

**DECENTRALIZATION AND DECONCENTRATION IN
MOROCCO**

Cross-Sectoral Status Review

Abbreviations

ADA	Agricultural Development Agency
AMO	Obligatory Sickness Insurance Scheme
ANHI	National Shelter Upgrading Agency
AREF	Regional Education and Training Academy
BTO	Build, Transfer, and Operate
CDA	Agricultural Development Center
CDER	Centre for Renewable Energy Development
CDG	<i>Caisse de Dépôts et de Gestion</i>
CDM	Clean Development Mechanism
CGED	General Comptroller of Expenditure Commitments
CHU	University Hospital Center
CIH	<i>Crédit Immobilier et Hotelier</i>
CIPDR	Central Interministerial Comite for Rural Development
CPS	Country Partnership Strategy
CT	Agricultural Work Center
CSFP	National Public Service Council
DAT	Directorate for Spatial Development
DGCL	General Directorate for the <i>Collectivités Locales</i>
DH	Dirham
DPA	Provincial Agricultural Directorate
DPL	Development Policy Loan
DPS	Provincial Health Delegation
DRA	Regional Agricultural Directorate
DRI-MVB	Rainfed Agricultural Development Project
DRS	Regional Health Directorate
EP	<i>Etablissement Publique</i>
EPS	<i>Etablissement Publique de Santé</i>
ERAC	Regional Public Housing Operators
EU	European Union
FDR	Rural Development Fund
FEC	Communal Infrastructure Fund
FTP	Clean Technology Fund
GDP	Gross Domestic Product
GoM	Government of Morocco
HAO	Al Omrane Development Holding
IBCD	Irrigation-Based Community Development Project
IGF	Inspectorate General of Finance
INDH	National Human Development Initiative
INRA	National Institute of Agronomic Research
LIS	Large Irrigation Scheme
MAEG	Ministry of Economic and General Affairs
MAPM	Ministry of Agriculture and Fisheries
MEF	Ministry of Economy and Finance
MEMEE	Ministry of Energy, Mining, Water and Environment

MEN	Ministry of National Education
MET	Ministry of Infrastructure and Transportation
MHUDS	Ministry of Housing, Urban Development, and Spatial Development
MI	Ministry of Interior
MMSP	Ministry for the Modernization of the Public Sector
MS	Ministry of Health
MTEF	Multi-Term Expenditure Framework
MTEF	Multi-Term Fiscal Framework
MW	Megawatt
O&M	Operation and Maintenance
ONE	National Energy Authority
ONEP	National Water Supply Authority
ONSA	National Food Safety Office
OPH	Public Housing Operators
ORMVA	Public Agricultural Development Agency
PAR	Regional Agricultural Plan
PARAP	Public Administration Reform Project
PCDES	Communal Economic and Social Development Plan
PDU	Urban Transportation Plan
PEH	Hospital Development Plan
PMH	Small and Medium-Sized Irrigation Scheme
PMV	<i>Plan Maroc Vert</i>
PNDES	National Economic and Social Development Plan
PNDM	National Municipal Solid Waste Management Program
PPP	Public Private Partnerships
PPR	Kingdom's Principal Paymaster
PRDES	Regional Economic and Social Development Plans
PSP	Public Service Partnerships
RAMED	Healthcare Assistance Scheme
RBA	River Basin Agency
RBC	River Basin Committee
REC	Strategic Staffing Framework
SDAU	City Master Plan
SDD	Deconcentration Master Plan
SEAT	Secretariat for Spatial Development
SEGMA	<i>Services d'Etat Gérés de Manière Autonome</i>
SGFP	<i>Statut Général de la Fonction Publique</i>
SNAT	National Spatial Development Scheme
SNEC	National Equipment and Construction Corporation
SRAT	Regional Spatial Development Schemes
SWM	Solid Waste Management
TGR	General Treasurer of the Kingdom
TOE	Tonne of Oil Equivalent
VAT	Value Added Tax
VSB	<i>Villes sans Bidonvilles</i>
WSS	Water Supply and Sanitation

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Introduction

This Report will look at how the Government of Morocco (GoM) has addressed the issues of decentralization and deconcentration in recent years and the manner in which these processes have affected public policies at the sub-national level and a number of strategic sectors, including agriculture, irrigation, water and waste water, health, education, energy, transport, urban, housing, and solid waste management. Specifically, the Report will analyze the current legislative and institutional arrangements governing sub-national accountability, revenue and spending powers, and public service management at the sub-national level and within the administrations of strategic sectors covered by the Report. The Report is to serve as background input for the World Bank team preparing the new Country Partnership Strategy (CPS) 2010/2013.

The Report builds on the findings from project appraisal documents, economic and sector work, policy notes, mission aide memoires, and implementation completion reports already completed

by the World Bank. In addition, it refers to relevant policy and strategy documents adopted by the GoM and other donors. A list of the data sources used for the Report has been included in the Annex. A series of interviews with World Bank staff based in Washington DC and the Country Office in Rabat were conducted to further support the research work. A field research mission to Morocco took place in the beginning of June 2009. In light of the political sensitivity of the topic, no interviews with government counterparts were organized for the preparation of this Report.

The Report is structured in three Chapters. In the first Chapter, the Report will define the concepts of decentralization and deconcentration, explain the different rationales that generally drive these processes, and provide key lessons learned from international experiences. In the second Chapter, the Report will proceed with a short historical overview of decentralization and deconcentration initiatives in Morocco. It will then describe the current central framework governing sub-national accountability, revenue and spending powers, and public service management and how they are being implemented at the sub-national level and within the administrations of the strategic sectors covered by the Report. Next, it will identify the key lessons learned with respect to the decentralization and deconcentration process in Morocco. In the third Chapter, the Report will shed light on the medium-term decentralization and deconcentration agenda of the GoM. Based on recent government initiatives and communications, it will highlight the deconcentration and decentralization reforms that are likely to be implemented in Morocco in the CPS period 2010/2013. In this context, it will also identify key opportunities for World Bank involvement.

I. Conceptual Framework

1.1. Defining Decentralization and Deconcentration

Before examining the state of play in regards decentralization and deconcentration in Morocco, it is important to define and clarify the meaning of both concepts. Notions of decentralization and deconcentration have often been used as synonyms. However, depending on whether the notions lean towards the French or Anglo-Saxon concepts of the terms, the meaning and implications of decentralization and deconcentration vary significantly. Considering the historical impact and continuing influence of French bureaucratic traditions in Morocco, this Report will refer to the French concepts of decentralization and deconcentration.

Decentralization

The French concept of decentralization implies a *transfer of management responsibilities by the central government to sub-nationally elected authorities*.¹ It usually involves the transfer of authority for decisionmaking, finance, and management of public services to quasi-autonomous sub-national governments such as regions, provinces, prefectures, or municipalities. These sub-national governments typically have a significant degree of discretion in targeting public resources, while depending in part on their own revenue sources. Defined as such, decentralization is a predominantly political process that requires a close involvement of elected lawmakers. In the Anglo-Saxon tradition, this process is often referred to as “devolution” or “political decentralization.”

Deconcentration

The French concept of deconcentration implies the *redistribution of decision-making authority by the central government to local representatives of the central government*.² Responsibilities may be transferred to local branch offices of a given Ministry or territorial actors such as provincial or prefectural heads. Importantly, a predominantly top-down accountability structure is being maintained whereby the central government services retain political, administrative, and financial control over the deconcentrated services. In fact, the central government can take back a prerogative delegated to a deconcentrated service at any given time. In the case of “functional deconcentration” or “unbundling”, deconcentration concerns a horizontal or vertical transfer of responsibilities to a government agency led by an executive director and controlled by an administrative council. The Agency usually has a significant degree of discretion in targeting public resources, while depending in part on their own revenue sources. At any rate, both deconcentration and functional deconcentration are predominantly administrative decision-making and responsibility management processes within the government. In the Anglo-Saxon tradition, this is often referred to as “administrative decentralization”.

1.2. Rationales Driving Decentralization and Deconcentration

1.2.1. Economic Drivers

Decentralization and deconcentration reforms have often been implemented by countries with a view to accelerate their pace of economic development and poverty alleviation. Decentralization and deconcentration reforms can contribute to poverty alleviation indirectly by creating a more enabling institutional environment for effective and efficient public administration. By bringing government closer to people, decentralization and deconcentration can reduce information asymmetries; better match public policy with local preferences (and potentially increase people’s willingness to pay); and encourage experimentation and innovation in public policy.³

¹ Cour des Comptes (2003), *La Déconcentration des Administrations et la Réforme de l’Etat*. Available at: <http://www.ccomptes.fr/Cour-des-comptes/publications/rapports/deconcentration/deconcentration.pdf>

² Ibid.

³ Kai Kaiser (2006), “Decentralization Reforms” in Coudouel, A. and Paternostro, S. (2006), *Analyzing the Distributional Impact of Reforms: A Practitioner’s Guide to Pension, Health, Labor Market, Public Sector Downsizing, Taxation, Decentralization, and Macro-Economic Modeling (Volume 2)*, The World Bank, Washington DC.

Decentralisation and deconcentration reforms can also contribute to poverty alleviation directly by influencing local resource allocations when the reforms are combined with fiscal transfer programs designed to shift resources to disadvantaged areas.

However, there are also risks associated with decentralization and deconcentration reforms. In the absence of fiscal transfer programs, certain public services may deteriorate in the process due to disparities in local revenue capacity. In addition, wealthier areas may receive more resources than poorer areas due to an inadequate design of fiscal transfer programs. Furthermore, public service delivery may be hampered due to a fragmentation of economies of scale, externalities, elite capture, scarcity of administrative capacity at sub-national levels, and a lack of clarity concerning the roles and responsibilities of central and sub-national entities in public service delivery. Empirical evidence establishing a causal link between decentralization and poverty alleviation remains mixed.

1.2.2. Political Drivers

Decentralization and deconcentration have also been implemented by countries to promote political stability through enhanced political participation at the local level, improved state legitimacy, and re-balanced center versus sub-national power relations.⁴ In fact, much of the decentralization which has taken place globally in the past decade has been motivated by political concerns.⁵ By bringing government closer to people, decentralization and deconcentration can incorporate in the political process previously marginalized stakeholders (such as regional and ethnic groups, women, the poor etc.); enhance transparency, accountability and responsiveness (for example, through inter-jurisdictional competition); and promote democratic values among citizens. At times, governments have also resorted to decentralization and deconcentration as tools to by-pass and promote better inter-sectoral coordination among poorly performing line Ministries when reforms have proven to be difficult at the central level. However, decentralization and deconcentration can exacerbate existing tensions and give rise to new, latent conflicts.⁶ They can also give rise to various forms of “local despotism” and elite capture in a context of weak bottom-up accountability. And they can be (mis)used by governments as a means of safeguarding power and fragmenting interest groups.

1.3. Key Lessons Learned

Whether or not decentralization and deconcentration prove to be instrumental at meeting the established economic and/or political goals naturally depends on the country context, design, motivations, and phasing-in of the processes. However, there are a series of key lessons learned from international experience that can help inform a country’s preparation and implementation of decentralization and deconcentration reforms:

⁴ Ibid.

⁵ The World Bank, “Rationale for Decentralization”. Available at <http://www.ciesin.org/decentralization/English/General/Rational.html>

⁶ Federal Ministry of Economic Cooperation and Development of Germany (2006), *Decentralization and Conflicts: A Guideline*, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) – Division Governance and Democracy, Eschborn, Germany.

- Government commitment to encouraging better outcomes at the sub-national level, though not sufficient, is a necessary condition for the successful implementation of the reform agenda;
- Broad-based support for the reform agenda must be fostered among central and sub-national government elites and civil society;
- All government services do not need to be decentralized or deconcentrated in the same way or to the same degree: the relevant services and the type of decentralization or deconcentration depend on possible economies of scale and spillover effects beyond administrative boundaries;
- Sub-national governments must have sufficient decision-making autonomy and fiscal resources (own and/or transferred tax revenues) to adequately fulfill their functions;
- Sufficient administrative capacity at both the central and sub-national government level is needed as both levels are mutually dependent;
- Local constituencies must be able to monitor the performance of sub-national governments through a system of accountability that relies on transparent information;
- High degrees of inequality or polarization at the local level could have an adverse impact on distributional outcomes of decentralization or deconcentration;⁷
- Linking sub-national government spending more directly to local tax efforts may strengthen accountability.

II. Decentralization and Deconcentration in Morocco: State of Play

2.1. Short Historical Overview

This section will highlight key decentralization and deconcentration initiatives undertaken by the GoM since independence. It demonstrates that decentralization and deconcentration reforms in Morocco have a long history.

2.1.1. Decentralization

Decentralization initiatives in Morocco can be traced back to the first years since independence. The adoption of the Communal Charter (*Charte Communal*) of 23 June 1960 marked the first step towards decentralizing government structures in the country. The Charter was preceded by the Dahir (Law) of 1 September 1959 regarding the election of Communal Councils and the

⁷ Andrés Rodríguez-Pose & Roberto Ezcurra, 2009. "Does decentralization matter for regional disparities? A cross-country analysis," *Working Papers* 2009-04, Instituto Madrileño de Estudios Avanzados (IMDEA) Ciencias Sociales.

Dahir of 23 June 1960 establishing the territorial boundaries of the communes. A second level of decentralized government was created through the Dahir of 12 September 1963 on the organization of prefectures and provinces, which cover urban and rural areas respectively. A fundamental reform of the decentralization framework governing communes came with the Decentralization Law of 1973 and the adoption of the Communal Charter of 1976. The Charter provided the communes with more responsibilities for the management of local affairs and transferred the power to execute Communal Council decisions from central government representatives (e.g. Caïds) to the elected Presidents of the Communal Councils.

The decentralization process was reinforced in the late 1990's by the establishment of regional governments and a new decentralization push led by King Mohammed VI. The regions were created in 1971, but did not obtain the status of local government until the constitutional amendments in 1992 and 1996. The Dahir of April 1997 on the organization of the region designated the regions with a leading role in the promotion of broad-based socio-economic development. The decentralization push led by King Mohammed VI since his ascendency to the Throne in July 1999, resulted into the adoption of the Dahir of 3 October 2002 on the organization of the provinces and prefectures and the promulgation of a new Communal Charter after the municipal elections of September 2003. Both further defined responsibilities and powers of the local councils and their presidents, improved the status of local councilors, streamlined administrative and financial procedures, broadened the revenue base, and introduced new cooperation mechanisms. It also unified management of cities with more than 500.000 inhabitants, which had previously been hampered by a fragmentation across district councils, under the authority of a central communal council. In 2008, the GoM initiated a revision of the 2003 Charter in order to provide *inter alia* formal legal status to groupings of municipalities and enable them to act as special purpose vehicles. The adoption of the amended Charter by the Parliament took place in December 2008.

2.1.2. Deconcentration

The Dahir of 15 February 1977 assigned to the governors representing the central government at the regional, provincial, and prefectural level responsibilities for coordinating and monitoring the performance of the deconcentrated services of the line Ministries with a view to ensuring coherence of different sector policies within the territories they oversee. The Decree of 20 October 1993 further defined the general division of labor between the central and deconcentrated government services. It stipulated that while the former are responsible for the design, orientation, and organization of government programs, the latter are responsible for the execution of these programs and any decisions made by the central government representatives. The Decree of 2 December 2005 specified the organizational rules for line Ministries as well as administrative deconcentration. An inter-ministerial commission was established by the Office of the Prime Minister to which each line Ministry was expected to submit its Master Plan for Deconcentration (SDD).

Deepening deconcentration has become a key pillar of Morocco's reform agenda in recent years. In a Royal Statement on 12 December 2006, and re-iterated on 6 November 2008, King Mohammed VI called for the consolidation of the achievements realized with respect to decentralization in Morocco and the development of a strategic blueprint for deepening the

deconcentration process in the country. Under its social and economic program (PNDES), the new GoM, which took office in October 2007, subscribed to this vision. The overarching aim of this exercise would be to support broad-based regionalization in Morocco based on a territorial approach. This would entail the promotion of regional economic development poles through a reorganization of the current administrative structures of the provinces and the prefectures and a stronger mandate for the regions to pursue their socio-economic development mission in their respective territories. In this context, the Palace called for the establishment of a Consultative Commission to develop a regionalization concept and the preparation of National Deconcentration Charter by the GoM. The Communal Council elections, which took place on June 12th 2009, provided yet another impetus to the national debate on institutional reform.

2.2. Current Framework Governing Decentralization and Deconcentration

This section will look at the political, fiscal and administrative dimensions of the central framework governing decentralization and deconcentration in Morocco. The political dimension relates to how competencies and external accountability is delegated from the center to sub-national governments. The fiscal dimension encompasses the degree of revenue and spending autonomy of sub-national governments and administrations. The administrative dimension pertains to arrangements for functional roles and public service management.

2.2.1. Decentralization

2.2.1.1. *Political Dimension: Distribution of Competencies and Accountability*

Political decentralization has thus far led to the establishment of three sub-national government levels in Morocco: regions, provinces/prefectures, and communes. Together they constitute the *collectivités locales*. The process has also enabled a closer involvement of civil society in the decision-making process at the sub-national level. Although a range of competencies have been transferred to the sub-national level, there generally remains a large degree of ambiguity in regards the demarcation of central, regional, provincial/prefectoral, and communal competencies.

Regions

The Dahir of 2 April 1997 on the organization of the regions gives the latter the mandate to contribute to the economic, social, and cultural development of the region in cooperation with the central government and other sub-national governments. The regional government consists of a Regional Council headed by a Regional Council President. The Regional Council is indirectly elected for a period of 3 years and consists of representatives of local assemblies, professional chambers, and the *salariés*. The Regional Council President is indirectly elected from among the members of the Council. The Regional Councils' responsibilities include the preparation and adoption of Regional Economic and Social Development Plans (PRDES)⁸ and Regional Spatial

⁸ The preparation of the PRDES is a responsibility of the Regional Councils. In reality, the latter have often partnered in preparation process with the cabinet of the Wali and the *Caisse de Dépôts et de Gestion* (CDG), which supports the development and financing of projects with a strong territorial dimension. Once adopted by the regional Council, the PRDES must be approved by the High Council for National Development and Planning (*Conseil Supérieur de la Promotion National et du Plan*)

Development Schemes (SRAT) ⁹ in line with the objectives and guidelines set in the respective National Economic and Social Development Plan (PNDES) and National Spatial Development Scheme (SNAT). Mandates for implementing the PRDESs and SRATs remain unclear. Other regional government responsibilities include the promotion of private investments, professional training and employment opportunities; environmental protection; and improved water resources management. The Dahir also identifies a number of transferrable responsibilities.¹⁰ The executive branch at the regional government level is represented by a Governor (Wali,), who is appointed by Dahir (Royal decree) and coordinates the deconcentrated services at the regional level. The Wali is also the Governor of the province or prefecture where the regional government offices are located. All the decisions made by the Wali must be countersigned by the President of the Regional Council. Importantly, the Ministry of Interior (MI) and MEF retain control over decisions taken by the Regional Councils through the *tutelle* on a series of measures.¹¹

Provinces and Prefectures

The Dahir of 3 October 2002 on the organization of the prefectures and provinces transfers to the Provinces (which concern rural areas) and Prefectures (which concern urban areas) responsibilities for promoting economic and social development¹²; promoting rural development programs and investments (in cooperation with central, regional or municipal authorities); constructing and maintaining provincial/prefectoral roads, establishing and managing inter-communal transport services, contributing to urban restructuring programs and housing programs in urban and rural areas, protecting the environment, and promoting social-cultural activities. The Dahir also enables them to enter into various partnership agreements necessary to fulfill their responsibilities and identifies a number of transferrable responsibilities.¹³ The Provincial and Prefectoral government institutions consist of Provincial and Prefectoral Councils, which are indirectly elected by members of communal councils and colleges of professional chambers within the relevant Province or Prefecture, and Provincial and Prefectoral Council Presidents, who are indirectly elected from among the members of the Councils. The executive branch at the regional level is represented by a Governor. The latter is appointed by Dahir (Royal decree) and coordinates (through the Provincial Technical Committee) the Governments' deconcentrated services at the provincial and prefectoral level. There is no countersignature by the Council

⁹ The Directorate for Spatial Development (DAT) and its regional services of the Ministry of Housing, Urban Development, and Spatial Development (MHUDS) lead the preparation process of the SRATs in partnership with the Regional Councils. Once adopted by the Regional Council, the SRAT, which covers a period between 20 to 25 years, must be approved by the Interministerial Committee for Spatial Planning (*Comité Interministériel d'Aménagement du Territoire*). The implementation of the SRATs is financed by the Regional Government with financial support of the DAT.

¹⁰ The transferrable responsibilities include establishment and maintenance of hospitals, lycées, and university institutes; training of personnel and cadres at the level of the *collectivités locales*; and regional infrastructure and public works.

¹¹ They include decisions related to approval of the budget; loans and guarantees; new expenditures; rate setting for taxes, tariffs and fees; and concessions or other forms of regional public services management.

¹² Including the preparation of Prefectoral/Provincial Economic and Social Development Plans in line with the National Economic and Social Development Plan; promoting investments in public works and development programs; and forest conservation and exploitation.

¹³ The transferrable responsibilities include the construction and maintenance of secondary education schools and specialized institutes, hospitals and health centers, professional training, training of personnel and elected representatives at the level of the *collectivités locales*, provincial/prefectoral infrastructure and public works.

president needed for decisions taken by the Governor. The *tutelle* over decisions by the Provincial and Prefectoral Councils rests with the MI and MEF and comprises a series of decisions.¹⁴

Communes

The Communal Charter (Dahir of 3 October 2002) transfers responsibilities for promoting economic and social development¹⁵, urban development and spatial planning¹⁶, health and environment, socio-cultural facilities and activities to the 249 urban and 1298 rural communes. In addition, communes are tasked to provide basic public services, including drinking water supply and distribution, electricity distribution, sanitation, waste collection and disposal, urban transportation, and the slaughtering and transportation of meat and fish. The Charter furthermore renders the communes responsible for the establishment and management of infrastructure of a commercial or industrial nature (such as (wholesale) markets, slaughter houses, and grain silos), enables them to enter into various partnership agreements necessary to fulfill their responsibilities, and identifies a number of transferrable responsibilities.¹⁷ The local government institutions consist of Municipal Councils, which are directly elected, and a Municipal Council President, who is indirectly elected from among the members of the Municipal Council and represents the executive branch. A series of Communal Council decisions are subject to the *tutelle*.¹⁸ For urban communes, the *tutelle* rests mainly with the MI and the MEF, while the *tutelle* over the decisions of rural communes rests with the Governor and the MEF. Despite these constraints, evidence suggests that the recent reunification of management of municipalities with more than 500,000 inhabitants has strengthened the position of the municipalities concerned in their interactions with the sub-national governments and deconcentrated services by allowing for a better coordination.

Civil Society

Civil society groups generally play a minor role in local policy formulation and decision making, and citizen involvement hardly goes beyond participation in communal elections. However, under the Bank-supported National Human Development Initiative (INDH)¹⁹, a poverty reduction program that was announced by King Mohammed VI on 18 May 2005, the GoM has

¹⁴ They include decisions related to the budget; new expenditures; loans and guarantees; rate setting for taxes, tariffs and fees; establishment and management of Provincial/Prefectoral public services; establishment or participation in companies of mixed ownership; and association, partnership, or decentralized cooperation agreements.

¹⁵ Including the preparation of an Communal Economic and Social Development Plan (PCDES) in line with the National Economic and Social Development Plan; promotion of private investments in public works and development programs; and forest conservation and exploitation.

¹⁶ Including the enforcement of the City Master Plans (*Schemas Directeurs d'Aménagement Urbain* (SDAU)) as well as any Spatial and/or Urban Development Plans; adoption of communal construction regulations; implementation or participation in urban restructuring and housing programs;

¹⁷ The transferrable responsibilities include the establishment and maintenance of primary education schools and institutions, health centers, small and medium-sized water works and facilities (PMH), vocational training centers; the training of personnel and elected representatives of the commune; and communal infrastructure and facilities.

¹⁸ They include decisions related to the budget; new expenditures; loans and guarantees; rate setting for taxes, tariffs and fees; establishment and management of communal public services; establishment or participation in companies of mixed ownership; and association, partnership, or decentralized cooperation agreements.

¹⁹ World Bank National Initiative for Human Development Support Project (2007-2011)

tried to strengthen the role of local authorities and to give voice to civil society in relation to the planning and implementation of development interventions in approximately 650 target (urban and rural) communities. Local, provincial and regional committees composed of an equal share of government officials, elected officials and representatives from civil society oversee a process of strategic planning for local development that includes priority activities to be financed with INDH resources and activities to be eventually financed by other sources (line Ministries in particular). The MI, which is the implementing agency of the program, provides technical support to the regional, provincial and local committees and other stakeholders that participate in the program. The design of the INDH was informed by the mechanisms for participatory and integrated local development at the local and provincial/prefectoral level that were introduced under the Bank-supported Rainfed Agriculture Development Project (DRI-MVB) and the Irrigation-Based Community Development Project (IBCD).²⁰

2.2.1.2. Fiscal Dimension: Distribution of Financial Decision-Making Authority

Revenue Autonomy

Fiscal decentralization has resulted in the creation of different revenue sources for Morocco's sub-national governments. Today, regional government revenue sources include local taxes²¹ collected by the regional government, and transferred national taxes collected by the central government²². Provincial and prefectural government revenue sources include local taxes²³ and a part of the 30 percent of VAT revenues collected and transferred by the central government to the Provinces and Prefectures (as well as the communes).²⁴ The VAT collections represent about 90 percent of the Provinces' and Prefectures' total revenues.²⁵ In addition to local taxes²⁶, transferred national taxes²⁷, and a part of the 30 percent of VAT collections transferred by the central government, communal revenue sources also include fees (e.g. market fees, slaughter fees, construction fees) and income from the lease of municipal property. Under the Bank-

²⁰ For example, the Participatory Programming Guide prepared under the Irrigation Based Community Development Project was adopted by the INDH.

²¹ Local taxes imposed by the Regions include taxes on hunting permits, mining exploitations, and port services.

²² National taxes transferred to the regions include one percent of corporate tax and one percent of individual income tax.

²³ Local taxes imposed by the Provinces and Prefectures include taxes on drivers' licences, cars, and sale of forestry products.

²⁴ The 30 percent of VAT collections are divided into two parts: (i) 30 percent are retained by the central government for transferred charges (15 percent), common charges (10 percent) and a transition fund (5 percent); and (ii) 70 percent are distributed to the Provinces and Prefectures, and the Municipalities according to established criteria. The provinces and prefectures receive their 1995 wage bill, while the remainder is allocated according to three criteria: fixed amount, population and area. The municipalities are allocated on a formula which includes a fixed amount for each municipality based on population, fiscal potential (total tax revenue divided by the average tax rate), tax effort (total tax revenue divided by tax potential).

²⁵ Draft Concept Note on Decentralization prepared by Florence Brillaud for the forthcoming Public Expenditure Review (PER).

²⁶ Tax on unbuilt land; tax on construction operations ; tax on housing estate, tax on bars, holiday tax, tax on mineral and table water, tax on public travel transport, tax on sand mining.

²⁷ Housing tax, business tax and communal services tax are collected by the central government. Their rates are determined by Law 47-06. Tax revenues are transferred in full to local governments, except for 10 percent of the revenues that are retained by the central government as a collection fee.

supported Solid Waste Development Policy Loan, communes will have the option of levying user charges for waste collection and disposal. VAT transfers represent close to 40 percent of the communes' total revenues.²⁸ Communes have also access to loans from the Communal Infrastructure Fund (FEC). The Fund, the development of which was supported with World Bank assistance under the First²⁹ and Second³⁰ Municipal Finance Projects, operates as an EP and is supervised by an Administrative Council chaired by the Minister of Interior and composed of 17 members representing the central and communal administrations. It provides both financing and technical assistance mainly for the identification and implementation of urban infrastructure investments in municipalities. In fact, 78 percent of the FEC 2008 loans helped funding urban infrastructure projects.³¹ Under the Second Municipal Finance Project, it was envisaged that the FEC be transformed into a joint stock company. However, this goal has been resisted by the MI despite the supportive stance of MEF, due to the politically sensitive nature of the transformation.³²

Nonetheless, revenue autonomy of the sub-national governments remains limited. Although a more streamlined local tax system came into effect in 2008³³, sub-national governments continue to have little influence on setting local tax bases, tax rates or fees. By virtue of the *tutelle*, tax rates are mostly set by the central government through the MEF and the MI. In addition, the recovery rates of taxes collected by the central government and transferred to the municipalities is low as the central fiscal authorities do not consider them a priority. Furthermore, the *tutelle* does not allow local governments to include the amount of estimated surpluses in their initial year budgets, and the amount of central government transfers is not established in advance.³⁴ In combination with their generally weak technical capacities, sub-national governments thus face significant uncertainties and constraints in projecting their budget revenues.

Expenditure Autonomy

The preparation and execution of sub-national budgets remain under the supervision of the central government. All sub-national budgets need to be submitted to and approved by the central government under the *tutelle* before they can be approved by the local assemblies. While the Governors appointed by the central government are responsible for preparing the budgets at the regional and provincial/prefectoral government levels, this responsibility rests with the

²⁸ Draft Concept Note on Decentralization prepared by Florence Brillaud for the forthcoming Public Expenditure Review (PER).

²⁹ World Bank First Municipal Finance Project (1993-1999) supported the transformation of the FEC from a government agency into a publicly-owned, specialized institution in 1992, and into a full-fledged bank monitored by the Moroccan Central Bank in 1996.

³⁰ World Bank Second Municipal Finance Project (1997-2002) supported the strengthening of the FEC as a commercially viable, autonomous financial institution specialized in providing financial services to the municipal sector.

³¹ Fonds d'Équipement Communal (FEC) (2008), *Rapport d'Activité 2008*. Available at: http://www.fec.org.ma/Rapports/RapportFEC2008_FR.pdf

³² World Bank (2003), *Second Municipal Finance Project - Implementation Completion Report*.

³³ Law 47-06 brings together all the legal provisions concerning the local tax system and specifies for each sub-national government the local taxes. It streamlined and simplified the previous system and harmonized local tax procedures with the central government ones. It also combined 34 local taxes and fees into 17 taxes.

³⁴ Draft Concept Note on Decentralization prepared by Florence Brillaud for the forthcoming Public Expenditure Review (PER).

Council President at the municipal level. The budget preparation process by sub-national governments is furthermore complicated by weak predictability of budget revenues (see above). Projections of budget expenditures are typically limited to the renewal of appropriations from the previous year, regardless of actual expenditures and of the actual implementation rate of the projects.³⁵ This method prevents the budgets from reflecting the sub-national strategic policy orientations.

The expenditure autonomy of sub-national governments is significantly constrained by the dominance of compulsory operational expenditures. The latter almost fully absorb sub-national budget resources, leaving little room for investment expenditures. Operational expenditures represent around 87 percent of the total expenditures of sub-national governments; with wages and salaries taking up the largest share (46 percent) within these operational expenditures.³⁶ The small share of investment expenditures, which are moreover concentrated at the communal level, is in part due to limited technical capacity for multi-annual investment programming, private credit risk averseness at the sub-national level, and extensive central government control.³⁷ The *tutelle* also requires the use of budget surpluses generated by budget implementation for investment purposes to be pre-approved. Lending funds such as the FEC and grant funds such as the Rural Development Fund (FDR) have been set up by the central government to partially fill the investment expenditures gap. However, experience suggests that the expenditure autonomy of the sub-national governments under some of these funds has been undermined by a variety of constraints.

Investment expenditures financed through FEC loans generally have limited municipal ownership. The weak technical capacity of municipal administrations limits their ability to define their investment needs and manage the implementation of large investment projects. As a result, the FEC often leads the investment preparation and implementation process with limited input from the municipalities. The FEC's operations are further constrained by the cumbersome approval procedures for project proposals.³⁸ The lengthy process limits local autonomy, prevents the ability to implement projects in a timely fashion, and dilutes accountability of local officials for their financial and budgetary decisions without attributing accountability to the authorizing Ministries.³⁹ In addition, the FEC makes poor use of performance-based contracting. The GoM has undertaken certain initiatives to address some of these constraints. It has streamlined FEC procedures and three performance-based agreements have recently been signed by the MI with the cities of Casablanca, Rabat, and Tangier for an urban catch-up program. The agreements have four main components: (i) a commitment to increasing revenues, (ii) a three-year action plan, (iii) an effort to standardize community infrastructure, and (iv) preferential access to the FEC.⁴⁰ They are financed through several public resources, including the budgets of line Ministries.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

³⁸ An institutional study concluded that based on a sample of loans, the average length of the FEC loan cycle, from the time an application is received to first disbursement, reached 437 days. World Bank (2003), *Second Municipal Finance Project - Implementation Completion Report*.

³⁹ World Bank (2003), *Second Municipal Finance Project - Implementation Completion Report*.

⁴⁰ Robert Maurer, *Toward the Design of an Urban Policy in Morocco*.

Investment expenditures financed through FDR grant resources face various administrative hurdles due to insufficient deconcentration. The FDR, which was established to accompany the implementation of the MAPM's 2020 Rural Development Strategy, finances local development activities that cannot be financed out of the budget of line Ministries. The Fund falls under the authority of the Prime Minister, while the Governors at the Provincial level are the *sous-ordonnateurs* of the Fund. Under the Bank-supported Rainfed Agricultural Development Project (DRI-MVB)⁴¹ and the Irrigation-based Community Development Project (IBCD)⁴², infrastructure investments identified by local communities initially suffered from ad hoc central government funding for the FDR. This was addressed following a Circular adopted by the Central Interministerial Comite for Rural Development (CIPDR) in March 2006 ensuring regular annual funding for the FDR.⁴³ However, disbursements have continued to be hampered as the deconcentrated services of the MAPM are insufficiently accountable to the Governors. The deconcentrated services not only respond primarily to central MAPM authorities and often lack the technical capacity to implement investment projects (eg. prepare and launch calls of proposals), but they also fail to take ownership of the rural development agenda as the responsibility for rural development has recently been assigned away from the MAPM to the State Secretariat for Spatial Development (SEAT) within the MHUDS. The use of the FDR is currently split between the MAPM (60%) and SEAT (40%). The situation is further hampered by cumbersome government procedures such as the long review procedures within the Ministries, particularly for rural roads studies.

2.2.1.3. *Administrative Dimension: Arrangements for Public Service Management*

Human Resources

The communes are the only sub-national government that has a specific civil service. The President of the Communal Council is responsible for nominating and managing all municipal staff on the basis of the specific statute for municipal staff and the conditions established by the MI and the MEF. The salary and benefit packages linked to the statute are generally less attractive than those for the Government's deconcentrated services, which are determined by the *Statut Général de la Fonction Publique* (SGFP, Dahir of 24 February 1958). This unattractive statute, the lack of mobility within the administrations, and untransparent recruitment processes have contributed to municipal administrations to be overstaffed with officials falling within the lower grade bracket (1-4). The subsequent lack of technical capacity at the level of the communes undermines the latter's capacity to fulfill the responsibilities that have been transferred to them as part of the decentralization process. Human resource needs assessments, a transparent recruitment process, ongoing training, competitive salaries, and annual performance evaluations could help improve the quality of the communal civil service.

⁴¹ World Bank Rainfed Agricultural Development Project (2003-2009)

⁴² World Bank Irrigation-based Community Development Project (2001-2008)

⁴³ The GoM, at parliamentary insistence, significantly increased the resources allocated to the FDR in 2008 and 2009.

Partnership Arrangements for Public Service Management

Sub-national governments are increasingly resorting to partnerships with public and private entities to manage the delivery of public services that has been decentralized to them. Although the current legal framework allows sub-national governments to develop partnerships with public and private entities for the delivery of public services, they lack the technical capacity to efficiently manage these partnerships. Similarly, although the legal framework for inter-municipal cooperation is in place, the structures remain underdeveloped.

Solid Waste Management (SWM) Sector. Private sector involvement in the provision of communal SWM services is well-established at the level of the urban communes.⁴⁴ However, the quality and cost efficiency of these Public Private Partnerships (PPPs) is low. They are constrained by: (i) the limited size of contracts and immaturity of the market; (ii) poor knowledge of private sector participation mechanisms, including differences between input-oriented contracts and output- or performance-based contracts; (iii) poorly designed contracts; and (iv) loss of economies of scale due to the lack of inter-municipal cooperation and regional planning for disposal/treatment facilities.⁴⁵ In addition, its long-term financial sustainability is uncertain in the context of the GoM's (15 year) National Municipal Solid Waste Management Program (PNDM)⁴⁶. The program was launched in 2008 in support of the Solid Waste Management Law. Analysis has shown that municipalities cannot afford (at least in the short-term) the additional costs of modernizing and sustaining SWM as envisaged under the PNDM without increased central financing and/or improved cost-recovery arrangements.⁴⁷ An ad-hoc financial support mechanism has been introduced by the MI for the communes to cover the incremental costs of upgrading their municipal solid waste management systems in the short-term. Under the Bank-supported programmatic Municipal Solid Waste Sector Development Policy Loan (Municipal Solid Waste DPL), the GoM aims to ensure long-term sustainability by (i) enhancing the managerial, technical, and financial management capacity of municipalities in order to improve their outsourcing capacity; (ii) revising contracting documents and procedures for private sector participation in SWM; (iii) mobilizing additional revenue sources for the communes through participation in the Clean Development Mechanism (CDM) under the Kyoto Protocol⁴⁸; (iv) earmarking local revenues, and exploring the creation of eco-taxes on packaging

⁴⁴ Recent figures show that private firms collect two-thirds of urban waste nationwide and that services contracted to private operators represent about DH 900 million (2007) or 70 percent of total spending on SWM.

⁴⁵ World Bank (2009), *Municipal Solid Waste Sector Development Policy Loan – Project Appraisal Document*.

⁴⁶ The PNDM was formally adopted by the newly appointed Government in its program announced in October 2007 and sets out, among other objectives, service and disposal standards for urban areas, quantitative goals for collection coverage (90 percent by 2021), the introduction of sanitary landfills (100 percent of urban areas equipped by 2021), and the closure and rehabilitation of 300 existing open dumps as well as the promotion of solid waste reduction, recovery and valorization.

⁴⁷ It is estimated that annual investment and operating costs will double from the 2006 amount to DH 2.2 billion in 2012, an increase of 14 percent per year. Recent analysis on sector financial issues project annual financial shortfalls for municipalities of DH 300 million over the next 3 to 5 years, even assuming increases in municipal revenues and VAT transfers resulting from the Government's overall tax reform program.

⁴⁸ Carbon Emission Reductions from the capture or use of landfill gas can be sold to Part 1 country (essentially developed countries except the United States and Canada) entities to generate revenue for the improvement of current SWM practices. The potential emissions reductions from solid waste in Morocco are estimated to be 0.7 - 1.0 million tonnes of CO₂e/year.

materials and establishment of user fees (*redevances*); (v) develop provincial and prefectural planning tools to promote inter-municipal cooperation and regionalization of solid waste disposal facilities. *Contrats de Partenariat* signed between the GoM and the communes are to help monitor the implementation of the reforms. While DPL I⁴⁹ will focus on the larger communes (which represent around 70 percent of national solid waste production), it is envisaged that DPL2 will pursue and deepen reforms among smaller communes.

Water Supply and Sanitation (WSS) Sector. The National Water Supply Authority (ONEP), which currently operates as an EP on the basis of a 4 year *contrat-programme* with the MI and the MEF, is responsible (since 2004) for WSS to all rural communes and small to medium-sized urban communes. It also produces potable water sold in bulk, which provides critical revenues for its growing infrastructure programs and cross-subsidizing its (loss-making) operations in rural communes. 13 Communal utilities (*Régies*) are responsible for WSS and electricity distribution in large urban municipalities. The *Régies* are owned by the municipalities, but accountable to the MI and the MEF. 4 large coastal municipalities (Casablanca, Tangier, Tetouan, and Rabat) have signed long-term contracts with private sector actors for the delivery of WSS and electricity. Importantly, different rules on tariff setting govern these different WSS operators. On one hand, tariffs related to the operations of the ONEP and the *Régies* are regulated at the central level (through the Interdepartmental Commission on Prices in which the Ministry of the Interior and the MEF are represented). On the other hand, the private concession tariffs are regulated in a decentralized manner through the contracts negotiated by the municipalities concerned. Due to the enhanced flexibility in tariffs setting demonstrated under these contracts, ONEP and the *Régies* have started to advocate the introduction of a similar contractualization model for their operations. In response, the MI has started to explore options for consolidating multisectoral distribution utilities at a regional scale. These regional distribution utilities would constitute a merger between the *Régies* and the branch offices of the ONEP as well as the ONE. Such regionalization would entail the consolidation of existing public WSS and electricity operators into more efficient operators. In addition, it would allow for improved financial sustainability of their operations by breaking down the centralized tariff setting mechanisms which has so far constrained the financing of public investments in WSS infrastructure. A pilot project is currently being considered for the Doukkala-Abda region.

Urban Transportation. Although management responsibilities for urban transportation have been transferred to the communes, most of them lack the technical and budgetary resources for formulating adequate urban transportation plans and effectively managing public transportation systems, including management of concession contracts or delegation of public service. Only Casablanca and Tangier have developed (imperfect) Urban Transportation Plans (PDUs)⁵⁰. In addition, it has been estimated that, even taking into account the VAT transfers allocated to infrastructure investments, the *collectivités locales* together could not finance more than 25% of the investments needed in the urban transportation sector in the period 2004-2006.⁵¹ At the same time, expenditures related to the operation and maintenance (O&M) of urban transportation infrastructure are declining since the introduction of public service partnerships (PSPs) and

⁴⁹ World Bank First Municipal Solid Waste Sector Development Policy Loan (19 March 2009 – 31 December 2009)

⁵⁰ For example, the link between the PDUs and the City Master Plans (SDAUs) remains weak and the financial limitations of the priorities defined in the PDUs are insufficiently taken into account.

⁵¹ World Bank (2008) *Royaume du Maroc – Secteur des Déplacements Urbains: Note de Stratégie Sectorielle*.

generally do not exceed 3% of the total O&M budget of the large communes.⁵² Since 2001, various communes such as Tangier, Marrakesh, and Casablanca have introduced public service partnerships with public and private entities for the operation of their urban transport systems. However, the quality and cost efficiency of these partnerships are constrained by: (i) strong competition between busses and *grands taxis* as well as different bus operators on the same bus lines; (ii) insufficiently defined selection procedures for the partnerships; (iii) poorly designed tariff policies⁵³; and (iv) limited supervision of the implementation of the contracts. Most *Régies* and concessionaries thus suffer from chronic budget deficits that prevent them from making necessary investments. The GoM has tried to respond to some of these constraints by establishing a number of temporary Agencies such as Bouregreg and Anfa to plan and implement special urban transportation projects on behalf of the communes involved. In addition, the Ministry of Infrastructure and Transportation (MET) and its deconcentrated services, which are in principle responsible for primary roads only, are taking a leading role in the planning, financing, and implementation of investment projects (such as provincial and rural roads) that technically fall within the purview of the *collectivités locales*.⁵⁴

Urban Planning. The communes are granted little leeway in the enforcement of the existing City Master Plans (SDAU). The latter are developed by the Urban Agencies under the MHUDS in cooperation with the communes and are approved by the (regional) Governors. The SDAUs are valid for ten years and cannot be amended during this period. The Urban Agencies operate as EPs accountable to the MHUDS and MEF have been established in all the regions as well as in a number of highly urbanized provinces.⁵⁵ In addition to developing SDAUs, they are responsible for (i) preparing detailed zoning plans for the communes and submitting them for approval to the central government (signature of the Prime Minister); (ii) assessing applications for construction permits in line with planning and construction regulations and issuing the approval submitted for signature by the mayor. Involvement of the communes in the preparation and approval of the detailed zoning plans has thus far been limited since the Urban Agencies are not obligated to include them in the process. However, a new Law on Urban Planning (*Code d'Urbanisme*) was recently adopted, which unifies and simplifies the laws, decrees, and ministerial instructions (dating from 1990) regulating urban planning and zoning practices. The Code contains the solutions to many problems with which communes are currently confronted: long and cumbersome planning procedures and release of permits to subdivide land and to build.⁵⁶ It introduces more flexible planning procedures and devolves more responsibilities for oversight to the communes within a control framework set by the central government. In this context, it introduces a new urban development document called Agglomeration Master Plan (SDA), which will form the basis of a *contrat de partenariat* between the central government and the region.

⁵² Ibid.

⁵³ For example, preferential tariffs (eg. for students) and other public service obligations are not being compensated by the communes through a subsidy, but by increasing the full tariffs

⁵⁴ For example, the MET contributes close to DH 500 million (or 38%) out of a total of DH 1.3 billion for road building programs in the communes of Casablanca, Rabat-Salé, and Tangier. The contributions of the communes and the Regional Councils involved amount to 18% and 30% respectively. The remainder is picked up by ad-hoc sources such as the Development Agency for the Northern Provinces (in the case of Tangier).

⁵⁵ 11 new Urban Agencies have been created by the MHUDS since 2003 to attain full territorial coverage and better serve the urban communes. Bigio, A. and Abdallaoui-Maan, M. (2008), *Les Défis de l'Habitat Social au Maroc – Note de Politique Sectorielle*.

⁵⁶ The World Bank (2008), *Housing Sector Development Policy Loan – Implementation Completion Report*.

The SDA is to be developed by the communes in line with the SNATs and SRATs and will replace the existing SDAUs. The timeframe for developing the SDAs will be 3 months as opposed to the 5-7 years for the SDAUs. The role of the Urban Agencies will be re-centered on supporting the communes in the preparation process.

2.2.2. Deconcentration

2.2.2.1. *Fiscal Dimension: Distribution of Financial Decision-Making Authority*

Revenue Autonomy

Historically, line Ministries have been preparing their budgets annually in a centralized manner with little input of the deconcentrated services. Following a Circular by the Prime Minister on 25 December 2001, however, the GoM has tried to introduce, first on a pilot basis with 6 Ministerial Departments, a new budget approach that allows for multi-annual budget planning, increases the autonomy and responsibility of both the line Ministries and their deconcentrated services, and rationalizes the control systems and makes them performance-based. Under the Bank-supported programmatic Public Administration Reform Development Policy Loan (PARAP DPL)⁵⁷, so-called Medium-Term Expenditure Frameworks (MTEFs) are gradually being adopted as a regular budget procedure. The MTEF can not only improve budget predictability and hence allow for better investment programming by the line Ministries, but also allow the deconcentrated services to be engaged in the development of results-oriented budget programs..

By the end of the 2008, 9 line Ministries (including Transport, Education⁵⁸, Water, Health⁵⁹, Housing, and Energy) had finalized their MTEF on the basis of the priorities identified in their respective Action Plans and the Methodological Guide developed by the MEF. 5 additional line Ministries (Agriculture, Modernization of the Public Sector, Youth and Sport, Justice, and Technology) are expected to complete their frameworks by September 2009.⁶⁰ Furthermore, a recent Circular by the MEF simplified the procedures for transferring budget credits to deconcentrated units within the line Ministries. These initiatives have led to a small increase in the share of deconcentrated budget expenditures in the total budget expenditures (38.3 percent in 2005-07 compared to 36.4 percent in 2001-04).

However, a better link is still needed between the MTEFs signed between the MEF and the line Ministries and the MEF's Medium-Term Fiscal Framework (MTFF), which span a 3 year period and are regularly updated.⁶¹ Thus far, these two planning exercises are conducted separately and the MEF's MTFF remains an internal document. This situation clearly complicates the dialogue, coordination, and budgetary arbitrage process between the line Ministries and the MEF.

⁵⁷ World Bank Public Administration Reform Development Policy Loan I (1 July 2004-31 December 2004), II (23 March 2006-31 December 2006), and III (15 May 2008-31 December 2008).

⁵⁸ The MEN developed a 4 year MTEF to support its Action Plan 2009-2012.

⁵⁹ The MS developed a 3 year MTEF.

⁶⁰ Aide-Mémoire Mission Supervision Conjointe Commission Européenne, Banque Mondiale, Banque Africaine de Développement, Programme de Réforme de l'Administration Publique (PARAP III), Rabat, 23-27 Mars 2009.

⁶¹ Ibid.

Furthermore, better coordination is still needed between the central line Ministries and their deconcentrated services in the budget preparation process with a view to ensure a closer link between the MTEF and the priorities of the deconcentrated services of the line Ministries. Although the MEN managed to adequately reflect the priorities of the AREF in its current MTEF with the MEF, the MTEFs of most other line Ministries insufficiently reflect the interests of their deconcentrated services.

Expenditure Autonomy

Budget expenditures continue to be constrained by the limited influence on the use of budget resources by the *ordonnateurs* at the level of the line Ministries and the *sous-ordonnateurs* at the level of their deconcentrated services. This leads to a generally slow execution of budget resources once they have been transferred by the MEF. Under the Bank-supported programmatic Public Administration Reform Development Policy Loan (PARAP DPL)⁶², the GoM has tried to address this situation. It recently introduced in 30 Ministry Departments, among which Health, Transport, Agriculture, and Education, budget flexibility norms. The latter increases budget management autonomy for the line Ministries and their deconcentrated services by aggregating budget categories and allowing the *ordonnateurs* and *sous-ordonnateurs* to relocate within these categories without the ex-ante approval of the MEF.

In addition, ex-ante approval procedures have been progressively streamlined and replaced or complemented by a newly defined ex-post controls. While the responsibility for ex- ante controls has been transferred from the General Comptroller of Expenditure Commitments (CGED) to the General Treasurer of the Kingdom (TGR), the nature of the controls has been modified as well. On 1 January 2009, module-based expenditure controls on the *ordonnateurs* and *sous-ordonnateurs* in the line Ministries were introduced, which allow for lessened ex ante controls on services that can demonstrate stronger internal financial management and control capacity.⁶³ The evaluation and certification of their capacity is conducted by the Inspectorate General of Finance (IGF) for the *ordonnateurs* at the level of the central line Ministry and by the TGR for the *sous-ordonnateurs* at the level of their deconcentrated services.

This process towards increased expenditure autonomy for the line Ministries and their deconcentrated services is accompanied by efforts to promote increased responsabilisation. All Ministries prepare annual performance reports on the basis of performance indicators that are published with the budget presented to the Parliament. However, the indicators are generally too numerous and do not sufficiently represent achievement of objectives. A Working Group has been established by the GoM to improve the selection of indicators. Performance-based *contrats-programmes*⁶⁴ between central and branch offices is still lagging in most Ministries. However, the Ministries of Health, Education, Agriculture, and Transportation are notable exceptions:

⁶² World Bank Public Administration Reform Development Policy Loan I (1 July 2004-31 December 2004), II (23 March 2006-31 December 2006), and III (15 May 2008-31 December 2008).

⁶³ The *services ordonnateurs* are ranked on a scale of 1 to 3 for their internal financial management and control capacity. The Decree No. 56/84 of 28 November 2008 on alleviated controls is to be replaced by new regulations by 2012.

⁶⁴ Generally, *contrats-programmes* stipulate the objectives, means, outcomes, and indicators against which the implementation of the Ministry's budget programs are to be measured.

- **Health Sector.** Following its (test) budget program 2004-2006, the MS signed *contrats-programmes* for the period 2007-2009 with its Directorates in 6 regions (Doukkala, Grand Casablanca, Haouz, Oriental, Tadla Azilal, et Taza) on the basis of budget programs consistent with the MTEF signed with the MEF.
- **Education Sector.** In April/Mei 2009, the MEN signed formal *contrats-programmes* covering with 6 AREF on the basis of budget programs consistent with the MTEF signed with the MEF.
- **Agriculture Sector.** The MAPM is in the process of preparing *contrats-programmes* with each RDA, which will form the basis of *contrats-programmes* between the RDAs and the DPA/CTs that fall under their umbrella. The MAPM has signed *contrats-programmes* with the *filières* on the basis of budget programs that are consistent with (i) the MTEF signed with the MEF; (ii) the 16 Regional Agricultural Plans identifying potential investments in selected *filières* that were recently adopted by the Regional Councils; and (iii) the reform program laid out in the PMV.
- **Urban Transportation Sector.** The MET signs *contrats-programmes* with its deconcentrated services on the basis of budget programs consistent with the MTEF signed with the MEF.

2.2.2.2. *Administrative Dimension: Distribution of Functions and Accountability, and Arrangements for Public Service Management*

Functions and Accountability

In recent years, the transfer of functions to the deconcentrated services of the line Ministries has taken place in an ad hoc and fragmented manner with often little buy-in from the administrations at large. Similarly, functional deconcentration has been resorted to as a fast-track option to administrative reform. The Decree of 2 December 2005 established the common rules for the organization of the central administrations. It also required the central administrations to conduct organizational audits with a view to prepare Deconcentration Master Plans (SDDs). Five line Ministries, including the MAPM and the Ministry of Health (MS), prepared their Master Plans, but the preparation of additional Master Plans has been put on hold since the Palace tasked to GoM with preparing a National Deconcentration Charter. The Charter is to define the general concept and principles for organizing the deepening of the deconcentration process with a view to support the regionalization agenda laid out by the Palace in the Royal Statement delivered on 12 December 2006, and re-iterated on 6 November 2008. Nonetheless, line Ministries such as the MS and the MAPM are using their existing Master Plans to implement their respective (functional) deconcentration reforms.

Agriculture Sector. The MAPM has started to implement the institutional reforms laid out in its *Plan Maroc Vert* (PMV), which was presented by the Ministry in April 2008. By mid-2009, the MAPM had reduced the number of central-level Directorates from 12 to 8, while Regional Agricultural Directorates (DRAs) had been established in each of Morocco's 16 regions. The restructuring is aimed at facilitating the envisaged transfer of budget, human resource, and program implementation responsibilities towards the DRAs. In the 9 regions where the ORMVAs are located, the ORMVA Directors are also the DRA Directors. While the existing 40

Provincial Agricultural Directorates (DPAs) and 122 Agricultural Work Centers (CTs) are expected to fall under the different umbrellas of the DRAs, the operational relationship between the DRAs and the MAPM, ADA, DPAs and CTs remains to be further defined. The MAPM also established an Agricultural Development Agency (ADA) as part of its reform agenda. The Agency operates as an *Etablissement Public* (EP)⁶⁵ accountable to the MAPM and MEF. Although its operational relationship to the central and deconcentrated services of the MAPM remains to be further defined, the core mandate of the ADA is to organize the planning, mobilizing, and monitoring and evaluation of public and private investment resources and partnerships for agricultural development. The MAPM, on the other hand, is to focus more on its regulatory function. The Agency is currently in the process of developing *contrats-programmes* with the DRAs, which would further define the respective roles and responsibilities with respect to the implementation of the MAPM's investment programs. They would in turn inform the *contrats-programme* to be prepared between the DRAs and the MAPM's Provincial Directorates (DPAs). Furthermore, the MAPM is in the process of setting up a National Food Safety Office (ONSA) responsible for tackling food safety and security risks. The Office will initially operate as an EP accountable to the MAPM the MEF and is expected to be operational in January 2010. It constitutes largely a merger between the existing Veterinary and Plant Health Control Directorates of the MAPM. Small administrative units are envisaged to be established at the regional level responsible for coordinating the activities of ONSA's external services and liaising with both the Governor and the Government's deconcentrated services.

Irrigation Sector. 9 Public Agricultural Development Agencies (ORMVAs)⁶⁶, which have the status of EPs and are accountable to the MAPM and the MEF, currently manage 9 large irrigation schemes (LIS) covering about 700.000 ha or about 50% of the irrigated surface. In addition, the ORMVAs are responsible for providing public extension services within the LIS perimeters. The operation and maintenance of small and medium-sized irrigation schemes (PMH) has been delegated to Water Use Associations (WUA's). Under the Bank-supported Irrigation-based Community Development Program⁶⁷, which covers the first phase of a long-term program, the GoM has tried to introduce a decentralized participatory approach to the development of PMH in poor mountain areas in three pilot provinces (Azilal, Khenifra, al Haouz).

Water Resources Management. 7 River Basin Agencies (RBAs) have been established following the adoption of the 1995 Water Law, which intends to bring about integrated, participatory and decentralized water resources management. The Agencies, which emerged from the former Regional Directorates of the Ministry of Public Works, were made responsible for water resource management at the level of the watersheds. The Water Law stipulates that the Agencies are to be financially autonomous through withdrawal and pollution charges and

⁶⁵ An EP is a moral person of public law financed by public funds, which has to fulfill a well-defined mission of general interest. An EP enjoys a certain degree of administrative and financial autonomy in order to fulfill its mission. It can have own revenues and recruit personnel on a specific statute different from the *Statut Général de la Fonction Publique* (SGFP). Its management is typically supervised by an Administrative Council.

⁶⁶ The ORMVA's were established in the 1980s and 1990s with Bank support under the World Bank Large Scale Irrigation Improvement (LIS) project I (1986-1993) and World Bank Large Scale Irrigation Improvement (LIS) project II (1993-2000).

⁶⁷ World Bank Irrigation Based Community Development Project in Support of the First Phase of the Irrigation Based Community Development Program (2001-2006)

accountable to the water users through River Basin Committees (RBCs). In the period 1995-2005, implementation of the Water Law has been partial. The RBAs continued to lack the status of EP, which could enable greater autonomy in the management of the RBA's financial and human resources. In addition, RBCs were not established, collection of withdrawal charges was limited, and pollution charges were not enforced. The Bank's programmatic Water Sector Development Policy Loan (Water Sector DPL) aimed to restart the reform process. While the reform program under DPL I⁶⁸ was completed successfully, the reform program envisaged under DPL II was abandoned by the Government that came to power in October 2007. Instead, the Government requested the Bank to continue to provide investment support to the sector. The RBAs have since lost the EP status they had obtained under DPL I. They are becoming increasingly dependent on subsidies from the Ministry of Water without any performance-based contracts being put in place. Under the recent National Water Sector Development Strategy prepared by the Ministry of Water, the GoM's focus has shifted from water demand management through promoting water saving, efficiency, and pollution control, toward water supply management through dam and transfer projects for resource mobilization. In this context, the RBA's are now responding primarily to central government demands as opposed to those of the water users in the respective watersheds.

Energy Sector. Under the Bank-supported (3 year) programmatic Energy Development Policy Loan (Energy DPL)⁶⁹, the GoM envisages to consolidate the sector's regulatory function in a single, centralized Regulatory Agency. The regulation of the power sector is currently split between the Ministry of Energy, Mining, Water, and Environment (MEMEE), the MEF, the MI (for the power distribution by the *Régies*), the Ministry of Economic and General Affairs (MAEG), and the National Electricity Authority (ONE). The MEMEE defines and implements the national energy policy and is responsible for the technical supervision of the ONE. While the MEF has the financial supervision of ONE and of the *Régies*, the MI supervises the private concessions of water and electricity distribution and the *Régies*. The MAEG studies and proposes tariffs and the ONE plans the production and transmission system, and proposes tariffs changes, regulatory and legal texts required to achieve its missions. The Regulatory Agency would advise on price revisions, attribution of licenses for new generators and distributors, supervision of existing and new concessions, setting of technical and commercial standards, supervision of calls for tenders for new capacity by the independent system operator, and regulation of competition. In its initial configuration, the Regulatory Agency will operate under the supervision of the GoM. Furthermore, the GoM decided to broaden the mandate of the Centre for Renewable Energy Development (CDER) in May 2007. The Centre currently operates as an EP accountable to the MEMEE en the MEF. It would be transformed into an Energy Management Agency and become responsible for the implementation of GoM's energy efficiency and renewable energy policies, setting energy efficiency standards, and supporting the development of renewable energy and energy efficiency. The MEMEE is in process of preparing a Law establishing the Agency as well as a results-oriented *contrat-programme* with the new Agency, which would be centered upon saving 1.7 million TOE per year by 2015.

⁶⁸ World Bank First Water Sector Development Policy Loan (1 May 2007 – 31 December 2007)

⁶⁹ World Bank First Energy DPL was completed between 29 May 2007 and 31 December 2007. The World Bank Second Energy DPL is currently under preparation.

Housing Sector. Under the Bank-supported Housing Sector Development Policy Loan (Housing DPL)⁷⁰, the GoM absorbed the existing Public Housing Operators (OPH)⁷¹ into a new structure: the Al Omrane Development Holding (HAO). The HAO consolidated the land and financial capital, as well as the human and technical resources, previously managed by the National Shelter Upgrading Agency (ANHI), the National Equipment and Construction Corporation (SNEC), and Attacharouk (which was created to carry out a housing program in Greater Casablanca). The mission of the HAO was refocused on providing on-site infrastructure and urbanizing land to facilitate the implementation of residential projects by private developers and on implementing the social housing programs financed via the GoM's Housing Solidarity Fund (FSH).⁷² The HAO Board of Directors is supervised by an Administrative Council, headed by the Prime Minister, and including six Ministers. The HAO deconcentrated most of its personnel from its overstuffed central office to its regional branches. During 2007, the HAO incorporated in its regional branches the (previously independently managed) Regional Public Housing Operators (ERAC).⁷³ Two more regional companies were also created with the purpose of completing a balanced coverage of the regions. The operation was to eliminate redundancies and overlaps among their missions, mandates and territorial coverage, consolidate their financial and human resources, and eliminate the outstanding deficits to the state-owned housing bank (*Crédit Immobilier et Hotelier* (CIH))⁷⁴. The performance of many ERAC had been mixed due to a lack of governance and accountability mechanisms, absence of a commercial policy, high reliance on subsidies, overstaffing and deficient skill mix, and politically-supported access to credit from the CIH.⁷⁵ HAO has become a powerful tool for the implementation of the public policies in the realm of social housing, but is also facilitating the investment of private companies into the housing sector: while the on-site infrastructure is provided by the publicly owned HAO, the vast majority of the construction of residential units is now performed by private contractors.⁷⁶

Education Sector. Following the adoption of the Education Charter⁷⁷ in 1999, the Ministry of National Education (MEN) created Regional Education and Training Academies (*Académies Régionales de l'Éducation et Formation* (AREF)) in 2000. They became operational in mid-2003. The AREF, which operate as EPs accountable to the MEN and MEF, are responsible for educational activities (pre-primary through secondary, non-formal and literacy) in their

⁷⁰ World Bank Housing Sector Development Policy Loan (2005-2008)

⁷¹ The OPHs concern a group of parastatal companies responsible for land servicing and the implementation of social housing programs under the oversight of the MHUDS and the MEF.

⁷² The Housing Solidarity Fund (FSH) was established in early 2003 in order to channel revenues for social housing programs into a dedicated fund which is replenished via a tax on the sale of cement. FSH resources in 2007 were estimated around DH 1.4 billion.

⁷³ The ERACs were officially dissolved as state subsidiaries, re-established as EPs, and then transferred to the HAO by the GoM.

⁷⁴ The CIH provides interest rates subsidies for mortgages to both public and private banks. In late 2004 the total outstanding debts of the ERACs vis-a-vis the CIH were fully repaid in the amount of DH 800 million. The ERACs were also re-capitalized for DH 900 million, thus making them again financially viable.

⁷⁵ The World Bank (2005), *Housing Sector Development Policy Loan – Project Appraisal Document*.

⁷⁶ The World Bank (2008), *Housing Sector Development Policy Loan – Implementation Completion Report*.

⁷⁷ The Education Charter set out objectives for all levels of the education system, including universal primary education of children between the ages of six to eleven years by 2007, improved internal efficiency through measures to improve the quality of education, especially at basic education levels, and to help children access schools. The Charter proposed a number of reforms to reach these objectives, including administrative decentralization, community involvement in school management, curriculum reform, and the introduction of partial user charges at higher levels of education.

respective jurisdiction. They elaborate, along with their provincial delegations, regional development plans within the broad outlines developed by the MEN, develop procurement plans for works, goods and services, manage non-salary budgets, deploy staff, and supervise and inspect teachers and schools. Each AREF has its own Administrative Council presided by the Minister of Education who also nominates the director for each AREF. The Administrative Council is composed of key regional stakeholders in the education sector.⁷⁸ Each AREF has several provincial delegations, which report directly to them and constitute their sub-regional extensions.

Health Sector. The MS has established, with EU support⁷⁹, a Regional Health Directorate (DRS) in each of Morocco's 16 regions. The process started in August 2005 and was completed in September 2008. The DRS are led by the head of the DPS where the DRS is located. While the DRS are accountable to the MS authorities in Rabat, the Directorates' operational relationship with both the centre and the Provincial Health Delegations (DPS) of the MS remains to be further defined. Furthermore, as the DRS were established through Ministerial Circulars that do not have the power of law, the Directorates still lack a proper legal and regulatory base. At the same time, the MS, under its Action Plan 2008-2012, has initiated work to prepare for the creation of *Etablissements Publiques de Santé* (EPS). The legal status, structure, role and responsibilities of these territorial entities remain to be further defined. In this context, the MS has requested technical assistance from the World Bank in exploring different institutional options.⁸⁰ The proposal has thus far been resisted by the MEF, which remains unclear about the functional relationship between the EPS and the DRS and has reservations concerning the financial implications of the proposal. Under the Bank-supported Health Financing and Management Project⁸¹, the MS also tried to improve the management of 14 public hospitals in Morocco. Hospital Development Plans (PEH) have been introduced in all the public hospitals and performance-based budget management was introduced. They are likely to be institutionalized by the new Hospital Reform Law, which stipulates the requirement for a PEH in all national hospitals as well as other important aspects that will further enhance the hospital reform process.⁸² Nonetheless, implementation of hospital reform has overall been slow and has not yet produced the desired impact on improved hospital management.⁸³ The University Hospital Centers (CHUs), operate as EPs accountable to the MS and MEF, while other public

⁷⁸ The composition of the Administrative Councils is defined by the Dahir of 19 May 2000 on the creation of the AREF and includes the President of the Regional Council, the Wali of the region, the governors of the provinces and prefectures of the region, the presidents of the urban communes, the presidents of the provincial and prefectural assemblies, the president of the council of the Uléma of the region; the president(s) of the universities located in the region; a regional delegate for professional training; the presidents of the professional chambers of the region; a representative of the Olympic Committee in the region; six representatives of teachers and administrative personnel that are members of the paritary commissions at the regional level; three representatives of parent associations; a representative for the private education sector in the region; and a representative for the pre-school sector.

⁷⁹ UE Projet d'Appui à la Gestion du Secteur de la Santé (UE PAGSS)

⁸⁰ A draft World Bank report *Revue de l'Expérience Internationale sur la Décentralisation des Systèmes de Santé: Options pour la Création d'Etablissements Publics de Santé* was delivered in January 2009.

⁸¹ World Bank Health Financing and Management Project (1998-2006)

⁸² Some of the key hospital management tools developed under the PFGSS included: (i) the Hospital Development Plan (PEH), (ii) the financial management accounting model, (iii) the costing and billing, (iv) the management and technical hospital reorganization, (v) the planning and management of human resources (GRH), (vi) the quality and clinical audit, and (vii) the routine maintenance programs.

⁸³ The World Bank (2007), *Health Financing and Management Project – Implementation Completion Report*.

hospitals operate as *Services d'Etat Gérés de Manière Autonome* (SEGMA). However, management of hospital costs and services has been particularly constrained by a lack of qualified staff (ie. hospital managers) and delays in introducing the obligatory sickness insurance scheme (AMO) and a healthcare Healthcare Assistance Scheme for the poor (RAMED). While the former came into effect in September 2007, the latter remains to be introduced. A pilot RAMED program has recently been launched. Furthermore, the MS has not transferred human resource and financial management responsibilities to the public hospitals.

Human Resources

While the MEF makes human resource projections under the Budget Law, the Kingdom's Principal Paymaster (PPR) pays salaries every month after due diligence, and line Ministries maintain day-to-day responsibility for the administrative management of hiring and promotions. The deconcentrated services of most line Ministries have little influence on the recruitment and management of their staff. General inefficiencies in the central framework governing human resource management have contributed not only to a high wage bill in Morocco, but also significant capacity gaps between the central and deconcentrated services of the line Ministries, especially at the regional level. In particular, mobility as a complement to deconcentration has been limited. Effective human resource management is constrained by a system that lacks appropriate recruitment strategies; rewards seniority as opposed to merit; uses an outdated job classification scheme and perverse bonus system⁸⁴; provides inadequate in-service training budgets; and lacks adequate information systems. Mobility is further constrained by a proliferation of statutes (totaling 50 today), which renders the SGFP increasingly obsolete, limited financial incentives, and a preference of Ministry staff to live in urbanized areas that provide better access to basic socio-economic services than more remote areas.

The situation in the Education Sector is a case in point. The AREFs lack the necessary human resource capacity to assume the management responsibilities that have been transferred to them by the MEN. In particular, remote regions suffer from a structural shortage of teachers. A new legislative and regulatory framework for organizing redeployment is needed as well an effective transfer of human resource management responsibilities from the central line Ministry to the AREF (eg. organizing regional concours). The MEN has proposed to include a new statute to the Administrative Councils of the AREFs in the budget. Under the proposal, the equivalent of 3000 *postes budgétaires* would be added to the 3000 *postes titulaires* as a subsidy for the AREF to recruit new staff on the basis of this statute. As such, it would constitute a regionalization of recruitment and stop recruitments on the basis of short-term contracts.⁸⁵

Under the Bank-supported programmatic Public Administration Reform Development Policy Loan (PARAP DPL)⁸⁶, the GoM has undertaken initiatives to remove some of the human resource capacity constraints at the line Ministries' deconcentrated services. 22 Ministerial

⁸⁴ The payroll consists of a low base salary, and up to 80 percent of the overall remuneration in bonuses in some instances.

⁸⁵ Aide-Mémoire Mission Supervision Conjointe Commission Européenne, Banque Mondiale, Banque Africaine de Développement, Programme de Réforme de l'Administration Publique (PARAP III), Rabat, 23-27 Mars 2009.

⁸⁶ World Bank Public Administration Reform Development Policy Loan I (1 July 2004-31 December 2004), II (23 March 2006-31 December 2006), and III (15 May 2008-31 December 2008).

Departments have developed Strategic Staffing Frameworks (RECs), including the Ministries of Transport, Agriculture, and Education. The remaining Departments are expected to adopt their REC by December 2009.⁸⁷ The RECs are instrumental in helping to adapt structures and staff to each Ministry's mission, and help organize redeployment of staff to facilitate deconcentration. The GoM has also prepared an amendment of the SGFP and secondary legislation that would rationalize the various civil service statutes by bringing 22 corps statutes down to 4; establishing the principles of mobility, secondment and external assignment; and introducing new recruitment through concours procedures that would increase autonomy of the line Ministries. However, the amended SGFP has met significant trade union resistance and has been stalled in the Senate since 5 December 2005. In the meantime, the Ministry for the Modernization of the Public Sector (MMSP) has developed a financial incentive scheme (premium) for encouraging redeployment to remote regions; reformed procedures governing promotions and performance evaluation; and developed a new standard job classification from the RECs. The reform of the remuneration system on the basis of the new job classification has, however, suffered significant delays.⁸⁸ Furthermore, the National Public Service Council (CSFP) adopted provisions for continuous training of government officials and approved a national strategy for in-service training in November 2008. Under the strategy, each ministry will have to prepare a training plan within the next two years. Measures to further contain the wage bill have included the program for voluntary retirement, limitations on annual recruitments, and annulations of vacancies following retirement. The GoM's wage bill dropped from 11.7 percent of GDP in 2005 to 10.4 percent of GDP in 2008 (the target rate was 10 percent of GDP).⁸⁹

Partnership Arrangements for Public Service Management

A broad range of line Ministries have undertaken initiatives to re-organize their relationships with their deconcentrated services and government agencies by establishing partnerships for public service management with both public and private entities.

Irrigation Sector. The MAPM is in the process of reorganizing the 9 existing ORMVAs as the double functions of irrigation and extension service management in the LIS transferred to the ORMVAs have become financially unsustainable. While collection rates by the ORMVAs' irrigation arms are relatively high, the tariff levels remain below sustainability. The public extension arms of the ORMVAs, on the other hand, remain largely unproductive and have become depended on cross-subsidies from the ORMVAs' irrigation arms. This cross-subsidization has led to a chronic lack of investment resources for LIS. Under the reforms envisaged under the PMV, the MAPM will separate the ORMVAs' irrigation and public extension activities and privatize the irrigation arms of the ORMVAs. This would enable the DPAs to enter into PPPs with the newly created private entities for the operation and maintenance and/or co-financing of investments in the LIS. In parallel, the MAPM will prepare amendments to the Law on Agricultural Investments (Dahir Nr 1-69-25) to allow a more

⁸⁷ Aide-Mémoire Mission Supervision Conjointe Commission Européenne, Banque Mondiale, Banque Africaine de Développement, Programme de Réforme de l'Administration Publique (PARAP III), Rabat, 23-27 Mars 2009.

⁸⁸ The ongoing review of the remuneration system is not expected to be completed by September 2009. Aide-Mémoire Mission Supervision Conjointe Commission Européenne, Banque Mondiale, Banque Africaine de Développement, Programme de Réforme de l'Administration Publique (PARAP III), Rabat, 23-27 Mars 2009.

⁸⁹ Aide-Mémoire Mission Supervision Conjointe Commission Européenne, Banque Mondiale, Banque Africaine de Développement, Programme de Réforme de l'Administration Publique (PARAP III), Rabat, 23-27 Mars 2009.

commercial management of irrigations systems. A pilot greenfield irrigation PPP is already in place in El Guerdane.⁹⁰ Other PPPs are currently being prepared for the ORMVAs in Loukkos⁹¹ and Gharb⁹². Until the PPPs have been established, multi-annual (3 year) *contrats-programmes* signed by the MEF, MAPM and the ORMVAs will define the budgetary framework as well as the management responsibilities of the ORMVAs.

Agriculture Sector. Under the PMV, the MAPM envisages to further develop a multi-faceted approach to the delivery of extension and advisory services that will allow a greater role for private service providers (similar to the model it developed for the delivery of veterinary services) and introduce mechanisms for (partial) cost recovery.⁹³ Public extension services are currently provided by the 179 Agricultural Development Centers (CDA's) falling under the umbrellas of the 9 ORMVAs in the LIS and PMH perimeters, and the 122 CTs in other parts in the country. The services have generally failed to transfer of knowledge and technologies to farmers. Under the PMV, it is envisaged to promote the signing of performance-based contracts between the DPAs/CDAs/CTs and private actors for the delivery of extension and advisory services.⁹⁴ In this context, a statute for Certified Agricultural Advisors is planned to be created targeting both current CDA/CT technicians and new university graduates. Furthermore, a series of *contrats-programmes* have been signed between the MAPM and different *filières* that envisage the establishment of Regional Technical Centers that will focus on the development and transfer of filiere-specific technologies in coordination with the National Institute of Agronomic Research (INRA). The Regional Technical Centers will be managed by the *Interprofessions* (to be created under the *contrats-programmes*) and form an integral part of so-called *agro-poles*.⁹⁵ The current Law on Associations is expected to be amended in order for the *filières* to take up the more business development-oriented role assigned to them under the PMV.

Energy Sector. The GoM plans to vertically unbundle the ONE under the Bank-supported Energy DPL⁹⁶. The ONE currently operates as an EP accountable to the MEMEE and the MEF and is responsible for the electricity supply to all rural communes. It would divide ONE into three commercially separated activities with ONE being the holding company: generation for the regulated market, dispatch and transmission, and distribution.⁹⁷ This component of the Energy

⁹⁰ The perimeter covers 10.000 ha of export-oriented vegetable production in the Taroudant Province. The PPP concerns a Build, Transfer, and Operate (BTO) concession for 30 years involving the construction of 90 km of water conveyance facilities and a 300 km water grid for irrigating the exploitations within the perimeter. The private partner (AMENSOUSS Group) was selected in July 2004. The program started in December 2008.

⁹¹ The perimeter of the Loukkos ORMVA covers 30.000 ha. A PPP feasibility study for service provision and asset rehabilitation financed by the European Investment Bank was launched in 2008.

⁹² The perimeter of the Gharb ORMVA covers 113.000 ha

⁹³ A variable subsidy program has been proposed that includes different subsidy rates for different types of beneficiaries (small vs larger-sized farms) and service delivery (private vs public interest).

⁹⁴ A few examples of externalization of extension and advisory services already exist. In September 2003, a 1-year, renewable contract (DH 88.000) was signed between the CT of Ouled Said and the Etablissement de Production et d'Ingénierie Agricole (EPI-AGRI SNC) for the training of 15 technicians and animators for an irrigation management project within the Sahla perimeter. In December 2006, a 1-year, renewable contract (DH 150.000) was signed between the CT of Taounate and the Société Réseau Consulting SARL for a technology transfer program.

⁹⁵ The *agro-poles* constitute one-stop shops for agricultural research, advisory, and marketing services managed by the *Interprofessions*.

⁹⁶ World Bank First Energy DPL was completed between 29 May 2007 and 31 December 2007. The World Bank Second Energy DPL is currently under preparation.

⁹⁷ The World Bank (2007), *Energy Sector Development Policy Loan – Project Appraisal Document*.

DPL will be complemented by the Bank-supported ONE Support Project.⁹⁸ The commercialization of the distribution activity will allow benchmarking the performance of the distribution entities. The private sector already plays a major role in the power sector in Morocco, accounting for over 50% of power generating capacity (contributing to over 70% of generation)⁹⁹ and 55% of power distribution done by private operators.¹⁰⁰ Expansion plans call for the addition of new coal-fired and gas fired power plants and about 1 000 MW of wind farms by 2012. In this context, ONE, as the system operator for the development of wind energy, is expected to contract every year a certain capacity of wind energy to independent power producer through a minimum-capacity approach. An energy management window is planned to be established in the Clean Technology Fund (FTP) to provide the necessary financial incentives to private investments in energy efficiency and renewable energy.¹⁰¹ In March 2007, the GoM adopted a self-generation law which allows large private electricity consumers to produce their own electricity by installing power generation capacity of up to 50 MW and to access the ONE grid to transport the electricity they produce from one of their site to another.

2.2.3. Lessons Learned

The GoM has historically prioritized a decentralization centered upon the communes. In the process, locally elected bodies have been established, a range of management responsibilities have been transferred to the communes, different revenue sources have been made available to support their mandates, and civil society is increasingly being engaged in the local decision-making process. However, effective empowerment of the communes and civil society has failed to emerge due to continued central government control through the *tutelle*, a too narrow financial resource base despite central government transfer mechanisms, and weak administrative capacity. The communes thus continue to be heavily dependent on financial and technical assistance from the central government as demonstrated, for example, in the preparation and implementation of FEC financed investment projects. This lack of capacity extends to the management of partnerships for public service delivery. Given that the *walis* generally have better access to the upper levels of the line Ministries than communal authorities, the *walis* are emerging as an important mobilizing force for local development. Increasingly, they are taking over responsibilities that are assigned to the Regional Councils. Although there is collaboration between the *walis* and the presidents of the Communal Councils, there is little evidence that this practice extends to the deconcentrated services and the technical services of the communes.

In addition to partnerships with private sector actors, line Ministries have resorted to functional deconcentration as a fast-track option to improving public services. The potentially higher degree of autonomy and flexibility for EPs in financial and human resource management is an attractive

⁹⁸ World Bank Office National de l' Electricite (ONE) Support Project (2008-2014)

⁹⁹ Private production includes the coal-fueled Jorf Lasfar power plant, the Al Baida wind farm, and the Tahaddart combined cycle gas fueled plant (operated by ONE (48 %), Endesa (32 %) and Siemens (20 %)).

¹⁰⁰ World Bank (2007), *Energy Sector Development Policy Loan – Project Appraisal Document*.

¹⁰¹ The specialized window will be placed in a Fund that will be a legally independent entity. The Fund will help secure financing for energy efficiency and small renewable energy projects through long-term loans managed by commercial banks, guarantees to private energy service companies, and other funding for energy efficiency enterprises. It will administer directly grant support to energy efficiency and renewable energy (except wind) projects on behalf of the GoM.

proposition in this regard. However, in the absence of a broad-based reform commitment and a clear understanding of how the design of the newly created institutions fits into the broader deconcentrated framework for improved service delivery, the establishment and/or operation of these institutions soon risks being undermined by corporatist resistance (cf. the establishment of the ADA) or even a reversal of the reform agenda under a different Government (cf. the establishment of the RBAs).

Deconcentration has lagged behind relative to the decentralization process. There is no broad-based consensus or roadmap on how this process is to support the GoM's decentralized structures. Deconcentration reforms have occurred in a fragmented and ad hoc manner with often limited buy-in from the administrations at large. Where deconcentration reforms have been implemented, government commitment has moreover not been consistent across time and different Government entities. While there has generally been a limited transfer of power and responsibilities to the line Ministries' branch offices, certain line Ministries (such as the MAPM or the MS) have preferred to move their deconcentration agenda faster and further. Such moves have at times been resisted by the MI and the MEF, which generally favor a more prudent and incremental approach to deconcentration. In addition, while the MI seems to have adopted a rather imperial approach to the current regionalization agenda laid out by the Palace, the elected branches of the government at both the central and sub-national level are wary of a possible recentralization of decision-making authority under the *walis*.

The regionalization agenda laid out by the Palace has largely been presented in terms of promoting broad-based socio-economic development, but political considerations are likely to be the key driver behind the agenda. The Royal Statement delivered in November 2008 to commemorate the 33rd anniversary of Green March, suggests that the Palace considers regionalization, supported by a deepening of deconcentration and consolidation of decentralization reforms, a key vehicle to resolving the ongoing political stalemate in the Western Sahara region. By providing an important degree of autonomy for the regions, it hopes to stem the drive for independence in the Western Sahara region.

The outcome of these different power dynamics in relation to decentralization and deconcentration has been a highly unbalanced public policy framework. In particular, the mismatches between transferred responsibilities, human and financial resources, and the lines of accountability at the different tiers of government are a fundamental obstacle to effective and efficient public policies in line with local needs and demands. The deconcentrated services of the line Ministries, which are still accountable to Rabat as opposed to locally elected officials, have a limited margin to meet the demands of the sub-national governments. Adding to these constraints is the prevailing uncertainty about the specific mandates of the sub-national governments. Although this situation has left room for pragmatic policy solutions, it has also led to disjointed actions by sub-national governments or to no action at all.

The approach followed thus far to decentralization and deconcentration is reaching its limits. Increasingly, it has become difficult to decouple sector reforms from other sectors and the reform of the central framework governing civil administration, public finance, and sub-national accountability. A political consensus will need to be fostered on how to organize a balanced

reform of this central framework. In this context, it will be critical to clearly define and articulate the objectives which the proposed reforms are meant to serve.

2.3. Outlook for Decentralization and Deconcentration

2.3.1. Recent government initiatives

Since the Royal Statements delivered in March 2006 and November 2008, decentralization and deconcentration questions have been framed in the broader context of regionalization. The current GoM's social and economic program identifies the regions as a key interlocutor in the Government's new spatial development strategy and the socio-economic development of urban and rural territories. A consolidation of decentralization reforms and a deepening of deconcentration reforms are now envisaged to enable the regions to effectively promote, in partnership with other sub-national governments, balanced socio-economic development through territorial-based policies.

However, it remains unclear how the regions will work in tandem with the central government and other sub-national governments on this development agenda. The Palace and the MI have expressed a preference for a regionalization concept whereby the deconcentrated services of the line Ministries are made accountable to the appointed central government representatives at the sub-national level. The process would be accompanied by intergovernmental fiscal transfers and a widening of the revenue base of the regions. However, as of yet, there is no broad-based consensus for realizing this regionalization model. A public dialogue that started with the establishment of a Consultative Commission tasked to develop a concept for regionalization. The exercise is to lead to a further clarification of the different functions and responsibilities across the different tiers of government and may entail a revision of the current provincial/prefectoral boundaries with a view to create more economically and geographically complementary territories.

Anticipating the outcome of the public dialogue, the GoM has already taken a number of steps to support the regionalization agenda. It established a new ministerial department in charge of spatial development: the State Secretariat for Spatial Development (SEAT). However, its relationship with the Directorate for Spatial Development (DAT) within the MHUDS remains unclear.¹⁰² The Directorate provides important analytical and technical support in the preparation of the SNATs and SRATs (such as those recently prepared for the Tadla-Azilal and Meknès-Tafilalet regions). In addition, the GoM has set up a Territorial Development Fund and transferred DH 300 million to initiate the implementation of priority programs primarily in the lagging rural areas. Furthermore, a number of regional development strategies, such as the those for the Fès-Boulmane and the Souss-Massa regions, have been prepared. These strategies seem to be increasingly replacing the PRDES.¹⁰³ Furthermore, 16 Regional Agricultural Plans (PARs) were adopted by the Regional Councils in April 2009 identifying a series of investments in

¹⁰² The World Bank (2008), *Royaume du Maroc – Note sur le Développement Régional*.

¹⁰³ Ibid.

agricultural development. However, there are no clear mandates for implementing the SRATs, regional development strategies, or PARs.

Importantly, the MEF has initiated, with technical assistance from the EU, the preparation process for revising the organic Budget Law (1998). The revision is to solidify all the budget reforms that have taken place thus far through pilot testing and by minimal regulatory changes (mostly by decree).¹⁰⁴ At the same time, the MEF wants to leverage the revision to further promote a regionalized and results-oriented budget process. As a first step, it completed an Action Plan for the introduction of a new budget nomenclature, which would enhance budget transparency and readability by simplifying the manner in which the budget is presented and introducing new principles such as organizing budget expenditures by regions, programs and sub-programs, and actions. A second Action Plan is now being prepared that focuses on solidifying the principles of multi-annual budget programming and performance-based monitoring and evaluation. These and other Action Plans will form the basis for a draft legislative proposal. In order to avoid triggering the need for a revision of the Constitution, the drafting of the legislative proposal is expected to be a delicate balancing act.

2.3.2. Opportunities for World Bank involvement

The World Bank could accompany the GoM's regionalization agenda in a number of ways and through a variety of instruments. In close cooperation and consultation with other donors, it could:

- a) Help Morocco to evolve a coherent vision that integrates the different levers of decentralization, deconcentration, and territorial-based investments within a unified framework. Support instruments could include AAA combined with a DPL aimed at (i) facilitating and supporting the public dialogue on regionalization through institutional analyses, organizational development plans, and dissemination of models and lessons learned from similar experiences elsewhere in regards inter-governmental fiscal transfers, participatory regional planning, and local service delivery accountability; and (ii) build institutional capacity at the sub-national level in line with the regionalization concept currently under preparation;
- b) Support administrative deconcentration and regionalization in a manner that supports territorial development and improves public service delivery. Support instruments could include AAA combined with regional development investment support aimed at (i) building institutional capacity at the deconcentrated levels in line with the regionalization concept and the national deconcentration charter currently under preparation; and (ii) piloting integrated regional and agricultural development programs on the basis of existing plans;
- c) Strengthening the capacity of the communes for improved service delivery. Support instruments could include AAA combined with communal development investment support aimed at further improving urban infrastructure as well as rural accessibility and mobility.

¹⁰⁴ Areas include budget nomenclature, accounting classification and chart of accounts, accounting methodology, auditing of financial public accounts, staffing appropriation management system etc.

Annex: Data Sources

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