through a series of conferences and multi-stakeholder workshops in 2012 and 2013.

#### 4.3 LINK TO CPS, OTHER BANK OPERATIONS AND THE BANK STRATEGY

71. **The FY14-17 CPS presented to the Board in April 2014 emphasizes the strengthening of governance and institutions for improved service delivery to all citizens as key lever to boost shared prosperity. It foresees notably two Hakama DPL series and technical assistance to support the implementation of the Government’s governance agenda.** For the first time, governance is presented as both a cross-cutting theme “*enhancing voice and participation*” and key pillar “*Results Area 3, Strengthening Governance and Institutions for Improved Service Delivery for All Citizens*”. It emphasizes the essential role well-functioning institutions and accountability frameworks play as drivers of the World Bank Group’s strategic goals to boost shared prosperity and eliminate extreme poverty in a sustainable manner. The poor and vulnerable are particularly dependent on basic public services such as education and health and thus affected by their shortcomings, both directly through out of pocket expenditures and indirectly through lack of care and socio-economic opportunities. Some governance challenges and opportunities for reform lie outside of these sectors and are related to the overall governance framework and cross-cutting public management policies. Likewise, citizens and users of public services have little means to voice their concerns and priorities in a structured manner without fearing retaliation. This DPL series aims to support such cross-cutting reforms impacting the delivery of basic public sector services and affecting the twin goals. It contributes both to the CPS’s Results Area 3, as well as to the cross cutting theme on voice and participation through the reinforcement of transparency and citizen engagement reforms, by: (i) supporting the reform on the right of access to information and petitions, which requires specific legislation; and (ii) supporting greater budget transparency to stimulate policy discussions over the priorities and underlying strategies of government spending. It further contributes to the country’s eligibility to join the OGP.

72. The Hakama DPL series is complemented by two other DPLs financed by the Bank, respectively the Second Economic Competitiveness DPL focused on investment climate, trade facilitation, and competition policy, as well as the Second Capital Market Development and SME Finance DPL focused on financial stability, development of markets and inclusion. Taken together, these operations aim at boosting shared prosperity and the renewal of the social contract through a more inclusive and effective development process. The Hakama DPL series also complements two sectoral Programs for Results under preparation aimed to improve public service delivery in the education sectors and in the City of Casablanca, respectively, by leveraging the cross-cutting governance reforms.

## 4.4 CONSULTATIONS, COLLABORATION WITH DEVELOPMENT PARTNERS

### A. CONSULTATIONS

73. **Reforms supported by this operation benefitted from large stakeholder consultations at different stages.** The 2011 Constitution, in which the new rights supported under this program are enshrined, underwent a process of government-led consultations, including a national referendum. Public consultations have also taken place on a range of reforms including the public procurement decree, the law on governance and financial control of SOEs, the draft law on public-private partnerships, the draft law on access to information and the draft organic law on public petitions. These draft laws have been published on the website of the Secretary General of the Government for public comment (prior action #8 of DPL1), and have received numerous comments from a large spectrum of stakeholders. The open government policies such as the Access to Information Law and the Petitions Law benefited from numerous upstream consultations. More specifically, the access to information law benefited from a national two-day conference in 2013, hosted by the Government and supported by the Bank. The conference was opened by the Head of Government and of Parliament and convened 500 persons, including representatives of the private sector, civil society, and international experts. The draft petitions law was developed as a result of the participatory and inclusive consultations through the **national dialogue on civil society and its new constitutional prerogatives**, an initiative of the Ministry of Parliament and Civil Society Relations, led by an independent committee. The National Dialogue was a year-long process that ended in April 2014 and was supported by the Bank (prior action #9 of DPL1). The regionalization reform is the outcome of several extensive consultation processes, conducted first by the Consultative Commission on Regionalization established by the King and tasked with the drafting of the strategy and then through constitutional consultations. Finally, the e-government measures are the result of a strong online participatory process. The *Watiqa* initiative, which is supported by this DPL, is one example of a citizen-led initiative.

### B. COLLABORATION WITH OTHER DEVELOPMENT PARTNERS

74. **The DPL series has been prepared in close cooperation with the EU and the AfDB.** This close collaboration takes the form of joint missions, closely coordinated policy dialogue and technical assistance as well as of coordinated policy matrices. While each donor follows its own decision-making process and operational procedures, the teams made every effort to harmonize approaches, methodologies, and phasing to the extent possible in the spirit of the Paris Declaration on donor coordination and alignment, of which Morocco is a signatory. The AfDB is supporting the reform program through two subsequent operations. The second operation has been approved by the AfDB Board on July 8<sup>th</sup>, 2015. The EU has a four-tranche operation over four years, with a specific pillar on tax reforms, which it has supported in the past. Furthermore, analytical work and technical assistance are closely coordinated among the three institutions around the pillars included in this program. A joint PEFA diagnostic is currently ongoing.

## 5. OTHER DESIGN AND APPRAISAL ISSUES

### 5.1 POVERTY AND SOCIAL IMPACTS

75. **The reforms supported by the proposed operation are not expected to have significant distributional impacts.** The focus of the operation is centered on reforms aimed at: (i) improving the government's transparency and accountability in the management of public resources; (ii) fostering open governance through access to information and citizen engagement. These reforms will contribute to implementing the new constitutional rights and governance principles, which are based on greater public accountability, transparency, and participation. Over the medium term, these reforms are expected to have a positive impact on citizens' voice as well as on the efficacy of the public sector in delivering services. Furthermore, in accordance with Bank policies, citizens have a right to a grievance redress mechanism, which in the case of Morocco is the Mediateur<sup>18</sup> as well as policy specific appeal system foreseen notably for public procurement (prior action #5) and access to information (prior action #9).

76. **The programmatic budget reform is expected to improve internal and external transparency and accountability over the use of public resources.** It will strengthen the link between the Government's priorities and strategies (such as poverty reduction and better access to basic public services) and budget allocations. These priorities will be translated into public performance objectives and indicators, **including gender-informed**, subject to monitoring and evaluation. This new budget management approach will strengthen Parliament's role in the oversight of the Government's management of public resources. The extension of this approach to elected regional councils will lead in the medium term to greater account being taken of regional and local priorities and to improvements in the consistency and coordination of both central and local government's development efforts. In order to maximize the social impact, the first ministries selected for the implementation of the budget reform are the departments of Education, Health, Agriculture, Water and Forestry, and Finance, which all have a strong interface with the public. Likewise, interaction with citizens and the provision of public services are key selection criteria for the first ten SOEs implementing the corporate governance code.

77. **The adoption of access to information and public petitions policies** (prior actions # 9 and 10) **are key steps to foster a more open and inclusive mode of governance.** These policies foster transparency, voice and government accountability, and thus are anticipated to have a positive social impact in the medium term, once they are fully implemented. In the long term, the successful implementation of citizens' new right to petition will result in improved citizen voice and engagement in the policy process both at the central and at the local level. Likewise, access to public sector information is expected to have both direct and indirect positive impacts on citizens, as well as on firms. Equal and timely access to information reduces information asymmetry and costs for firms, leads to a level playing field, and reduces opportunities for corruption and rent seeking. Public sector information also has value in itself. Its use and reuse generate value and create new products and services, fostering employment.

78. **Citizen Engagement.** This DPL series is actively supporting the development of an underlying legal foundation for cross-cutting and sector specific policies and processes that

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<sup>18</sup> <http://www.mediateur.ma/>



foster citizen engagement at the national and at the local level, such as citizens' right to petition central government, Parliament, and local governments. The national and regional organic laws (prior actions # 8 and 10 of DPL 2) include provisions mandating public bodies to respond within a binding time frame to eligible petitions on the decision and measures taken. At the local level, eligible petitions need to be included in the agenda of the council meetings and the corresponding decision will be included in council meeting minutes. These citizen engagement policies were prepared in a participatory manner through a year-long National Dialogue on citizens' constitutional rights, which consulted more than 10,000 CSOs across the country and abroad (prior action #9 of DPL 1). The Bank provided support and technical assistance to inform the design and implementation of public consultations linked to the policy reform process, based on the international good practice. These policies were also informed by international benchmarking and policy advice from the Bank, as well as by an internet-based nano survey that targeted a sample of 15,000 citizens across the country to assess their awareness, experience and interest in engaging with the government. In parallel, key public consultation mechanisms have been strengthened, such as citizens' access to and participation in consultations on draft laws and regulations through the website of the SGG (prior action #8 of DPL1). Citizens' comments are public and the departments are required to respond. The access to information law (prior action # 9 of DPL2) is expected to foster informed citizen engagement and facilitate their follow up. The law foresees the establishment of an information commission that will include non-state actors and will provide citizens with an external appeals mechanism. Likewise, the National Public Contracts Committee (prior action #5 of DPL2), another external appeals mechanism, will also include non-state actors in its membership. The development and adoption of the underlying legal foundation for public participation in Morocco will improve the enabling environment for citizen engagement, thus eventually improving citizen trust in government. Through the DPL and coupled with targeted technical assistance, the Bank is supporting the implementation of these reforms in order to ensure effective impact on the ground.

79. **Gender.** Despite important progress in recent years, Morocco still suffers from gender disparities, particularly at the rural level as evidenced by the high illiteracy rate of women and supported by the findings of the Bank's 2015 gender report. The program aims to contribute to addressing the gender disparities related to the unequal access to public resources and services in different ways. First, by mainstreaming gender informed performance objectives and indicators in the relevant ministries' budget and performance plans submitted to Parliament and published. Second, by strengthening the public sector's accountability on these gender informed objectives, which will be subject to audits and evaluations. This requirement has been incorporated in the new organic budget law and bylaws and can build on the MEF's annual gender budget which analyses pro gender budget allocations. The combination of this gender sensitive budget analysis and performance objectives offers a unique opportunity to strengthen the link between resource allocations and gender outcomes and to create positive incentives to address gender disparities. Third, by strengthening women's voice through the equal access to information, through increased opportunities for public consultation and through the possibility to petition Parliaments and government both at the national and local level.

## 5.2 ENVIRONMENTAL ASPECTS

80. **The policies supported by this operation are not likely to have significant effects on the environment, forests, or other natural resources.** The proposed operation is a development policy loan in support of a broad program of policy and institutional reforms. All

of the actions supported throughout the operation are policy-oriented, and none support direct investments, involve physical works, or imply policy actions that would have significant environmental impacts. The proposed performance budgeting reform supported by this operation do not target environmental procedures and thus will neither directly improve nor degrade existing standards for public health and safety, or the environment. However, the public disclosure of the performance of departments that have an impact on the environment, such as the departments of Water and Forestry, Agriculture, Health, Education, Transportation and Equipment, which are part of the first wave implementing the performance budgeting reform, is expected to increase their transparency and accountability, which might in turn have an indirect positive impact on the environment. Likewise, the strengthening of transparency and accountability for PPPs through a unified legal framework will in turn strengthen their compliance with social and environmental laws. Indirectly, however, as these institutional capacities for the ministries are strengthened, so will public expectations for all other ministries, including those relating to the management of natural resources and the environment.

### 5.3 PFM, DISBURSEMENT AND AUDITING ASPECTS

81. **Public Financial Management (PFM).** The last overall PEFA assessment, carried out by the World Bank and the EU in 2009 confirmed that Morocco has an overall credible, comprehensive, and transparent budget. It highlighted the substantial PFM reforms underway, most of which are supported by the Bank through the DPL series and accompanying technical assistance, including in the area of public procurement. The PEFA assessment highlighted the following main challenges: (a) fiscal consolidation and discipline, which are being addressed in the organic budget law (prior action #1 of DPL2) and through the subsidy reform initiated in 2013; (b) allocative efficiency, constrained by an outdated budget classification, which the programmatic budgeting aims to address (prior action #3 of DPL2); (c) budget execution and monitoring, supported by the reform of financial controls (prior action #2 of DPL1) and by establishment of a performance monitoring and evaluation system (prior action #2 of DPL2); (d) fragmented public procurement rules and the absence of an external complaints handling mechanism (prior action #3 of DPL1 and prior action #5 of DPL2); (e) timeliness of annual statements, which are submitted for external audit 15 months after the end of the fiscal year (addressed by the new integrated financial management system GID); (f) the limited extent of legislative oversight over the budget and external audit reports (prior action #3 of DPL2 and technical assistance to Parliament), and (g) the insufficient frequency, scope and follow-up of performance and financial audits (prior action #1 of DPL2). The draft and voted central government budgets are published on the MEF's website along the departments' budget proposals and performance plans. In conclusion, the strength of Morocco's PFM system and the Government's commitment to reform taken together are, in the Bank's view, adequate to support the proposed operation. A PEFA update is currently ongoing with the EU and the AfDB, testing the 2015 upgraded framework. It will provide a more up to date comprehensive PFM assessment and a useful baseline to assess the impact of the comprehensive reform agenda.

82. **Foreign exchange issues.** The IMF's safeguards assessment of the BAM dated February 2013 and the second review of its PLL completed in July 2015 found a robust framework with strong internal and external controls, supported by several good governance practices. The assessment highlighted that existing safeguards and governance practices should be complemented by stronger legal and financial reporting frameworks which are needed to enhance the legal autonomy of the BAM and strengthen the timely publication of audited financial statements. The World Bank has reviewed the latest annual report dated June 26,

2014, which includes an unqualified audit by Deloitte of its 2013 accounts. Since then, the BAM has implemented the recommendations from the assessment, including publication of audited financial statements. Existing governance practices and safeguards will be enshrined in the new central bank law currently awaiting adoption by the Council of Government. As with recently approved DPLs, a dedicated account will be used for this operation.

83. ***Disbursement and Auditing.*** With reference to the flow of funds, the proposed loan will follow the World Bank's disbursement procedures for development policy lending. Once the loan becomes effective, the proceeds of the loan will be disbursed in a single installment. Specifically, disbursements will be made, provided that the World Bank is satisfied with the program being carried out by the Borrower, and with the appropriateness of the Borrower's macroeconomic policy framework. The account into which the loan proceeds will be deposited forms part of the country's official foreign exchange reserves. Flow of funds (including foreign currency exchange) is subject to standard public financial management processes. The government budget is comprehensive, unified and centralized to a single treasury account.

84. **The loan proceeds will be deposited by the International Bank of Reconstruction and Development (IBRD)** in a dedicated account opened for this DPL by the Borrower and acceptable to the World Bank at the BAM, upon submission of a signed withdrawal application. The Borrower should ensure that upon the deposit of loan proceeds into said account, an equivalent amount, in the local currency, is credited to the treasury current account at the central Treasury Department. The Borrower will report to the Bank within thirty days of disbursement on the amounts deposited in the dedicated account and credited to the budget management system providing the exchange rate applied and the date of the transfer. If the proceeds of the loan are used for ineligible purposes as defined in the Loan Agreement, IBRD will require the Borrower to promptly refund upon notice an amount equal to the amount of said payment to IBRD. Amounts refunded to the Bank upon such request shall be cancelled. The loan proceeds will be administered by the MEF.

85. **IBRD reserves the right to ask for a transaction audit of the dedicated account.** This audit, when asked for, will cover the accuracy of the transactions (credits and debits) of the dedicated account, including accuracy of exchange rate conversions, confirming that the dedicated account was used only for the purposes of the operation where no other amounts have been deposited into the account. Also the auditor would have to obtain confirmation from corresponding bank(s) involved in the funds flow regarding the transaction. The time period for submission of the audit report to the World Bank would be not later than four months from the date a request for such audit is issued.

#### 5.4 MONITORING AND EVALUATION, AND ACCOUNTABILITY

86. **Responsibility for implementing the program rests with the Ministry of General Affairs and Governance (MAGG) and the MEF.** Building on the positive experience accumulated over the course of several World Bank-financed development policy operations, the two ministries will continue to take the lead in monitoring implementation progress. The Bank will continue to maintain dialogue with key counterparts and the relevant sector ministries and will conduct periodic reviews of the government's reform program and this DPL. The dialogue and reviews will continue to focus on the outcomes of the program and on eventual adjustments that may be necessary in order to take into account the latest country developments, stakeholder support, and feasible options for achieving intended development goals.

Consequently, specific attention will be devoted to monitoring indicators and results of the program.

87. **Results indicators linked to the DPL prior actions rely on data from the government sources, third party references, and joint diagnostics.** Procurement indicators are linked to a national system which is still under development. The e-procurement indicators used for this operation should be operational as of 2016. Third party sources include indices such as the World Justice Project's Rule of Law Index measuring the access of citizens to the right of petitions and participation and the Open Government Partnership's measure on country rankings of openness and public engagement. Joint diagnostics include the PEFA. In terms of quality and access to data, certain third party indices are subject to a time lag such as the PEFA, which is expected to take place in 2015. Although the PEFA framework has been substantially upgraded, a table of correspondence should enable to measure progress since the last PEFA, while offering a more comprehensive baseline to measure future changes. Other indices such as OBI are only updated every few years, and for this index, the reference is usually subject to budget cycles. The 2012 measure refers to data and information up to December 31, 2011. Some indicators will be strengthened through the DPL such as the results measure assessing the percentage of SOEs and agencies that have implemented critical elements of the Corporate Governance Code. Through the DPL and with the advice from the World Bank, the *Direction des Entreprises Publiques* developed a new indicator which has now been adopted as a systematic results measure by the Government. Furthermore, establishment of a government-wide performance monitoring and evaluation system supported by the Bank should further support monitoring of the program.

88. **This operation benefits from joint supervision by the three institutions supporting the Hakama reform program, namely the European Union, the African Development Bank, and the World Bank.** Furthermore, key policy reforms such as budget and the procurement reforms and the development of the petition law benefit from technical assistance, thus feeding policy dialogue and supervisory missions.

89. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)

## 6. SUMMARY OF RISKS AND MITIGATION

90. The overall risk of the operation is rated Substantial due to the high institutional capacity risk, the substantial sector strategies and policies and stakeholders' risks. The operation aims to mitigate these risks, notably through: (i) a holistic and integrated design aimed at maximizing

synergies between reforms and stakeholders; (ii) an iterative and adaptive approach aimed at strengthening reform appropriation and reducing resistance; (iii) a rapid results approach to achieve initial results and build reform momentum; (iv) parallel implementation support and technical assistance to reduce the implementation challenges; (v) a multi-stakeholder engagement to foster consultation and cooperation with the civil society and strengthen demand for good governance; (vi) enhanced information and communication on the Hakama reform program; (vii) a sequenced approach focusing on the foundations for better governance in this first Hakama series and focusing more on the institutional and operational implementation in the second Hakama series.

91. ***Sector strategies and policies risk (Substantial)***. Despite the emphasis of the Constitution and the Government program on governance reforms, their scope and cross-cutting nature pose significant coordination challenges at all levels of government. The operation aims to mitigate this risk through an integrated and holistic approach, supporting intertwined governance reform levers to strengthen transparency and accountability across the public sector (central administration, SOEs and agencies, and local governments). For instance, transparency measures are being mainstreamed across the program and stakeholders. The Bank supports the Government, Parliament, local governments and civil society for a consistent implementation of the new petition right. The SGG and the MAGG, who are managing the operation and a governance technical assistance grant, are playing a key coordination function. Inter-ministerial coordination structures or dedicated regulatory bodies are being incorporated in the cross-cutting reforms, such as the budget reform, procurement, PPPs, access to information, or petitions reforms. The new performance informed budgeting reform requiring ministries to translate their policies in programs with explicit performance objectives and indicators is also expected to contribute to greater policy coordination.

92. ***Institutional capacity for implementation and sustainability risk (High)***. The Government's reform agenda is deep and comprehensive and exacerbating already limited implementation capacity in the administration. This risk is high and can be partly mitigated through (i) a candid assessment of existing capacity taken into account in the reform design, (ii) a gradual and iterative reform implementation, and (iii) implementation support and capacity building. The Government is developing training and capacity development programs for public officials to mitigate this risk. The program is supporting all three mitigation measures and leveraging additional support from the Bank (TA, IDF, MDTF), the Transition Fund, as well as from the program's partners (EU and AfDB). A follow up Hakama DPL series is foreseen in the Morocco CPS to support the implementation of these structural reforms.

93. ***Stakeholders risk (Substantial)***. The stakeholder risk is considered substantial due to the large number of stakeholders involved and the strong behavioral underpinnings and consequences of the Hakama reform program. The DPL series involves directly six departments and more than 20 SOEs and agencies. Most policy measures and reforms supported by this operation are cross-cutting and applicable to the entire Government, Parliament, SOEs and agencies, as well as local governments. This involves substantial coordination and implementation challenges. The DPL's Open Government pillar and policies involve not only the public sector but also citizens who are expected to request information, voice feedback, and submit petitions. This requires substantial information and awareness raising campaigns. Finally, the Hakama reforms are meant to change the way public services are managed and interact with citizens. Reforms such as performance budgeting, access to information, and citizen petitions have important behavioral underpinnings and consequences. This is likely to

lead to initial resistance and distrust, thus the substantial risk. This risk can only be partly mitigated by taking into account current incentive structures and to identify possible measures to better align incentives of staff with the objectives of the reform. Such measures notably include internal and external communication and consultation, training, monitoring and evaluation and, where possible, individual recognition.

<b>Risk Categories</b>	<b>Rating (H, S, M or L)</b>
1. Political and governance	Moderate
2. Macroeconomic	Moderate
3. Sector strategies and policies	Substantial
4. Technical design of project or program	Moderate
5. Institutional capacity for implementation and sustainability	High
6. Fiduciary	Low
7. Environmental and social	Low
8. Stakeholders	Substantial
<b>OVERALL</b>	<b>Substantial</b>

## ANNEX 1: SECOND TRANSPARENCY AND ACCOUNTABILITY SUPPORT PROGRAM DPL POLICY MATRIX

### PILLAR 1: STRENGTHENING TRANSPARENCY AND ACCOUNTABILITY IN THE MANAGEMENT OF PUBLIC RESOURCES

<i>Prior Actions (DPL I)</i>	<i>Prior Actions (DPL II)</i>	<i>Results</i>
<b>Component A: Adopting performance informed budgeting</b>		
<p>1. The 2014 budget preparation Circular No. 12-2013 dated September 23, 2013, issued by the Head of the Government, provides that at least three Ministries will start testing the new performance informed budgeting approach with the 2014 budget.</p> <p>2. To strengthen managerial accountability and flexibility, the Minister of Economy and Finance has issued six Orders (<i>Arrêtés</i>) dated December 26, 2012, and seven Orders (<i>Arrêtés</i>) dated June 3, 2013 alleviating ex-ante financial controls for qualified authorizing officers and delegates.</p>	<p>1. The organic budget law No. 130-13, introducing programmatic performance oriented budgeting has been published in the National Gazette No 6370 dated June 18, 2015. The implementing decree No 2-15-426 of such law has been published in the National Gazette No 6378 dated July 16, 2015.</p> <p>2. The Head of Government has issued circular No 4/2015 dated June 18, 2015, introducing a comprehensive performance monitoring and evaluation policy comprising the establishment of ministerial performance plans, performance audits and program evaluations.</p> <p>3. Five (5) ministries have transmitted to Parliament (i) their 2015 programmatic budget proposals and (ii) the corresponding performance plans.</p> <p>4. The Ministry of Economy and Finance has published on its Website the Government's medium term budget framework and the programmatic budget allocations for five (5) ministries.</p>	<p><u>Indicator:</u> PEFA<sup>19</sup> assessment and indicators (PI) related to performance information (n°8), <i>Baseline: D in 2012</i> <i>Target: C in 2016</i> <i>Source: PEFA Diagnostic</i></p> <p><u>Indicator:</u> Department performance plans publicly available on the MEF Website <i>Baseline: none (2012)</i> <i>Target: publication of the performance plans for 10 departments (2016)</i> <i>Source: MEF Website</i></p>
<b>Component B: Improving competition and transparency in public procurement and public-private partnerships</b>		
<p>3. Public procurement Decree No.2-12-349 dated March 20, 2013 issued by the Head of Government to replace public procurement Decree No.2-06-388 dated February 2, 2007 to expand its scope to local governments, architects contracts and some public agencies (<i>établissements publics</i>) and to introduce e-procurement, has been published in the National Gazette No. 6140 dated April 4, 2013.</p>	<p>5. The Council of Government has approved draft decree No 2-14-867 dated September 10, 2015 establishing the National Public Contracts Committee, with a mandate on oversight, complaints handling and training, and including non-State actors.</p> <p>6. The implementing decree No 2-15-45 dated May 13, 2015, of Law No 86.12 on Public Private Partnerships Contracts, has been published in the National Gazette No. 6365 dated June 1, 2015.</p>	<p><u>Indicator:</u> Number of procuring entities subject to the new procurement rules. <i>Baseline: 1,571 public entities in 2012.</i> <i>Target: 3,345 public entities in 2016.</i> <i>Source: Trésorerie Générale du Royaume/ DEPP</i></p> <p><u>Indicator:</u> Percentage of savings on the procurement of standard supplies, through the introduction of e-procurement and reverse auctions. <i>Baseline: 0 (2012)</i> <i>Target: 10% savings on the supplies purchased through reverse auctions by 2016<sup>20</sup></i> <i>Source: Trésorerie Générale du Royaume</i></p>

<sup>19</sup> PEFA is a multi-donor diagnostic instrument with 30 high level performance indicators measuring a country's public financial management. An upgraded PEFA framework was released in 2015 and is being tested in Morocco to inform the Hakama results framework. Indicators are ranked from A to D, D being the lowest score.

<sup>20</sup> It is estimated that the use of reverse auctions instead of current purchasing orders for supplies will lead to a reduction in prices of at least 10 percent.

4. The draft law on public private partnership has been transmitted by the Head of Government to Parliament on February 21, 2013.		<b>Indicator:</b> New national Public-Private Partnerships follow the principles of PPP Law 86.12 <i>Baseline: none (2012).</i> <i>Target: end of 2016. All new national PPPs (State and its SoEs and agencies) are subjected to the new legal framework.</i> <i>Source: Direction des Entreprises publiques (DEPP)</i>
<b>Component C: Enhancing financial control and governance of SOEs and public agencies</b>		
5. Decision-making bodies of at least five State owned enterprises and agencies among a list of ten pilot entities, have adopted a resolution and action plan to implement the new code of corporate governance for State owned enterprises.	7. Decision-making bodies of 15 additional State owned enterprises and agencies, have adopted a resolution and an action plan to implement the new code of corporate governance for State owned enterprises	<b>Indicator:</b> Number of SOEs and agencies that have implemented the following critical elements of the corporate governance code: (a) established a governance committee; (b) adopted a risk framework; (c) published on their website up to date financial statements and the members and activity of their governance structure. <i>Baseline/ target:</i> <i>(a) March 2012: 2 / 2016: 20</i> <i>(b) March 2012: 0/ 2016: 10</i> <i>(c) March 2012: 1/ 2016: 15</i> <i>Source: Direction des Entreprises publiques (DEPP)</i>
<b>Component D: Modernizing local governance and financial management</b>		
6. The Minister of Interior has issued Circular No. 3333 dated March 5, 2013, extending the integrated expenditure management system ( <i>gestion intégrée de la dépense</i> ) to local governments.	8. The organic law No.111-14 on regions has been published in the National Gazette No 6380 dated July 23, 2015.	<b>Indicator:</b> Percentage of local governments with real time information on budget execution via GID and production of consolidated administrative account annually <i>Baseline: none (2012).</i> <i>Target: 100% of local governments in 2015 and consolidated accounts produced starting 2015.</i> <i>Source: Ministry of Interior</i>  <i>Indicator: Percentage of directly elected regional councils and their presidents are in charge of their own budgets</i> <i>Baseline: no direct elections and the regional budget was managed by the regional governor (2012)</i> <i>Target: 100% of regional governments established in 2016.</i>
<b>PILLAR II: FOSTERING OPEN GOVERNANCE</b>		
<b>Prior Actions (DPL I)</b>	<b>Prior Actions (DPL II)</b>	<b>Results</b>
<b>Component A: Enhancing fiscal transparency and access to information</b>		
7. The Minister of Economy and Finance has adopted a fiscal transparency policy through a decision dated June 12, 2013.	9. The draft law No. 31-13 on access to information has been transmitted to Parliament by the Head of Government on June 8, 2015.	<b>Indicator:</b> Eligibility to the Open Government Partnership - score on access to information <i>Baseline: 2012: 2- Status to date: 2- Target: 4 points out of 4: 2016, making Morocco eligible to OGP.</i>



		<p><i>Source: Open Government Partnership (OGP)</i></p> <p><b>Indicator:</b> Implementation of the unified information request form and the information exchange mechanisms for information officers</p> <p><i>Baseline 2012: None</i></p> <p><i>Target : at least in 2 ministries</i></p>
<b>Component B: Improving citizen voice and engagement</b>		
<p>8. The Secretary General of the Government has adopted and is implementing a policy under which draft laws and regulations are published on its website prior to their submission to the Cabinet for adoption.</p> <p>9. The Minister in Charge of Relations with Parliament and Civil Society has adopted Decision No 076, on June 11, 2013, establishing a structured national dialogue for the implementation of the constitutional provisions on citizen participation.</p>	<p>10. The draft organic law No. 44-14 on public petitions, in line with the recommendations of the National Dialogue has been adopted by the Council of Ministers on July 14, 2015.</p>	<p><b>Indicator:</b> Number of draft laws and regulations made public</p> <p><i>Baseline: 45 draft legal texts, mainly focusing on trade and investment have been published between: 2009-2012</i></p> <p><i>Status to date: 65 new draft legal texts published in 2014 of which 40 new legal texts made available for public comment in 2014.</i></p> <p><i>Target: Expansion of number of draft legal texts published by 40% in 2016 compared to baseline.</i></p> <p><i>Source: Secretary General of Government</i></p> <p><b>Indicator:</b> World Justice Project's Rule of Law Index sub-indicator 5.3 measuring access of citizens to the right of petitions and participation:</p> <p><i>Baseline: 2012 Sub-indicator 5.3: Score 0.48 WJP OGI ranking:</i></p> <p><i>Status to date: 0.53 in 2014</i></p> <p><i>Target: Increased citizen engagement, confirmed by an increase in country score by 15% in 2016.</i></p> <p><i>Source: World Justice Project</i></p> <p><i>Indicator : Percentage of public petitions that have received a response</i></p> <p><i>Baseline 2012: None</i></p> <p><i>Target : 75% of petitions received by the end of 2016</i></p>
<b>Component C: Providing online access to basic administrative services</b>		
<p>10. A new e-Government application (<a href="http://www.watiqa.ma">www.watiqa.ma</a>), allowing citizens to access their birth certificates online has been developed and rolled out to twenty (20) provinces and one hundred (100) municipalities.</p>		<p><b>Indicator:</b> Statistics on the number of birth certificates ordered online and delivered by registered mail (cumulative).</p> <p><i>Baseline: 2012: number of birth certificates delivered 531</i></p> <p><i>Target: 2016: number of birth certificates delivered: 5,000</i></p> <p><i>Source: Ministry of Interior</i></p>

**ANNEX 2: LETTER OF DEVELOPMENT POLICY**  
(Unofficial translation)

**Kingdom of Morocco**

**Head of Government**

Ministry Delegate to the Head of Government in  
Charge of General Affairs and Governance

المملكة المغربية  
رئيس الحكومة



الوزارة المنتدبة لدى رئيس الحكومة  
المكلفة بالشؤون العامة والحكامة

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Address: BP 412, Nouveau Quartier Administratif, Agdal, Avenue Ahmed Cherkaoui, Rabat  
Tel. 05 37 68 73 00 – Fax. 05 37 77 16 97 – website: www.mag.gov.ma

Rabat, September 10, 2015

**Mr. Jim Yong Kim**

**President of the World Bank**

**1818 H Street NW, Washington, DC**

**Object:** Development Policy Letter regarding the HAKAMA program (DPL2)

Over the last several years, Morocco has been implementing a broad program of public administration reform. This program aims to promote ethics and modernization in the management of public affairs in accordance with principles of efficiency, transparency, and performance. Thanks in particular to support from your institution, significant improvements have been made.

The Moroccan government remains committed to bolstering and institutionalizing new practices in the management of public resources based on principles of accountability, transparency, and public policy management. This aligns with provisions of the 2011 Constitution that make citizens a focal point of public policies.

This policy letter outlines measures taken by the Government under the first HAKAMA Development Policy Loan as well as those underway aiming to shore up progress and press ahead with the reform program.

**I. ACHIEVEMENTS UNDER THE FIRST “HAKAMA” DPL**

Under the first Development Policy Loan of 2013, significant improvements were made in the areas of transparency and accountability in the management of public resources

as well as in the area of promoting open governance. One example includes the creation of a public service charter.

Four measures have been taken with a view to strengthen transparency and accountability in the management of public resources:

- **A performance-focused budget has been adopted** in order to promote greater accountability and efficiency in the management of public resources. Preparation for the implementation of this new approach has been organized in three phases covering 16 ministerial departments, accounting for more than half of the general budget and encompassing the main public services.

In addition, Modulated Expenditure Control has been implemented in order to improve the flexibility and managerial accountability of authorizing officers and delegates. This action has been formalized through 15 authorizing decrees (*arrêtés de qualification*) for central authorizing officers and 60 authorizing decrees for decentralized authorizing officers on the basis of management capacity assessments conducted by the Inspectorate General of Finance and the Treasury General of the Kingdom;

- **Competition and transparency have been improved in public procurement and public-private partnerships.** Regulatory frameworks have been established, as with the decree on public contracts, which extends the applicability of regulations governing public contracts to public institutions and municipalities and serves as a regulatory basis for the introduction of electronic procurement procedures. Similarly, a law governing public-private partnerships (PPP) has been adopted;
- **The governance and financial control of public enterprises and institutions have been improved.** This has been achieved through the adoption of an implementation plan for the new Code of Good Governance by the decision-making bodies of five public enterprises and agencies initially identified on the basis of their diagnostic and of the “comply or explain” principle. Concrete improvements in this area include regular board meetings, the creation of specialized committees (such as governance committees), the establishment of risk prevention measures, and broader dissemination of financial and non-financial information.
- **The management of local finances and of intergovernmental fiscal relations has been modernized.** This has been achieved through a circular adopted by the Ministry of the Interior that extends the Integrated Expenditure Management system to all local governments. Since 2014, all financial transactions of local governments have been made through the Integrated Expenditure Management platform. Therefore, in 2015, the consolidated administrative accounts of local governments will be produced for the first time.

In the area of **promoting open governance**, significant progress has been made with a view to introducing the principles of good governance set out in the Constitution relative to transparency, access to information, consultation, and improved access to quality public services at the level of the central government and local governments.

Four measures have been taken in this area:

- **A budget transparency policy has been adopted** that aims to improve access to information through the proactive publication of key budget items from ministries prior to their being brought before Parliament as well as the creation of an open budget internet platform;
- **A policy has been adopted and implemented aiming to publish draft laws and regulations** on the website of the Secretary General of Government with the goal of fostering citizen input and engagement prior to their being adopted by the Government. To date, 40 draft laws have been subject to public consultation, and civil society and private sector feedback has been taken into account.
- **A new policy on citizen participation has been adopted**, which creates a legislative framework for citizen participation in order to consolidate the new provisions of the 2011 Constitution pertaining to participative democracy. In order to implement these new provisions, a national dialogue was held on civil society and its new constitutional prerogatives. More than 7,000 associations took part in the dialogue.

The dialogue was led by an independent national commission and included:

- 18 regional meetings in order to obtain civil society input about ways to exercise new rights pertaining to petitions and motions;
- 4 meetings with Moroccans of the world;
- 13 academic and thematic conferences;

The dialogue, a means of consultation, resulted in 240 recommendations. This process gave rise to 4 draft laws, which were written by the Ministry in charge of Relations with Parliament and Civil Society. These include the draft organic law on legislative motions, the draft organic law on petitions, the draft framework law on public consultation, and the draft code on Civil Society organizations.

- **Online access to basic administrative services** has been improved through the development of an e-government platform ([www.watiga.gov](http://www.watiga.gov)), which lets citizens order birth certificates online. This platform has been rolled out in 20 provinces and 100 municipalities.

## II. **SHORING UP ACHIEVEMENTS IN PUBLIC GOVERNANCE**

The HAKAMA DPL2 program will strengthen and extend the reforms undertaken during the first phase of the program in the area of transparency and accountability in the management of public resources and in the area of open governance.

Significant legal, institutional, and operational achievements have been made with regard to transparency and accountability. These include the adoption and implementation of the new Organic Law relative to Finance Laws, which promotes good performance, accountability, and transparency in budget management.

Four measures have been taken in this area.

1. Adoption of a performance-focused budget. This has been achieved through:
  - Adoption by Parliament of Organic Finance Law 130-13 in April 2015 and the adoption by the Cabinet of Ministers on July 2, 2015 of Decree 2-15-426 on drafting and enacting finance laws and the implementation of provisions of the organic law relative to finance laws;

The provisions of Organic Law 130-13 relative to Finance Law will be implemented gradually over a 5-year period starting on January 1, 2016.

- Adoption of a policy aiming to monitor and assess performance through a performance indicator monitoring system for finance laws, an inter-ministerial validation mechanism for the programs and performance indicators of ministries, performance audits, and performance assessments involving external experts. A new circular offering guidance on the performance approach under the 2016 finance law was adopted.

It should be noted that the first preparation phase, launched in tandem with the 2014 finance law, pertained to four ministerial departments; the second phase, launched with the 2015 finance law, brought in five new ministerial departments. The modalities and implementation measures were defined in a circular by the Head of Government in 2014.

A third preparation phase concerns seven new ministerial departments for the 2016 draft finance law.

- Submission to Parliament of the 2015 finance law, including a programmatic presentation of the budget and the performance documents of more than five departments along with their performance goals, in compliance with the provisions of the organic finance law;
  - Publication in 2015 on the website of the Ministry of Economy and Finance of the three-year rolling budget framework (2015, 2016, and 2017) and the programmatic allocations for the five ministerial departments (integrated into performance plans) as well as three-year budget projections for programs subject to multi-year performance objectives and indicators.
2. Competition and transparency in public procurement and public-private partnerships have been increased through:

- decree 2-14-867 establishing the National Public Contracts Committee, with a stronger mandate for handling oversight, grievances handling, and training. This decree was adopted by the Cabinet of Ministers on September 10, 2015;
  - the adoption on December 24, 2014 of Law 86-12 on Public-Private Partnerships (PPP) and decree 2-15-45, which stipulates this law's implementing regulations. This law aims to mobilize private sector investors for the implementation of policy and public services.
3. The governance and financial control of state-owned enterprises (SOE) and agencies has been strengthened by the inclusion of the code of corporate governance in the action plans of a second wave of 15 new SOEs that deliver public services.

It should be noted that the initial trigger, which consisted of the adoption of the implementing regulations of the law on the governance and financial control of SOEs, has been replaced by the adoption of an action plan on implementing the code of corporate governance by decision-making bodies in order to strengthen the operational outcomes of the program and the legal framework.

4. The management of local finances and of intergovernmental fiscal relations has been modernized through the adoption of three organic laws on June 9, 2015. These include Organic Law 111-14 on regions, Organic Law 112-14 on prefectures and provinces, and Organic Law 113-14 on municipalities.

It should be noted that the initial trigger, which consisted of the decree on transfers to local governments, has been replaced by the adoption of the organic law on region that aligns with the same objective.

The Ministry of the Interior has proposed a change in the approach and sequencing of the transfer system reform stemming from the recommendations of the Consultative Committee on Regionalization and the conclusions of an assessment of the current system of transfers and equalization conducted with support from the World Bank. This new approach foresees the following sequencing:

- Adoption of Organic laws on municipalities before the local elections held on September 4, 2015.
- Revision of the system of transfers and equalization.

Several measures were taken in order to strengthen the policy of decentralization, such as the creation of a guide that outlines the key points for drawing up a decentralization charter with a view to strengthen administrative decentralization.

Under the second pillar of the program, which pertains to **fostering open governance**, significant achievements have been made in order to improve the transparency of public finances and access to information and to bolster citizens' expression and engagement. This has been achieved by:

- Submission to Parliament on June 8, 2015 of the draft law on access to information in line with Article 27 of the Constitution and international good practice;

It should be noted that the aforementioned law helps to consolidate the rule of law, strengthen the legislative structure and bolster the legal instruments Morocco has developed for this purpose.

Moreover, this law helps to consolidate the principles of openness and transparency, strengthen trust between Government and its users, bolster participative democracy, and implement measures that ensure ethical administrative practices and that guarantee credibility and ethics in the management of public affairs.

It also allows citizens to better understand administrative procedures and to better defend their interests, thereby guaranteeing greater legal and administrative understanding. In addition, the availability of information is key to attracting investments and stimulating the economy.

Starting in 2016, the provisions of the Law on access to information will be implemented through the National Committee for Information, the appointment and training of staff devoted to information at the ministry level, the publication of a single form to request information, as well as an awareness campaign (television and radio programs).

- Adoption by the Cabinet of Ministers on July 14, 2015 of the Organic Law on Public Petitions in line with the new constitutional right, the recommendations of the National Dialogue, and international good practice. This law was introduced to Parliament on July 23, 2015. Moreover, the right to petition is covered by the Organic Laws relative to municipalities, which are already in force.

The Ministry in charge of Relations with Parliament and Civil Society has designed a comprehensive action plan for the implementation of this organic law. It includes:

- the creation of the Petitions Committee;
- the development and implementation of an information, communication and awareness campaign about the legal framework of citizen participation;
- the creation of a training program to educate trainers who can educate officials from ministerial departments, municipalities, and civil society about the legal framework of citizen participation;
- the creation of an integrated E-participation platform.

The reforms under the Hakama program pertaining to budget transparency, access to information, and citizen participation promote the Partnership for Open Government. Its action plan will aim to consolidate these policies of open governance.

In addition, Morocco has taken significant steps in the last decade to reduce discrimination against women and to promote and protect women's rights. These improvements have been bolstered by the adoption in June 2011 via referendum of the new Constitution, which prohibits any discrimination against women and enshrines equality between the sexes in all areas.

In this framework, the Ministry for Public Service and the Modernization of the Administration has, through its horizontal attributes, taken a firm commitment to a process of institutionalizing equality between the sexes in public administration by:

- creating an inter-ministerial network to promote dialogue, exchange and experience-sharing in order to instill the principle of equality between the sexes in public service and;
- establishing a Gender Observatory.

The HAKAMA program is critical to building on efforts already undertaken. In light of this, the Moroccan Government requests that your institution issue the second Development Policy Loan and continue its support so that Morocco may pursue its reform program.

I would like to thank the Bank for its interest in Morocco's governance reforms. Thank you, Mr. President, for your time and your consideration of this request.



Royaume du Maroc  
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Chef du Gouvernement  
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Ministère Délégué auprès du Chef du Gouvernement  
Chargé des Affaires Générales et de la Gouvernance

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09 SEPT 2015

**Monsieur Jim YONG KIM**  
**Président de la Banque Mondiale**  
**1818 H Street N.W – Washington DC**

**Objet /** Lettre de Politique de Développement relative au programme HAKAMA (PPD2)

Le Maroc s'est engagé depuis plusieurs années dans un vaste programme de réformes de son administration publique en vue de promouvoir la moralisation, et la modernisation de la gestion de l'action publique, selon les principes d'efficacité, de transparence et de résultat. D'importantes avancées ont été accomplies dans ce domaine notamment avec l'appui de votre Institution.

Le Gouvernement Marocain réaffirme sa volonté de consolider et d'institutionnaliser l'application des nouveaux modes de gestion publique fondés sur les principes de reddition des comptes, de transparence, et de gestion de l'action publique en ligne avec les dispositions de la constitution de 2011 mettant le citoyen au cœur des préoccupations des politiques publiques.

La présente lettre de politique a pour objet de rappeler les actions réalisées par le Gouvernement dans le cadre du premier Prêt de Politique de Développement HAKAMA, ainsi que les actions entreprises pour consolider ces mesures et poursuivre son programme de réformes.

#### **I. PROGRES REALISES DANS LE CADRE DU PPD I «HAKAMA »**

Depuis la mise en œuvre du premier Prêt de Politique de Développement en 2013, de grands progrès ont été réalisés en matière de renforcement de la transparence et la redevabilité dans la gestion des ressources publiques et de la promotion de la Gouvernance Ouverte. A citer à titre d'exemples l'élaboration de la charte des services publics.

Dans le cadre du renforcement de la transparence et de la redevabilité dans la gestion des ressources publiques quatre mesures ont été mises en œuvres, il s'agit de :

- **L'adoption d'une budgétisation axée sur la performance** dont l'objectif est de promouvoir une plus grande redevabilité et efficacité dans la gestion des ressources publiques. Cette nouvelle approche a été préfigurée en trois vagues concernant 16 départements ministériels, représentant plus de la moitié du budget général et couvre les principaux services publics.

Par ailleurs, des mesures ont été mises en œuvre en matière du Contrôle Modulé de la Dépense dans le but de renforcer la flexibilité et la responsabilité managériale des ordonnateurs et sous ordonnateurs. Cette démarche a été formalisée par la publication de 15 arrêtés de qualification des ordonnateurs centraux et 60 arrêtés de qualification de sous-ordonnateurs déconcentrés suite aux audits de capacité de gestion menés par l'Inspection Générale des Finances et de la Trésorerie Générale du Royaume ;

- **L'amélioration de la concurrence et de la transparence dans la passation des marchés publics et les partenariats publics-privé.** A cet égard, des dispositifs réglementaires ont été adoptés : Le décret relatif aux marchés publics étendant le champ d'application de la réglementation des marchés publics aux établissements publics et aux collectivités territoriales et établissant une base réglementaire pour l'introduction des procédures électroniques de passation des marchés. De même une loi régissant les Partenariats Public-Privé (PPP) a été adoptée ;
- **L'amélioration de la gouvernance et du contrôle financier des entreprises et établissements publics (EEP),** à travers l'adoption du plan de mise en œuvre du nouveau code de bonne gouvernance par les organes de décision de cinq entreprises et établissements publics, retenus dans une première étape, sur la base de leur diagnostic et du principe « comply or explain » ; A cet égard des avancées concrètes ont été notées concernant notamment la tenue régulière de conseils d'administration, l'institution de comités spécialisés, comme les comités gouvernance, la mise en place de mesures de prévention des risques et une plus grande diffusion d'information financière et non financière.
- **La modernisation de la gestion des finances locales et des relations financières entre les niveaux de pouvoir** est concrétisée à travers une circulaire du Ministère de l'Intérieur qui étend le déploiement du système de Gestion Intégré des Dépenses (GID) à l'ensemble des Collectivités Territoriales. Depuis 2014 toutes les transactions financières des Collectivités Territoriales se font à travers la plateforme GID. En 2015 les comptes administratifs des Collectivités Territoriales consolidés pourront ainsi être produits pour la première fois.

Dans le cadre de la **Promotion de la gouvernance ouverte** des avancées importantes ont été réalisées dans le but d'introduire les principes de bonne gouvernance prévus par la Constitution, en terme de transparence, d'accès à l'information, de consultation et d'amélioration de l'accès à des services publics de qualité tant au niveau de l'administration centrale que des Collectivités Territoriales.

Dans ce cadre quatre mesures ont été mises en œuvre, il s'agit de :

- **l'adoption d'une politique de transparence budgétaire** dans le but d'améliorer l'accès à l'information à travers la publication proactive des informations budgétaires essentielles concernant les budgets des ministères avant leur présentation au Parlement, ainsi que le développement d'une plateforme Internet de budget ouvert ;
- **l'adoption et la mise en œuvre de la politique de publication des projets de lois et règlements** sur le Site Internet du Secrétariat Général du Gouvernement dans le but de renforcer l'expression civique et l'engagement des citoyens et cela préalablement à leur adoption par le Gouvernement ; à ce jour 40 projets de textes ont ainsi fait l'objet de consultation publique et pris en considération les commentaires reçus de la société civile et du secteur privé.
- **L'adoption de la nouvelle politique de participation citoyenne**, à travers le développement d'un cadre législatif de la participation citoyenne pour la concrétisation des nouvelles dispositions de la Constitution de 2011 liées à la démocratie participative. Pour mettre en œuvre ces nouvelles dispositions, un dialogue national sur la société civile et ses nouvelles prérogatives constitutionnelles a été organisé. Ont participé au dialogue plus de 7000 associations.

Le dialogue a été conduit par une commission nationale indépendante. Lors de ce dialogue il a été organisé :

- 18 rencontres régionales qui avaient pour objectif la concertation avec la société civile sur la manière d'exercer les nouveaux droits sur les pétitions et les motions ;
- 4 rencontres avec les Marocains du monde ;
- 13 colloques académiques et thématiques.

Le Dialogue qui était un moyen de consultation, a abouti à 240 recommandations. Sur la base des résultats de ces travaux, 4 projets de lois ont été élaborés par le Ministère chargé des Relations avec le Parlement et la Société Civile. Il s'agit du projet de loi organique relatif aux motions en matière législative, du projet de loi organique relatif aux pétitions, du projet de loi-cadre relatif à la consultation publique, ainsi que le projet du code des organisations de la Société Civile.

- **La fourniture de l'accès en ligne aux services administratifs de base** grâce au développement de l'application eGOVWatiqa ([www.watiqa.gov](http://www.watiqa.gov)) qui permet aux citoyens de demander en ligne leur acte de naissance. Cette application a été déployée au niveau de 20 provinces et 100 communes.

## **II- CONSOLIDATION DES ACQUIS EN MATIERE DE LA GOUVERNANCE PUBLIQUE**

Le PFD2 HAKAMA intervient pour consolider et poursuivre les réformes entreprises dans le cadre de la première phase du programme dans les domaines du renforcement de la transparence et de la redevabilité dans la gestion des ressources publiques et la promotion de la Gouvernance Ouverte.

En ce qui concerne le renforcement de la transparence et la redevabilité dans la gestion des ressources publiques, des réalisations importantes tant au niveau légal, institutionnel qu'opérationnel ont été enregistrées notamment l'adoption et la mise en œuvre de la nouvelle Loi Organique relative à la loi de Finance qui consacre les principes de performance, de responsabilisation, de reddition des comptes et de transparence de la gestion budgétaire.

Dans ce cadre, quatre mesures ont été mises en œuvres, il s'agit de :

### **1.L'adoption d'une budgétisation axée sur la performance à travers les dispositifs suivants :**

- l'adoption par le Parlement en avril 2015 de la Loi Organique des Finances n°130-13 et l'adoption par le Conseil du Gouvernement le 2 juillet 2015 du projet de décret n° 2-15-426 relatif à la préparation et l'exécution des lois des finances, et qui concerne la mise en œuvre des dispositions de la loi organique relative à la loi de finance (LOF).

La mise en œuvre des dispositions de la Loi organique n° 130-13 relative à la Loi de Finances se fera de façon progressive à partir du 1<sup>er</sup> janvier 2016 sur une période de cinq années.

- l'adoption d'une politique de suivi et évaluation de la performance, à travers un système de suivi des indicateurs de performance de la loi des finances, un mécanisme interministériel de validation des programmes et indicateurs de performance des ministères, la réalisation d'audits de performance et la réalisation d'évaluations de performance associant des experts externes. Dans ce cadre une nouvelle circulaire de préfiguration de la démarche de performance au titre de la Loi des Finances 2016 a été adoptée.

Il y a lieu de préciser à cet égard que la 1<sup>ère</sup> vague de préfiguration lancée à l'occasion de la loi de finances 2014, a concerné quatre départements ministériels, la 2<sup>ème</sup> vague de préfiguration menée au titre de la loi de finances 2015, a associé cinq nouveaux départements ministériels. Le contenu des modalités, de mise en œuvre de la préfiguration ont été définis par circulaire du Chef du Gouvernement en 2014.

Une troisième vague de préfiguration concerne sept nouveaux départements ministériels pour le projet de loi de finance 2016.

- la transmission au Parlement de la loi de finances 2015, incluant une présentation programmatique du budget et des documents de performance de plus de cinq départements sous-forme programmatique ainsi que leurs projets de performance conformément aux dispositions de la LOF ;

- la publication en 2015 sur le site du Ministère de l'Economie et des Finances du cadre budgétaire triennal glissant 2015, 2016 et 2017 et des allocations programmatiques pour cinq départements ministériels (intégrés dans les projets de performance) ainsi que la publication des projections budgétaires triennales pour les programmes faisant l'objet d'objectifs et d'indicateurs de performance pluriannuelle.

**2.L'amélioration de la concurrence et de la transparence dans la passation des marchés publics et les Partenariats Publics-Privé à travers :**

- le décret n° 2-14-867 portant création de la Commission Nationale de la Commande Publique disposant d'un mandat renforcé de surveillance, de traitement des plaintes et de formation ; ce décret a été adopté par le Conseil du Gouvernement le 10 septembre 2015 ;
- l'adoption le 24 décembre 2014 de la Loi n° 86-12 régissant les Partenariats Public-Privé (PPP) ainsi que le décret d'application y afférent n° 2-15-45. Cette Loi vise à impliquer les investisseurs du secteur privé pour la mise en œuvre des politiques et des services publics.

**3.Le renforcement de la gouvernance et du contrôle financier des entreprises et établissements publics (EEP) à travers l'adoption de la mise en œuvre du code de bonne gouvernance dans les plans d'action d'une seconde vague de 15 nouveaux EEP prestataires de services publics ;**

Il est à noter, que le déclencheur initial relatif à "l'adoption des textes d'application de la loi sur la gouvernance et le contrôle des Entreprises et Etablissements Publics (EEP)" a été substitué par "l'adoption d'un plan d'action de mise en œuvre du code de bonne gouvernance par les instances dirigeantes", afin de renforcer les résultats opérationnels du programme et d'informer la consolidation du cadre juridique.

**4.La modernisation de la gestion des finances locales et des relations financières entre les niveaux de pouvoir, à travers l'adoption par le Parlement le 9 juin 2015 de trois Lois Organiques, Il s'agit de la loi organique 111-14 relative aux régions, de la loi organique 112-14 concernant les préfectures et les provinces et de la loi organique 113-14 sur les communes.**

Il est à noter, que le déclencheur initial concernant l'adoption du « décret sur les transferts aux Collectivités Locales » a été substitué par « l'adoption de la loi organique sur les régions qui s'inscrit dans le même objectif».

En effet, le Ministère de l'Intérieur a proposé un changement d'approche et de séquençage de la réforme du système de transfert en lien avec les recommandations de la Commission Consultative sur la Régionalisation et les conclusions d'un diagnostic du système actuel de transfert et de péréquation, réalisé avec l'appui de la Banque Mondiale. Cette nouvelle approche prévoit le séquençage suivant :

- L'adoption des Lois Organiques des Collectivités Territoriales avant les élections locales qui ont eues lieu le 4 Septembre 2015,
- la révision du système de transferts et de péréquation.

De même, en vue de consolider la politique de Déconcentration engagée, plusieurs actions ont été entreprises, notamment l'élaboration d'un guide traçant les lignes directrices pour l'élaboration d'une charte de déconcentration dans la perspective du renforcement de la déconcentration administrative.

Dans le cadre du deuxième axe du programme relatif à la **Promotion du gouvernement ouvert**, des réalisations ont été accomplies afin d'améliorer d'une part, la transparence des finances publiques et l'accès à l'information et d'autre part renforcer l'expression civique et l'engagement des citoyens, et ce à travers :

- la transmission au Parlement le 8 juin 2015 du projet de loi sur l'accès à l'information, conformément à l'article 27 de la Constitution et aux bonnes pratiques internationales ;

Il est à signaler que ladite Loi contribue à l'ancrage d'un Etat de droit, à la consolidation de l'édifice législatif et au renforcement de l'arsenal juridique mis en place par le Maroc dans ce sens.

En outre, ce texte juridique vient ancrer les principes d'ouverture et de transparence, renforcer la confiance entre l'Administration et ses usagers, consolider la démocratie participative et mettre en place les mesures à même de moraliser les pratiques administratives et de garantir la crédibilité et l'éthique dans la gestion des affaires publiques.

Il permet également aux citoyens de mieux comprendre les procédures administratives et de mieux défendre leurs intérêts garantissant ainsi une meilleure appréhension juridique et administrative. En plus, la disponibilité de l'information constitue un facteur pour attirer les investissements et stimuler l'économie.

A partir de 2016, les dispositions de la Loi sur l'accès à l'information seront opérationnalisées à travers la commission nationale de l'information, la désignation des chargés de l'information au niveau des Ministères et leur formation et l'édition de formulaire unifié de demande d'information ainsi que la campagne de sensibilisation (émissions télévisées et radiodiffusées).

- l'adoption le 14 juillet 2015 par le conseil des Ministres du projet de loi organique sur les pétitions publiques, conformément au nouveau droit constitutionnel, aux recommandations du Dialogue National et aux bonnes pratiques internationales. Ce texte a été déposé au Parlement le 23 juillet 2015. De plus, le droit de pétition figure dans les Lois Organiques relatives aux Collectivités Territoriales, qui sont déjà en vigueur.

Pour la mise en œuvre de ce projet de loi organique, le Ministère chargé des Relations avec le Parlement et la Société Civile a mis en place tout un plan d'action articulé autour :

- de la mise en place de la Commission des pétitions ;
- du développement et la mise en œuvre d'une campagne d'information, de communication et de sensibilisation sur le cadre réglementaire en matière de participation des citoyens ;

- de l'organisation d'un programme de formation des formateurs au profit des cadres des départements ministériels, des collectivités territoriales et de la société civile sur le cadre réglementaire de la participation citoyenne ;
- du développement d'une plateforme intégrée d'E-participation.

Les réformes du programme Hakama concernant la transparence budgétaire, l'accès à l'information et la participation citoyenne favorisent le Partenariat pour le Gouvernement Ouvert, dont le plan d'action visera à traduire ces politiques de gouvernance ouverte.

Par ailleurs, le Maroc a réalisé, cette dernière décennie, des avancées notoires en matière de promotion et de protection des droits des femmes et de lutte contre les discriminations à leur égard. Ces avancées ont été consolidées par l'adoption par référendum en juin 2011 de la nouvelle Constitution qui prohibe toute forme de discrimination à l'égard des femmes et consacre l'égalité entre les hommes et les femmes dans tous les domaines.

Dans ce cadre, le Ministère de la Fonction Publique et de la Modernisation de l'Administration, de par ses attributions horizontales, s'est engagé de façon effective dans un processus d'institutionnalisation de l'égalité des sexes dans l'administration publique à travers :

- la création du réseau interministériel visant la promotion du dialogue, de l'échange et du partage des expériences pour l'instauration du principe de l'égalité entre les sexes dans la fonction publique,
- et la création de l'Observatoire genre.

Compte tenu de l'importance de ce programme de réformes qui s'inscrit dans la continuité des efforts déjà entrepris, le Gouvernement réitère son intérêt de poursuivre la deuxième opération du Prêt de Politique de Développement et de l'appui de votre Institution à ce programme « HAKAMA ».

En vous remerciant pour l'intérêt que la Banque porte aux réformes de la gouvernance au Maroc, je vous prie de croire Monsieur le Président, à l'expression de ma considération distinguée.

Le Ministre Délégué auprès du Chef du Gouvernement  
Chargé des Affaires Générales et de la Gouvernance  
  
Mohammed LOUFA

## ANNEX 3. FUND RELATIONS



INTERNATIONAL MONETARY FUND



### **IMF Executive Board Completes the Second Review of the Current PLL Arrangement for Morocco and the Ex Post Evaluation of the First PLL**

Press Release No. 15/357

July 24, 2015

On July 24, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the second review of Morocco's economic performance under a program supported by a two-year Precautionary and Liquidity line (PLL) arrangement and the Ex Post Evaluation of exceptional access (EPE) under the 2012-14 PLL arrangement.

The current PLL arrangement was approved in July 2014. ([See Press Release No. 14/368](#)). Access under this arrangement in the second year is equivalent to SDR 3.2351 billion (US\$5 billion, or 550 percent of Morocco's quota at the IMF). Morocco's first 24-month PLL arrangement was approved on August 3, 2012, with an access equivalent to 700 percent of the quota.

The PLL arrangement has provided insurance against external risks. The Moroccan authorities are treating the arrangement as precautionary, as they did with the 2012-14 PLL, and do not intend to draw under the arrangement unless Morocco experiences actual balance of payments needs from a significant deterioration of external conditions.

The PLL facility, which was introduced in 2011, provides financing to meet actual or potential balance of payments needs of countries with sound policies, and is intended to serve as insurance or help resolve crises under wide-ranging situations. Fund policy calls for an EPE within one year of the end of an arrangement with exceptional access.

Following the Executive Board discussion on Morocco, Mr. Min Zhu, IMF Deputy Managing Director and Acting Chair of the Board, made the following statement regarding the second review of the current arrangement:

"Morocco's overall economic performance has been strong. Following a slowdown in 2014, growth is expected to pick up in 2015. Policy action has helped reduce fiscal and external vulnerabilities and significant progress has been achieved on reforms. In an environment that remains subject to important downside risks, sustaining the momentum will be important to reduce remaining vulnerabilities and achieve higher and more inclusive growth.

"The arrangement under the Fund's Precautionary and Liquidity Line (PLL), which the authorities continue to treat as precautionary, has provided insurance against external risks. The program remains on track.

"Fiscal developments have been consistent with the authorities' objective to reduce the deficit to 4.3 percent of GDP in 2015. Progress continued on the subsidy reform, while support to the most vulnerable has expanded. The recent adoption of a new organic budget strengthens the fiscal framework. The timely adoption of the pension reform will be key to ensure the viability of the system.

"Progress has also been made in upgrading the financial policy framework, including by moving to Basel III standards and implementing the new banking law. An important further step should be the timely adoption of a new central bank law. Ongoing work toward a more flexible exchange rate regime and a new monetary policy framework, in coordination with other macroeconomic and structural policies, is welcome.

"Morocco's external position has continued to improve owing to strong export performance and lower oil prices. Further progress on structural reforms, including improving the business environment, governance, transparency and the job market will help strengthen competitiveness, growth and employment and enhance the economy's resilience to shocks."



Regarding the ex post evaluation of the first PLL arrangement, Executive Directors considered that the 2012–14 PLL arrangement appropriately provided temporary insurance against exogenous shocks and signaled Morocco’s sound economic fundamentals to meet potential balance-of-payments needs at a time of significant external risks. They agreed that the arrangement was consistent with the PLL qualification standards and requirements under the exceptional access policy, while commending the authorities for not drawing on the arrangement in spite of external economic headwinds. Directors concurred that the authorities’ policies helped reduce fiscal and external vulnerabilities, with subsidy reform as a major achievement. Directors noted that Morocco still faced a number of medium-term policy challenges at the end of the arrangement given external risks and remaining vulnerabilities. With the benefit of hindsight, Directors also noted some useful lessons learned with regard to program design and implementation.

## ANNEX 4: MACROECONOMIC AND DEBT SUSTAINABILITY TABLES

**Table 1: Key Macroeconomic Indicators**

	Actual				Est.	Proj.		
	2011	2012	2013	2014		2015	2016	2017
<b>Real economy</b>	Annual percentage change, unless otherwise indicated							
Real GDP	5.2	3.0	4.7	2.4	4.6	4.8	5.0	5.0
Agriculture	5.7	-9.1	17.9	-2.5	7.0	2.0	2.0	2.0
Non-agriculture	5.2	4.7	3.0	3.3	4.2	5.3	5.4	5.5
Per Capita GDP	3.8	1.6	3.3	1.3	3.5	3.7	3.9	4.0
GDP (nominal--local currency)	4.5	3.4	6.3	2.6	5.6	6.4	6.4	6.4
<b>Contributions:</b>								
Consumption	3.8	4.1	3.0	2.3	3.4	3.3	2.9	2.8
Investment	3.5	-0.3	1.8	-1.1	0.6	1.0	1.4	1.5
Net exports	-3.5	-0.6	0.0	1.3	0.6	0.6	0.7	0.8
Imports	5.0	1.7	-1.5	1.8	4.8	5.5	5.5	5.5
Exports	2.1	2.6	2.4	6.3	8.0	8.5	8.5	8.5
Unemployment rate (ILO definition)	8.9	9.0	9.2	9.9	...	...	...	...
GDP deflator	0.1	0.4	1.0	0.2	1.0	1.5	1.3	1.3
CPI (pa)	0.9	1.3	1.9	0.4	0.8	1.2	1.1	1.1
<b>Fiscal Accounts</b>	Percent of GDP, unless otherwise indicated							
Expenditures	33.1	35.0	32.1	31.9	30.4	29.8	29.2	28.9
Revenues, including all grants	26.4	27.6	26.7	26.9	25.9	26.1	26.2	25.9
Budget Balance	-6.7	-7.4	-5.4	-5.0	-4.5	-3.7	-3.0	-3.0
Central Government Debt	53.7	59.7	63.5	65.2	67.0	66.7	65.8	64.8
<b>Selected Monetary Accounts</b>	Annual percentage change, unless otherwise indicated							
Base Money	6.4	4.5	3.1	5.4	...	...	...	...
Credit to non-government	10.4	5.1	3.5	2.5	...	...	...	...
Interest (key policy interest rate)	3.25	3.25	3.00	2.50	...	...	...	...
<b>Balance of payments</b>	Percent of GDP, unless otherwise indicated							
Current Account Balance	-7.9	-9.5	-7.9	-5.7	-5.4	-4.8	-4.3	-3.8
Imports	45.2	47.5	45.6	44.9	45.1	44.8	44.7	44.6
Exports	31.5	32.5	31.1	32.5	34.6	35.3	36.0	36.2
Foreign Direct Investment, net	2.5	2.8	3.1	3.2	2.7	2.7	2.7	2.6
Net reserves in US\$, bln (eop)	20.3	17.2	18.4	20.0	22.8	24.9	26.4	28.1
In months of next year's imports	5.2	4.2	4.3	5.5	5.0	5.1	5.1	5.1
As % of short-term external debt	2.4	2.0	2.1	2.3	2.6	2.9	3.1	3.3
External Debt (Long Term)	25.4	30.0	31.8	35.0	35.4	35.9	35.5	35.4
Terms of Trade, change in %	4.1	-13.1	-15.8	4.0	-0.9	-0.2	-0.4	-0.4
Exchange rate (average)	8.09	8.628	8.40	8.41	...	...	...	...
<b>Other memo items</b>								
GDP, nominal MAD, bln	802.6	827.5	872.8	895.8	945.8	1,005.9	1,070.1	1,139.1
GDP, nominal US\$, bln	99.2	95.9	103.9	106.6	114.1	120.6	127.4	134.7

*Source: Morocco Government and World Bank staff estimates and projections.*

**Table 2: Fiscal Indicators of the Central Government (in % of GDP)**

	Actual			Est.	Proj.			
	2011	2012	2013	2014	2015	2016	2017	2018
<b>Overall Balance, including all grants</b>	<b>-6.7</b>	<b>-7.4</b>	<b>-5.4</b>	<b>-5.0</b>	<b>-4.5</b>	<b>-3.7</b>	<b>-3.0</b>	<b>-3.0</b>
Primary balance	-4.3	-4.9	-2.2	-0.8	-0.3	0.2	0.8	0.0
<b>Total revenues</b>	<b>26.4</b>	<b>27.6</b>	<b>26.7</b>	<b>26.9</b>	<b>25.9</b>	<b>26.1</b>	<b>26.2</b>	<b>25.9</b>
Tax revenues	23.7	25.3	23.4	23.2	22.9	23.3	23.7	24.1
Taxes on goods and services	11.6	11.8	11.2	11.0	11.1	11.2	11.5	11.8
Direct taxes	8.8	9.5	8.9	8.7	8.6	8.7	9.0	9.3
Taxes on international trade	1.3	1.1	0.9	0.9	0.9	0.9	0.9	0.9
Other taxes	1.7	1.9	1.9	2.1	1.8	2.0	2.0	2.0
Special accounts, balance	0.3	1.0	0.5	0.5	0.5	0.5	0.3	0.2
Non-tax revenues	2.4	2.1	2.6	2.1	1.5	1.6	1.5	1.5
Grants, all	0.3	0.2	0.7	1.6	1.5	1.1	1.1	0.3
<b>Expenditures</b>	<b>33.1</b>	<b>35.0</b>	<b>32.1</b>	<b>31.9</b>	<b>30.4</b>	<b>29.8</b>	<b>29.2</b>	<b>28.9</b>
<b>Current expenditures</b>	<b>26.9</b>	<b>28.8</b>	<b>26.6</b>	<b>26.0</b>	<b>25.2</b>	<b>24.4</b>	<b>23.9</b>	<b>23.5</b>
Wages and compensation	11.1	11.7	11.3	11.3	11.2	11.0	10.9	10.6
Goods and services	4.8	5.3	5.3	5.7	6.2	6.3	6.3	6.3
Interest payments	2.3	2.4	2.6	2.8	2.8	2.8	2.8	2.8
Subsidies	6.1	6.6	4.8	3.6	2.4	1.7	1.3	1.2
Current transfers to Local Gov.	2.7	2.7	2.6	2.5	2.5	2.6	2.6	2.7
<b>Capital expenditures</b>	<b>6.2</b>	<b>6.2</b>	<b>5.5</b>	<b>5.9</b>	<b>5.3</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>
<b>Central Government financing</b>	<b>6.7</b>	<b>7.4</b>	<b>5.4</b>	<b>5.0</b>	<b>4.5</b>	<b>3.7</b>	<b>3.0</b>	<b>3.0</b>
External (net)	0.7	1.8	1.7	1.0	1.9	1.6	1.4	1.7
Domestic (net)	6.0	5.6	3.7	4.0	2.6	2.1	1.6	1.2
of which privatization	0.7	0.4	0.0	0.2	0.0	0.0	0.0	0.0

Source: Morocco's Government and staff estimates and projections

**Table 3: Balance of Payments Financing Requirements and Sources (in US\$ million)**

	Actual			Est.	Proj.			
	2011	2012	2013	2014	2015	2016	2017	2018
<b>Financing Requirements</b>	<b>11,300</b>	<b>13,140</b>	<b>11,525</b>	<b>10,108</b>	<b>9,973</b>	<b>9,646</b>	<b>10,288</b>	<b>9,241</b>
Current accounts deficit	7,986	9,347	7,794	6,377	6,215	5,850	5,616	5,252
Long term debt amortization (exl. IMF)	2,436	2,769	3,998	2,887	2,826	2,918	3,830	3,202
Other short term capital outflows	879	1,024	-267	844	932	878	842	788
<b>Financing Sources</b>	<b>11,300</b>	<b>13,140</b>	<b>11,525</b>	<b>10,108</b>	<b>9,973</b>	<b>9,646</b>	<b>10,288</b>	<b>9,241</b>
FDI and portfolio investments (net)	2,156	2,720	3,520	3,100	3,300	3,508	3,673	3,847
Capital grants	10	174	60	619	1,585	1,280	1,281	269
Long term debt disbursements (exl. IMF)	4,506	6,122	7,504	7,176	6,269	6,113	6,195	6,138
Other short term capital inflows	1,609	1,018	1,716	772	832	777	742	688
Change in reserves (-=increase in reserves)	3,019	3,106	-1,274	-1,559	-2,013	-2,032	-1,603	-1,700
IMF credit (net)	0	0	0	0	0	0	0	0

Source: Morocco's Government and staff estimates and projections

**Table 4. The fiscal space generated by the fuel subsidy reform allowed improving the budget shares of important social sectors (Budget Laws, Expenditure Shares in %)**

	2013	2014	2015
Ministry of National Education and Vocational Training	16.41	18.48	18.61
Ministry of Health	4.79	5.19	5.26
Ministry of Housing and Urban Policy	0.69	0.33	0.33
Ministry of Employment and Social Affairs	0.35	0.14	0.21
Ministry of Solidarity of Women, Family and Social Development	0.27	0.25	0.26
<b>Total</b>	<b>22.5</b>	<b>24.4</b>	<b>24.7</b>

Source: Government of Morocco and World Bank staff calculation

**Table 5: Public Sector Debt Sustainability Framework, 2014-2022** (In percent of GDP, unless otherwise indicated)

	Actual		Est. 2014	Projection							
	2012	2013		2015	2016	2017	2018	2019	2020	2021	2022
<b>I. Baseline Projections</b>											
<b>Public sector debt 1/</b>	59.7	63.5	<b>65.2</b>	<b>67.0</b>	<b>66.7</b>	<b>65.8</b>	<b>64.8</b>	<b>63.5</b>	<b>62.2</b>	<b>60.9</b>	<b>59.5</b>
o/w foreign-currency denominated	14.1	14.9	15.7	17.0	17.7	18.1	18.8	19.4	19.0	19.2	18.5
Change in public sector debt	6.0	3.8	1.7	1.8	-0.2	-1.0	-1.0	-1.3	-1.3	-1.3	-1.3
Identified debt-creating flows	5.1	1.8	3.2	1.1	-0.3	-1.0	-1.0	-1.4	-1.4	-1.2	-1.2
Primary deficit	4.9	2.8	2.2	1.7	0.9	0.2	0.2	0.2	0.3	0.4	0.5
Revenue and grants	27.6	26.7	26.9	25.9	26.1	26.2	25.9	25.9	25.8	25.7	25.7
Primary (noninterest) expenditure	32.6	29.6	29.1	27.6	26.9	26.4	26.1	26.1	26.1	26.2	26.2
Automatic debt dynamics	0.6	-1.0	1.2	-0.6	-1.2	-1.2	-1.2	-1.6	-1.7	-1.8	-1.9
Contribution from interest rate/growth differential	0.8	-0.5	1.1	-0.6	-1.2	-1.2	-1.2	-1.5	-1.7	-1.8	-1.9
Of which contribution from real interest rate	2.2	2.0	2.6	2.2	1.9	1.9	1.9	1.7	1.5	1.4	1.3
Of which contribution from real GDP growth	-1.4	-2.5	-1.5	-2.8	-3.0	-3.1	-3.1	-3.2	-3.3	-3.2	-3.2
Contribution from exchange rate depreciation	-0.2	-0.5	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other identified debt-creating flows	-0.4	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Privatization receipts (negative)	-0.4	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Residual, including asset changes	0.8	2.0	-1.5	0.6	0.1	0.1	0.1	0.1	0.1	-0.1	-0.2
Public sector debt-to-revenue ratio	215.9	237.6	242.9	258.3	256.0	250.6	250.1	245.3	241.3	236.5	231.4
<b>Gross financing need</b>	19.7	21.8	19.1	19.1	18.4	17.6	16.0	15.5	15.7	14.6	14.8
in billions of U.S. dollars	18.9	22.6	21.0	22.1	22.5	22.9	22.2	23.1	25.0	24.9	27.1
<b>Key Macroeconomic and Fiscal Assumptions</b>											
Real GDP growth (in percent)	2.7	4.4	2.4	4.6	4.8	5.0	5.0	5.3	5.5	5.5	5.6
Average nominal interest rate on public debt (in percent)	4.7	4.6	4.5	4.5	4.5	4.5	4.5	4.3	4.1	4.0	3.8
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	4.2	3.5	4.3	3.6	3.1	3.1	3.1	2.8	2.7	2.5	2.4
Nominal appreciation (increase in US dollar value of local currency, in percent)	1.7	3.5	-0.3	-0.3	0.0	0.1	0.1	0.1	0.1	0.1	0.2
Inflation rate (GDP deflator, in percent)	0.4	1.0	0.2	1.0	1.5	1.3	1.3	1.5	1.4	1.4	1.4
Growth of real primary spending (deflated by GDP deflator, in percent)	8.4	-5.3	0.9	-0.7	2.1	3.0	3.7	5.2	5.4	5.9	5.6
Primary deficit	4.9	2.8	2.2	1.7	0.9	0.2	0.2	0.2	0.3	0.4	0.5
<b>A. Alternative Scenarios</b>											
A1. Key variables are at their historical averages in 2014-2022			<b>65.2</b>	<b>66.0</b>	<b>66.0</b>	<b>66.1</b>	<b>66.2</b>	<b>66.3</b>	<b>66.4</b>	<b>66.5</b>	<b>66.6</b>
A2. No policy change (constant primary balance) in 2014-2022			<b>65.2</b>	<b>66.4</b>	<b>66.9</b>	<b>67.3</b>	<b>67.7</b>	<b>67.7</b>	<b>67.5</b>	<b>67.2</b>	<b>66.7</b>
<b>B. Bound Tests</b>											
B1. Real interest rate is at baseline plus one standard deviations			<b>65.2</b>	<b>67.5</b>	<b>67.7</b>	<b>67.3</b>	<b>66.8</b>	<b>66.0</b>	<b>65.1</b>	<b>64.2</b>	<b>63.2</b>
B2. Real GDP growth is at baseline minus one-half standard deviation			<b>65.2</b>	<b>67.7</b>	<b>68.3</b>	<b>68.4</b>	<b>68.7</b>	<b>68.8</b>	<b>69.0</b>	<b>69.4</b>	<b>69.9</b>
B3. Primary balance is at baseline minus one-half standard deviation			<b>65.2</b>	<b>68.6</b>	<b>69.9</b>	<b>70.5</b>	<b>71.0</b>	<b>71.2</b>	<b>71.2</b>	<b>71.3</b>	<b>71.2</b>
B4. Combination of B1-B3 using one-quarter standard deviation shocks			<b>65.2</b>	<b>68.3</b>	<b>69.3</b>	<b>69.6</b>	<b>69.9</b>	<b>69.8</b>	<b>69.6</b>	<b>69.4</b>	<b>69.1</b>
B5. One time 30 percent real depreciation in 2015			<b>65.2</b>	<b>73.8</b>	<b>73.4</b>	<b>72.4</b>	<b>71.2</b>	<b>69.8</b>	<b>68.3</b>	<b>66.8</b>	<b>65.3</b>
B6. 10 percent of GDP increase in other debt-creating flows in 2015			<b>65.2</b>	<b>67.0</b>	<b>66.7</b>	<b>65.8</b>	<b>64.8</b>	<b>63.5</b>	<b>62.2</b>	<b>60.9</b>	<b>59.5</b>

Source: Government of Morocco and World Bank staff estimates and projections

**Table 6: External Debt Sustainability Framework, 2014-2020** (In percent of GDP, unless otherwise indicated)

	Actual		Est.	Projections					
	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<b>I. Baseline Projections</b>								
<b>External debt</b>	<b>30.0</b>	<b>31.8</b>	<b>35.0</b>	<b>35.4</b>	<b>35.9</b>	<b>35.5</b>	<b>35.4</b>	<b>34.8</b>	<b>33.4</b>
Change in external debt	4.6	1.8	3.2	0.3	0.5	-0.4	-0.1	-0.6	-1.4
Identified external debt-creating flows	7.8	1.8	1.2	0.9	-0.2	-0.7	-1.2	-1.8	-2.2
Current account deficit, excluding interest payments	8.9	6.5	4.9	4.5	3.8	3.3	2.8	2.2	1.7
Deficit in balance of goods and services	-87.6	-82.0	-78.2	-78.8	-79.1	-79.7	-80.3	-80.7	-80.8
Exports	36.1	33.9	33.0	33.6	34.3	35.0	35.7	36.4	36.8
Imports	-51.5	-48.1	-45.2	-45.1	-44.8	-44.7	-44.6	-44.4	-44.0
Net non-debt creating capital inflows (negative)	-2.8	-3.4	-2.8	-2.9	-2.9	-2.8	-2.8	-2.7	-2.6
Automatic debt dynamics	1.7	-1.3	-0.9	-0.7	-1.2	-1.2	-1.2	-1.3	-1.3
Contribution from nominal interest rate	0.9	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0
Contribution from real GDP growth	-0.7	-1.2	-0.7	-1.5	-1.6	-1.7	-1.7	-1.8	-1.8
Contribution from price and exchange rate changes	1.6	-1.1	-1.0	-0.1	-0.5	-0.5	-0.5	-0.5	-0.5
Residual, incl. change in gross foreign assets	-3.2	0.0	2.0	-0.6	0.7	0.3	1.1	1.2	0.8
External debt-to-exports ratio (in percent)	83.2	93.9	106.2	105.2	104.6	101.5	99.2	95.7	90.8
<b>Gross external financing need (in billions of US dollars)</b>	<b>14.3</b>	<b>14.0</b>	<b>11.5</b>	<b>11.3</b>	<b>11.0</b>	<b>11.7</b>	<b>10.7</b>	<b>10.3</b>	<b>11.6</b>
in percent of GDP	14.9	13.5	10.4	9.8	9.0	8.9	7.7	6.9	7.3
<b>Key Macroeconomic Assumptions</b>									
Real GDP growth (in percent)	2.7	4.4	2.4	4.6	4.8	5.0	5.0	5.3	5.5
Exchange rate appreciation (US dollar value of local currency, change in percent)	-6.2	2.7	3.1	-0.7	0.0	0.1	0.1	0.0	0.1
GDP deflator in US dollars (change in percent)	-5.8	3.8	3.3	0.3	1.5	1.4	1.5	1.5	1.5
Nominal external interest rate (in percent)	3.3	3.7	2.9	2.7	2.9	2.9	3.0	3.1	3.2
Growth of exports (US dollar terms, in percent)	-2.6	1.8	3.0	6.9	8.4	8.6	8.8	8.9	8.4
Growth of imports (US dollar terms, in percent)	-0.2	1.1	-0.4	4.7	5.6	6.2	6.3	6.3	6.4
Current account balance, excluding interest payments	-8.9	-6.5	-4.9	-4.5	-3.8	-3.3	-2.8	-2.2	-1.7
Net non-debt creating capital inflows	2.8	3.4	2.8	2.9	2.9	2.8	2.8	2.7	2.6
<b>A. Alternative Scenarios</b>			<b>II. Stress Tests for External Debt Ratio</b>						
A1. Key variables are at their historical averages in 2014-2019			<b>35.0</b>	<b>33.3</b>	<b>32.9</b>	<b>32.2</b>	<b>32.2</b>	<b>32.2</b>	<b>31.9</b>
<b>B. Bound Tests</b>									
B1. Nominal interest rate is at baseline plus one-half standard deviation			<b>35.0</b>	<b>35.4</b>	<b>36.0</b>	<b>35.7</b>	<b>35.6</b>	<b>35.1</b>	<b>33.7</b>
B2. Real GDP growth is at baseline minus one-half standard deviations			<b>35.0</b>	<b>35.6</b>	<b>36.3</b>	<b>36.1</b>	<b>36.2</b>	<b>35.8</b>	<b>34.6</b>
B3. Non-interest current account is at baseline minus one-half standard deviations			<b>35.0</b>	<b>37.7</b>	<b>40.4</b>	<b>42.2</b>	<b>44.2</b>	<b>45.6</b>	<b>46.1</b>
B4. Combination of B1-B3 using 1/4 standard deviation shocks			<b>35.0</b>	<b>36.7</b>	<b>38.4</b>	<b>39.3</b>	<b>40.4</b>	<b>40.9</b>	<b>40.5</b>
B5. One time 30 percent real depreciation in 2015			<b>35.0</b>	<b>48.9</b>	<b>48.0</b>	<b>46.2</b>	<b>45.0</b>	<b>43.4</b>	<b>40.9</b>

Source: Government of Morocco and World Bank staff estimates and projections