

UPDATED PUBLIC INFORMATION DOCUMENT

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Project Name:	Morocco-Public Administration Reform Adjustment Loan (PARL)
Region:	MNA
Sector:	Multi-Sector (Macroeconomic and Public Sector Management)
Project ID:	P078565
Borrower:	Kingdom of Morocco
Implementation Agency :	Ministère Délégué auprès du Premier Ministre Chargé des Affaires économiques et générales et de la mise à niveau de l'économie Rabat
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Background

The Kingdom of Morocco has made good progress in the 1990s in economic and political reform. On the economic side, important milestones have been the signing of an Association with the European Union (EU) in 1996, the liberalization of the telecommunication sector, and the recent reforms in labor markets. Very important also were the strong efforts implemented by the authorities to improve access to services in rural areas, efforts which continue. Progress was especially impressive on the political side, with the appointment of a prominent opposition leader as Prime Minister in 1998, and elections to Parliament in September 2002 which were applauded as free and fair elections. Inter alia, the new government appointed after these elections has the mandate to improve public resource management and transform the public administration into a contributor to Morocco's accelerated growth and job creation agenda.

In collaboration with the World Bank and the EU, Morocco launched its Public Administration Reform Program in early 2002. Such a program was based on prior Economic and Sector Work (ESW), including a participative Public Expenditure Review in 2001-2002, which highlighted major structural constraints to efficient public sector management such as the large wage bill and the excessive centralization of expenditure management. It's development was supported by the Bank through a programmatic ESW operation, a multi-year analytical work and knowledge-sharing activity. The program focuses on the issues of budgetary management and civil service reform within the context of administrative decentralization (de-concentration), with a clear institutional perspective and a concrete solution-oriented approach. During the 2003 Spring

Meetings, the government approached the Bank with a request for a quick-disbursing policy operation to support the effective implementation of its program. The proposed adjustment Loan is the Bank's response to this request.

Loan Objectives and Description

The objectives of the proposed Public Administration Reform Adjustment Loan (PARL) are to support the Government's efforts to improve the effectiveness of public resource management, a key step for accelerated growth and poverty reduction. They include: (i) improving the efficiency of budget expenditure by de-concentrating expenditures and accountability to enable greater flexibility to regional administrations, and by introducing performance budgeting and auditing; (ii) implementing a reform of the civil service based on enhancing efficiency and service quality; and (iii) ensuring the sustainability of the fiscal accounts by controlling inter alia the magnitude of the civil service payroll.

Based on an agreed set of public administration reforms, as detailed in the Letter of Development Policy, the Bank will provide resources to the Government. The proposed loan will be the first in a series of annual programmatic loans supporting the implementation of the reform program. The proposed loan will complement and strengthen the ongoing multi-year programmatic ESW activity through which the Bank is providing the Government with advice, training and technical assistance as required in the areas of budgetary management and civil service.

Rationale for Bank Involvement

The proposed PARL is a structural adjustment loan supporting the Government's overall public administration reform program. The Government views this Loan as a tangible sign of the Bank's endorsement of its reform program, giving credibility to its efforts and formalizing the Bank's stamp of approval. This would help in overcoming the traditional political and institutional obstacles which have affected previous attempts at reform.

For the Bank, the proposed Loan is fully consistent with the CAS. It supports actions to improve the effectiveness of government services and the sustainability of the fiscal framework which are crucial to the overall country assistance. The proposed PARL is part of the CAS reform base case scenario, in turn made possible by the progress in fiscal management experienced during 2001-2002.

Benefits and Risks

By addressing the key constraints affecting the effectiveness of public service delivery, the proposed PARL will contribute to private sector development and poverty reduction. By helping keep the wage bill under control, it will help ensure macroeconomic stability. It will help provide the practical budgetary framework necessary to implement the Government's administrative decentralization orientation. From the Bank's point of view, this operation would provide an example across the region of how to address these important issues.

One important risk is that the Government would not be able to resist pressures to increase salaries for various categories of civil servants, and significantly undermine the improvement in the fiscal balance that allowed us to move to the base case CAS scenario. This risk is being mitigated by the reform program itself, combined with the reformist stamp of the Government. Another risk is that the implementation of the reforms could be stalled, as was the case in the past, because of the silo mentality in Government and opposition from interest groups. The risk is mitigated by the political coordination put in place by the new Cabinet to implement reforms, and also by the strategic policy dialogue pursued between Moroccan authorities and the Bank. Also, we are planning, along with key partners, extensive supervision of the implementation of the reforms, together with the knowledge sharing and technical assistance entailed by a continuation of the programmatic ESW operation.

Implementation Arrangements

The proposed Loan would be disbursed in one installment upon effectiveness. Procurement and disbursement arrangements will follow the simplified procedures for structural adjustment operations. Thus, disbursements will not be linked to specific purchases and there will be no procurement requirements. The local currency counterpart generated by the proposed Loan will be used to finance the Budget. Although an audit of the use of funds may not be required, IBRD reserves the right to require audits at any time.

Coordination with other Donors

At the request of the Government, this operation has been prepared jointly with the European Commission which participated in all missions and prepared joint Aide-memoires with Bank staff. It is closely coordinated to the EU upcoming support: program content, conditions and trigger points are common to the two institutions.

Environment Category

The PARL has no direct impact on the environment. For the purpose of Operational Directive 4.01, this project has been placed in the environmental category U, which does not require an environmental assessment.

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