

INFORMING THE MDBs' APPROACH TO UCS IN AFRICA

CASE STUDY: MOROCCO

Dr El Mostafa Jamea



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The Global Economic Governance (GEG) Africa programme is a policy research and stakeholder engagement programme aimed at strengthening the influence of African coalitions at global economic governance forums such as the G20, BRICS, World Trade Organization and World Bank, among others, in order to bring about pro-poor policy outcomes.

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- disseminating and communicating research and policy briefs to a wider audience via mass media and digital channels in order to create an informed and active policy community on the continent.

The programme will be focused on three thematic areas: development finance for infrastructure; trade and regional integration; and tax and transparency.

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CONTENTS

ABBREVIATIONS & ACRONYMS	5
INTRODUCTION	6
INFRASTRUCTURE DEVELOPMENT IN MOROCCO	8
Energy	8
Highways	9
Harbours and airports	9
Urban development	9
Water	8
Waste water treatments	9
Railways	10
Agriculture	10
OVERVIEW OF PUBLIC FINANCIAL MANAGEMENT	10
Budget preparation	10
Engagement with Parliament in the adoption of the budget	10
Budget presentation and communication to the broader public	11
Implementation of the annual financial law	11
Financial relations between central and local governments and financial decentralisation	11
Financial relationship between the state and public sector enterprises	12
Debt management	12
Internal and external audits	13
Governance and accountability	14
PUBLIC FINANCIAL MANAGEMENT AND PROCUREMENT REFORM	14
Key strengths of the Moroccan PFM and procurement system	15
Key successes of the Moroccan PFM and procurement system	15
Key challenges associated with the Moroccan PFM and procurement system	16
ENVIRONMENTAL AND SOCIAL FRAMEWORKS IN MOROCCO	17
Key strengths of the Moroccan ESF system	18
Key successes of the Moroccan ESF system	18
Key challenges of the Moroccan ESF system	18

THE USE OF COUNTRY SYSTEMS AND PROCEDURES	19
World Bank operations in Morocco	20
AfDB operations in Morocco	21
RECOMMENDATIONS	22
Moroccan banking system	23
Local procurement system	24
Establishment of local MDB offices and mastering of the local business culture	24
Best approaches to UCS by MDBs	25
How can MDBs make better use of the local ESF?	26
ANNEX 1: LIST OF CONSULTED STAKEHOLDERS	27

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ABBREVIATIONS & ACRONYMS

AFD	Agence française de développement
AfDB	African Development Bank
AUEA	Associations of Agricultural Water Users
BCP	Banque Centrale Populaire
BMCE	Banque Marocaine de Commerce Extérieur
CPIA	Country Policy and Institutional Assessment
CS	Country System
CSP	Country Strategy Paper
Dh	Moroccan Dirham
EBRD	European Bank For Reconstruction and Development
EIA	Environmental Impact Assessment
ESF	Environmental and Social Frameworks
ESIA	Environmental and Social Impact Assessment
GDP	Gross Domestic Product
GoM	Government of Morocco
HCP	Haut-Commissariat au Plan
KfW	Kreditanstalt für Wiederaufbau; German Development Bank
MDBs	Multilateral Development Banks
MorSEFF	Morocco Sustainable Energy Financing Facility
OP	Operational Policy
PAPNEEI	Projet d'Appui au Programme National d'Economie d'Eau d'Irrigation
PFM	Public Financial Management
Pfor	Program for Results Financing
PPP	Public-Private Partnership
SMEs	Small and Medium-Sized Enterprises
USC	Use of Country Systems
WB	World Bank



INTRODUCTION

The Kingdom of Morocco is a constitutional monarchy with an elected parliament and a head of government selected from the party that wins the election. Morocco's population reached 33,304,000 in 2014, according to the national statistical agency (HCP), with the youth constituting a large part of that figure (53% of the population is under the age of 30). The national GDP was estimated at \$100.6 billion in 2015, making Morocco the fifth largest economy in Africa.¹

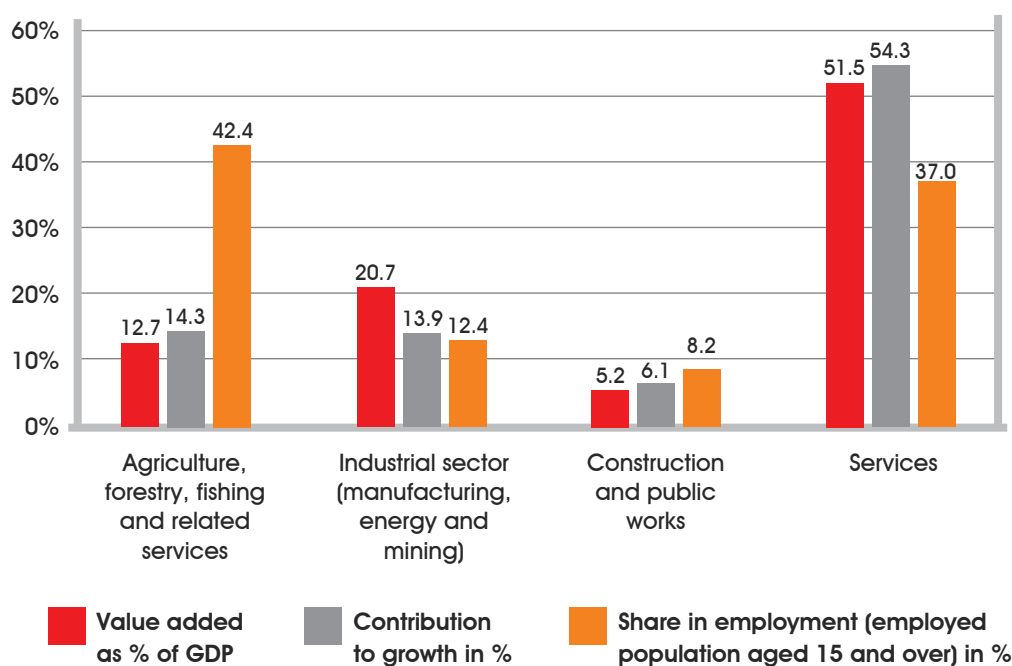
Morocco is currently making the transition to a multiparty governance system, a process involving socio-economic and environmental reforms and more active engagement with the public on matters of public policy

Morocco is currently making the transition to a multiparty governance system, a process involving socio-economic and environmental reforms and more active

¹ <http://data.worldbank.org/country/morocco>

engagement with the public on matters of public policy. In July 2011, the country's Constitution was reviewed to ensure the continued relevance and accuracy of its various provisions, which are concerned with democracy, individual freedom, accountability, transparency, and the rights of citizens to a healthy environment and long-term sustainable development. Clause 31 of the Moroccan Constitution stresses the importance of achieving sustainable development and assuring the protection of natural resources, while clause 35 says that environmental protection is afforded the utmost attention in legislation in the Kingdom.

FIGURE 1 DIFFERENT ECONOMIC SECTORS' SHARE OF GDP AND EMPLOYMENT, AND CONTRIBUTIONS TO ECONOMIC GROWTH (ANNUAL AVERAGE 2000–2014)



Source: HCP (High Commission for Planning). *Morocco, Between the Millennium Development Goals and the Sustainable Development Goals – Achievements and Challenges*, 2005

In early 2002, Morocco turned its attention to formulating and implementing an integrated socio-economic development strategy and launched a human development initiative as well as several sectorial and cross-sectorial plans such as the Emergency Plan. The Emergency Plan mainly covers the industries in which Morocco has a competitive advantage, including automotive, textile, aeronautics and food processing. These initiatives and programmes have a heavy focus on the environment and actively promote accountability and transparency.

Building on this mandate, Morocco has been gearing its development strategy towards greener and more inclusive growth. The country launched its Energy Strategy in 2009, which entails leveraging public-private partnerships (PPPs) to ensure greater deployment of renewable energy technologies in the generation of power and the promotion of energy efficiency. Morocco also adopted the environmental protection framework, “La Charte Nationale de l’Environnement”.

Generally, Multilateral Development Bank (MDB) activities (the provision of both loans and grants) represent only a small proportion of financing to the Moroccan government (4–5%), but there has been a steady increase in MDB involvement in the country over the past decade, from 1.2% of GDP in 2000 to 1.6% in 2006, and an estimated 5% in 2010.² MDBs mainly provide finance for infrastructural projects relating to power generation, harbours, airports, highways, railways, dams, waste water treatment and irrigation. MDBs have, though, also financed some policy programmes, such as human development initiatives and policy reforms in the finance and insurance sectors.

INFRASTRUCTURE DEVELOPMENT IN MOROCCO

Since attaining its independence in 1956, Morocco has been developing its infrastructure with a view to modernising its economy and realising its socio-economic development goals. The initial focus was on the construction of dams and hydropower stations to supply drinking water, electricity and irrigation to the agricultural sector. Morocco has also built roads, highways, airports and harbours. However, growing demand from the population has put available resources under pressure, resulting in infrastructural gaps and deficiencies. To address these problems, Morocco has launched a number of projects in the following sectors:

ENERGY

Morocco, which sources more than 93% of its energy requirements from the international market, faces steadily rising demand for power and energy products. To meet this ongoing challenge, the country has launched several energy projects aimed at exploiting local renewable power sources - mostly wind and solar energy. Furthermore, Morocco has implemented a number of energy efficiency programmes in the country’s industrial, tertiary and construction sectors. Projects in the pipeline include a liquefied natural gas (LNG) project near Casablanca and the construction of a coal power plant and oil terminal at the harbour in West Med in Nador. In addition to the contribution of local and international commercial banks, several MDBs, such as the World Bank (WB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB), are helping to finance infrastructure projects.

2 <https://www.oecd.org/countries/morocco/49414466.pdf>.

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HIGHWAYS

Morocco is upgrading and expanding its highway network, which is rated the second most important network in Africa after that of South Africa. The country, whose total road network currently stretches over more than 2000 km, is developing its inland highway network which will link the cities of Marrakech-Fes and Tetouan.

HARBOURS AND AIRPORTS

Morocco is busy modernising and increasing the capacity of most of its international airports. At present the country has more than 20 operational airports, the majority of which offer international connections.

Morocco is also developing and extending the capacity of certain harbours, mainly in Casablanca and Jorf Lasfar. At the same time, it is building two new large harbours, namely Nador West Med on the Mediterranean coast and the Atlantic harbour near Rabat. The EBRD is one of the co-financiers of these projects.

URBAN DEVELOPMENT

Morocco is modernising the infrastructure of its cities, which includes building sustainable transportation systems. The country is also building new green cities and green districts where the concepts of energy efficiency and renewable energies are strongly integrated.

WATER

Several water projects are currently under way. These include the construction of sea water desalination stations which will make water available for irrigation, and the conversion of existing irrigation facilities into more resource-efficient (e.g. drip irrigation) systems.

WASTE WATER TREATMENTS

As part of a plan to encourage the general use of waste water, Morocco is establishing a waste water treatment station. The French Development Agency (AFD) is co-financing this project.

RAILWAYS

Morocco is developing a high-speed rail system in collaboration with development partners such as Agence française de développement (AFD) and commercial banks. The country is also upgrading and modernising its existing railways infrastructure.

AGRICULTURE

Some years ago Morocco introduced its 'Maroc Vert' Plan, aimed at modernising the agricultural sector through the introduction of more efficient and climate-friendly farming technologies and techniques. Between 2008 and 2016, MDBs contributed \$2.5 billion in finance towards this programme³.

OVERVIEW OF PUBLIC FINANCIAL MANAGEMENT

BUDGET PREPARATION

The budgeting process is an important component of countries' public financial management (PFM) duties as it provides insights into the levels of public engagement (either directly or through parliamentary representatives) and accountability, as well as government priorities. Taking its cue from the Financial Law Act 130-13, the annual budget preparation process in Morocco comprises the following main steps:

- The Ministry of Finance (MoF) prepares the annual draft budget under the supervision of the head of government;
- Throughout the budgeting process, the MoF engages various parliamentary financial commissions on the prioritisation process followed in preparing the budget;
- The budget is then presented to Parliament to vote on;
- Parliament has the right to propose amendments to the financial law relating to expenditure under the budget; and,
- The Constitutional Court might be asked to rule on the conformity of the budget to the Constitution.

ENGAGEMENT WITH PARLIAMENT IN THE ADOPTION OF THE BUDGET

In line with the Financial Law Act 130-13, the financial commissions in both parliamentary chambers hear presentations and discuss the prioritisation process followed by the government in preparing the budget. Parliament also has the opportunity to discuss and debate the proposed budget in plenary sessions, after

3 <http://lematin.ma/journal/2016/pres-de-25-milliards-de-dh-consentis-par-les-bailleurs-de-fonds-internationaux/256485.html#sthash.1q8GYjr7.dpuf>.

which amendments might be proposed or certain aspects of the budget accepted or rejected.

BUDGET PRESENTATION AND COMMUNICATION TO THE BROADER PUBLIC

In addition to the budget being submitted to Parliament, the Ministry of Finance prepares and publishes a 'citizen' budget. Typically, this is a simplified version of the annual budget which gives a summary of key numbers. On the basis of this document, the broader public are able to familiarise themselves with budgeted revenues and expenditures, and in particular to monitor public expenditures, the budget deficit and public debt.⁴

Despite this public engagement process, in 2015 Transparency Maroc criticised the lack of access to budget information, the lack of broad public participation in the drafting of the national budget, and the limited engagement of the public in monitoring budget expenditures.⁵

IMPLEMENTATION OF THE ANNUAL FINANCIAL LAW

In line with Act 130-13, the government sets an "implementing law of the budget"; "La loi de règlement de la loi de finances". This implementing law is also voted on by Parliament.

FINANCIAL RELATIONS BETWEEN CENTRAL AND LOCAL GOVERNMENTS AND FINANCIAL DECENTRALISATION

In addition to the national budget, each region in Morocco prepares an annual budget based on its revenue and expenditure plans. Transfers from national government to each region are supplemented by a solidarity fund among the 12 regions making up the Kingdom of Morocco. Annual Government of Morocco (GoM) financial transfers to the regions are as follows:

- 5% of revenues collected from corporate taxes;
- 5% of revenues collected from income taxes;
- 20% of revenues collected from taxes on insurance; and
- Up to Dh 10 billion (\$1 billion) from the solidarity fund, which is divided up among the regions based on their populations and geographical size.

4 <https://www.finances.gov.ma/fr/Pages/Budget-citoyen.aspx?m=Loi%20de%20finances%20et%20Budget>.

5 <http://www.challenge.ma/transparence-budgetaire-le-maroc-a-la-traine-55335/>.

FINANCIAL RELATIONSHIP BETWEEN THE STATE AND PUBLIC SECTOR ENTERPRISES

The GoM is the majority shareholder in state-owned enterprises (SOEs). As is the case with all other firms, taxes are levied on SOEs by the national authorities. These taxes, together with dividends from the SOEs, are then distributed to the 12 different regions. In addition, the GoM might intervene to guarantee loans and credit facilities that creditors extend to public firms.

DEBT MANAGEMENT

Structurally, loans and credit facilities are accounted for in the annual budget.⁶ As shown in Table 1, debt has been on an upward trajectory in recent years, starting at 45.44% of GDP in 2008 and rising to 63.2% of GDP by 2014. Debt is expected to decline in 2017 and 2018, and reach 62.1% in 2019 from a high of 65.1% in 2016. On the other hand, the average cost of debt has decreased (from 5.1% in 2010 to 4.4% in 2014), while its maturity has increased (from 5.7 to 6.5 years during the same period). Debt structuring should remain favourable, provided that 75% of the debt stock remains domestic and is thus insensitive to external shocks. The country's internal debt is mainly owned by commercial banks, insurance companies and pension funds.

Morocco has adopted a prudent debt management strategy which has enabled the government to control the debt-to-GDP ratio

The 2011 Constitution highlights the importance of good governance, anti-corruption initiatives and public financial management reforms.⁷ Morocco has adopted a prudent debt management strategy which has enabled the government to control the debt-to-GDP ratio.⁸ The Department of Treasury is responsible for implementing the debt management strategy in line with its overall financial objectives and various debt-related targets. The debt stock accounting process is subject to careful monitoring.

6 Financial law of 2016, published in the official bulletin.

7 <https://openknowledge.worldbank.org/bitstream/handle/10986/20553/901440BRI0Box30colI0KNOWLEDGE0NOTES.pdf;sequence=1>.

8 http://treasury.worldbank.org/web/documents/Morocco_NonIBRDHedge.pdf.

TABLE 1 DEBT EVOLUTION SINCE 1990 (SELECTED YEARS)

YEAR	\$ BILLIONS	% GDP	\$ PER CAPITA
2015	64,432	64.06%	1,923
2014	69,706	63.45%	2,101
2013	65,938	61.73%	2,007
2012	57,254	58.30%	1,762
2011	53,290	52.55%	1,655
2010	45,633	49.00%	1,434
2009	42,911	46.13%	1,360
2008	42,012	45.44%	1,348
2007	41,088	51.99%	1,332
2006	38,975	56.78%	1,278
2005	38,378	61.64%	1,274
2000	27,264	70.19%	958
1995	30,504	78.16%	1,156
1990	23,018	76.27%	957

Source: <http://countryeconomy.com/national-debt/morocco>

Over the past five years the GoM has aimed to reduce its budget deficit from -7.3% of GDP in 2012 to -3% in 2017. This has largely been achieved through reductions in public expenditure in the following areas:

- A reduction in the budget allocated to subsidies (particularly energy subsidies), from 6.2% of GDP in 2012 to 1.4% in 2015;
- A reduction in wage-related costs of approximately 0.4% of GDP; and
- The cancellation of non-executed investments.⁹

INTERNAL AND EXTERNAL AUDITS

According to clause 147 of the Moroccan Constitution, the Auditing Court (“la cour de compte”) is the supreme body in charge of controlling and auditing public finances. Its independence is guaranteed by the Constitution and its main mission is to consolidate and apply best governance practices and transparency in the public finances domain. It is also responsible for ensuring the enforcement of the annual financial law. The Auditing Court supports Parliament in the management of public finances, while also responding to parliamentary questions and engaging in consultations. In addition to the central Auditing Court, there are regional auditing courts that contribute to the management of public finances and perform audits on SOEs.

⁹ <http://countryeconomy.com/national-debt/morocco>.

The Auditing Court is in the process of building capacity by training its staff and consolidating its mandate to ensure that there is accountability in the management of public finances in Morocco.

GOVERNANCE AND ACCOUNTABILITY

Between 2004 and 2014, Morocco made significant progress in rooting out corruption, and ensuring greater efficiency and accountability in governance practices. In 2015, Morocco's overall Country Policy and Institutional Assessment (CPIA) score was 4.09, placing it in 13th place on the African continent¹⁰. According to the World Bank governance indicators, the country showed significant improvement in efficiency of public action, with its score moving from 56 to 48 between 2004 and 2014¹¹. Similarly, the 2016 Global Integrity Report showed that Morocco's public management has strengthened, with a score of 63/100 (up from 43/100 in 2013) (AfDB, 2015).

The 2014 decree on public procurement and the enactment of the law governing free pricing and competition have helped Morocco to improve its compliance with international regulations on governance and to simplify public procurement procedures. Governance in Morocco has been furthered strengthened with the launch of the Corruption Control Strategy in May 2016. Other initiatives introduced to improve governance include:

- The introduction of a toll-free number to report acts of corruption;
- The presentation by the Auditing Court of records for analysis and/or action by the justice system; and
- A proposal to introduce a new law that will give relevant powers to a National Authority for Probity and Corruption Prevention and Control.¹²

PUBLIC FINANCIAL MANAGEMENT AND PROCUREMENT REFORM

Several reports from development banks, partner countries and other organisations agree that considerable progress has been made in Morocco in enhancing its public financial management. The 2009 Public Financial Management Report from the

10 A scorecard developed by the World Bank, measuring various indicators across four clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions.

11 World Bank, Worldwide Governance Indicators (WGI) project, 2015.

12 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Morocco_-_Country_Strategy_Paper_2017-2021.pdf.

World Bank highlights important improvements at various levels, notably with respect to internal audits and control within the public administration sphere¹³.

The 2009 Public Financial Management Report from the World Bank highlights important improvements at various levels, notably with respect to internal audits and control within the public administration sphere

However, certain weaknesses still need to be addressed, specifically shortcomings in dealing with complaints about public procurement and the bidding process for large contracts worth over Dh 200 000 (about \$20 000). The bidding process for large procurement contracts is often challenged by competing firms, and there is a need to establish a quick and efficient mechanism whereby complaints can be received and processed timeously and full transparency in the bidding process is assured. The value of public contracts in Morocco every year amounts to about 17% of GDP.¹⁴

KEY STRENGTHS OF THE MOROCCAN PFM AND PROCUREMENT SYSTEM

One of the key strengths of the public financial management (PFM) and procurement system has been the creation of the “Commission Nationale de la Commande Publique” and various texts relating to the public tendering process. Intended to be an independent and neutral body, the Commission will be responsible for – over and above applying the regulations related to public procurement – dealing with claims and complaints from competitors. The Commission will give its opinion on disputes that have arisen between contractors and public administrations during the execution of contracts.

While bidders are optimistic about these reforms, they consider it too early to judge how successful such reforms are likely to be. Time will tell whether the necessary reforms can be implemented in a practical way and whether Morocco, as a result, will be able to maintain a strong, consistent and transparent procurement system.

KEY SUCCESSES OF THE MOROCCAN PFM AND PROCUREMENT SYSTEM

Morocco has succeeded in establishing many effective public-private partnerships (PPPs). This has been very advantageous, particularly in light of the country's

¹³ World Bank, *Morocco - Public Financial Management Performance Report (PEFA): Assessment of Public Financial Management Systems, Procedures, and Institutions, 2009*, <https://openknowledge.worldbank.org/handle/10986/3146>.

¹⁴ <http://www.oecd.org/countries/morocco/44172038.pdf>.

ongoing efforts to update its procurement rules and legislation, which are important to PPPs. PPPs require a transparent procurement system if they are to be effective. Morocco has made great strides in this regard, especially in involving the private sector in making suggestions about needed reforms in the country's PFM and procurement system. The effectiveness of Morocco's reform process to date has been recognised by the AfDB which has determined that, instead of mandating the AfDB's framework, projects funded in Morocco can adopt the Moroccan procurement framework.¹⁵

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Morocco is also making headway in its efforts to build capacity among staff engaged in public procurement. Initiatives in this regard are based on a high-level strategy that was designed on the basis of a comprehensive needs assessment that was performed. In 2017, the Secretary General of the Government and General Treasury – which is the main government institution dealing with PFM – launched a national procurement training strategy.

In addition, Morocco has enhanced transparency in the procurement process by:

- publishing the estimated value of contracts;
- announcing public procurement forecast programmes;
- issuing all tender documents at all stages of the procurement process;
- publishing tender regulatory documents; and
- setting up an online public procurement portal.

KEY CHALLENGES ASSOCIATED WITH THE MOROCCAN PFM AND PROCUREMENT SYSTEM

Notwithstanding the significant effort that Morocco has put into PFM reforms, the Public Procurement Commission still needs to be made an independent and autonomous organisation with the capability of processing all complaints and appeals. The Commission also needs to be able to maintain its neutrality, independence and impartiality, and to have the financial means to sustain its operations and investments. So far, the Commission's governance structure has

¹⁵ http://www.oecd.org/governance/ethics/Summary_Record_MENA_Workshop_Caserta_November2014.pdf.

been giving more weight to public representatives, while civil society and private sector representatives are underrepresented.¹⁶

Despite the positive trajectory of the procurement reform process, the existence of various sets of procurement rules at different agencies and at different levels is a weakness of the Moroccan system, and there is a need for the various sets

Despite the positive trajectory of the procurement reform process, the existence of various sets of procurement rules at different agencies and at different levels is a weakness of the Moroccan system, and there is a need for the various sets of rules to be harmonised

of rules to be harmonised. Other problems include inadequate human resources, institutional fragmentation and a general lack of procedural coordination, which need to be addressed if all public entities are to meet their obligation to achieve high performance standards.¹⁷

ENVIRONMENTAL AND SOCIAL FRAMEWORKS IN MOROCCO

Morocco has been conducting environmental impact assessments (EIAs) on development projects since 1994. Between 1994 and 2003, EIAs were carried out on a voluntary basis by project proponents, or when they were called for by MDBs, or when a particular project had a potentially negative impact on the environment and surrounding communities. Between 2003 and 2008, Morocco subscribed to law 12-03 on EIA, which became the legislative reference for EIAs at the national level. In 2008, decrees for the implementation of law 12-03 were promulgated, and community/stakeholder engagement and consultation in EIAs were mandated and institutionalised.¹⁸

Morocco's promotion of sustainable development is endorsed by the Kingdom's 2011 Constitution, which states that sustainable development, with its environmental, economic and social pillars, is every citizen's right.¹⁹

16 <http://www.oecd.org/gov/ethics/mena-oecdnetworkonpublicprocurement.htm>.

17 http://www.oecd.org/governance/ethics/Summary_Record_MENA_Workshop_Caserta_November2014.pdf.

18 <http://www.environnement.gov.ma/fr/service/etude-impact>.

19 Moroccan Constitution, 2011.

The environmental and social frameworks (ESF) in Morocco mainly consist of the following laws and acts:

- Law 12-03 on EIAs (decree of 1-03-06 dated 12 May 2003) which defines the execution procedure, EIA contents and projects that are subject to EIA studies;
- Law 11-03 on environmental protection and conservation (decree of 1-03-59 dated 19 June 2003);
- Water Act 10-95 (decree of 1-95-154 dated 16 August 1995);
- The law 28-00 on waste management and disposal (decree of 1-06-153 dated 7 December 2006);
- Law 13-03 on air quality (decree of 1-03-61 dated 12 May 2003);
- Law 12-90 on urban planning (decree of 1-92-31 dated 17 June 1992);
- Law 7-81 on expropriation for public utility and temporary occupation (decree n° 1-81-254 dated 6 May 1982); and
- Law 22-80 (decree of 1-80-341 dated 25 December 1980) on cultural and historical heritage as amended and modified in 2006 by law 19-05 (decree of 1-06-102 on 8 June 2006).

KEY STRENGTHS OF THE MOROCCAN ESF SYSTEM

Key strengths of Morocco's legal framework on environmental and social safeguards are: the existence of a time frame for the conducting of environmental and social impact assessments (ESIAs); the requirement that reasons be given in support of ESIA decisions; the need to file reports and decisions, and the imposition of controls and penalties; and the operation of the ESIA inter-sector committee. These strengths have inspired confidence in Morocco's ESF system among external entities, such as MDBs.

KEY SUCCESSES OF THE MOROCCAN ESF SYSTEM

Environmental and social frameworks (ESFs) are used in Morocco to assess the impact of development projects on the surrounding communities and the environment. This has helped to address communities' concerns regarding the environmental impact of infrastructural or industrial projects, to make assurances about long-term nature conservation, and to solicit considerable social acceptance of development projects. Furthermore, the ESF and the environmental impact assessment process have raised awareness among the private sector and contractors of the need for and strategies used in protecting the environment.

KEY CHALLENGES OF THE MOROCCAN ESF SYSTEM

While Morocco has made great strides in strengthening its ESF, some challenges remain. Problems such as climate change, the displacement of vulnerable groups

and gender-based discrimination are not provided for or addressed in ESIAs.²⁰ At the same time, Morocco does not have processes in place for the certification of ESIA consultants, which makes it difficult to build a network of accredited, independent, highly-qualified and competent experts. What adds to the challenge of introducing effective environmental and social safeguards is the fact that civil society is often inadequately involved in these processes.

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Unlike the World Bank's environmental and social safeguards, Morocco's equivalent legislation does not specifically require any mention or analysis of alternatives to the proposed project (including different project options), except in the case of public investment (mainly urban development) where the administration is able to consider alternatives during the decision-making process. Furthermore, Moroccan legislation leaves the conditions for preparing the EIA up to the project proponent, which might result in the latter preparing the EIA or assigning it to another entity. This could negatively affect the quality of EIAs being carried out on projects with relatively high levels of environmental risk. Moreover, Morocco's ESF does not require detailed information on the content of environmental management plans.

Meanwhile, the value of the public consultations that take place as part of the EIA process is limited by the fact that the legislation allows the project proponent to conceal certain information in the interests of client confidentiality. In the absence of key pieces of project-related information, the relevance of stakeholder comments and feedback could be dealt a blow.

THE USE OF COUNTRY SYSTEMS AND PROCEDURES

Following the World Bank's Use of Country Systems assessment in 2014, key gaps in the Moroccan procurement system were identified:²¹

- The lack of a credible, independent and operational complaints-handling system;
- The exclusion of certain types of contracts from the key regulations governing public procurement; and
- The fact that public procurement decrees could not be applied to decentralised entities.

20 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/SSS_-_Use_of_Country_Systems-_Int%C3%A9rieur_web_-_EN.pdf.

21 <https://openknowledge.worldbank.org/bitstream/handle/10986/20553/901440BRI0Box30coll0KNOWLEDGE0NOTES.pdf;sequence=1>.

WORLD BANK OPERATIONS IN MOROCCO

Since 2013, the World Bank has been using the Program for Results (PforR) approach in its financing operations, whereas Moroccan procurement procedures apply to all procurement activities. Accordingly, the World Bank used the country procurement process in co-financing the National Initiative for Human Development Phase II (\$300 million) project.²² The World Bank's PforR instrument has the use of country systems (UCS) as the default option, but controls are sometimes imposed on investment lending in situations that Bank staff consider to be risky. Borrower feedback on this instrument has been favourable, with cited benefits including streamlined transaction procedures, borrowers being able to institutionalise the verification of development results, and a shift in the dialogue with Bank staff from verification of activities to actual development results.²³

Morocco has been working with the World Bank since the country's independence (1956). Cooperation has continuously progressed and strengthened, helped by the fact that the country has a long history of engaging in proactive reforms.²⁴ Their solid relationship has resulted in Morocco joining the World Bank's Use of Country Systems (UCS) pilot programme (Operational Policy 4.0), which has enabled the country to make significant progress in using country systems in projects financed by the World Bank.²⁵ Drawing on World Bank guidelines, the pilot programme has also led to an improvement in the GoM procurement systems.

World Bank and ESF in Morocco

The World Bank may decide to use a country's ESF system to address environmental and social safeguard issues in a Bank-financed project that affects indigenous people. This is mainly to avoid any negative impact on the livelihood and resilience of local communities and indigenous people.

The World Bank has tested the use of the national ESF system in the project "Depollution of Oum Rbia" (depollution of one the main rivers in Morocco), and has conducted equivalence and acceptability tests on Morocco's ESF with the World Bank's ESF.²⁶ This pilot project fell within the framework of the World Bank Operational Policy 4.00, which makes provision for the use of country systems in conducting environmental and social impact assessments for projects financed by

22 https://consultations.worldbank.org/Data/hub/files/meetings/Procurement_Policies/Background_Paper_on_Use_of_Country_Systems.pdf.

23 World Bank, Program-for-Results: Two Year Review, 2005.

24 http://siteresources.worldbank.org/EXT/FIDFOR/Resources/4659192-1269357151886/MNA1_fin.pdf.

25 http://siteresources.worldbank.org/EXT/FIDFOR/Resources/4659192-1269357151886/MNA1_fin.pdf.

26 http://siteresources.worldbank.org/PROJECTS/Resources/40940-1097257794915/537867-1136835492035/Morocco_Oum_er_Rbia_Sanitation_SDR_French.pdf.

the Bank. According to the OP 4.00, the analysis of UCS potential shall cover all policies, laws, regulations and procedures as well as the institutions and parties concerned about and responsible for the implementation of the project.

Based on the equivalence assessment and acceptability test, the WB proposed complementary measures to improve Morocco's national system in order to make it compatible with the Bank's operational objectives and principles. The main gaps identified by the World Bank were related to the fact that applicable clauses and regulations in the EIA of water and sanitation in Morocco are dispersed in various legal and administrative frameworks.²⁷

The equivalence and acceptability assessments undertaken by the World Bank on Morocco's local ESF concluded that Morocco is one of the countries that is best suited for piloting the UCS. This is because of the progress the country has made in developing a comprehensive environmental assessment approach in conformity with best international practices. Moreover, Morocco has demonstrated strong capacity and performance in the areas of institutional reforms and political will, and a clear commitment to stronger environmental preservation and climate protection.

AfDB OPERATIONS IN MOROCCO

The AfDB began operating in Morocco in 1970 and established a field office in Rabat in 2006. AfDB lending is relatively more attractive to the GoM than the facilities offered by commercial and bond markets because of the former's competitive loan conditions, long repayment terms, and an initial grace period. In addition, AfDB funding is attractive in that it allows the GoM to diversify its lending sources.²⁸

In 2013, the AfDB signed an agreement with Morocco in respect of the UCS of Morocco's procurement system.²⁹ Morocco was the first country to sign an agreement with the Bank on the adoption of its national competitive bidding (NCB) procedure (excluding international competitive bidding (ICB), however).³⁰ Morocco is the AfDB's largest borrower and the only member country of the Bank whose domestic procurement system has been declared acceptable for use in Bank-financed projects.³¹ Consequently, in accordance with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, Morocco's national procurement system became the first ever to be used by the Bank, effective from 2014.

27 <http://www.onep.ma/grands-projets/2014/PGES-DAEV-01-08%202014-PROPRE.pdf>.

28 <https://www.oecd.org/countries/morocco/49414466.pdf>.

29 https://www.ecgnet.org/sites/default/files/Operational_Procurement_Policies_and_Practices_of_the_African_Development_Bank_An_Independent_Evaluation.pdf.

30 https://www.ecgnet.org/sites/default/files/Operational_Procurement_Policies_and_Practices_of_the_African_Development_Bank_An_Independent_Evaluation.pdf.

31 https://www.ecgnet.org/sites/default/files/Operational_Procurement_Policies_and_Practices_of_the_African_Development_Bank_An_Independent_Evaluation.pdf.

Moreover, one of the conclusions reached in the AfDB's Country Strategy Paper (CSP) 2012-2016 completion report is that from 2020 it would be feasible for Morocco to adopt the country system in its entirety (both PFM and ESF) for project implementation (with utilisation of the public expenditure circuit). At that time the Auditing Court will be ready to certify capital accounts.³²

The AfDB's Country Fiduciary Strategy in Morocco is in line with the Bank's Fiduciary Management Policy. The former aims to encourage greater use of the country system, while also contributing to capacity building among management and stronger control of institutions to ensure good governance in the financial arena and the effective delivery of public services to citizens.

In Morocco, the use of national fiduciary management rules, procedures and good practices in the design and implementation of Bank operations is possible because the level of fiduciary country risk is only moderate. However, the Bank still reserves the right to systematically ask for an audit of financial flows and an operational performance audit, and/or to propose certain measures to mitigate the fiduciary risks identified during ex-ante assessments.

The AfDB used the country system (both PFM and ESF) in the project "Projet d'Appui au Programme National d'Economie d'Eau d'Irrigation"; National programme for irrigation water saving (PAPNEEI). This programme had three components: 1) modernising infrastructure related to irrigation; 2) valorising irrigation water; and 3) performing capacity building. The AUEA (Association of Agricultural Water Users) was consulted at all stages of this project. The AfDB agreed to support the project but only if at least 80% of farmers agreed to it. The PAPNEEI has strengthened capacity within the AUEA through management and technical training programmes, etc.

RECOMMENDATIONS

The research team consulted Moroccan stakeholders and representative of MDBs in the country (see complete list of consulted stakeholders in Annex 1). During these consultations, the team were able to solicit the views of stakeholders on the following:

- The Moroccan procurement system;
- Strengths and weaknesses in PFM;
- Strengths and weaknesses in the ESF;
- The most effective and efficient ways in which MDBs should finance development; and
- How the UCS could be expanded.

32 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Morocco_-_Country_Strategy_Paper_2017-2021.pdf.

The next section discusses key stakeholders' insights which are grouped into five cross-cutting themes.

MOROCCAN BANKING SYSTEM

Moroccan banks indicate that they are efficient facilitators of development finance. This has been confirmed by MDBs operating in Morocco. Morocco has a fairly well-developed banking sector, which could become actively involved in the provision of development finance in different contexts. In fact, local banks are introducing the Basel III standards and requirements, thus making them potentially efficient vehicles through which MDBs can finance development projects in Morocco and in other African countries in which the MDBs are active. To date, the Moroccan Central Bank has introduced strict rules and regulations into the banking system in an effort to comply with the most recent international standards and best practices. This has laid the foundation for a fairly advanced and competitive banking system in the country.

An expert from the Moroccan banking system confirmed that it would be opportune for MDBs to channel development finance through the local banking systems since, by relying largely on country systems, they could achieve greater transparency and accountability and ultimately make a stronger impact.

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There are already examples of MDBs using local banks to finance infrastructure development projects in Morocco. The EBRD, in cooperation with the FAD, EIB and German Development Bank (KfW), has extended credit lines to local financial institutions in Morocco via the Morocco Sustainable Energy Financing Facility (MorSEFF), which these local institutions can then extend to their clients. The clients use this financing facility to invest in renewable energy equipment and services which lower their carbon footprint and improve their energy efficiency. MorSEFF currently has no interaction with the GoM, working instead with two local banks in Morocco - BMCE Bank and Banque Populaire du Maroc. MorSEFF has demonstrated that financing development through private banks is a viable solution, with up to 90% of processes being handled through country systems and less than 3% financial mismanagement reported.

The mid-term evaluation of MorSEFF highlights the success of this model, which has pushed BMCE Bank to even try to replicate this system in Sub-Saharan Africa, with the cooperation of the AfDB.

LOCAL PROCUREMENT SYSTEM

Procurement is fundamental to achieving transparency and effectiveness in the development finance domain. Importantly, stakeholders in Morocco have confirmed the progress that the country has made over the past decade in reforming its procurement processes.

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Currently the main gaps in the local procurement system are: the lack of a complaint-processing mechanism in the public tendering process, the lack of a dispute resolution mechanism, and the high cost and time-consuming nature of the jurisdiction system that is currently in place (given the absence of a non-arbitrary/mediation mechanism).

Furthermore, stakeholders have suggested that the system of ranking firms in Morocco is not transparent and lacks clear criteria and standards. Meanwhile, according to the Moroccan procurement system, it is not possible to hire individual consultants. This makes the local system restrictive and at times inefficient.

Morocco's procurement system contains more than 240 rules for tendering and bidding, since each institution or agency has its own rules and procedures. This could make it difficult for bidders to meet the accountability and transparency requirements when seeking development finance. Exacerbating the situation is that there is a lack of skilled staff with expertise in the area of procurement and there is no specialised procurement-related training in Morocco.

Notwithstanding the above limitations, the current procurement rules need to be applied and enforced.

While the procurement rules are reinforced in the country's Constitution, the Auditing Court requires additional capacity and institutional strengthening in order to perform optimally according to its mandate. In this regard, the GoM must empower the Auditing Court and enhance the institution's credibility. With a view to enhancing the credibility of its public tendering system, Morocco could make it obligatory for public agencies to be audited by credible auditing firms.

ESTABLISHMENT OF LOCAL MDB OFFICES AND MASTERING OF THE LOCAL BUSINESS CULTURE

As is clearly the case in Morocco, MDBs need to understand the local business culture and legislation of the country if they are to use national systems effectively. This could be done by setting up local offices, which would help to increase collaboration

and build trust with the country's institutions and facilitate the timeous resolution of problems. Furthermore, having local offices close to institutional partners is important for MDB policy implementation.

The AfDB has established an office in Morocco, which has helped the Bank to acquire more knowledge about the country and has also helped to reinforce collaborative ties. The AfDB headquarters play an important role in establishing the legislative framework and introducing policy changes, while local and regional offices ensure that relevant policies and laws are implemented. Currently the AfDB's local and regional offices are being empowered through the extension to their decision-making parameters.

Meanwhile, the World Bank has acquired outstanding practical knowledge on the development finance scene in Morocco, for which it relies heavily on its local office in Rabat.

BEST APPROACHES TO UCS BY MDBs

UCS promotes a sense of greater ownership of development projects and helps recipient countries to acquire more knowledge, while also building the capacity of local institutions. Nevertheless, UCS depends greatly on countries' political will to make the necessary reforms that will facilitate the process. This has very much been the experience in Morocco.

UCS depends greatly on countries' political will to make the necessary reforms that will facilitate the process

One of the key methods of stimulating UCS uptake by MDBs is to ensure technology deployment in project management – a process that promotes accountability and efficiency.

Engagements with MDBs and public institutions in Morocco have indicated that a gradual approach to UCS is useful. The experiences of the AfDB and World Bank in Morocco point to this, with the country having participated in various pilot projects and studies. These projects and studies have also been useful in highlighting key factors constraining the greater uptake of UCS by MDBs. For example, where key risks exist, such as in the area of auditing, MDBs could speed up the process of shifting to UCS by relying on and imposing a system of external auditing.

The equivalence assessment and UCS acceptability assessments carried out by the AfDB or World Bank are also very useful in identifying gaps in the national systems compared with MDBs' processes, as are dialogues with the local authorities to clarify those areas needing reform. In order to increase the UCS, MDBs could

establish an effective monitoring and evaluation mechanism in cooperation with local government and local firms that participate in tendering.

For the MDBs, when tendering and bidding relate to local market initiatives, it is opportune to use the country system. In the case of international bidding, ministries in developing countries sometimes prefer to use international systems because they are efficient and transparent, and might also attract several international bidders due to the MDBs' impressive reputations.

At the same time, though, there is general recognition that the burden of UCS should not fall to MDBs only. There is a need to promote a new culture based on results and not only on the strict adherence to rules and procedures that currently characterise the procurement system in Morocco. To achieve this, capacity building must take place in the area of public tendering management, while monitoring and evaluation should take place on a continuous basis, with mechanisms introduced to

Morocco should easily be able to collaborate with MDBs in using its country system

ensure that recommendations from such a process are efficiently enforced. To this end, public procurement design needs to be consolidated and reinforced. If these steps are taken, Morocco should easily be able to collaborate with MDBs in using its country system.

HOW CAN MDBs MAKE BETTER USE OF THE LOCAL ESF?

During the consultations, a development specialist argued that most of the AfDB's ESF is covered by the Moroccan regulations. Nevertheless, where discrepancies exist, project proponents could address these, which would be beneficial to both Morocco and the MDBs. Equivalence and acceptability assessments would be useful tools to employ in the first projects adopting the UCS, and would eventually serve to address the revealed gaps.

On the other hand, a local financier argued that one of the main challenges associated with environmental plans, which are largely used by MDBs and international investment banks, is that they do not differentiate among countries in terms of their relative applicability; consequently, the same principles and indicators are often used for countries as diverse as Canada and Kenya.

ANNEX 1 LIST OF CONSULTED STAKEHOLDERS

STAKEHOLDER CATEGORIES	STAKEHOLDER NAME	LOCATION/CITY
Ministries and public agencies	Masen – Moroccan Agency for Sustainable Energy Ali Zerouali	Rabat
MDBs – AfDB/WB representatives in the country, regional/local DFIs	World Bank office in Morocco	Rabat
	AfDB office in Morocco Olivier Joseph Breteche	Rabat
Commercial banks	Chaabi Bank AbdelAli Halhal Younes ALADLOUNI	Casablanca
	Bank Al Amal Ahmed Aouam	Casablanca
Think tanks, research institutions, academia	OCP Policy Center Ait Ali Abdel Azizi Rim Berrahab	Rabat
	Moroccan Society for Renewable Energy Driss Zejli	Rabat
	IAV Hassan II Najib Akasbi	Rabat
	Association – Ribat Al Fath Bennis abdelhadi	Rabat
Project finance	Suntrace Boris Westphal	Skype call
Development centre/CSO	CDRT – Centre de Développement de la Région de Tensift Ahmed Chehbouni	Skype call
Financing lines set up by international donors	MorSEEF – Moroccan Sustainable Financial Facility William Fellows	Casablanca
Local banks	GPBM – Groupement Professionnel Des Banques Du Maroc Mr Chaibainou	Casablanca

