

**AFRICAN DEVELOPMENT BANK**



**PROJECT COMPLETION REPORT**

**PUBLIC ADMINISTRATION REFORM SUPPORT  
PROGRAMME  
PHASE II (PARSP II)**

**KINGDOM OF MOROCCO**

**GOVERNANCE AND ECONOMIC  
AND FINANCIAL REFORM DEPARTMENT**

**OSGE  
JUNE 2007**

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### CURRENCY EQUIVALENTS

#### 1° / At appraisal (May 2006)

Currency Unit	=	Moroccan Dirham (MAD)
UA 1	=	US\$ 1.47106
UA 1	=	EUR 1.17338
UA 1	=	MAD 13.0483

#### 2° / On completion (June 2007)

Currency Unit	=	Moroccan Dirham (MAD)
UA 1	=	US\$ 1.51286
UA 1	=	EUR 1.12455
UA 1	=	MAD 12.5314

### FISCAL YEAR

**January 1 – December 31**

## ACRONYMS AND ABBREVIATIONS

<b>ADB</b>	:	African Development Bank
<b>ADETEF</b>	:	Association for the Development of the Exchanges in Economic and Financial Technology
<b>PEA</b>	:	Public Expenditure Analysis
<b>BPW</b>	:	Buildings and Public Works
<b>FTC</b>	:	Fixed-Term Contract
<b>CFAA</b>	:	Country Financial Accountability Assessment
<b>CG</b>	:	Government Council
<b>CGED</b>	:	Office of the General Comptroller
<b>CL</b>	:	Collectivités locales (Local Communities)
<b>RIC</b>	:	Regional Investment Centre
<b>EU</b>	:	European Union
<b>ERP</b>	:	Early Retirement Programme
<b>GFCF</b>	:	Gross Fixed Capital Formation
<b>CE</b>	:	Continuing Education
<b>FISAP</b>	:	Financial Sector Adjustment Programme
<b>GDP</b>	:	Gross Domestic Product
<b>IEM</b>	:	Integrated Expenditure Management
<b>GIPE</b>	:	Integrated Management of the Government's Human Resources
<b>HRM</b>	:	Human Resource Management
<b>IGF</b>	:	General Inspectorate of Finance
<b>IGM</b>	:	General Inspectorate of Ministries
<b>IMF</b>	:	International Monetary Fund
<b>IST</b>	:	In-service Training
<b>MAD</b>	:	Moroccan Dirham
<b>MADR</b>	:	Ministry of Agriculture and Rural Development
<b>MEN</b>	:	Ministry of National Education
<b>MFP</b>	:	Ministry of Finance and Privatization
<b>MMSP</b>	:	Ministry of Modernization of Public Sectors
<b>MTEF</b>	:	Medium-Term Expenditure Framework
<b>NGO</b>	:	Non-Governmental Organization
<b>NRM</b>	:	Non-Resident Moroccans
<b>NTIC</b>	:	New Information and Communication Technologies
<b>PARCOUM</b>	:	Medical Coverage Reform Support Programme
<b>PARSP</b>	:	Public Administration Reform Support Programme
<b>PDES</b>	:	Economic Social and Development Plan
<b>PER</b>	:	Public Expenditure Review
<b>PM</b>	:	Prime Minister
<b>PS</b>	:	Public Service
<b>REC</b>	:	Référentiel des Emplois et des Compétences (Strategic Staffing Framework)
<b>SGFP</b>	:	Statut général de la fonction publique (General Statute of the Civil Service)
<b>SGG</b>	:	Secretariat General of the Government
<b>TGR</b>	:	Trésorerie Générale du Royaume (General Treasury of the Kingdom)
<b>TOFE</b>	:	Table of Government Financial Operations
<b>TOR</b>	:	Terms of Reference
<b>UA</b>	:	Unit of Account
<b>UNDP</b>	:	United Nations Development Programme
<b>VAT</b>	:	Value Added Tax

## **EXECUTIVE SUMMARY**

### **1. Introduction**

1-1. The Moroccan Government formulated a large-scale public administration reform programme in 2003, designed to be implemented over several years, with the support of the African Development Bank, the World Bank and the European Union. The Programme named the PARSP (the Public Administration Support Programme) was structured in successive measures as a support to the public administration reform. The first Public Administration Reform Support Programme (PARSP I) of the series was launched in 2003. The measures implemented laid important foundations for the modernization process of the public administration that are to be progressively improved during the implementation of the future phases of the PARSP. Consequently, the main objectives of the formulated PARSP II are exactly the same as those of the PARSP I.

1.2. It is against this background that, in accordance with the programme approach adopted for the implementation of the administrative reform, the Government invited its three external partners (the African Development Bank, the World Bank and the European Union) to support the second phase of the programme (PARSP II), for which this completion report is established.

### **2. Programme Objectives**

The PARSP II falls under the category of the structural adjustment of the Moroccan economy. It sets out to consolidate the achievements of the PARSP I, in a manner as to enable the reform to attain a new level in accordance with the gradual approach adopted by the Government, notably improving the effectiveness of the public administration. In view of the strategic role of the public administration in the economic and social development of Morocco, the improvement of both its effectiveness and efficiency in the management of public resources and public governance, will necessarily have a notable impact on the consolidation and competitiveness of the Moroccan economy and the improvement of the business climate.

### **3. Programme Description**

The programme focuses on the following components: i) improving public financial management; ii) improving the efficiency of human resource management; and iii) containing the civil service wage bill.

### **4. Programme Formulation**

4.1. The Bank jointly participated with the World Bank and the European Union in the different appraisal missions of the present Programme based on the common matrix of measures of the PARSP updated on the basis of the actions undertaken during the PARSP I, which were considered satisfactory by the donors.

4.2. The objectives and the components of the PARSP II are in keeping with the Bank's operations strategy as defined by the 2003-2005 CSP, extended in the 2007-2011 CSP of Morocco that aims at: (i) improving public governance; (ii) strengthening and modernizing the major infrastructure and superstructure networks; and (iii) promoting human

development. The three main objectives of the Bank's assistance strategy are: (i) to improve the business environment; (ii) to improve the productivity and the competitiveness of the economy; and (iii) to contribute to the reduction of social deficits, especially in rural areas. The PARSP II is in line with the public administration reform strategy of the Moroccan Government as outlined in its Letter of Development Policy.

## **5. Programme Implementation**

5.1 On June 28, 2006, the Board of Directors of the African Development Bank approved a loan of €85 million for the PARSP II, to be disbursed in a single tranche on May 31, 2007, following fulfillment of the conditions defined in the Loan Agreement. The Programme was co-financed by the World Bank (a loan of €98.6 millions also disbursed in a single tranche in June 2006) and the European Union (a grant of €18.5).

5.2. The technical coordination body for the implementation of the PARSP II was the same as the one for the PARSP I: the Budget Directorate of the Ministry of Finance and Privatization responsible for the implementation of budgetary support programmes. It was the main interlocutor of the Bank for the administration of the loan and the monitoring of the implementation of the programme. It was supported by representatives from departments in charge of the modernization of public services and economic and general affairs.

## **6. Implementation**

6.1 The effectiveness of the loan agreement is subject to fulfillment by the Borrower of the relevant provisions of the general conditions applicable to loan agreements and guarantee agreements of the ADB. Disbursement of the single loan tranche was subject to the effectiveness of the loan agreement and fulfillment by the Borrower of five (5) measures outlined in the Loan Agreement.

6.2 The implementation of most of the programme measures was satisfactory. The programme measures were carried out on schedule, though different depending on each of the three programme<sup>1</sup> components.

- (i) Most measures of the component related to "improve governmental efficiency in budgetary resources management" were undertaken on time. However, others, in particular that concerning the extension of the implementation of globalize credits in all the ministries or the deployment of the new GIPE system (Integrated Management of the Government's Human Resources) in the control portion, were implemented with delay.
- (ii) The component "improve governmental efficiency in human resources management": most of the measures were undertaken on time, with the exception of the development of the strategic staffing framework (REC) in all the ministries, which was considerably delayed.
- (iii) Finally, with regard to "control over public service wage bill", most of the measures were either undertaken according to projected schedule (the civil service redeployment operation) or implemented with noticeable delays (projections of wage bill in the 2007-10 period or, specifying assumptions and parameters in these projections).

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<sup>1</sup> A detailed status of implementation of the programme measures of the PARSP II is given in Annex I.

## **7. Programme Performance**

7.1 The overall implementation of the programme was satisfactory, despite the delays in some measures, namely the third condition of the loan and measures related to the implementation of the MTEF<sup>2</sup> plan, in particular.

7.2 The implementation of the PARSP II has enabled to improve the macroeconomic environment and to lay the groundwork for institutional and regulatory framework facilitating the modernization of the Moroccan public administration

## **8. Programme Social and Environmental Impacts**

8.1. Under the PARSP II, there is no provision for a new early retirement programme. Similarly, no retrenchments have been planned. The Moroccan civil service does not suffer from a bloated workforce, but rather the uneven distribution of the latter in ministries and between regions. The Programme has contributed to the implementation of the policy on spatial and sectoral redeployment of younger and better skilled staff in the available posts, particularly in the education sector.

8.2 However, the programme has upheld the principle of limiting the number of new jobs to 7000 in both 2007 and 2008. The pursuit of the policy of containing the size of the civil service has limited recruitment of employment seekers to strictly meeting the needs of priority sectors that have embarked on the reform programmes. However, in view of the positioning of women in the public administration, women could benefit from the redeployment and recruitment process encouraged by the present programme for social departments.

83 The present programme whose main objective is to improve public administration has been classified as category III on the environmental and social scale. Consequently, it should not have any significant environmental impact.

## **9. Sustainability**

9.1 In the 2006 updated Country Strategy Paper of Morocco for the 2003-2005 period (ADB/BD/IF/2006/128), there is (i) a consensus in the Moroccan society that the implementation of the structural reforms is one of the necessary conditions precedent for promoting stronger and more sustainable economic growth; and (ii) a strong capacity to adapt and absorb the Moroccan economy faced with the negative and consecutive impacts resulting from the reduction in agricultural production, rising oil prices and the negative impact of the expiry of the Multifiber Arrangement.

9.2 However, the sustainability of the PARSP largely depends on the Government's political will to implement the next phases of the PARSP. Risks related to the implementation of the PARSP II can be mitigated at two different levels: (i) implementation of deconcentration; and (ii) approval of the administrative reform by the public administration workers.

9.3 To mitigate risks related to the implementation of deconcentration, the Moroccan authorities must foster a gradual deconcentration approach that takes into account the level of adherence of the ministries to the various components of the programme. Besides, the

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<sup>2</sup> A Prime-Ministerial circular for the launch of the formulation of the MTEF was adopted on February 8, 2007.

deconcentration process as support to decentralization was considered a priority area following the royal speech of December 12, 2006. It insisted on the important roles of Walis and Governors and the strengthening of the regional poles. Development of the deconcentration master plans might undergo delays because of this new impulse.

9.4 With regard to the second factor, it should be noted that adherence and ownership of the reform by public administration workers is essential. The Government is pursuing the implementation of a communication strategy to consolidate the consensus on the objectives and modalities of the reform. Similarly, it continues to organize information and training sessions on change management.

## **10. Performance of the Bank, the Borrower and other Co-financiers**

### **10.1 Performances of the Bank**

Assessment and Rating: 3.5/4 (Highly satisfactory)

10.1.1 The Bank's support loan for the PARSP II is in line with the 2006 updated Country Strategy Paper of Morocco for the 2003-2005 period (ADB/BD/IF/2006/128). The Bank jointly with the World Bank and the European Union participated in the appraisal of the implementation of the PARSP I and the updating of the matrix<sup>3</sup> of measures of the PARSP II for the 2006-2008 period.

10.1.2 The Bank conducted a supervision mission in January 2007 in order to assess the status of implementation of the programme subject to disbursement of the single loan tranche. The team of the different missions of the Bank, notably the financial supervision mission, was multidisciplinary in order to deal with the specific nature of the operation.

### **10.2 Performances of the Borrower**

Assessment and Rating: 3/4 (Satisfactory)

With regard to the fulfillment of the loan conditions, its contribution in the preparation, appraisal and implementation of the programme, the performance of the Government was satisfactory. However, the Missions and the Co-financiers noted some delays in the fulfillment of some conditions and the production of some documents as in the case of the delays of the Government to formally submit the programme completion and the audit reports, which are still being prepared.

### **10.3 Performance of the Co-financiers**

Assessment and Rating: 3.5/4 (Highly satisfactory)

10.3.1 The World Bank and the European Union were the two Co-financiers of the PARSP II. These two institutions actively participated in the formulation of the programme, in partnership with the Bank and the Government. The World Bank prepared and disseminated analytical studies, which enriched the reflection on several aspects of the administrative reform and provided technical assistance to some parts of the reform such as defining methodology for the formulation of the MTEF.

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<sup>3</sup> The matrix of measures of the PARSP II common to the three institutions is given in Annex II.

10.3.2 The implementation of the PARSP II at the level of the two Co-financiers did not encounter major difficulties. The two institutions conducted several joint monitoring missions. Unlike the PARSP I, the World Bank and the European Union do not need to prepare a programme completion report for the PARSP II. However, during the tripartite meetings (from May 28 to June 1, 2007), the three Co-financiers noted that the performance of the PARSP II was, on the overall, highly satisfactory.

## **11. Overall Performance and Rating**

Assessment and Rating: 3.25/4 (Highly satisfactory)

Measures undertaken and reforms implemented under the PARSP II contributed to reinforce the public administration modernization process. All the programme reforms were implemented in a very satisfactory manner, in conformity with the conditions and initial general schedule, despite a few delays in the implementation of some measures by the Borrower.

## **12. Conclusion, Lessons Learnt and Recommendations**

### **12.1. Conclusion**

12.1.1 The present programme aims at consolidating the achievements of the PARSP I which was successfully implemented. Under the present cycle of implementation, the administrative reform support programme has improved in coherence, following the extension to other ministries of tools such as flexible budgeting, sectoral MTEFs, the strategic staffing framework (REC), deconcentration plans, as well as the civil service redeployment exercise. The gradual and prudent approach adopted by the Government, despite inevitable bottlenecks imposed on the implementation of the reform in general, has nonetheless helped ensure continuity and control over the reform process.

12.1.2 Considering that the human factor is essential for any sustainable development, the qualification of human resources and improvement of their method of management constitute the central pillar for the public administration modernization programme. The aim is to support the deconcentration process and to develop qualitative and quantitative management of the size of the administration and competences. In this respect, it is important to revise the general law of the Civil Service, to move from a frozen statutory legal system to a flexible, supple system, adapted to the new needs of the administration which is being deconcentrated, taking into account a greater Government staff mobility and an opening to the potentialities of the private sector.

### **12.2. Lessons Learnt**

12.2.1 Government's actions with regards to information of civil servants on the implementation and coherence of the different phases of the reform should be improved and extended to a larger public. Putting the different administrations at the same level of information is a way of ensuring ownership of the reform by civil servants. This ownership is necessary, as the reform will become more complex during its future phases.

12.2.2 The impact of the reforms initiated is not noticeable in the initial phases of the programme. It is during the next phases of the PARSP and after achieving a critical mass of key measures that the various reforms will begin to generate their full effects. Considering the complexity of the actions to be carried out in the next phases of the PARSP, a gradual reform of the finance organic law based on a set schedule is necessary in order to improve public finance management.

12.2.3 The programme approach, with the single tranche disbursement annual loan, represents the most suitable approach for the implementation of the programme designed to be implemented in successive operations.

## **12.3 Recommendations<sup>4</sup>**

### **12.3.1. For the Borrower**

- (i) Strengthen and extend the information and communication programme on the administrative reform to ensure its ownership by the administration (§. 9.2.2.).
- (ii) Pursue and involve new ministries in the training programme for the future phases of the PARSP, to ensure ownership of the technical knowledge in relation to the new tools introduced in the PARSP (§.9.2.2).
- (iii) Express the needs for technical assistance and analytical studies at the following appraisal phases of the PARSP (§.4.3.1 & 9.2.4).
- (iv) Accelerate the implementation process of the deconcentration master plans (§.4.2.1).
- (v) Adopt an overall draft law for the public administration on the general statutes of the public administration anticipating a complete reshaping of the general statutes of the civil service of 1958 (§. 9.1.5).
- (vi) Make sure to contain the financial impact of redeployment of civil servants on the Government's budget (§.4.2).
- (vii) Exclude some operating expenditures from dispensation profits related to flexible budgeting (§. 9.2.8).
- (viii) The Moroccan Government, in conducting the huge reforms, must introduce, at the same time the concept of "Gender-Sensitive Budgeting " in the budget practices (§.5.3).

### **12.3.2. For the Bank**

- (i) Pursue the Bank's support in the future phases of the PARSP, in close cooperation with development partners in order to consolidate, deepen, strengthen and generalize to the whole Moroccan administration the achievements of the previous phases of the PARSP (§.7.1.3 & 7.3.1).

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<sup>4</sup> References in brackets refer to paragraphs of the entire Completion Report.

- (ii) Strengthen and expand cooperation with the World Bank and the European Union, insisting on a more accrued upstream cooperation at the level of strategies and analytical studies (§. 7.3.1).
- (iii) Adopt the programmatic approach for the PARSP's structural reforms in order to align, harmonize and strengthen cooperation with development partners (§.9.2.7).
- (iv) Provide the necessary technical assistance on some issues and/or studies to ensure the implementation of the future phases of the PARSP (§.4.3.1).
- (v) Place special emphasis on the administrative reforms of the Maghreb countries that are called to undertake a regional integration process. The ADB is expected to make this process more dynamic by organizing suitable studies.

## KINGDOM OF MOROCCO: PARSP II PROGRAMME INFORMATION SHEET

The PARSP II sets out to consolidate the achievements of the PARSP I. The three financial institutions that supported the programme found its implementation satisfactory. The programme comprises the following three (3) components:

- (i) Improving public financial management;
- (ii) Improving the efficiency of human resource management; and
- (iii) Containing the wage bill;

**1. Programme Title:** Public Administration Report Support Programme, Phase II (PARSP II).

1- Loan number	2000130002180
2- Borrower	The Kingdom of Morocco
3- Guarantor	The Government of Morocco
4- Beneficiary	The Government of Morocco
4- Executing agency	Ministry of Finance and Privatization (Budget Directorate Division)

**2. Loan Data**

	LOAN	ESTIMATED	ACTUAL
1-	ADF loan amount	85 million Euros	85 million Euros
2-	Project total cost	N/A	N/A
3-	Duration		Twenty (20) years, including a grace period of five (5) years
4-	Interest rates		Fixed interest rates
5-	Grace period		Five years
6-	Repayment period		The Borrower shall repay the loan in 15 years, after a grace period of five years and from the date of signature of the loan agreement
7-	Preparation mission date		October 2005 and February 2006
8-	Appraisal mission date		May 2006
9-	Negotiation date		June 2006
10-	Effectiveness		August 2006
11-	Monitoring missions date	November 2006	
12-	Supervision mission date	January 2007	07 to January 17, 2007
13-	Mid-term review date	N/A	N/A
14-	Government's completion report date	February 2007	In progress. Completion is planned for ending June 2007
15-	Bank's completion report preparation mission	March 2007	May 28 June 29, 2007
16-	Approval date	June 2006	June 28, 2006
17-	Signature date		December 15, 2006
18-	Effectiveness		May 31, 2007
19-	Date of closure of the Loan	December 31, 2009	

### 3. Sources of Finance Data

#### 3.1 Financing from all the Donors

PROGRAMME DATA	ESTIMATED	ACTUAL	DIFFERENCE
	In Millions of euros	In millions of euros	Amount
1- Financing Plan			
- World Bank	98.6	98.6	0
- ADF	85.0	85.0	0
- EU	18.5	ONGOING	-
2- Total Cost	N/A	N/A	N/A

#### 3.2 ADB Disbursement

DISBURSEMENT	ESTIMATED		ACTUAL		DIFFERENCE
	Date	In Euros	Date	In Euros	
Single Tranche	December 2006	85 millions	31/05/07	85 millions	5 months
TOTAL		85 millions	31/05/07	85 millions	5 months

### 4. Performance Indicators

1- Undrawn balance %	0
2- Time Overrun/underrun	Implementation of the PARSP II on projected schedule
Slippage on effectiveness	None
Slippage on completion date	None
Slippage on last disbursement	None
3- Programme status of implementation	Satisfactory
4- Completion indicators	Satisfactory
5- Institutional performance	Satisfactory
6- Government's completion report	Ongoing
7- Audit report	Ongoing

### 5 - Mission Information

Missions	Number of Missions	Number of people	Composition	Dates
1 Preparation/Appraisal	2	4	1 Division Manager 1 Principal Country Economist 1 Legal Adviser 1 Consultant	October 2005 and February and May 2006
2 Monitoring	1	3	1 Lead Economist 1 Principal Country Economist 1 Financial Analyst	December 2006
3 Supervision	1	3	1 Lead Economist 1 Senior Economist 1 Financial Analyst	07-17 January 2007
4 Completion Report	1	2	1 Lead Economist 1 Economist Consultant	28 May-29 June 2007

**Matrix of the Public Administration Report Support Programme**

**PHASE II (PARSP II)**

<b>HIERARCHY OF OBJECTIVES</b>	<b>EXPECTED RESULTS</b>	<b>IMPACT</b>	<b>PERFORMANCE INDICATORS</b>	<b>IMPLEMENTATION TARGETS</b>	<b>ASSUMPTION/RISKS</b>
<b>SECTOR GOAL/THEME</b>	<b>MEDIUM AND LONG TERM RESULTS</b>				
Contribute to improving the competitiveness of the economy while ensuring medium-term macroeconomic viability	Strong economic growth and sustainable development	Moroccan population, and especially the unemployed and the poor	- Economic growth rate 2010: 7%	2005: 1.8%  2006: 8.1%	Sustained political will to accelerate the reform programme  Viable macroeconomic framework
<b>OBJECTIVES OF PROGRAMME</b>					
i) improve governmental efficiency in budgetary resources management;	Improvement of business environment	Private sector	Investment rate 2008: 26.8	2004: 24.6% 2006: 29.4%	Implementation of the next phases of the PARSP, namely the PARSP III
ii) improve governmental efficiency in human resources management;	Significant reduction of budgetary deficit	Moroccan population	General decrease of budget deficit excluding privatization	2007: 3.7% 2005: 5.3% 2006: 2.1%	
iii) and contain the public wage bill.	Reduction of the burden of recurrent expenditure	Civil servants	Decline in recurrent expenditure/GDP ratio	2007: 22.6% 2003: 23% 2006: 21.4%	
	Reduction of the wage bill		Reduction in wage bill in relation to GDP	2004: 12.8% 2006: 12.1% 2008: 11.5%	

<b>ACTIVITIES</b>	<b>SHORT-TERM RESULTS</b>	<b>BENEFICIAIRES</b>	<b>INDICATORS</b>	<b>TARGET INDICATORS</b>	<b>ASSUMPTION/RISKS</b>
Development of the medium-Term Expenditure Framework (MTEF)  Formulation of sectoral MTEFs of the Ministries of Education, Housing, Health and Equipment.	Manuel of procedure of MTEF formulated  Sectoral MTEF 2007-2009 formulated	All ministerial departments  Ministries of Education, Housing, Health and Equipment	Procedural manual of MTEF  Sectoral MTEF 2007-2009 of four Ministries	MTEF manual of procedure prepared in 2006  Sectoral MTEFs of four ministries prepared in 2006	Implementation of the next phases of the PARSP, namely the PARSP III
Implementation of flexible budgeting in 20 Ministries in 2006	Implementation of flexible budgeting	20 Ministries	Share of globalize credits in investment credits	70% of globalize credits in 25 ministries on May 31, 2007	
Formulation and implementation of deconcentration master plans in the following ministries: Education, Health, Equipment and Housing	Deconcentration master plan formulated and implemented in the ministries	4 Ministries	Deconcentration master plans	Deconcentrated master plans formulated and implemented in 4 ministries in 2006	Smooth deconcentration process
General upgrading training of ministries' general inspectors (IGM)	Ministries' general inspectors trained	50 IGM	Report on general upgrading training  PARSP II implementation report	May 31, 2007: 50 IGMs undergo general upgrading training	
Formulation and dissemination of the performance audit manual in accordance with ISA and international standards on public service	Formulation and dissemination of performance audit manual compliant with ISA and international standards on public service	Ministries' General Inspectors and General Finance Inspectors	Performance audit manual compliant with ISA and international standards on public service	Performance audit manual disseminated to all ministries	

Training in 2006 of IGMs from 14 Ministries in auditing techniques based on the audit manual developed	Training in audit techniques	IGM of 14 Ministries	Training Report	Training of IGMs of 14 ministries <sup>5</sup> based on the audit manual produced in 2006	Adherence to training schedule
Organization of joint IGF/AGM audit de missions in the ministries	Joint IGF/IGM missions carried out	14 Ministries	Mission report	Joint IGF/IGM audit missions for 14 pilot ministries on the implementation of their 2004-2005-2006 <sup>1</sup> budget Audits will be completed in ending 2007	Specify the intervention areas of the two inspection bodies
Conducting of a study on public expenditure control.	Study on the public expenditure control completed	Ministry of Finance and Privatization	Study on the public expenditure control	Study on the public expenditure control completed in 2006	
Conducting of a study for the implementation of a training programme on pre-control and integrated management of public expenditure	Study for the implementation of a training programme for commitments officers on pre-control and integrated management of public expenditure carried out	Ministry of Finance and Privatization	Copy of study	Study for the implementation of a training programme for commitments officers on pre-control and integrated management of public expenditure is carried out in 2006	Formulation of a training plan
<b>Deployment of the new GIPE system (control portion)</b>	New GIPE system (control portion) deployed	Ministry of Finance and Privatization	Report on progress of deployment of new control system	New GIPE system (control portion) deployed from 2006 onwards	
Putting in place of the exchange platform of the integrated expenditure management system (GID)	Start of implementation of GID system	Ministry of Finance and Privatization	Report on installation of GID system	Implementation of GID system (control portion) started in 2006 and ongoing in 2007	

<sup>5</sup> The 14 Ministries are: Health, Planning, Finance and Privatization, Maritime Fisheries, Agriculture and Rural Development, Housing and Urbanism, General and Economic Affairs, Craft and Social Economy, Water Secretariat, Water and Forests, Equipment and Transports, Interior, Foreign Affairs and Cooperation, Energy and Mines.

REC completion of the MFP and MMSP	REC of MFP and MMSP completed	Employees of the MFP and MMSP	REC of MFP and MMSP	REC of MFP and MMSP, Water and Forests and MEN completed in 2006	
Formulation of RECs of the following ministries: MEN, Health, Justice and Interior.	Start of formulation of REC of 4 ministries	Employees of 4 Ministries	Report on status of formulation of RECs	Formulation of REC of following ministries: MEN, Health, Justice and Interior. To be completed in 2007	
Classification of jobs in a draft common nomenclature	Launch of job classification by MMSP in 2006	All civil servants	Report on implementation of classification in a draft common nomenclature	Classification of jobs in a draft common nomenclature to be completed in 2008	Setting up of a common nomenclature
Creation of a databank of jobs to be filled and staff to be redeployed to facilitate mobility	Launch of studies on creation of databank	All civil servants	Report on implementation of creation of databank	Creation of databank to be completed in 2007	
Formulation of a new system of remuneration based on the new job classification launched in 2006	Launch of study on a new of remuneration system based on the new job classification	All civil servants	Report on progress of study	Study on a new of remuneration system based on the new job classification is ongoing	Results in the system of remuneration
Formulation of a methodological guide for assessing the performance of civil servants	Completion of formulation of a methodological guide for assessing the performance of civil servants	All civil servants	Methodological guide for assessing the performance of civil servants	Preparation of Methodological guide for assessing the performance of civil servants is completed in 2006 Adherence and ownership of the reform by civil servants	
Putting in place of in-service training master plans in ministries	Putting in place of in-service training schemes at the Ministries of Agriculture and Equipment	Civil servants from 2 ministries	Two continuous training master plans	Establishment of continuous training schemes in Ministries of Agriculture and Equipment completed in 2006	

Establishment of projections of wage bill in civil service	Establishment of projections of the civil service payroll for the period 2006-2009	All civil servants	Weight of wage bill continues to diminish over the 2006-2008	2006: 12.1% of GDP 2008: 11.5% of GDP	
Stabilization of civil service workforce	Creation of limited budgetary jobs to a maximum of 7000	Civil servants recruited in 2007	Control over number of budgetary jobs created	Number of budgetary items created falls from 12 000 in 2006 to 7 000 in 2007	

Sources: MFP Economic and social report of the Treasury Directorate - Economic and Financial Report of the Directorate of Studies and Forecast - Statistical directory of the Statistics Directorate – Budget Act of 2006, 2007, 2008, 2009 - PARSP II Implementation Report - IGF and TGR Activity Reports.

## **1. INTRODUCTION**

### **Origin and History of the Programme**

1.1 Since the middle of the 80s, and after a period of macroeconomic imbalance marked by an external payment imbalance and a net aggravation of its external indebtedness, Morocco has embarked on a vast process of structural reforms that continue to expand. This resulted in the 1988-1998 decade in significant progress in macroeconomic stability. However, there were insufficient results in economic growth and access by the majority of the poor to basic social equipments. The Moroccan Government then formulated in 2003 the public administration reform strategy to overcome these weaknesses.

1.2 This reform aims at overcoming challenges with regard to Morocco's economy opening up to the external world, economic competition and the extension of information technologies. It also aims at accompanying the structural reforms implemented in the areas of education health, justice and housing, the financial sector and the public administration. This reform focuses on results, performance, accountability and a better distribution of budgetary resources. It is based on the programme budget approach, the freeing up of budget execution, enhancement of transparency and the reform of public expenditure control.

1.3 It was against this background that the Government, in partnership with the World Bank and the European Union, formulated a matrix of measures specifying the successive measures around which the various public administration support reform operations were to be structured: the Public Administration Support Programme (PARSP). It falls within the general framework of the Government's implementation of the public administration reform strategy, designed to be carried out over several years, using an annual programme lending approach based on a matrix of measures updated annually in relation to the status of the preceding operation.

1.4 At the operational level, this reform focuses on four main thrusts:

1.4.1 Improving the Efficiency of Governmental Management of Budgetary Resources: the main activities of the programme include setting up the medium-term expenditure framework (MTEF); introduction of measures for flexible budgeting, contractualization and partnership based on a modernized information system, results-based indicators and monitoring of performance.

1.4.2 Improving the Efficiency of Governmental Management of Human Resources: the main focus relates to the formulation and application of the strategic staffing framework, the introduction of new methods of recruitment, mobility, promotion and evaluation of performance; setting up a system of a new system of remuneration based on the new job classification, formulation and application of the continuous training master plans.

1.4.3 Controlling the Public Wage-bill will be attained through: forecasting of the trend of the wage bill in the civil service; re-profiling of the civil service (voluntary early retirement scheme, limitation of annual recruitment, etc.) and other prompt complementary measures.

1.4.4 Simplification of Administrative Procedures and Channels comprises the following sub-components: inventory of procedures; on-line connection of these procedures; and streamlining of procedures.

1.5 In fact, the first Public Administration Reform Support Programme (PARSP I) was launched in 2003. Measures implemented laid important foundations for the modernization process of the public administration that are to be progressively strengthened during the implementation of

the future phases of the PARSP. Consequently, the main objectives of the PARSP II are exactly the same as those of the PARSP I.

1.6 It is against this background that, in accordance with the programme approach adopted for the implementation of the administrative reform, the Government invited its three external partners (the African Development Bank, the World Bank and the European Union) to support the second phase of the programme (PARSP II).

1.7 The programmatic approach adopted for the PARSP means that the appraisal report of the PARSP II does not take into account some aspects as "Procurement of Goods and Services " or " Regular Transmission of Programme Reports to the Bank ".

## **2. OBJECTIVES AND FORMULATION OF THE PARSP II**

### **2.1 Objectives of the PARSP II**

2.1.1 Like the PARSP I, the present programme aims at basically improving the effectiveness of the public administration, which is one of the pillars of economic and social development. In view of the strategic role played by the public administration in the economic and social development of Morocco, the improvement of both its effectiveness and efficiency in the management of public resources and public governance, necessarily had a notable impact on the consolidation and competitiveness of the Moroccan economy and on the improvement of the business climate.

2.1.2 Furthermore, the consolidation of the rational management of public resources initiated by the PARSP I has enabled to ensure the viability of the medium-term macroeconomic framework and to free public resources that could be used in a more productive way for public investments.

2.1.3 As for the strengthening of the improvement of public governance through, inter alia, enhanced transparency, empowerment and the wide dissemination among civil service staff of a performance-oriented culture, it certainly contributed to create a more conducive environment for the increased attraction of private investments to Morocco.

### **2.2 Programme Description**

2.2.1 The Public Administration Reform Support Programme (PARSP II) for 2005-2006, sets out to consolidate the achievements of the PARSP I, in a manner as to enable the reform to attain a new level. It falls within the general framework of the implementation by the Government of the public administration reform strategy. The programme thus focuses on the following components:(i) improve public finance management; (ii) improve the efficiency of human resource management; and (iii) contain the public service wage bill.

2.2.2 Improving Public Finance Management aims at: i) ensuring greater visibility of policies and their medium-term budgetary implications placing budgetary allocation decisions in a multi-year framework; ii) providing greater responsibilities to the deconcentrated branch offices in budgetary programming and implementation geared towards results and accountability; and iii) developing internal auditing and introducing performance evaluation and control. In order to implement these guidelines, it was decided to embark on the formulation of MTEFs, put in place budgetary management geared towards results and performance through the flexible budgeting approach, contractualization, State-local actors partnership, strengthening of administrative deconcentration, reconfiguration of the control chain and streamlining of the public expenditure channel.

2.2.3 In the area of Improving Efficiency of Human Resource Management, the programme has set three key long-term goals: i) putting in place a mechanism which will match human resources with the actual requirements of the administration; ii) introducing a system of remuneration, promotion and evaluation of civil servants based on merit criteria used in the regular performance evaluation of civil service employees; and iii) implementation of a continuous training policy.

2.2.4 Containing the Public Service Wage Bill: in this component, the actions pursued focus on the following four areas: i) improvement of transparency and equity of the system of promotion and evaluation of civil servants; ii) forecasting the trend of the civil service payroll; iii) reshaping the civil service; and iv) stabilization of the civil service workforce.

## **2.3 Programme Formulation**

2.3.1 Regarding the present programme (PARSP II), the Bank participated in the various joint appraisal missions based on the updated PARSP matrix of measures, together with the World Bank and the European Union. Following the review of the outcomes of the programme, the three institutions came to the conclusion that despite the delays affecting some components, the PARSP I was implemented satisfactorily. In the light of their positive assessment of the PARSP I, in particular the key measures and virtually all the triggers of the matrix, the three partners of the Government jointly decided to consolidate the achievements of this programme by supporting the second phase of the programme, the PARSP II.

2.3.2 The objectives of the present programme are consistent with the strategy of the 2003-2005 CSP (further extended in the 2006 Update of the 2003-2005 CSP of Morocco), which encourages, inter alia, the support of the Bank for the economic reforms initiated by Morocco. They are also in harmony with the Bank's policy on good governance and the public administration reform strategy of the Moroccan Government outlined in the Letter of Development Policy with regard to the public administration strategy.

## **2.4 Preparation, Appraisal, Negotiation and Approval**

2.4.1 During the PARSP I preparation and appraisal missions, the Bank endorsed the matrix of common measures of the PARSP. However, the Bank enriched the programme by adding a new component, sub-components and specific measures aimed at enhancing its effectiveness. There were exchanges of information between the Bank, the Government and the Co-financiers of the programme (the World Bank and the European Union) about the content of the public administration reform in Morocco at all the different stages of the preparation and appraisal of the programme.

2.4.2 The objectives and components of the PARSP II are in harmony with the strategic orientations of the Bank contained in the Country Strategy Paper of Morocco for the 2007-2011 period, and the economic and social development strategy of the Moroccan Government.

2.4.3 The ADB Board of Directors approved the PARSP II, which amounts to 85 million Euros on June 28, 2006. The Loan Agreement was signed by the President of the Bank Group and the Minister of Finance and Privatization of Morocco, during the inauguration of the ADB country office in Morocco, on December 15, 2006. The PARSP II is co-financed by the World Bank (a loan of €98.6 millions) and the European Union (a grant of €18.5).

### 3. PROGRAMME IMPLEMENTATION

#### 3.1 Effectiveness and Start-up

3.1.1 The effectiveness of the Loan Agreement is subject to fulfillment by the Borrower of the General Conditions applicable to Loan Agreements and Guarantee Agreements of the Bank and fulfillment by the Borrower of the five conditions of the Loan Agreement.

3.1.2 The implementation of most of the programme measures was satisfactory according to projected schedule, depending on each of the three programme<sup>6</sup> components:

- (i) Most measures of the component related to " improve governmental efficiency in budgetary resources management ", were undertaken on time. However, others, namely that concerning the extension of the implementation of the flexible budgeting mechanism in all the ministries or the control portion of the deployment of the new GIPE system (Integrated Management of the Government's Human Resources), suffered a slight delay.
- (ii) Most of the measures of the component " improve governmental efficiency in human resources management " were undertaken on time, with the exception of the development of the strategic staffing framework (REC) in all the ministries.
- (iii) Finally, with regard to " Control over civil service wage bill ", most of the measures were either undertaken according to projected schedule (the civil service redeployment operation) or implemented with noticeable delays (projections of wage bill in the 2007-10 period or, specifying assumptions and parameters in these projections).

3.1.3 Following the PARSP I, the management and monitoring of the implementation of the present PARSP II, at the level of the Government was entrusted by the Prime Minister to an inter-ministerial committee steered by the Minister Delegate to the Prime Minister, responsible for Economic Affairs, General Affairs and Upgrading of the Economy (MAEG)<sup>7</sup>. It was responsible for the monitoring and evaluation of actions and outputs in the reform programme, making recommendations and coordinating with the various inter-ministerial committees responsible for steering other public administration reform activities.

3.1.4 The technical coordination body for the implementation of the PARSP II was the same as the one for the PARSP I. This was the Budget Directorate of the Ministry of Finance and Privatization responsible for implementing budgetary support programmes. It was the main interlocutor of the Bank for the administration of the loan and monitoring of the implementation of the programme. To this end, the Budget Directorate will be in charge of periodically updating the Bank on the progress of implementation of the programme and preparing the completion report of the Borrower on the PARSP II.

3.1.5 Representatives from departments in charge of the modernization of public services and economic and general affairs assisted the Budget Directorate. Implementation of specific measures of the matrix was the responsibility of ministries concerned by the various components of the programme, under the supervision and coordination of the Budget Directorate of the Ministry of Finance.

<sup>6</sup> A detailed status of implementation of the programme measures of the PARSP II is given in Annex II.

<sup>7</sup> This committee is made up of representatives from the following ministries: Ministry of Modernization and Public Sectors (MMSP), Ministry of Finance and Privatization (MFP), Ministry of Interior, Ministry of Health, Ministry of Agriculture and Ministry of Equipment.

### 3.2 Disbursement of the Single Tranche

3.2.1 Disbursement of the single tranche was subject to fulfillment of the conditions precedent to loan effectiveness and fulfillment of the five conditions precedent to disbursement of the single tranche, which are:

- (i) Evidence of the extension of the implementation of the flexible budgeting mechanism covering at least 20 ministries<sup>8</sup>;
- (ii) A copy of the study on the reform of public expenditure control;
- (iii) Evidence of the development of a methodological guide for the preparation of medium-term expenditure framework (MTEF) and its implementation plan;
- (iv) A copy of the performance audit manual in line with the ISA standards and the international standards applicable to the public sector; and
- (v) A copy of the strategic staffing framework (REC) of the Ministry of Finance and Privatization (MFP) and the Ministry of Public Sectors Modernization (MMSP).

3.2.2 In conformity with the loan agreement and following fulfillment of the above-mentioned five conditions, the loan approved to the Government of the Kingdom of Morocco for the PARSP II was disbursed in a single tranche on May 31, 2007.

### 3.3 Implementation Schedule

3.3.1 The Programme was implemented according to the following schedule through which the following remarks should be mentioned (§: 3.1.4), though they do not alter the good performance recorded during the implementation of the PARSP II:

#### Programme Implementation Schedule

Activities	Projected Dates	Actual Dates	Difference
1. Monitoring Mission	June 2006	June 28, 2006	None
2. Follow-up Mission	September 2006	December 2006	3 months delay
3. Disbursement of single tranche	December 2006	May 31, 2007	More than 5 months delay
4. Supervision Mission	January 2007	07 to January 17, 2007	Not significant
5. Borrower's completion report	February 2007	Anticipated for ending June 2007	In progress
6. ADB completion report	March 2007	May-June 2007	More than 3 months delay

3.3.2 The programme schedule indicates that the PARSP II was implemented in a highly satisfactory manner despite the delays affecting some components. The performance-rating table in Annex VI gives an evaluation of the implementation of each component and the sub-components of the programme.

<sup>8</sup> The Moroccan Government has 39 Ministerial Departments (This reference is made by us)

### **3.4 Modifications**

No modification was made on the PARSP II.

### **3.5 Reporting**

The monitoring and supervision missions, in particular the supervision mission fielded in January has enabled the Bank to monitor the different implementation phases of the projected reforms of the programme. The auditing of the disbursement of the single tranche is ongoing, following disbursement in May 2007.

### **3.6 Procurement**

Since the lending instrument used to finance this programme is budgetary support, it follows that in view of the particular nature of this lending instrument, disbursements will not be related to specific purchases and, consequently, will not require specific procurement procedures.

### **3.7 Sources of Finance**

The PARSP II was financed from three sources: the African Development Bank, the World Bank and the European Union. The loan of the Bank amounted to 85 million Euros, disbursed in a single tranche, on May 31, 2007. The Programme was co-financed by the World Bank (a loan of €98.6 millions also disbursed in a single tranche in June 2006) and the European Union (a grant of €18.5 that has not yet been disbursed).

## **4. PROGRAMME PERFORMANCE**

### **4.1 Overall Performance**

4.1.1 Like the PARSP I, the present programme aims at basically improving the effectiveness of the public administration, which is one of the pillars of economic and social development. In view of the strategic role played by the public administration in the economic and social development of Morocco, the improvement of both its effectiveness and efficiency in the management of public resources and public governance, necessarily had a significant impact on the consolidation and competitiveness of the Moroccan economy and on the improvement of the business climate.

4.1.2 Furthermore, the consolidation of the rational management of public resources initiated by the PARSP I has ensured the viability of the medium-term macroeconomic framework and to free public resources that could be used in a more productive way for public investments.

4.1.3 As for the strengthening of the improvement of public governance through, inter alia, enhanced transparency, empowerment and the wide dissemination among civil service staff of a performance-oriented culture, it has contributed to create a more conducive environment for the increased attraction of private investments to Morocco

## 4.2 Operational Performance<sup>9</sup>

### 4.2.1 Improving Public Finance Management<sup>10</sup>

- (i) The methodological guide of the Medium-Term Expenditure Framework (MTEF) and the preparation of the sectoral MTEFs for the 2007-2009 period for six pilot<sup>11</sup> ministerial departments were finalized. The document was submitted to the Prime Minister for approval and was part of an implementation circular signed by the Prime Minister's office. A distribution workshop was organized for all the ministries on April 19, 2007. The MTEF was chosen as a tool for improving budgetary allocation. All the ministries prepare their MTEF as part of the preparation of the 2008 budget, according to the conditions of the manual of procedures. However, some of the ministries will not be able to formulate an MTEF in conformity with the required norms in 2007, because of insufficient capacity, though this will not disturb the Ministry of Finance from preparing a consolidated MTEF. The ministerial departments concerned should be able to prepare a simplified outline of their aggregate expenditure.
- (ii) As far as the detailed 2007 MTEF is concerned, each of the six above-mentioned ministries has a three-year budget programme prepared with the technical assistance of the Association for the Development of the Exchanges in Economic and Financial Technology (ADETEF)<sup>12</sup>, within the framework of a grant from the Institutional Development Fund of the Bank. On the other hand, their performance indicators are yet to be established. From now on, 20 departments have formulated their programme budgets for the 2007-2009 period and have implemented flexible budgeting at the level of the paragraph<sup>13</sup>. However, a Prime Ministerial circular accompanied by the MTEF manual of procedure was published on February 8, 2007 to all the ministerial departments. This circular invited these departments to prepare their 2008-2010 MTEFs of their sector of activity.
- (iii) In the area of administrative deconcentration, a regulatory<sup>14</sup> text establishing the rules for the organization of ministerial departments and administrative deconcentration has been adopted. However, the Ministries of Health, Education and Equipment have not formulated their respective deconcentration master plans and are waiting for the adoption of a national strategy on them and their implementation plans. It should be noted that deconcentration in budgetary terms has improved though, on administrative terms, has been delayed. However, deconcentration as a support for decentralization was made a very big priority area following the royal speech of December 12, 2006. It lays emphasis on the role of the central Wallis and Governors and the strengthening of the regional poles. The formulation of the ministerial deconcentration master plans was delayed because of this new impetus.

<sup>9</sup> The matrix in Annex II gives a detailed account of operational performance by programme sub-component.

<sup>10</sup> The Ministry of Finance and Privatization (MFP) has recruited an international consulting firm, ADETEF, to help in the coordination of the ongoing four parts of the budgetary management reform.

<sup>11</sup> Health, Equipment, Housing and Urbanism, Education, Higher Education, Water Sector.

<sup>12</sup> ADETEF: the international technical cooperation agency of the French Ministry of Economy, Finance and Industry (Minéfi) provides the ministry's expertise to partner countries in the implementation of their economic development and institutional reform projects

<sup>13</sup> Budgetary nomenclature distributes credits among ministries as follows: credits for operations (Title I); credits for investments (Title II); and credits for debt (Title III). General budget Expenditures are arranged under the titles, by chapters, subdivided into articles, paragraphs and lines, depending on their destination, subject and nature. The **Paragraph** is a mission, an action or a project entrusted to a structuring service.

<sup>14</sup> Decree No. 2-05-1369 of December 2, 2005.

- (iv) Finally, the building of capacity to audit performance is ongoing with the General Inspectorate of Finance and the General Inspectorate of Ministries. The IGF formulated a performance-auditing manual with the support of the ADETEF. IGF/IGM joint performance auditing missions are scheduled for the 14 pilot ministries<sup>15</sup>. Other missions are planned for 2006 in order to catch up with the delays noted. Thus, the 14 departments concerned will be audited before the end of 2007. The dissemination of the notion of performance-based budgeting and the use of IGF manual are made in the form of workshops for the IGM.

#### **4.2.2 Improving the Efficiency of Human Resource Management**

This sub-component of the PARSP II focuses on the following four main objectives, which are implemented in a contrasting manner: (i) the Strategic Staffing Framework (REC) associated with the Jobs and Skills Management Planning (GPEC); (ii) the computerization of personnel management through the GIPE (Integrated Management of the Government's Human Resources) with jobs in common nomenclature as tools; (iii) the designing of a new system of remuneration; and (iv) methods of recruitment, mobility, evaluation, promotion and training of civil servants.

- (i) The methodological guide for the preparation of the REC has been approved and distributed with, as supporting element a distribution seminar held in April 2006. Several departments have started to use it to prepare their REC, such as the Ministries of MMSP, Water and Forests, National Education that have completed their REC as planned. The MFP has also completed its REC and moreover adopted a database management system that enables the ministry to produce GPEC charts and three-year training schemes.
- (ii) With regard to the computerization of personnel management, the GIPE system was entrusted to the PRP team (Paerie Principale du Royaume) for it to be harmonized with the other personnel management systems. It should be noted that there is a vast array of systems for human resources management in the Moroccan administration that need to be put together. In this respect, a study on the harmonization of the diversified systems for HRM database, jointly conducted by the MFP and the MMSP, is expected on June 2007. As far as jobs in a common nomenclature are concerned, the REC pilot committee is preparing the recruitment of a consultant in this respect. The MMSP's circular was received and the working method determined.
- (iii) The new system of remuneration sets out the following objectives: design of a motivating, equitable and transparent system of remuneration, remunerating the actual job; taking into account the performance of the worker in designing the objectives defined by the administration. The terms of reference of this study were approved by the Bank but the bidding was unfruitful, after which the MFP decided to look for negotiated markets and to ensure the financing from the Public Administration Modernization Funds.

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<sup>15</sup> The 14 Ministries are: Health, Planning, Finance and Privatization, Maritime Fisheries, Agriculture and Rural Development, Housing and Urbanism, General and Economic Affairs, Craft and Social Economy, Water Secretariat, Water and Forests, Equipment and Transports, Interior, Foreign Affairs and Cooperation, Energy and Mines.

- (iv) The system of recruitment, mobility, evaluation, promotion and training of civil servants was implemented at a different pace: some measures are completed, others are ongoing, or are significantly delayed. The draft law related to methods of recruitment and mobility of civil servants has not yet been adopted by the Parliament. Meanwhile, the implementing draft texts have been prepared and are waiting to be adopted by the law. It includes the following projects: (1) suspend all system of recruitment void of competition; (2) enable each ministry to organize recruitment procedures through competition according to their needs; (3) for fixed-term contracts (CDD); (4) for redeployment; and (5) for secondment. With regard to promotion, evaluation and continuous training, the following texts were adopted:

Decree n° 2-04-403 of December 2, 2005, on the promotion of civil servants and Government workers according to rank and grade; Decree n° 2-05-1367 of December 2, 2005, setting-up civil servants' rating and evaluation procedures in the public administration; and Decree n° 2-05-1366 of December 2, 2005, on the organization of continuous training of civil servants and Government workers.

#### **4.2.3 Containing the Public Service Wage Bill**

Within the framework of the PARSP II, controlling the wage bill is done by a qualitative re-profiling of the civil service by gradually freezing recruitment into grades 1 to 4 and the stabilization of the civil service workforce by limiting the number of new recruits and redeployment.

- (i) Qualitative re-profiling of the civil service: Decree n° 2-05-1368 of December 2, 2005, on the gradual freezing of recruitment into grades 1 to 4 has been published. The following remarks need to be mentioned: (1) the clean accounting economy due to the voluntary early retirement is estimated at MAD 4.8 billions, which represents only 1% of GDP, for about 38 500 Government workers concerned); (2) the spatial distribution of human resources is preoccupying and flagrant inequalities persist between the Rabat-Casablanca region on the one hand and the other regions on the other hand; between the urban and the rural area; without underestimating the overstaffing of the Rabat-Casablanca region.
- (ii) The system of management planning of human resources and the redeployment of civil servants was launched in 2006. The law on this was adopted by the first Chamber of Parliament but is under discussion in the second Chamber. However, the MMSP is sufficiently advanced in the technical design of the operation, which will be launched in 2007, after the law has been adopted by the Parliament. To ensure the success of the operation, the Government has opted for a financial incentive scheme in the form of redeployment incentives. However, it would be cautious to design a sufficiently attractive incentive framework in order to create interest in the operation without very expensive financial implications for the Government's budget.

### 4.3 Institutional performance

4.3.1 For the management and implementation of investment projects and reform programmes, the Moroccan administration has adequate human capacities, a satisfactory level of supervision, a well-structured administrative mechanism (number of ministries, directorates; divisions and units) and a relatively clear system of job assignment that enables it to carry out its public service missions in a generally satisfactory manner. Throughout the design and implementation cycle of the present administrative reform, the participation of high-level personnel from the various ministerial departments was highly active. In spite of the complexity of the programme that includes innovative administrative management practices<sup>16</sup>, for the implementation of the PARSP II, the Government will not need to use protracted large-scale technical assistance.

4.3.2 As was the case for the PARSP I, the Ministry of Finance and Privatization and the Ministry of Public Services Modernization are the two ministerial departments that constitute the linchpins of the management of the present programme. These two Ministries have an adequate level of technical competencies. With the previous programme, they proved that they are capable of providing the necessary technical assistance pertaining to their respective missions at the various ministerial departments for the smooth implementation of the reform. All the external partners supporting the administrative reform have, up to now, found the Moroccan party to have the institutional capacity for successfully managing the various components of the programme.

### 4.4 Economic Performance

4.4.1 The PARSP II has contributed to stronger economic growth and has made the modernization of the public administration the main measure of orientations aimed at upgrading the institutional framework necessary for a better management of development. It has been noticed since the launch of the PARSP that, the Moroccan macroeconomic environment has improved in many aspects<sup>17</sup>: (i) control over inflation; (ii) surplus balance of payments; (iii) important international reserves; (iv) reduced public debt / GDP ratio; and (v) improved budgetary deficit.

4.4.2 The pursuit of the implementation of the process of deconcentration and streamlining of administrative procedures, improvement of the management of public expenditure and the responsiveness of the public administration have helped to create a favorable environment for the increased attraction of foreign investments to Morocco. In view of the improvement in the business climate resulting, inter alia, from the positive effects of the programme, gross investment, which plays a key role in achieving strong and sustainable growth, rose to about 29.4% of the GDP in 2006 as against 24.1% in 2003. Implementation of the deconcentration policy should, in the medium term, significantly reduce, bureaucratic bottlenecks that hamper the activities of the beneficiaries of public services. By improving the efficiency of the public administration, deconcentration will help better respond to grassroots needs at the local level<sup>18</sup>.

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<sup>16</sup> Such as the three-year rolling medium-term expenditure framework, flexible budgeting, programmes-budgets, contractualization between the central administrations and deconcentration services, performance auditing, strategic staffing framework, State-social actors partnership.

<sup>17</sup> In its conclusions to the Article IV consultations with Morocco in 2006, the IMF indicates that the macroeconomic and financial conditions have remained stable. Progress made in trade liberalization, the strengthening of the financial sector, privatization and liberalization of the telecommunications, energy and transportation have enhanced the overall productivity of the economy making it less vulnerable to variations in agricultural production.

<sup>18</sup> The royal speech on deconcentration of December 2, 2006, Agadir pursues the same direction.

## **5. SOCIAL AND ENVIRONMENTAL IMPACTS**

### **5.1 Social impact**

5.1.1 Under the PARSP II, there is no provision for a new early retirement programme. Similarly, no retrenchments have been planned. The Moroccan civil service does not suffer from a bloated workforce, but rather the uneven distribution of the latter in ministries and between regions. Moroccan civil servants only represented 2.1% of the population in 2006. This number is not excessive compared to countries of similar level of development (in 2006, 3.5% in Tunisia, 4.6% in Algeria and 6.5% in Egypt). The beneficiaries of the Early Retirement Programme (ERP) only account for 7.5% of the entire civil service. Taken globally, the early retirement scheme should not unduly affect the smooth running of the administration.

5.1.2 However, the PARSP II has contributed to curbing the relatively high rate, in some sectors, of the departure in 2005 of high-level civil servants as a result of the ERP. The PARSP II contributed to this through the active implementation of the policy on spatial and sectoral redeployment of younger and better skilled staff in the available posts, in particular in the education sector.

5.1.3 However, in order to ensure better control over the workforce, the programme upheld the principle of limiting the number of new jobs to 7000 in both 2007 and 2008. The pursuit of the policy of containing the size of the civil service has limited recruitment of employment seekers to strictly meeting the needs of priority sectors that have embarked on the reform programmes. Given that the number of applicants for normal retirement will decline, especially in the next five years, making provision for 7000 new budgeted positions annually should suffice to meet the rational needs of the administration, notably in the priority sectors (education, health and security).

### **5.2 Impact on Human Resource Management**

5.2.1 In the component related to human resource management, the PARSP II has consolidated the quality of public service in view of the dominant role that competence and performance plays in the establishment of RECs.

5.2.2 The impact of new tools for human resource management, namely: (i) the REC; (ii) the new job classification system; (iii) the new remuneration system; (iv) recruitment based on competition and mobility; (v) the new system of evaluation and promotion; and (vi) the continuous training policy, will enable the PARSP II to place the implementation of the administrative reform on a qualitatively higher level with regard to: i) containing the workforce; ii) improving the relationship between needs of the administration and skills used; and iii) the efficiency of civil servants.

5.2.3 The gradual improvement of the effectiveness and efficiency of the civil service that will result from the smooth implementation of the PARSP II is a key element for the success of many structural reforms initiated by the Government

### **5.3 Gender Impact**

5.3.1 Women represent about 34% of the workforce of the Moroccan public administration. Over 45% of female civil servants work in the social departments (health, education, social welfare). By category, women account for: 32.82% of support staff, 46.91% of middle managerial staff and 20.26% of senior managerial staff. Women represent 35% of civil servants who have benefited from the early retirement programme under the PARSP I. The majority of them (56%) pertain to the support staff and middle management categories (grade 1 to 9)

5.3.2 Under the Voluntary Early Retirement<sup>19</sup> programme, 40% of applications are from women. Women represent 35.39% of civil servants who have benefited from voluntary retirement in the social departments (health, education, social welfare). The female population was affected by the departure with a departure rate of 8.38% compared to 7.22% for men. The public service feminization index has dropped and went down from 32.08% before the operation to 31.81% after the operation.

5.3.3. In view of the level of training and skills of an increasing number of Moroccan women<sup>20</sup>, the implementation of a new policy of promotion essentially based on performance should foster access by many of them to the higher supervisory level.

5.3.4 The PARSP is an opportunity to redefine its budgets and policies with a view of promoting equal opportunity between women and men, as fully part of the Human Rights. Such a redefinition enables to highlight the different impacts of the budgets on women and men. It calls for attention to discrimination towards women and highlights specific implications of public finances (economic policies, in particular) on Gender<sup>21</sup>. Such an analysis thus enables to ensure the quality of expenditure in the allocation of budgetary resources so as to produce equal or equitable benefits for women and men.

#### **5.4 Environmental Impact**

The present programme whose main objective is to improve public administration has been classified as category III on the environmental and social scale. Consequently, it should not have any significant environmental impact.

### **6. PROGRAMME SUSTAINABILITY**

6.1 Implementation of the administrative reform was designed through a programme comprising a sequence of distinct operations intended to achieve a set of institutional reforms. The PARSP I, which is the first phase of this complex and “multidimensional” reform only laid the important foundations of the administrative reform in some of the pilot ministries. The outputs of most of the structural reform are expected to reach their critical mass only after the third phase of the programme (PARSP III), when they will be extended to almost all the ministerial departments. Thus, the sustainability of the PARSP largely depends on the Government's political will to implement the PARSP at least in the next two phases and the Bank's commitment to pursue its financial support.

6.2 As a matter of fact, risks related to the implementation of the PARSP II can be mitigated through: (i) implementation of deconcentration and (ii) adherence and ownership of the reform by public administration workers.

6.3 To mitigate risks related to the implementation of deconcentration, the authorities opted for a gradual deconcentration approach that takes into account the level of adherence of the ministries to the various components of the programme. This approach is based on deconcentration plans that clearly specify responsibilities to be delegated to the deconcentrated services. It is for this reason that only four out of forty ministries implemented the deconcentrated master plan in 2006. The adoption of the decree stipulating the general rules for the organization of central and deconcentrated administrations has contributed to the reduction of the above-mentioned risks. Besides, the deconcentration process as support to decentralization was considered a priority area following the royal speech of December 12, 2006. It insisted on the important roles of Walis and

<sup>19</sup> «INTILAKA», study conducted by the MMSP in 2006.

<sup>20</sup> The femininity rate in higher education rose from 36% in 1990-91 to 45.1% in 2005-2006.

<sup>21</sup> Gender-Sensitive Budgeting consists of making in such a way that available resources are used in a manner to improve the quality of life for men and women.

Governors and the strengthening of the regional poles. The development of the deconcentration master plans might undergo delays because of this new impetus.

6.4 With regard to the second factor, it is important to note that widespread adherence and ownership of the reform by the majority of civil servants is a prerequisite for the success of the programme<sup>22</sup>. The Government has to pursue the implementation of a communication strategy aimed at consolidating consensus on the objectives and methods of the reform, notably by organizing information and training sessions on change management.

## **7. PERFORMANCE OF THE BANK, THE BORROWER AND OTHER CO-FINANCIERS**

### **7.1 Performance of the Bank**

Assessment and Rating: 3.5/4 (Highly satisfactory)

7.1.1 The Bank's support loan for the PARSPP II is in line with the 2006 updated Country Strategy Paper of Morocco for the 2003-2005 period (ADB/BD/IF/2006/128). The preparation and appraisal of the programme were made in a relatively short period, between October 2005 and February 2006. The Bank hired a public finance Consulting Expert during the design phase of the programme, and nicely coordinated its activities with the World Bank and the European Union. The Bank jointly, with the World Bank and the European Union, participated in the evaluation of the status of implementation of the PARSP I and the updating of the PARSP matrix of measures<sup>23</sup> for the 2006-2008 period. The European Union and the Bank participated in the World Bank's loan agreement negotiations for the PARSP II. This close cooperation between the three donors which will be pursued in the monitoring and supervision of the programme, not only reduces the transaction costs for the Government but also gives credibility to the relevance of the reform and is an encouraging factor for the smooth implementation by the Moroccan party of this complex reform.

7.1.2 The Bank conducted a supervision mission in January 2007, in order to assess the status of implementation of the programme subject to disbursement of the single loan tranche. The team of the different missions of the Bank, in particular the financial supervision mission, was multidisciplinary in order to deal with the specific nature of the operation.

7.1.3 The excellent cooperation of the Bank with the Government, as well as the World Bank and the European Union during the whole cycle of the Programme largely contributed to the good implementation of the programme and to attainment of the main outcomes of the programme matrix. Considering the above, the performance of the Bank was highly satisfactory.

### **7.2 Performances of the Borrower**

Assessment and Rating: 3/4 (Satisfactory)

7.2.1 The Government's performance was satisfactory despite delays in the process of fulfilling the conditions precedent to disbursement of the single tranche at the preparation, appraisal and implementation phases of the programme. The management of the process of fulfilling the loan conditions was made in a satisfactory manner.

7.2.2. The Borrower's programme completion report and the corresponding auditing report are still ongoing and started being prepared immediately after disbursement of the first tranche on May

<sup>22</sup> Trade unions, which in recent years have been used to obtaining "exceptional promotions" for civil servants as part of social dialogue with the Government could be tempted, in a pre-electoral period (legislative elections in 2007) to demand wage increases.

<sup>23</sup> The matrix of measures of the PARSP II common to the three institutions is given in Annex II

31, 2007. During the different cycles of the programme, Experts from the Moroccan party showed evidence of availability and a great mastery of the multiple aspects of this complex reform. This strong ownership of the reform by the administrators at the level of the Moroccan party greatly facilitated the task of the outside partners.

7.2.3 The Government also made huge efforts with regard to training and communication related to the implementation of the reform geared towards public service workers and public service users. The implementation of this communication and training strategy has to be vigorously pursued in order to face this "multi-dimensional" and complex reform. It is a prerequisite for the guarantee of ownership of the reform by a greater number of public service workers. Because of the Government's active involvement in the design of the reform and the good implementation of the programme, the Borrower's performance was satisfactory.

### **7.3 Performances of Other Co-financiers**

Assessment and Rating: 3.5/4 (Highly satisfactory)

7.3.1 The World Bank and the European Union were the two Co-financiers of the PARSP II. These two institutions actively participated in the formulation of the programme, in partnership with the Bank and the Government. The World Bank prepared and disseminated analytical studies, which enriched the reflection on several aspects of the administrative reform and provided technical assistance to some parts of the reform such as defining methodology for the formulation of the Medium-Term Expenditure Framework (MTEF)<sup>24</sup>. It should be noted that, during the period preceding the preparation of PARSP II, the World Bank regularly sent to the Bank all the important information on the design and implementation of the programme. This close cooperation of the two Co-financiers with the Bank facilitated the harmonious insertion of the ADB within the group of Co-financiers of the PARSP II.

7.3.2 The World Bank's loan was approved in June 2006 and disbursed that same month. The adjustment of the European Union has also been approved, but has not yet been disbursed. The implementation of the PARSP II at the level of the two Co-financiers did not encounter major difficulties. The two institutions jointly undertook with the Bank, several programme monitoring missions, after which they noted that the implementation of the PARSP II was, on the overall, highly satisfactory, despite some delays in the implementation of some programme measures. Thus, the performance of the two Co-financiers was, on the whole, satisfactory.

## **8. OVERALL PERFORMANCE AND RATING**

Rating: 3.25/4 (Highly satisfactory)

8.1 On the whole, the main objectives of the PARSP II were relevant with regard to the major deficiencies that have been undermining the effectiveness of the public administration: excessive centralization of services, decision-making powers and resources at the central level; complex legislation and administrative procedures; lack of control over the wage bill and inefficiencies in the system of remuneration; and absence of a human resources planning policy.

8.2 The measures implemented have laid important foundations for the modernization process of the public administration that are to be progressively improved during the implementation of the future phases of the PARSP.

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<sup>24</sup> Teams in charge of the PARSP II in the World Bank and the European Union representative offices in Rabat took actively part in the political dialogue with the Moroccan Government during the preparation, implementation and monitoring phases of the PARSP II. At the level of the World Bank, the PARSP II was piloted from its representative office in Morocco. The World Bank's task manager for the PARSP is based in its Country Office in Morocco.

8.3 At the end of the evaluation, the overall performance of the implementation of the PARSP II was highly satisfactory despite the delays in the implementation of some measures and conditions. The average rating of the overall performance was 3.25 over 4. This reflects the fact that almost all the key measures backed by the three Co-financiers and all the measures backed by the Bank in particular, were implemented in a highly satisfactory manner, despite the delays recorded in fulfilling some loan conditions and implementing some measures. It should be noted that these delays did not have major impact in the overall evolution of the programme. It is an encouraging rating for this Programme, which is the second of a series of successive operations, which are becoming more complex.

## **9. CONCLUSIONS, LESSONS TO BE LEARNT AND RECOMMENDATIONS**

### **9.1 Conclusions**

9.1.1 The public administration reform falls within the framework of strategic reforms initiated by the Moroccan authorities to reduce the size of the administration, focused on its fundamental missions client-focused and delivering quality services at least cost notably for the private sector. The present support programme of this reform aims at consolidating the achievements of the PARSP I whose implementation was generally deemed to be satisfactory by the three international financial institutions supporting it.

9.1.2 Under the present cycle of implementation, the administrative reform support programme has improved in consistency following the extension to other ministries of tools such as flexible budgeting, sectoral MTEFs, the RECs, deconcentration plans as well as the civil service redeployment exercise. The gradual and prudent approach adopted by the Government, despite inevitable bottlenecks imposed on the implementation of the reform in general, has nonetheless helped ensure continuity and control over the reform process.

9.1.3 Given the programme approach adopted for the implementation of this complex and “multidimensional” reform, the impact of the reforms initiated is not noticeable in the initial phases of the programme. It is at the end of the fourth phase and after achieving a critical mass of key measures that the various reforms will begin to generate their full effects. On the social front, civil servants have not shown any significant disapproval of the reform.

9.1.4 The experimental and gradual method chosen so far to reform some public finance procedures has been successful. They could however reach their limits in the near future because of the absence of a coherent legal framework at a superior level containing present and future practices. However, considering that a lot still remains to be accomplished in order to tackle such a legal disruption with enough security, the mission has recommended a gradual reform of the finance organic law based on a set schedule.

9.1.5 Within the budgetary support framework, the programmatic approach is undoubtedly a suitable instrument for the support of the public administration reform in Morocco. As a matter of fact, since 2003, Morocco has undertaken a vast array of administrative reforms designed to be implemented over several years (2003-2008), using an annual programmatic lending approach, based on a matrix of measures updated annually in relation to the status of the preceding operation. This is how the use of loans disbursed in single tranches is an effective way to accompany the ongoing reform, provided that each operation is within a medium-term programme reform with transparent landmarks and measures that will be kick-starts for future operations.

9.1.6 Considering that the human factor is essential for any sustainable development, the qualification of human resources and improvement of their method of management constitute the

central pillar for the public administration modernization programme. The aim is to accompany the deconcentration process and to develop qualitative and quantitative management of the size of the administration and competences. In this respect, it is important to revise the general law of the Civil Service, to move from a frozen statutory legal system to a flexible, supple system, adapted to the new needs of the administration which is being deconcentrated, taking into account, a greater Government staff mobility and an opening to the potentialities of the private sector.

9.1.7 Finally, a lot still remains to be accomplished to ensure the effective and widespread ownership of the reform by the majority of civil servants. The effective implementation of a set of measures identified under the PARSP II has contributed to improving the competitiveness of the country's economy, has strengthened the medium-term budgetary sustainability and thereby has preserved the viability of the macroeconomic framework needed to achieve a stronger and lasting economic growth.

## **9.2 Lessons to be Learnt**

The lessons to be learnt at the end of this programme are as follows:

9.2.1 Government's actions with regards to information of civil servants on the implementation and coherence of the different phases of the reform should be improved and extended to a larger public. Consequently, on implementing the communication strategy on the reform, special emphasis should be placed on organizing seminars or workshops on the status of implementation of the different phases of the reform. Within the framework of these workshops ministerial departments should be able to share their experiences in the implementation of the reform. Putting the different administrations at the same level of information is a way of ensuring ownership of the reform by civil servants. This ownership is necessary, as the reform will become more complex during its future phases.

9.2.2 The close coordination of donors was an important factor for the satisfactory overall performance of the PARSP II. The Government has to ensure continuity of the quality of this coordination between donors in the future phases of the PARSP.

9.2.3 The analytical studies and technical assistance provided by donors has helped improve the quality of the reform programme. For a better planning of the support provided by the donors for these analytical studies, the Government must seize the opportunity given by the assessment of each operation of the PARSP to express needs on the subject.

9.2.4 The PARSP II is an example of an institutional reform that requires the Bank's commitment on a long-term basis in supporting the successive operations jointly carried out with other donors in a country. The annual programmatic lending with a single tranche disbursement<sup>25</sup> seems appropriate for the implementation of this complex and multi dimensional programme, designed to be implemented in successive operations. The highly satisfactory performance of the present phase of the Programme is encouraging to move to the following phases of the PARSP.

9.2.5 At the level of civil servants redeployment and in view to ensuring the success of the operation, the Government has opted for a financial incentive scheme in the form of redeployment incentives. However, it would be cautious to design a sufficiently attractive incentive framework in order to create interest in the operation without very expensive financial implications for the Government's budget.

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<sup>25</sup> Financed in the form of budgetary support.

9.2.6 At the level of improving budget management and within the framework of flexible budgeting<sup>26</sup>, the Minister of Finance and Privatization has authorized by decree, commitments officers and their assistants, without prior authorization from the Ministry of Finance and Privatization, in the course of assuming their managerial responsibilities, to modify clauses between lines of the same paragraph with regard to expenditure for goods, miscellaneous expenditure and investment expenditure. This situation is likely to facilitate operating expenditure to the detriment of equipment expenditure or investment expenditure. Some operating expenditures are precluded to avoid possible slippages.

### **9.3 Recommendations**

#### **9.3.1 For the Borrower**

- (i) Strengthen and extend the information and communication programme on the administrative reform to ensure its ownership by the administration (§. 9.2.2).
- (ii) Pursue and involve new ministries in the training programme for the future phases of the PARSP, to ensure ownership of the technical knowledge in relation to the new tools introduced in the PARSP (§.9.2.2).
- (iii) Express the needs for technical assistance and analytical studies at the following appraisal phases of the PARSP (§.4.3.1 & 9.2.4).
- (iv) Accelerate the implementation process of the deconcentration master plans (§.4.2.1).
- (v) Adopt an overall draft law for the public administration on the general statutes of the public administration anticipating a complete reshaping of the general statutes of the civil service of 1958 (§. 9.1.5).
- (vi) Make sure to contain the financial impact of redeployment of civil servants on the Government's budget (§.4.2).
- (vii) Exclude some operating expenditures from dispensation profits related to flexible budgeting (§. 9.2.8).
- (viii) The Moroccan Government, in conducting the huge reforms, must introduce, at the same time the concept of "Gender-Sensitive Budgeting" in the budget practices (§.5.3).

#### **9.3.2 For the Bank**

- (i) Pursue the Bank's support in the future phases of the PARSP, in close cooperation with development partners in order to consolidate, deepen, strengthen and generalize to the whole Moroccan administration the achievements of the previous phases of the PARSP (§.7.1.3 & 7.3.1).
- (ii) Strengthen and expand cooperation with the World Bank and the European Union, insisting on a more accrued upstream cooperation at the level of strategies and analytical studies (§. 7.3.1).

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<sup>26</sup> Flexible budgeting was authorized by Article 1 of Decree of December 31, 2007 amending Article 17 bis of Decree of April 26, 1999, on the formulation and execution of the finance law.

- (iii) Adopt the programmatic approach for the PARSP's structural reforms in order to align, harmonize and strengthen cooperation with development partners (§.9.2.7).
- (iv) Provide the necessary technical assistance on some issues and/or studies to ensure the implementation of the future phases of the PARSP (§.4.3.1).
- (v) Place special emphasis on the administrative reforms of the Maghreb countries that are called to undertake a regional integration process. The ADB is expected to make this process more dynamic by organizing suitable studies.

STATUS OF IMPLEMENTATION OF THE PARSP II MATRIX OF MEASURES

SUB-PROGRAMME A: Improve Governmental Efficiency In Budgetary Resources Management					
Objectives/Outcome	Measures implemented in 2005	Measures to be implemented in 2006	Measures to be implemented in 2007	Implementation Statue on May 31, 2007	Outcome Indicators
<p><b>A.1</b> Greater visibility of medium-term budgetary implications, placing budgetary allocation decisions in a multi-year framework</p>	<p>Establishment through Prime Ministerial circular of an Inter-ministerial Committee responsible for defining the MTEF format and related procedures by ending 2005.</p> <p>Start of sect oral MTEF preparation by the Ministries<sup>27</sup> of Education, Housing, Equipment and Health.</p>	<p>Inter-ministerial Committee in charge of defining the MTEF format to produce an MTEF Procedures Manual.</p> <p>In the initial phase of the budget preparation cycle, preparation by the Ministries of Education, Housing, Health and Equipment of the 2007-2009 draft sectoral MTEFs.</p> <p>Review of a projected Table of Government Financial Operations (TOFE) for 2007-2009 by Council of Government during the presentation by the Ministry of Finance of the main orientations of the Budget Act</p> <p>Updating of sectoral MTEFs to take into account decisions made during the preparation of the 2007 budget.</p> <p>At end of year, assessment of the financial period and, where applicable, modifications of the MTEF procedures manual.</p>	<p>Prime Ministerial circular on the general use of MTEF procedures. These procedures will include the following activities in 2007:</p> <p>In the initial phase of the budget preparatory cycle, preparation of all the ministries of draft 2008-2010 sectoral MTEFs.</p> <p>Review of a projected Table of Government Financial Operations (TOFE) for 2008-2010 by Council of Government during the presentation by the Ministry of Finance of the main orientations of the Budget Act</p> <p>Updating of sectoral MTEFs to take into account decisions made during the preparation of the 2008 budget.</p> <p>Issuing of an analytical report identifying and explaining disparities between the draft 2008-2010 sectoral MTEFs and the 2008 budget.</p>	<p>- <b>COMPLETED:</b> MTEF procedures manual approved by Inter-ministerial Committee (<b>Condition N°: 3</b>)</p> <p>♦ A Prime Ministerial circular accompanied by MTEF Procedures Manual was disseminated on February 8, 2007 to all the ministerial departments. This circular invited these departments to prepare the 2008-2010 MTEF of their sector of activity</p> <p>- <b>COMPLETED:</b> In the initial phase of the budget preparatory cycle, preparation by the ministries of Education, Housing, Health and Equipment of draft 2007-2009 sectoral MTEFs</p> <p><i>IN PREPARATION:</i> In the initial phase of the budget preparatory cycle, preparation of all the ministries of draft 2008-2010 sectoral MTEFs</p> <p>- <b>COMPLETED:</b> Review of a projected Table of Government Financial Operations (TOFE) for 2007-2009 by Council of Government during the presentation by the Ministry of Finance of the main orientations of the Budget Act</p> <p>- <b>COMPLETED:</b> Updating of sectoral MTEFs to take into account decisions made during the preparation of the 2007 budget.</p> <p>At end of year, assessment of the financial period and, where applicable, modifications of the MTEF procedures manual: <i>since the device has just been put in place, modifications of the above-mentioned manual is premature and therefore, DELAYED</i></p>	<p><u>2006</u> - MTEF Procedures Manual completed -TOFE and 4 sectoral MTEFs for 2007-2009 prepared</p> <p><u>2007</u> - TOFE and 4 sectoral MTEFs for 2008-2010 prepared. -Analysis of discrepancies between draft MTEF prepared before final budget discussions and the annual budget</p> <p><u>2008</u> - Projected TOFE and 2009-2011 sectoral MTEFs prepared - Analysis of discrepancies between draft MTEFs prepared before final budget discussions and the annual budget.</p>

<sup>27</sup> Throughout the document, the term "ministry" refers to a ministry or a ministerial department depending on the case

SUB-PROGRAMME A: Improve Governmental Efficiency In Budgetary Resources Management					
Objectives/Outcome	Measures implemented in 2005	Measures to be implemented in 2006	Measures to be implemented in 2007	Implementation Statue on May 31, 2007	Outcome Indicators
A.2 Empowerment of deconcentrated units in result-oriented budget programming and implementation and accountability	-Extension of flexible budgeting approach to 14 ministries;  -Formulation of a deconcentration master plan for the Ministry of Health	Extension of implementation of flexible budgeting measures to 20 ministries  -Assessment of progress in flexible budgeting with a view of extending it to all ministries and study on the extension of flexible budgeting  -Preparation of a draft decree amending Decree N°2-98-401 of 26 April 1999 introducing flexible budgeting to a higher level based on the results of the 2006 evaluation  Development and implementation of deconcentration master plans for the Ministries of Education, Health, Equipment and Housing and signing of objectives/means/outcomes contracts for 2007-2009, between these ministries and their respective external units	- Extension of implementation of flexible budgeting to all ministries          Formulation and implementation of deconcentration master plans for 7 additional ministries and signing of objectives/means/outcomes contracts for 2008-2010, between these ministries and their respective external units (at regional or provincial level)	- <b>COMPLETED:</b> Extension of implementation of flexible budgeting measures to 20 ministries ( <b>Condition N°: 1</b> ) ♦ <i>Till today 25 departments managing 70% of credit investments are using the flexible budgeting approach</i> - <i>ONGOING: Extension of implementation of flexible budgeting to all ministries</i> - - <b>COMPLETED:</b> Assessment of progress in flexible budgeting with a view of extending it to all ministries and study on the extension of flexible budgeting  ♦ It was noted after the assessment that, the decree amending Decree N°2-98-401 was not necessary. The MFP will reduce the number of programmes and increase their individual size, which will result the extension of flexible budgeting, without introducing a higher level.  - <i>PARTIALLY IMPLEMENTED: Development and implementation of deconcentration master plans for the Ministries of Education, Health, Equipment and Housing and signing of objectives/means/outcomes contracts for 2007-2009, between these ministries and their respective external units (at regional or provincial level)</i>  - <i>ONGOING: Formulation and implementation of deconcentration master plans for 7 additional ministries and signing of objectives/means/outcomes contracts for 2008-2010, between these ministries and their respective external units (at regional or provincial level)</i>  <i>Concerning deconcentration, it should be noted that a new vision is being finalized by the Government following orientations outlined in the Royal Speech in Agadir on December 12, 2006.</i>	- Number of Ministries that have adopted flexible budgeting 2005 2006 2007 14 20 All ministries  - Share of lump sum non-wage flexible allocations in total non-wage allocations: 2005 2006 2007 40% 60% 100%  - Ministry reports on flexible budgeting approach 2005 2006 2007 2008 1 14 20 all ministries  Number of ministries that have adopted deconcentration master plans and objectives/means outcomes contracts: 2006 2007 2008 4 11 All ministries

<p><b>A.3</b> Improving the performance of ministries through the introduction of internal auditing, evaluation and performance control.</p>	<p>- Preparation and distribution by the CGED of procedures manuals for: - monitoring and control of procurement; - commitment accounting</p>	<p>General upgrading training of 50 IGM inspectors</p> <p>- Training in audit techniques of IGMs in 14 pilot ministries based on the audit manual</p> <p><b>- Formulation and distribution of performance audit manual compatible with ISA and other international standards applicable to the public sector</b></p> <p>- Preparation of performance reports for 14 ministries</p> <p>- Organization of joint audit missions by IGF/IGM of the 14 pilot ministries de missions on the implementation of their 2004-2005 budget.</p> <p>- Deployment of GIPE system (monitoring portion)</p> <p>Completion of study on public expenditure control</p>	<p>- Extension of training and organization of joint performance audit missions</p> <p>- Implementation of performance audit of 2006 budgets by the IGMs/IGFs of the 20 pilot ministries</p> <p>- Continued deployment of GIPE System (commitments portion)</p>	<p>- <b>COMPLETED:</b> General upgrading training of 50 IGM inspectors</p> <p>- <b>COMPLETED</b> Training in audit techniques of IGMs in 14 pilot ministries based on the audit manual</p> <p>- <i>ONGOING: Extension of training and organization of joint performance audit missions</i></p> <p>- <b>COMPLETED:</b> Formulation and distribution of performance audit manual compatible with ISA and other international standards applicable to the public sector <b>(Condition N°: 4)</b></p> <p>- <i>ONGOING: Preparation of performance reports for 14 ministries</i></p> <p>- <i>PROJECTED: Implementation of performance audit of 2006 budgets by the IGMs/IGFs of the 20 pilot ministries</i></p> <p>♦ <i>Organization in June 2007 of joint performance audit missions of 2006 budgets by the IGMs/IGFs of the 20 pilot ministries. To catch up with noted delays to also do the same for the 2006 budget. Thus, before the end of 2007 budget, all the 14 departments concerned by the budgetary reform will be audited.</i></p> <p>- <i>ONGOING: Deployment of GIPE system (monitoring portion)</i></p> <p>- <b>PROJECTED:</b> Continued deployment of GIPE System (commitments portion)</p> <p><b>COMPLETED:</b> Completion of the survey on the control of the public expenditure <b>(Condition N°: 2)</b></p>	<p>- Number of IGM and IGF inspectors having received upgrading training:</p> <table border="1"> <tr> <td>2006</td> <td>2007</td> <td>2008</td> </tr> <tr> <td>50</td> <td>20</td> <td>20</td> </tr> </table> <p>- Performance report established by the ministries</p> <table border="1"> <tr> <td>2006</td> <td>2007</td> <td>2008</td> </tr> <tr> <td>14</td> <td>20</td> <td>all</td> </tr> </table> <p>- Auditing manual developed</p> <p>- Number of IGMs trained in audit techniques from the audit manual in</p> <table border="1"> <tr> <td>2006</td> <td>2007</td> <td>2008</td> </tr> <tr> <td>14</td> <td>6</td> <td>20</td> </tr> </table> <p>- Number of joint IGF/IGM missions carried out</p> <table border="1"> <tr> <td>2006</td> <td>2007</td> <td>2008</td> </tr> <tr> <td>14</td> <td>20</td> <td>all</td> </tr> </table> <p>- Number of performance audit reports prepared by IGMs and IGFs in the pilot Ministries in</p> <table border="1"> <tr> <td>2006:14</td> <td>2007: 20</td> <td>2008: all ministries</td> </tr> </table> <p><u>2008</u></p> <p>- Implementation of the GIPE system on the sites of at least 5 ministries</p>	2006	2007	2008	50	20	20	2006	2007	2008	14	20	all	2006	2007	2008	14	6	20	2006	2007	2008	14	20	all	2006:14	2007: 20	2008: all ministries
2006	2007	2008																														
50	20	20																														
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2006	2007	2008																														
14	6	20																														
2006	2007	2008																														
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2006:14	2007: 20	2008: all ministries																														

<p><b>A.3</b> (Continued...)</p>	<p>Implementation by the CGED of the 2004 training programme</p>	<p>-Launch of study for the implementation of a training programme for commitments officers in terms of ex-ante and integrated public expenditure management</p> <p>- Beginning of implementation of GID system: establishment of exchanges platform.</p>	<p>- Implementation of training programme</p> <p>- <b>Evaluation and selection of definitive solution</b></p>	<p>- ONGOING Launch of study for the implementation of a training programme for commitments officers in terms of ex-ante and integrated public expenditure management executed</p> <p>- <b>COMPLETED:</b> Evaluation and selection of definitive solution</p> <p>- <b>COMPLETED:</b> Implementation of training programme</p> <p>- <i>PROJECTED:</i> Beginning of implementation of GID system: establishment of exchanges platform.</p> <p>- <i>PROJECTED:</i> Evaluation and selection of definitive solution</p>	<p><u>2007</u> Evaluation Report on the establishment of the new monitoring system prepared</p> <p>- Training Master Plan executed</p> <p><u>2006</u> Publication of budget status of implementation on the Treasury General portal (GID)</p> <p><u>2007</u> Choice of a definitive solution for the GID system</p> <p><u>2008</u> Implementation of the budget circuit modules of GID</p>
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<b>SUB-PROGRAMME B: IMPROVING EFFICIENCY OF HUMAN RESOURCE MANAGEMENT</b>											
<b>Objectives/Outcome</b>	<b>Measures implemented in 2005</b>	<b>Measures to be implemented in 2006</b>	<b>Measures to be implemented in 2007</b>	<b>Status of implementation on May 31, 2007</b>	<b>Outcome Indicators</b>						
<p><b>B.1 Preparation of new management system</b>  <u>B.1.1. Strategic Staffing Frameworks (REC)</u></p>	<ul style="list-style-type: none"> <li>- Completion of REC of the Ministries of Agriculture and Equipment.</li> <li>- Launch of REC for the Ministry of Finance and Privatization (MFP) and the MMSP.</li> </ul>	<ul style="list-style-type: none"> <li>- Completion of REC of MFP and MMSP.</li> <li>- For the Ministries of Agriculture and Equipment:               <ul style="list-style-type: none"> <li>- Development of provisional balanced score cards for 3 years.</li> <li>- Creation of the jobs and skills database</li> <li>- Preparation of a 3-year in-service training plan.</li> </ul> </li> <li>- Introduction of the REC in 4 other ministries: MEN, Health, Justice, and Interior.               <ul style="list-style-type: none"> <li>❖ Setting up of project team in ministries</li> <li>❖ Definition of work methodology by ministries</li> <li>❖ Awareness and information through training and actions carried out at the central and deconcentrated levels</li> <li>❖ Organizational analysis of the administrations concerned</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Completion of the REC at the Ministries of Education, Health, Justice and Interior</li> <li>- For the 6 ministries of 2006:               <ul style="list-style-type: none"> <li>- Development of provisional balanced score cards for 3 years.</li> <li>- Creation of the jobs and skills database</li> <li>- Preparation of a 3-year ongoing training plan.</li> </ul> </li> <li>- Introduction of the REC in all the other ministries.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>COMPLETED:</b> Completion of the MFP, MMSP MEN, and Water and Forests (<b>Condition N°: 5</b>)</li> <li>- <b>COMPLETED:</b> For the Ministry of Agriculture and Equipment:               <ul style="list-style-type: none"> <li>- Development of provisional balanced score cards for 3 years.</li> <li>- Creation of the jobs and skills database</li> <li>- Preparation of a 3-year in-service training plan</li> </ul> </li> <li>- <b>COMPLETED:</b> For the 6 ministries of 2006:               <ul style="list-style-type: none"> <li>- Development of provisional balanced score cards for 3 years.</li> <li>- Creation of the jobs and skills database</li> <li>- Preparation of a 3-year ongoing training plan.</li> </ul> </li> <li>- <b>COMPLETED:</b> Introduction of the REC in 4 other ministries: MEN, Health, Justice and Interior</li> <li>- <i>PROJECTED: Introduction of the REC in all the other ministries</i></li> <li>- <i>ONGOING: Completion of the REC at the Ministries of Health, Justice and Interior</i></li> </ul>	<ul style="list-style-type: none"> <li>- - Number of ministries using a REC.</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 50%;"><u>2006</u></td> <td style="text-align: center; width: 50%;"><u>2007</u></td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">8</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>2008</u> all ministries</td> </tr> </table>	<u>2006</u>	<u>2007</u>	4	8	<u>2008</u> all ministries	
<u>2006</u>	<u>2007</u>										
4	8										
<u>2008</u> all ministries											

<b>SUB-PROGRAMME B: IMPROVING EFFICIENCY OF HUMAN RESOURCE MANAGEMENT</b>					
<b>Objectives/Outcome</b>	<b>Measures implemented in 2005</b>	<b>Measures to be implemented in 2006</b>	<b>Measures to be implemented in 2007</b>	<b>Status of implementation on May 31, 2007</b>	<b>Outcome Indicators</b>
<p><b>B.1 Preparation of new management system</b> <u>B.1.2. Job Classification</u></p> <p><u>B.1.3 Remuneration</u></p>	<p>- Formulation of action plan on harmonizing personnel regulations and drafting of decrees on administrative employment</p>	<p>- MMSP Circular establishing the Committee responsible for developing the job classification (based on RECs) as a draft standard job classification.</p> <p>- Launch by the MMSP of the job classification in a draft standard job classification.</p> <p>- Adoption of the three statutes on administrative employment</p> <p>- Study on the re-integration of benefits into base salary</p> <p>- Study on the development of a new remuneration system based on the new job classification in preparation</p>	<p>- Continuation of the classification of jobs in a draft standard job classification.</p> <p>- Implementation of re-integration study</p>	<p>- <b>IMPLEMENTED:</b> MMSP Circular establishing the Committee responsible for developing the job classification (based on RECs) as a draft standard job classification</p> <p>- <b>IMPLEMENTED:</b> Launch by the MMSP of the job classification in a draft standard job classification.</p> <p>- <b>PROJECTED:</b> Continuation of the classification of jobs in a draft standard job classification</p> <p>- <b>ONGOING:</b> Adoption of the three statutes on administrative employment</p> <p>- <b>ONGOING:</b> Study on the re-integration of benefits into base salary</p> <p>- <b>PROJECTED:</b> Implementation of re-integration study</p> <p>- <b>ONGOING:</b> Study on the development of a new remuneration system based on the new job classification in preparation ♦ The call for tenders related to this study was published on March 30, 2007, therefore delayed.</p>	<p>Ending 2008, standard job classification covers 90% of civil service workforce.</p> <p>All civil servants are integrated in the new wage scales incorporating benefits into base salary</p>



<b>SUB-PROGRAMME B: IMPROVING EFFICIENCY OF HUMAN RESOURCE MANAGEMENT</b>					
<b>Objectives/Outcome</b>	<b>Measures implemented in 2005</b>	<b>Measures to be implemented in 2006</b>	<b>Measures to be implemented in 2007</b>	<b>Status of implementation on May 31, 2007</b>	<b>Outcome Indicators</b>
B.2.3 <u>In-service training policy</u>	- Adoption by the Government Council of the draft decree on in-service training.	- Development by the MMSP of general guidelines on in-service training.  - Establishment of in-service training master plans for all directorates of the Ministry of Agriculture and Equipment.	- Establishment of in-service training master plans for all directorates of 6 ministries  - Evaluation of in-service training activities	- <b>COMPLETED:</b> Development by the MMSP of general guidelines on in-service training  - <b>COMPLETED:</b> Establishment of in-service training master plans for all directorates of the Ministries of Agriculture and Equipment.  - <i>ONGOING: Establishment of in-service training master plans for all directorates of 6 ministries</i> ♦ <i>Furthermore, seminars on in-service training and on setting-up master plans were organized, and others are scheduled in order to support the ministerial departments to set up master plans</i>  - <i>PROJECTED:</i> Evaluation of in-service training activities	Number of ministries that have established training master plans  2006: 2  2007: 8  2008: all ministries

<b>SUB-PROGRAMME C: CONSOLIDATING AND CONTROL OVER PUBLIC SERVICE WAGE BILL</b>					
<b>Objectives/Outcome</b>	<b>Measures implemented in 2005</b>	<b>Measures to be implemented in 2006</b>	<b>Measures to be implemented in 2007</b>	<b>Status of implementation on May 31, 2007</b>	<b>Outcome Indicators</b>
<b>C.1 Civil Service wage bill projections</b>	- Projections of wage bill in the 2005-08 period, specifying assumptions and parameters used	- Civil service wage bill projections for 2006-09, specifying the assumptions and parameters used.	- Projections of wage bill in the 2007-10 period, specifying assumptions and parameters used.	- <b>COMPLETED:</b> Civil service wage bill projections for 2006-09, specifying the assumptions and parameters used.  - <i>ONGOING:</i> Projections of wage bill in the 2007-10 period, specifying assumptions and parameters used.	
<b>C.2 Qualitative re-profiling of Civil Service</b>	- Draft decree prohibiting recruitment in Grades 1 to 4; - Prime Ministerial Circular freezing hiring of casual employees  - Continuation of the early retirement schemes initiated in 2004 by broadening the target population to include civil servants in Grades 10 and above  - Assessment of quantitative and qualitative impact of the early retirement programme	- Initiation of the re-deployment of civil servants  - Assessment of redeployment exercise      - Assessment of quantitative and qualitative early retirement programme	- Extension of redeployment exercise  Evaluation of extension of redeployment exercise      - Evaluation of extension of redeployment exercise	- <i>ONGOING:</i> Initiation of the re-deployment of civil servants  - <i>ONGOING:</i> Evaluation of redeployment exercise  - <i>PROJECTED:</i> Extension of redeployment exercise  - <i>PROJECTED:</i> Evaluation of extension of redeployment exercise  - <b>COMPLETED:</b> Continuation of the early retirement schemes initiated in 2004 by broadening the target population to include civil servants in Grades 10 and above  - <b>COMPLETED:</b> Assessment of quantitative and qualitative early retirement programme	The wage bill continues to decrease over the 2006-2008 period from 12.1% of the GDP in 2006 to 11.5% in 2008.

<b>SUB-PROGRAMME C: CONSOLIDATING AND CONTROL OVER PUBLIC SERVICE WAGE BILL</b>					
<b>Objectives/Outcome</b>	<b>Measures implemented in 2005</b>	<b>Measures to be implemented in 2006</b>	<b>Measures to be implemented in 2007</b>	<b>Status of implementation on May 31, 2007</b>	<b>Outcome Indicators</b>
<b>C-3 Stabilization of the size of the civil service workforce</b>		- Upholding in the 2007 Budget Act of the principle of limitation of the number of new jobs to 7000.	- Upholding in the Budget Act of the principle of limitation of the number of new jobs to 7000.	- <b>COMPLETED:</b> Upholding in the 2007 Budget Act of the principle of limitation of the number of new jobs to 7000  - <b>PROJECTED:</b> Upholding in the Budget Act of the principle of limitation of the number of new jobs to 7000	- Number of budget positions crated:  <u>2003</u> 7000  <u>2004</u> 7000  <u>2005</u> 7000  <u>2006</u> 12000  <u>2007</u> 7000  <u>2008</u> 7000

**THE KINGDOM OF MOROCCO  
PARSP II  
PERFORMANCE EVALUATION AND RATINGS**

**Rating**

- 1: Highly unsatisfactory**  
**2: Unsatisfactory**  
**3: Satisfactory**  
**4: Highly satisfactory**
- 

**MOROCCO: PARSP II**

**Matrix of Borrower Performance**

Indicators	Rating (1 to 4)	Remarks
1. Adherence to time schedule	3.50	May 31, 2007: all the reforms were implemented
2. Compliance with covenants	3.50	- Loan conditions were met - huyuhhyyhjus confirming fulfillment of the conditions precedent to the disbursement of the single tranche of the PARSP II were submitted to the ADB country office of Rabat, which then forwarded them to the ORNB headquarters.
3. Adequacy of monitoring, evaluation and reporting	2.75	- The Government started preparing the completion report after disbursement of the single tranche on May 31, 2007. Its finalization is scheduled for the end of June.
<b>Overall Borrower Performance</b>	<b>3.25</b>	Highly satisfactory

**MOROCCO: PARSP II**  
**Matrix of Bank Performance**

<b>Indicators</b>	<b>Rating (1 to 4)</b>	<b>Remarks</b>
1. At identification stage	<b>3.50</b>	The Bank dealt with the Moroccan Government's request diligently and swiftly.
2. At preparation stage	<b>3.75</b>	- The programme was jointly prepared with the Government, the World Bank and the European Union. - The programme is in conformity with the Bank's 2006 updated Country Strategy Paper of Morocco for the 2003-2005 period
3. At appraisal stage	<b>3.00</b>	- The appraisal report was of good quality. - The Bank enriched the appraisal of the programme with specific contributions while preserving the general consistency of the programme. - But the Bank was optimistic about fixing the implementation schedule of some measures without taking into account the institutional background of the country. This is the reason why some law texts were not published on time.
4. At supervision stage	<b>3.75</b>	- The Bank undertook a financial supervision mission in January 2007. The team was multidisciplinary in order to deal with the specific nature of the operation. - The Bank also actively participated in two joint missions conducted by the World Bank in January and May/June 2007, and in which the European Commission took part. The subjects of these 2 missions were: the supervision of the PARSP II and the preparations for the launching of the PARSP III. Some joint memory aids were produced to this effect.
<b>Bank Performance</b>	<b>3.50</b>	Highly satisfactory

**MOROCCO: PARSP II**  
**Matrix of Overall Programme Performance**

	<b>Indicators</b>	<b>Rating (1 to 4)</b>	<b>Remarks</b>
<b>1</b>	<b>Achievement of Objectives and Results</b>	<b>3</b>	
(i)	Macroeconomic policies	3	Consolidation of the macroeconomic situation despite persisting structural budget deficit.
(ii)	Budget management	3	- Good status of implementation of budget management approach based on results - Good development of flexible budgeting approach in many ministries.
(iii)	Reduction of poverty, social aspect and men/women issue	NA	
(iv)	Environment	NA	
(v)	Development of the private sector	3	The consolidation of the macroeconomic framework, improvement in the quality of public services and the drastic reduction of transaction costs of private investors with the public administration, will necessary have a positive indirect impact on the development of the private sector.
(vi)	Reform of the public service	3	- The programme established a strategic framework for the consistency of personnel needs of the ministries. - This strategic framework should facilitate the implementation of the management planning of human resources.

<b>2.</b>	<b>Institutional Development</b>	<b>3.25</b>	
(i)	Institutional framework	3.25	The new budget and human resources management tools introduced by the PARSP II concerning budget management and human resource management, the preparation and distribution of several methodological manuals and guides, as well as its training programmes has laid foundations for the strengthening of the institutional capacities of the Moroccan administration.
(ii)	Financial system and internal auditing system	3.25	The PARSP II activated the setting up process of internal auditing and performance evaluation in the public administration. Trainings for Inspectors have been organized. Distribution of the manual of performance auditing was delayed.
(iii)	Technology transfer	NA	
(iv)	Control over the wage bill	3.25	The implementation of the early retirement scheme was a success. It will have a significant structural impact on the evolution of the wage bill. The policy of containing the size of the civil service was also a success.

<b>3.</b>	<b>Sustainability</b>	<b>3.50</b>	
(i)	Borrower's Continuous Commitment	3.75	The Borrower's commitment is very strong, firm, continuous and irreversible.
(ii)	Environmental policy	NA	
(iii)	Institutional framework	3.25	The institutional setting will become more adaptable to the missions of the public administration with the launching of other operations within the PARSP.
(iv)	Technical viability and framework	3.5	The components and overall consistency of the PARSP II was technically viable. Its implementation has enabled to launch a new method of recruitment of employment seekers to strictly meeting the needs of priority sectors that have embarked on the reform programmes.
(v)	Financial viability including cost recovery system	NA	
(vi)	Economic viability	3.50	Macroeconomic stability was preserved during the implementation of the PARSP II. Several measures of the PARSP II contributed to consolidate macroeconomic framework, notably in launching the medium-term budget adjustment strategy.
(vii)	Availability of General maintenance and management facilities	3.5	- Sustainability of the results depends on the pursue of the future phases of the PARSP. Other operations are necessary for the actions to reach their critical mass and therefore fully produce effects. - The responsibility is shared at this level: •The Bank must pursue its efforts by continuing to finance the future phases of the PARSP; •The Government must maintain its commitment to pursue the administrative reforms.

<b>Overall Programme Performance</b>	<b>3.25</b>	<b>Highly satisfactory</b>
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**MOROCCO: PARSP II**  
**Matrix of Recommendations and Follow-up Actions**

Areas	Major Observations, Conclusions and Recommendations	Follow-up Actions	Responsibility
<b>Programme Formulation and Implementation</b>	<ul style="list-style-type: none"> <li>- The objectives of the programme are in harmony with the 2006 updated Country Strategy Paper of Morocco for the 2003-2005 period</li> <li>- The implementation of the PARSP II was highly satisfactory.</li> <li>- The macroeconomic performances with regard to the objectives of the programme are satisfactory.</li> <li>- The reforms must be registered in a continuous process.</li> <li>- Nevertheless, the Bank could not finance, neither the analytical studies, nor technical assistance for the programme.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Strengthen cooperation and partnership between the Borrower and the Bank.</b></li> <li>- <b>Pursue reforms.</b></li> <li>- <b>Strengthen the capacity of structures concerned by the reforms.</b></li> <li>- Make sure that, in the next phases of the PARSP, the Bank fully participates in the formulation of the programme by participating in analytical studies and providing technical assistance.</li> </ul>	<ul style="list-style-type: none"> <li>- The Bank with the active support of its country office in Morocco</li> <li>- The Government</li> <li>- Donors</li> </ul>
<b>Programme Implementation</b>	<ul style="list-style-type: none"> <li>- Macroeconomic performances were satisfactory.</li> <li>- The elements of this vast reform are interdependent. Consequently, the coordination of actions and the arrangement of the different elements of the reform will be more demanding during the implementation of the future phases of the PARSP.</li> </ul>	<ul style="list-style-type: none"> <li>- Pay particular attention to the coordination of actions and the arrangement of the different phases of the reform.</li> <li>- Strengthen the implementation of the communication strategy on administrative the reform inside and outside the administration.</li> </ul>	<ul style="list-style-type: none"> <li>- The Borrower by: <ul style="list-style-type: none"> <li>◆ strengthening its piloting mechanism and the arrangement of reforms in order not to hamper the overall consistency of the programme.</li> <li>◆ Making the communication strategy more dynamic in order to strengthen the ownership of the reform by a larger number of civil servants.</li> </ul> </li> <li>- The Bank should support the Government's actions aiming at ensuring the internationalization of the reform in the administration by financing the organization of training and information workshops.</li> </ul>

<p><b>Compliance with Loan Conditions and Covenants</b></p>	<p>No major problem has been noted concerning respect of the terms of the agreement of Loan and the conditions of safe loan to the level of the development and the transmission to the Bank of the reports of completion and audit.</p>	<p>Submit the activity reports of the programme according to projected schedule.</p>	<p>The Government</p>
<p><b>Performance Evaluation and Programme Outcome</b></p>	<ul style="list-style-type: none"> <li>- The overall performance of the PARSP II is highly satisfactory.</li> <li>- All the specific measures supported by the Bank were implemented in a highly satisfactory manner.</li> <li>- On the whole, the measures implemented has helped improved the macroeconomic environment and has enabled to lay important foundations for the establishment of an institutional and regulatory framework favorable to the modernization of the Moroccan public administration.</li> </ul>	<p>Maintain the rhythm of the Government in pursuing the reforms</p>	<p>The Government</p>
<p><b>Sustainability</b></p>	<p>The sustainability of the results of the PARSP II is conditioned by the satisfactory implementation of the future phases of the PARSP.</p>	<ul style="list-style-type: none"> <li>- Pursue the implementation of the reform and accelerate the implementation of its key measures.</li> <li>- Preserve political and macroeconomic stability</li> </ul>	<p>The Government with the support of external partners including the Bank.</p> <p>The Government</p>

## MOROCCO: PARSP II

Trend of the Main Indicators of the Moroccan Economy  
(2001-2006)

## Annex VIII/A: National Accounts

	2001	2002	2003	2004	2005	2006 Projection
Real GDP (Billions of Dirhams)	143.4	147.9	156.1	162.8	165.6	177.7
Current GDP (Billions of Dirhams)	383.18	397.78	419.48	443.67	457.6	579.6
Real GDP/Capita (US \$)	1176	1237	1484	1677	1640	1787
GDP Growth (in%)	6.3	3.2	5.5	4.2	1.7	8.1
GDP Growth excluding agric (%)	3.6	2.8	3.5	4.7	5.2	5.1
Consumer Price Index	0.6	2.8	1.2	1.5	1.0	3.3
Unemployment Rate	12.5	11.6	11.9	10.8	11.1	9.7
Saving Rate	64.7	66.2	61.6	55.7	52.2	54.0
Investment Rate (In GDP %)	4.8	4.1	3.6	1.9	2.2	
Coverage Rate (excluding imports)	9.8	10.2	11.2	11.0	11.0	11.7
<b><u>In GDP %</u></b>						
Total Revenue	24.9%	24.7%	24.6%	25.3%	27.2%	28.3%
Total Expenditure (Current and Investment)	31.5%	29.6%	29.8%	30.5%	34.2%	
Current Expenditure	26%	24.6%	25.1%	25.7%	29.8%	27.1%
<i>Of which wages</i>	12.5%	12.2%	12.7%	12.7%	13.6%	12.5%
Overall Budget Balance (deficit-)	-2.6%	-4.3%	-3.3%	-3.4%	-4.4	
Budget Balance (deficit-) excluding private.	-6.3%	-4.7%	-5.0%	-4.6%	-5.9%	-2.5
Total Public Debt	88.7%	83.9%	80.3%	76.5%	81.9%	
Total External Debt as % of GDP	29.0%	23.3%	18.8%	15.9%	15.1%	12.9%
Total External Public Debt	42.6%	35.7%	30.0%	26.0%	25.3%	22.7%
Domestic Public Debt	45.9%	48.2%	50.4%	50.5%	56.5%	
Debt Service (% current income from balance of payments)	16.5%	16.1%	17.4%	11.6%	9.5%	7.2%

Source: (CSP) Moroccan Authorities and IMF

**Annex VIII/B: External Accounts**  
(In Millions of MAD)

	<b>2003 (1)</b>	<b>2004 (2)</b>	<b>2005 (3)</b>	<b>2006 (4)</b>	<b>(2)/(1) In %</b>	<b>(3)/(2) In %</b>	<b>(4)/(3) In %</b>
Overall exports	83.9	87.9	99.3	111.7	+ 4.8	+13.0	12.5
Overall imports	136.1	157.9	184.4	207.0	+16.6	+16.8	12.3
Overall trade deficit	-52.2	-70.0	-85.1	-95.3	+34.2	+21.6	+12.0
Coverage rate	61.7	55.7	53.8	54.0			
Travel balance	+25.6	+29.7	+35.5	+46.3	+15.9	+19.4	+30.4
Surplus on current transfers	+39.2	43.1	+47.7	55.5	+ 9.9	+10.7	+16.3
Investment rate	+15.5	+8.5	+11.1	+16.3	-43.9	+30.3	+46.8
Investment rate in GDP %	3.6	1.9	2.4				
Total external debt service	29.8	22.8	21.2	18.6			
Outstanding external public debt	126.0	115.3	115.9	115.2	- 8.5	+ 0.5	- 0.8
External public debt in GDP %	26.4	23.1	22.2	19.9			

Source: Moroccan Authorities/Ministry of Finance and Privatization

**Annex VIII/C: BUDGETARY BALANCE AND FINANCING REQUIREMENTS, 2002-2006**  
[Including VAT for Local Communities (CL)]

(Millions of MAD)

	2002	2003	2004	2005	2006
Ordinary balance	8.391	11.842	12.383	5.397	15.012
LC share in VAT	7.185	7.803	8.834	9.796	10.657
Ordinary balance (excluding LC VAT)	1.206	4.039	3.549	-4.399	4.355
<b>General budget balance</b>	<b>-17.050</b>	<b>-13.836</b>	<b>-15.117</b>	<b>-19.557</b>	<b>-16.105</b>
Primary balance	361	3.515	1.965	2.583	2.664
Change in arrears	-231	-2.098	2.087	-9.103	-2.240
<b>Financing requirements</b>	<b>-17.281</b>	<b>-17.567</b>	<b>-13.030</b>	<b>-28.660</b>	<b>-18.345</b>
<b>Internal financing</b>	<b>28.480</b>	<b>26.313</b>	<b>19.447</b>	<b>30.088</b>	<b>17.115</b>
♦ Bank	-1.376	1.757	-5.669	2.000	2.000
♦ Non-bank	29.856	22.923	25.116	28.088	15.115
<b>External financing</b>	<b>-11.199</b>	<b>-8.746</b>	<b>-6.417</b>	<b>-1.428</b>	<b>1.229</b>
Drawings **	4.484	8.422	4.691	9.313	10.915
Amortization	-15.683	-17.168	-11.108	-10.741	-9.686

(\*): Temporary data

(\* \*): Including grants

Source: Moroccan Authorities/Budget Directorate/MFP

**THE KINGDOM OF MOROCCO**  
**PARSP II**

**The International Rating Agencies**

**Standard & Poor's and Moody's Rate Morocco**

1. During the 2003 visits: These visits resulted in the improvement of Morocco's rating outlook from "negative" to "stable" by the two agencies. According to Standard & Poor's, this is due to the improvement of growth forecasts, which predicts the stabilization of the medium term public debt burden. This stabilization is based on better tax receipts and less expenditure. Standard & Poor's also specified that, the rating is sustained by a stable political environment which is becoming liberal over the years, a cautious monetary policy and a strong position in terms of foreign exchange reserves. According to Moody's, the improvement of the rating outlook is mainly due to improvement of the country's public finances. Moody's underlined the improvement recorded at the level of budget deficit following stabilization of tax receipts and reduction of the expenditure budget. Moody's noted that changes in the outlook also reflects the reduction of the level of the country's public debt as a consequence of the strategy adopted for active debt management.
2. In 2004, the visit of Standard & Poor's and Moody's in Morocco resulted in the improvement of the rating outlook from "stable" to "positive". According to these two agencies, the improvement of the rating outlook from "stable" to "positive" is explained by: (i) a visible improvement of Morocco's external position following a steady downward trend of the external debt and a comfortable level of foreign exchange reserves from foreign direct investments and surpluses from the 2002-2004 current accounts; (ii) the pursuit of the political liberalization that is likely to limit with time the risk of political and social instability; and (iii) a strong commitment of the Government to implement economic reforms with stable and foreseeable policies that would enable, notably through recent success of privatization operations, the liberalization of key industrial sectors and the adoption of new labour codes to reinforce external competitiveness.
3. On August 28, 2005, the rating agency, namely Standard & Poor's (S&P), upgraded the rating of the Moroccan debt from "BB" to "BB+". A good rating will therefore enable Morocco to access external financing in better terms. With this rating, Morocco has integrated the group that comprises Egypt, Romania or Macedonia. This improvement of the rating is in recognition of the strong commitment of the Government to implement structural reforms as well as the sound macroeconomic performance of the country, mainly the enhanced solidity of external position indicators. Standard & Poor's and Moody's underlined that, in this respect, this upgrading of the rating is possible when the reforms in question enable significant outlook growth and effectively reduce the proportion of fixed expenses that remain high, the wage bill in particular.

### Fitch Ratings Rates Morocco's Foreign Currency "BBB "

After ten years of waiting, Morocco finally gets Investment Grade. This was granted by the international agency, Fitch Ratings. This agency has assigned Morocco a foreign currency IDR of "BBB" and a local currency IDR of "BBB", with a stable outlook. Françoise Alos, in charge of Communications of Fitch Ratings, indicated in Paris that: « This valorization is equivalent to the lowest level of the Investment Grade ». Besides, Morocco got a short-term foreign currency rating of "F3" and a country ceiling of "BBB". It should be noted that the two other international references, namely the Moody's and Standard & Poor's did not classify Morocco in this category.

It was indicated in the rating report that " Morocco's ratings reflect the sound progress over the latest years in the economic, political and social areas, which has translated into continuing improvements in living standards and external position, despite persistent fiscal deficits ". The rating agency supported this ranking by referring to surpluses on current account since 2001 and satisfying external debt and liquidity ratios.

However, Fitch Ratings considers that the public debt is "relatively high and is the major weakness of the country." Nevertheless, it underlines efforts made in reducing the 2006 debt burden. It also mentions the depth of the stock market that allows the Government to increase at the national level its financial needs. Fitch expects "a sustained pace " of growth with regard to receipts from tourism, exports and FDI. "This will result in an improvement in external debt and liquidity ratios in 2007-2008." According to the rating agency, Morocco's debt burden (63% of GDP in 2005) is due to a wide budget deficit linked to the narrow tax base and the significant subsidies allocated to the energy sector. A deficit, brought down to 1.9% of GDP thanks to the DVD operation and the improvement of tax receipts. Fitch forecasts a slight aggravation of the budget deficit in 2007, following the reduction of the customs revenues related to EU agreements.

Fitch's reasons are almost identical to those given by Moody's and S&P. However, the two agencies did not include Morocco in their Investment Grade because of the high level of indebtedness. Murilo Portugal, Deputy Managing Director of the IMF made remarks, corroborating the statements of the rating agencies.

Fitch Ratings points out the vulnerability of the Moroccan economy in relation to climate vagaries and fluctuations in energy costs. However, It indicates that the Moroccan economy has entered a " transition phase" geared towards the dynamics of investment of the country. Its reasoning is based on the increase of the receipts of tourism, which are becoming the first source of foreign income in the country, as well as the infrastructure and housing booms, without forgetting the positive nature of off shoring, sub-contracting and textile. This dynamics cleared on a growth rate of 8,1% of GDP.

However, according to Fitch ratings, "the overall growth was not sufficient to significantly reduce poverty that remains relatively high in Morocco and to resorb unemployment in a sustainable manner ". The agency nevertheless notes that the Moroccan economy's liquidity ratios have increased significantly. This increase is due to facilities in creating enterprises, reforms of the banking sector not short of liquidities and the development of the stock market.

## MOROCCO: PARSP II

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