



OXFORD ANALYTICA

MOROCCO

FISCAL TRANSPARENCY

Country Report 2006

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MOROCCO



COMPLIANCE RATINGS

| <i>Fiscal transparency</i> | 2006 | 2005 | 2004 | 2003 |
|-----------------------------|-------------|-------------|-------------|-------------|
| Clarity of roles | ●●●● | ●●●● | ●●● | ●●● |
| Availability of information | ●●●● | ●●● | ●●● | ●●● |
| Budget preparation | ●●● | ●●● | ●●● | ●●● |
| Accountability | ●●● | ●●● | ●●● | ●●● |
| Score | 3.50 | 3.25 | 3.00 | 3.00 |

OUTLOOK & COMMENTARY

In line with government efforts to provide increasingly transparent information on fiscal policy, the 2007 Finance Law has been presented to parliament accompanied by a number of specific reports that include detailed information on fiscal expenditures, public enterprises and Special Treasury Accounts.

Preliminary work has also been conducted this year by the Ministry of Finance and the General Treasury of the Kingdom (*Trésorerie Générale du Royaume*) to prepare a consolidated budget that includes information on the central administration, local authorities, public enterprises and Special Treasury Accounts.

The medium-term expenditure programme (*Cadre de Dépenses a Moyen Terme*), prepared by the government with assistance from the World Bank, is expected to be strictly linked to the Finance Law starting from 2008. A rolling three-year expenditure framework for 2007-09 has already been prepared this year and is expected to be piloted in the Ministry of Finance and five line ministries.

EXECUTIVE SUMMARY

3.50 Enacted

The Ministry of Finance (MoF) is making continuous efforts to improve transparency of fiscal information. Since 2005, a number of reports -- including one on Special Treasury Accounts and one on public enterprises and establishments -- have been accompanying the annual Finance Law presented to parliament by the MoF and have been posted on the ministry's website. This year, these reports include more detailed information than in 2005, and the government publicised them further by distributing a CD containing the 2007 Finance Law and the accompanying reports to the press, embassies and international organisations in Morocco.

As shown in this year's report on Special Treasury Accounts, their number has significantly decreased since 2002. Starting from 2007, the government will prepare a consolidated budget that includes information on the central administration, local authorities, public enterprises and Special Treasury Accounts. This work is being conducted by the Ministry of Finance and the General Treasury of the Kingdom (*Trésorerie Générale du Royaume*).

With assistance from the World Bank, the government has prepared a medium-term expenditure programme (*Cadre de Dépenses à Moyen Terme*), which is expected to be strictly linked to the Finance Law starting from 2008. A rolling three-year medium-term expenditure framework for 2007-09 has been prepared during 2006 and is expected to be piloted in the MoF and five line ministries.

The 2007 Finance Law includes a reform project for local finances -- prepared jointly by the Ministry of Finance and the Ministry of Interior -- which aims at reducing the duplication of roles played by the two ministries. A proposed reform of local taxation systems aims at simplifying and rationalising revenue collection at the local level by removing nine local taxes and grouping other tax categories together. Further simplification of tax legislation is also expected following entry into force of a General Tax Code in 2007.

While there are no legal requirements for the MoF to report to parliament during the year, the Ministry of Finance began doing so last year and has continued to do so this year to explain orientations for the 2007 Finance Law to the legislature. In addition, the Accounts Chamber prepared a report on public expenditures carried out in 2005. This was published for the first time in September 2006.

A law explicitly establishing responsibility for the collection, processing and dissemination of statistics has been prepared and is expected to be approved in the short term. This year, the Directorate of Statistics has shown an increased willingness to communicate fiscal information to the public and the press, for example through the organisation, in November 2006, of an open-door statistics day to explain to the audience the methodology used for compiling data.

Morocco's overall rating has improved from 3.25 in 2005 to 3.50.

1. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES

●●●● Compliance in progress

The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

Structure, functions, and responsibilities of government

Morocco's administration comprises the central government, 16 state governments (*wilaya*), 49 provinces, 12 prefectures (eight of which are urban), and over 1,500 communes.¹ State governors (*wali*) constitute an intermediate level of administration with control over several provinces. While prefectures tend to be the urbanised divisions, provinces are more agricultural. The constitution clearly sets the government apart from the private sector.

Coordination and management of budgetary activities

The Ministry of Finance and Privatisation (MoF) is responsible for drafting the annual Finance Law -- *Loi de finances* -- and executing it through its various departments. The roles and responsibilities of the MoF are detailed in the 1978 Decree on the Organisation of the MoF, as well as on the MoF's website.²

The respective roles of the Ministry of the Interior (MoI) and the MoF with regard to local government finances have in the past not been clearly defined. For example, while the MoI was the main institution in charge of local budgets at the commune level, the MoF also played a role in their approval. In addition, local government borrowing could only be included in the local budget once it had received approval from both the MoF and MoI.³ However, a reform project for local finances -- which has been prepared jointly by the MoF and the MoI and has been presented with the draft Finance Law for 2007 -- aims at reducing the duplication of roles played by the two ministries. While the project eliminates the oversight role played by the MoF Budget Directorate on local finances, the General Treasury of the Kingdom (*Trésorerie Générale du Royaume*) will still be charged with supervising local budget execution.⁴

Relations between government and public sector agencies

Although the division of roles and responsibilities across government is formally clear, the broad formal remit of the MoF under the law has in the past left some room for ambiguity, particularly with regard to monetary, exchange rate, financial and credit policy. However, a new Banking Law and the new Statutes of Bank Al-Maghrib (BAM), the central bank, both came into force in February 2006 and have helped to clarify the roles of the central bank and the MoF, asserting the principle of central bank independence.⁵ The new Statutes of BAM forbid lending to the government.⁶

The MoF publishes a report on public enterprises and establishments, the *Rapport sur le secteur des établissements et entreprises publics*, as an annex to its annual budget, as well as a report on autonomously managed public services under particular ministries, which are also known as *Services de l'Etat Gérés de Manière Autonome* (SEGMA). These reports describe the mission and activities of public enterprises and SEGMA, as well as their budgetary impact, and are also available on the website of the MoF. They are presented separately from the general budget, because they are partly financed from revenues generated by the services they provide to the public.

The Finance Law also covers numerous funds called Special Treasury Accounts -- *Comptes Spéciaux du Trésor* (CST) -- that earmark funds from a variety of sources for specific uses (examples include the Fund for the Development of Agriculture, the National Fund for the Development of Sport, and the Special Road Fund). A number of independent observers have in the past highlighted the opacity of these funds, but the MoF is making efforts to make information about CSTs more transparent. A public report on the CSTs was published for the first time in 2005 as an annex to the Finance Law, and the 2006 report includes significantly more detailed information on the structure and resources of CSTs. The number of CSTs decreased from 132 in 2002 to 98 in 2005 and to 79 in 2006, the latest due to the closure of six CSTs and the merging of another 16. Of the 79 remaining CSTs, 41 are directly managed by the MoF.⁷

In 2005, a Royal Speech (*Discours Royal*) inaugurated the INDH (National Initiative for Human Development), whose functioning mechanisms are very transparent. Specific manuals for each development programme included in the INDH regulate execution of their respective expenditures, and information is also available on the INDH website. Around 60% of INDH expenditures are financed through the state budget, but CSTs also contribute to the costs of this programme.⁸

Government involvement in the private sector

Since 1993, Morocco has been executing an ambitious privatisation programme of public sector enterprises, which has so far transferred 45 companies and 26 hotels into private hands.⁹ In many instances, the government has retained a stake in primarily private companies.¹⁰ In its role of overseeing the privatisation of public enterprises, the MoF is tasked with elaborating and proposing general policy for reforming and restructuring the public sector, and opening it to private investment. The MoF is also responsible for advising on the sale of public enterprises.

The activities, performance and fiscal impact of public enterprises are described in the *Rapport sur le secteur des établissements et entreprises publics*, which gives detailed information on government subsidies and investment. However, there is little attempt to identify or quantify the scale of quasi-fiscal activities either in the *Rapport* or in other elements of the budget documentation.

There should be a clear legal and administrative framework for fiscal management.

The MoF consists of 14 departments or directorates, ranging from Treasury and Budget, to Privatisation, Customs and Duties, and Public Institutions and Participation. The responsibilities and organisational structure of each department are clearly set out and are publicly available.¹¹

Following the decentralisation of various MoF operations carried out as part of the ministry's *Strategic Action Plan for 2001-2004*, monitoring of local government expenditures has become more efficient. The World Bank has assisted the government during the preparation of a medium-term expenditure programme (*Cadre de Dépenses à Moyen Terme* -- CDMT), which is expected to be strictly linked to the Finance Law annually proposed by the MoF starting from 2008. In 2006, an inter-ministerial committee composed of MoF and line ministry representatives prepared a rolling three-year CDMT for 2007-09, which is expected to be piloted in the MoF and five line ministries (health, education, habitat, basic equipment and transport, and territorial planning) starting from next year. The World Bank helped develop a methodological guide for CDMT preparation and execution, which is expected to be circulated among ministries soon.¹²

Since 2002, the government has also been moving towards a form of results-based performance budgeting called *Globalisation des crédits* that involves restructuring budget categories according to programmes, developing objectives and indicators for each programme, and allowing greater flexibility in the way ministries spend their budget allocations.¹³ At the end of 2006, twenty ministries, accounting for around 60% of the investment budget,

have begun to develop performance indicators. An evaluation of this experience is expected to be conducted in 2007.¹⁴

Legal framework for budgetary activities

The guidelines and procedures for the budget Finance Law are defined in the 1998 Organic Law, its subsequent amendments, and other laws.¹⁵ These stipulate that the Finance Law be approved annually by parliament, and that only supplementary budgetary laws be used to amend it during the course of the year. Contingency procedures are specified in case the Finance Law is not passed before the end of the calendar year, in which case the government passes a decree which releases credit for the necessary functioning of public services, and allows the government to submit new budget proposals to parliament.

During a fiscal year, if deficits arise due to unforeseen expenditures or a shortfall in revenues, the government must pass an amendment to the budget through parliament -- a *Loi de finances rectificative*. In the event of exceptional circumstances, such as natural disasters, execution of customs and tariff measures or salary adjustments, the MoF can execute certain non-budgeted expenditures by decree, without prior approval of parliament. However, only very rarely does the MoF resort to this provision, and expenditures approved by decree have to be ratified by parliament, after their execution, during the following parliamentary session. This was the case in 2004, for example, after the earthquake in Al Hoceina, or when the government decided to assist rural areas following severe droughts.¹⁶

Numerous laws and decrees are published on the MoF website, where a significant amount of information is increasingly being made available to the public. Speeches, reports, procurement information, fiscal reforms and macroeconomic statistics, as well as the draft Finance Law for 2007, are available on the MoF website.¹⁷

Legal framework for taxation

The MoF's Tax Department administers taxes and duties. The department disseminates extensive information on the tax system, including explanations of different taxes, information on tax concessions for various sectors of the economy, guidance notes for taxpayers, and tax laws. Taxes have a clear basis in law. A number of relevant legislative documents and procedures are either reproduced or described on the MoF's website.¹⁸

Commentators have in the past pointed out that the local tax system would benefit from simplification and streamlining, due to the proliferation of local taxes that are a burden to administer yet yield relatively small revenues. The Finance Law for 2007 contains a proposed reform of local taxation systems, aimed at simplifying revenue collection at the local level as one of the government steps towards increased decentralisation. The reform project aims at rationalising taxation by removing nine local taxes and grouping other tax categories. The reform also aims to promote investment by replacing the urban and patent tax with a single professional tax.¹⁹

Local government financing largely relies on tax revenue transfers from the central government. The distribution of these resources to provinces and prefectures, as well as to urban and rural municipalities, is based on clear rules regarding the fiscal potential and fiscal effort of each local authority.²⁰

The Finance Law 2006 provided for a number of key fiscal reforms. Progress has been made towards harmonising the VAT, with a reduction of rates for some construction work, an increase from 7% to 10% for some financial operations, and increases ranging from 7% to 20% for some operations, such as those related to the national lottery. A General Tax Code aimed at simplifying and harmonising tax legislation has been approved by the lower house of Parliament -- the *Chambre des Représentants* -- and is expected to come into force in 2007. The tax rate for the highest income brackets has been reduced from 44% to 42% in 2006, and an additional income bracket of 60,000 to 120,000 dirhams to be taxed at 40% has been created, in order to favour the middle class. In addition, the annual exempted income has been raised from 20,000 to 24,000 dirhams.²¹

Ethical standards for public servants

The General Statute on Public Office regulates the conduct of civil servants and the public administration. The regulations of this statute are formulated by the Ministry for the Modernisation of the Public Sector (MMSP).²² A Law modifying this Statute came into force in September 2006 and focuses on establishing meritocracy criteria in the process of recruiting and promoting officials. Specifically, it provides for performance assessments to evaluate, among others, work quality and management capacity.²³ A law governing the responsibilities of fiscal directors, inspectors and public accountants was adopted in May 2002, and effective control of the fiscal process has been further enhanced by the January 2003 law on fiscal jurisdictions.²⁴

2. PUBLIC AVAILABILITY OF INFORMATION

●●●● Compliance in progress

The public should be provided with full information on the past, current, and projected fiscal activity of government.

Central government operations

Morocco subscribed to the IMF Special Data Dissemination Standards (SDDS) on 15 December 2005 and was praised by the IMF for its efforts conducted towards achieving international data standards.²⁵ There is also a strong push from within the government -- in particular, *La Direction de la Statistique* -- to conform to international data standards.²⁶

The principal vehicles for disseminating information on the government's fiscal activity are the annual budget documentation (the Budget Presentation Note and the Finance Law, with annexure) and periodic reports from the MoF. The annual Finance Laws for the previous and current years are available from the Budget Department and the Ministry's website. In addition, this year, the MoF has provided the press, international organisations and embassies in Morocco with a CD containing the Finance Law for 2007 and all its accompanying reports.²⁷

The MoF's regular publication is its *Note de Conjoncture*, which is published monthly on its website. Public finance and debt data are provided with the *Note*.²⁸ The Table of Treasury Expenditure and Revenue -- *Charges et Ressources du Trésor* -- that is published with the *Note* and compiled by the Directorate of Treasury and External Financing (DTFE) is the MoF's principal source of statistics on public finances.

The Budget Presentation Note sets out the economic, political and social objectives of the government, budgeted expenditure and revenues, and action programmes for specific ministries. In addition, the Finance Law contains an *Economic and Financial Report* that examines the national and international macroeconomic environment, the competitiveness of the national economy, and the Finance Law in this context. Since 2005, annexed to the Finance Law, are also reports on fiscal expenditures, public enterprises, SEGMA's and CSTs.

Up to now, the budget documentation has provided a one-year forecast for the principal macroeconomic indicators and main budget aggregates. However, starting from 2008 -- and with the newly-prepared CDMT -- budgets will include three-year macroeconomic forecasts, thus facilitating longer-term budgetary planning and assessments of fiscal sustainability.

With regard to information on tax receipts, a number of independent observers have mentioned the need for the publication of a more detailed breakdown of tax revenues by segments. Currently, information on tax revenues is only provided for broad categories of tax (that is, income tax, VAT and corporate tax).

According to some commentators, trade statistics often show very different information about the same indicators, perhaps due to methodological discrepancies in terms of indicator definitions and data calculations. In addition, these statistics are available with a lag of 6-8 weeks and continue to be updated even at a later stage.²⁹

Public sector operations

The MoF's reports and budget documentation provide basic aggregate fiscal data on central government operations, as well as certain information on extra-budgetary activities, such as interventions of international development partners, including the World Bank, the UNDP and the World Food Programme. The central government accounts contain annual data collected by the DTFE on the activities of the social security and pension agencies.

The Hassan II Fund was removed from the central budget in 2002 and transformed into a Public Industrial and Commercial Establishment. Detailed information on this fund is provided in the latest Report on Public Enterprises and Establishments, which has become increasingly transparent this year. Nonetheless, some commentators felt that, although this fund's purpose is laudable, it would be more transparent if it were subject to the control of the Chamber of Accounts.³⁰

The budget documentation provides aggregate documentation for the three years prior to the current fiscal year, and as of 2008, following the preparation of the CDMT, it will provide information for the years following the current budget. While consolidated budget data for the general government were lacking in the past, the MoF and the General Treasury of the Kingdom (*Trésorerie Générale du Royaume*) have conducted some work on the preparation of a consolidated budget that would include information on both the central administration and local authorities. The IMF is currently reviewing this work, which is likely to lead to the preparation of a consolidated budget next year. Since January 2006, the budget includes a regional dimension. The SDDS website already shows the situation of consolidated public finances, including annual information on the central government, local authorities, Special Treasury Accounts and public enterprises. The *Trésorerie Générale du Royaume* now compiles aggregates on local government activities, which are made public without significant delays. However, these data are not included in the MoF's regular publication, the *Note de Conjoncture*. Plans are in place for comprehensive general government statistics.³¹

Nowhere in the budget documentation is there a statement identifying and quantifying contingent liabilities, tax expenditures and quasi-fiscal activities.³² Commentators have highlighted the need to further amend the 1998 Organic Law in order to enhance transparency by providing a clear legal framework to share budgetary information with the public.³³

A commitment should be made to the timely publication of fiscal information.

Debt reporting

Summary monthly data for domestic and external public debt accompany the *Note de Conjoncture* and are published on the MoF website. The MoF publishes annual data in the budget and the Finance Law, as well as in specific annual debt reports. The latest reports on internal and external debt were published in February 2006 and include a glossary to allow for better public understanding of presented information. They also include an explanation of discrepancies between projected and actual debt data. The Treasury Directorate of the MoF also organises an annual conference on public debt every February.³⁴ The Bank Al-Maghrib regularly publishes debt data in the monthly *Monetary Statistics* and in its *Quarterly Bulletin*.³⁵

Advance release calendars

In compliance with SDDS requirements, Morocco releases a dissemination calendar of fiscal data and real sector indicators. Key macroeconomic data are released at regular intervals in the *Note de Conjoncture* within approximately two months of the reference month. A law explicitly establishing responsibility for the collection, processing and dissemination of statistics has been prepared and is in the process of adoption. An increased

willingness to communicate fiscal information to the public and the press was evident with the holding of an open-door statistics day in November 2006 at the Directorate of Statistics to explain the methodology used in compiling data.³⁶

3. OPEN BUDGET PREPARATION, EXECUTION, AND REPORTING

●●● Enacted

Fiscal policy objectives, macroeconomic framework, and risks

Fiscal policy objectives

The objectives of fiscal policy are clearly laid out in connection with the presentation of the Finance Law. The government sets out its goals for key macroeconomic variables and more general policy targets. The currently unstable fiscal situation is associated with the end of privatisation and the dismantling of tariffs. For example, a free-trade agreement with the United States signed in March 2004 only came into force in January 2006, due to the time needed to adjust property rights regulations to comply with international standards.

Fiscal risks

The MoF is considering creating a specific directorate for undertaking assessments of projections' sensitivity to changes in economic variables. A number of instruments to measure the impact of different variables on the economy are already in place, such as the mechanism aimed at measuring the impact and relative fiscal risks of changing oil prices. While these instruments are not explicitly described in the budget, they are used to prepare information contained in the annual Finance Law.³⁷

In 2004, the World Bank recommended a programme to lower expenditure on public sector salaries through early retirements, a net hiring freeze and the termination of certain job functions. This programme and other projects were part of an accord signed between the World Bank and Morocco worth 100 million US dollars to help improve the management of public resources and the credibility of government expenditure.³⁸ The target is to lower the wage bill by about two percentage points of GDP by 2009.³⁹ At the end of 2005, 38,600 officers had left their positions, already lowering the wage bill by half a percentage point. In 2007, the wage bill is expected to account for 11.8% of GDP, also taking into account the salary increases for certain categories of public officials.⁴⁰

While some commentators have recognised the success of this programme in reducing wage costs, others have highlighted the human cost in terms of the loss of the quality and experience of the civil servants who are now taking early retirement -- including doctors and teachers -- as well as the additional burden to be financed by the already weak social security fund, *Caisse Marocaine des Retraites* (CMR).⁴¹

Reliance on revenues from privatisation has been a persistent risk factor in the MoF's fiscal projections. While considerable privatisation flows have allowed Morocco to finance its deficits in the past without particular difficulties -- despite the fact that 50% of privatisation receipts are earmarked for the Hassan II Fund -- the decline of potential sources of privatisation proceeds requires an acceleration of the government fiscal consolidation efforts to finance the level of public debt, which remains high.⁴²

Fiscal sustainability

The informal economy is large in Morocco. According to commentators, bringing these illegal industries under the umbrella of the state would require a technically difficult and politically explosive solution. However, by doing so,

the government would increase tax revenue, an area of concern cited in the budget for 2006. Also, large private sector firms have lobbied hard for the government to take a stronger stance on the issue, as they are sometimes forced to compete with black market operations.

The IMF noted that the overall balances of the consolidated general government operations and the public sector are not systematically monitored; as such the main indicator for the fiscal position remains the overall balance of the central government.

Budget presentation

The Finance Law for the new budget and its accompanying reports must be presented to parliament at least 70 days before the end of the current fiscal year, which corresponds to the calendar year. The budget is presented in a pre-arranged format, split by administrative, economic and functional levels of government, and budgetary management. Budget data are reported on a gross basis. A significant effort has been made by the government this year to improve presentation of the Finance Law, with very detailed information on budget revenues and expenditures.⁴³

Data reporting

Changes in the government's fiscal position are regularly reported in the monthly *Note de Conjoncture*. A Table of Treasury Expenditures and Revenues -- *Charges et Ressources du Trésor* -- is provided with the *Note*, which details actual monthly revenues and expenditures as well as financing needs. Actual amounts are contrasted with budgeted amounts at the end of the year.

The government is making an effort to reduce the delay in the approval of the Budget Execution Law (*Loi de Règlement*). In 2005, this law was approved for the period 1999-2000, and in November 2006 parliament approved the law for the second semester of 2000 and 2001-2002. The law for 2003 has been prepared and is expected to be approved soon.⁴⁴

Budget execution and monitoring

Internal control

Procedures for budget execution and monitoring are set out in a number of laws, in particular the Law for the Control of Expenditure Commitments and its subsequent amendments.⁴⁵ Various departments and other institutions provide pre- and post-budget execution monitoring. The MoF's Expenditure Commitment Inspection Office -- *Le Contrôle Générale des Engagements de Dépenses de l'Etat* (CED) -- is the principal body charged with a priori monitoring of the regularity of expenditure commitments. In order to gradually eliminate *a priori* control, which is going to be limited to credit availability, and to strengthen *a posteriori* control (*contrôle d'accompagnement*), the CED has been merged with the *Trésorerie Générale du Royaume*, originally responsible for the execution of the Finance Law and the supervision of local government finances.⁴⁶ The *Trésorerie Générale du Royaume* is responsible for monitoring tax collection, savings and other flows of funds. It reports monthly on budget execution, explaining differences between projected and actual revenues and expenditures.⁴⁷

A posteriori control is exercised by the General Inspectorate of Finances (*Inspection Générale des Finances*), the Accounts Chamber (the *Cour des Comptes*) and parliament. However, in practice this remains a major area of weakness. The effectiveness of the extant control mechanisms is constrained, partly because of limited human resources, but primarily due to a lack of cooperation between different bodies charged with monitoring and control functions.

The General Inspectorate of Finances (GIF), established in 1960, audits the activities of central and local administrations, quasi-public enterprises and public enterprises. The Inspector General is appointed by Royal Decree. The GIF draws up an annual audit programme, approved by the minister of finance, which lists the institutions that will be subject to an audit during the course of the forthcoming year. While the number of institutions covered is large, the GIF has shifted its focus to large public enterprises that perform a strategic role in the economic and social development of the country. When an audit uncovers significant irregularities the GIF can pass on the file to the Accounts Chamber or to the courts. The MoF is working towards establishing a *Direction des Etablissements Publics* -- which should be operational starting from next year -- to strengthen control of public enterprises and make their activities more transparent.⁴⁸

Accounting basis

Revenues are recorded on a cash basis, with expenditures recorded after the payment order has been issued. Flows are valued on the basis of the payments made.⁴⁹ Regulations for public accounts procedures can be found in the Royal Decree for the Regulation of Public Accounts 1967.⁵⁰

The MoF aims to comply with the accounting standards and frameworks of the International Organisation of Supreme Audit Institutions (INTOSAI), of which Morocco is a member. Accounting accuracy is limited by inconsistencies in the accounting and auditing standards used by public and private enterprises. The IMF highlighted last year that the accounting system does not provide timely information for the public sector or a cumulative central government-local government position.⁵¹

Procurement and employment

Morocco has greatly improved the transparency and efficiency of its procurement process. Private sector observers indicate that public procurement practices are becoming more transparent, especially within central government.⁵² However, they vary considerably according to the entity concerned, be they central government ministries, public enterprises or local administrations. Procurement at the level of the local administrations is particularly problematic because of diffuse responsibilities, which inhibit transparency. The MoF provides greater information on the procurement process through its website, where it publishes a list of tenders and provides detailed information for the various stages of the tendering process, including full regulations of current contracts and agreements that have been made, along with payment details and fixed penalties for late delivery or non-fulfilment of contracts.

Corruption remains a concern in Morocco, which ranks 79th out of 163 on the Transparency International 2006 Corruption Perceptions Index, with a score of 3.2 (where 0 is most corrupt and 10 is most transparent).⁵³

The implementation of the US-Morocco free-trade agreement has resulted in increased transparency of the trademark registration process. Prior to the free-trade agreement, appealing a decision to register a trademark was complicated by the lack of a public notification. The FTA has introduced the obligation to notify publicly any applications to register a trademark, so that interested companies might appeal.⁵⁴

Fiscal reporting

Each year, after the adoption of the Finance Law, the minister of finance holds a press conference and provides an overview of the final account of the previous year's budget. In addition, in June or July of each year, the MoF reports to the government on budget execution and indicates the general orientation of the following year's draft Finance Law.

Mid-year reports on budget developments are only presented to the legislature when there are major changes to the budget. In such cases, the finance minister must announce the changes to parliament. While there is no legal requirement to report to parliament during the year, the MoF spontaneously started doing so in 2005 and continued to do so in 2006, explaining the general orientation of the 2007 Finance Law. Parliament may request additional information from the minister, who may be called upon to answer questions.

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY

●●● Enacted

Data quality standards

The MoF uses accounting standards which it developed in collaboration with relevant departments and professional organisations, and which were consolidated by the National Accounting Council in the early 1990s. These appear to include both cash and accrual accounting, and other methods. There are only limited indications of internal data consistency and reconciliation with data from other sources. The Table of Treasury Expenditure and Revenue is prepared in accordance with the IMF Government Finance Statistics Manual (GFSM) 1986.⁵⁵

There are no statements made about the accounting basis in the budget documentation or in final account documents. The IMF noted last year that the double-entry book-keeping system no longer conforms to international standards. The government is working to introduce changes that would lead to compliance with these standards, in parallel with the introduction of accrual accounting.⁵⁶

Independent scrutiny of fiscal information

Independent Audit

The Accounts Chamber is responsible for providing independent oversight of public finances. Its two principal functions are inspecting on an annual basis the accounts of the public accountants -- *comptables publiques* -- and undertaking management audits of public entities. The Accounts Chamber acts both at its own initiative and when called upon to do so by external organisations such as a ministry. However, the role of the Accounts Chamber as a source of independent oversight for public finances could be significantly strengthened. Some improvements have been witnessed this year, with the unprecedented publication by the Accounts Chamber -- in September 2006 -- of a report on public expenditures carried out during the course of 2005.⁵⁷

The Accounts Chamber also presents an annual report to the king, confirming that this activity has been carried out in accordance with the law. The law on financial jurisdictions requires the publication of the report in the *Bulletin Officiel*.

The Accounts Chamber is responsible for auditing the government's final expenditure accounts -- the *Loi de Règlement*. Thanks to the new *Gestion Intégrée de Dépenses* (GID) -- the new system for data collection was inaugurated in 2005 -- delays in the approval of the *Loi de Règlement* should be avoided in the future. Five pilot ministries are already using the GID, and the entire government should adopt it within two years.⁵⁸

The jurisdiction of the Accounts Chamber has been extended to cover local government accounts. Regional Chambers -- *Cours régionales des comptes* -- have therefore been created and report to the Accounts Chamber.

A number of independent observers mentioned that accountability could also be improved by strengthening the oversight role of parliament, in particular the Public Finances Committee, by providing it with additional support, information and possibly training.

National Statistics Agency

The Directorate of Statistics (DS), part of the High Planning Commission, has the primary responsibility for assembling and disseminating statistical information. Since 1998, the DS and its sixteen regional offices have operated under the auspices of the Ministry of Economic Provision and Planning. The government's long-standing plan to turn it into an autonomous agency is yet to be realised.⁵⁹ The DS has also implemented a long-term strategic action plan in order to improve the quality, and collection, of data.

The principal problem with the statistical system has been its high degree of decentralisation. Most organisations still assemble and publish their own statistics. For example, the DTFE has only de facto responsibility for aggregating and publishing government finance statistics. However, a law explicitly establishing its responsibility for the collection, processing and dissemination of statistics, is expected to be adopted soon.

A new series of national accounts has recently been prepared and is expected to be published in December 2006, leading to an improvement in the country's fiscal position. While the previous series had 1980 as a base, the new one will be based on 1998, bringing it in conformity with the *System of National Accounts 1993*.⁶⁰

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Morocco between 13 and 17 November 2006:

Ministry of Finance and Privatisation, Rabat

14 November 2006

| | |
|----------------|-----------------------------------------------------------------------------|
| Nizar Baraka | Adjoint au Directeur des Etudes et des Prévisions Financières |
| Mohamed Kabbaj | Adjoint au Directeur du Budget Chargé du Financement des Projets Publics |
| Ragbi Bonamour | Chef du Service des Prévisions Financières |
| Abbad Taoufik | Administrateur au Service des Prévisions Financières |

16 November 2006

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| Zouhair Chorfi | Directeur du Trésor et des Finances Extérieures |
| Benyoussef Saboni | Adjoint au Directeur Chargé du Pôle Macroéconomique et Dette Intérieure |
| Younes Zouhar | Chef de la Division de la Balance des Paiements |

Bank Al-Maghrib, Rabat

13 November 2006

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| Lahcen Boutahar | Adjoint au Directeur des Etudes et des Relations Internationales |
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ADDITIONAL INTERVIEWS

14 November 2006

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|-----------------|-------------------------|--------------------------------------|
| Carl Dawson | Executive Director | American Chamber of Commerce Morocco |
| Salah Benyussef | Expert in local finance | Ministry of Interior |

15 November 2006

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|-------------------|-----------|---------------------------------------------|
| Mohamed Boussetta | Professor | Faculté des sciences juridiques économiques |
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16 November 2006

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| Nadia Yousfi Charif | Jurist | Conseil Déontologique des Valeurs Mobilières (CDVM) |
| Khalid El Massnaoui | Senior Economist | World Bank |

NOTES

- ¹ Décret n° 2-03-527, *Bulletin officiel*, No 5144, 18 September 2003.
- ² Décret n° 2-78-539 du 21 hijja 1398 (22 novembre 1978) relatif aux attributions et à l'organisation du ministère des finances. A summary entitled: "Les missions du Ministère," at: www.finances.gov.ma
- ³ See *DAHIR portant loi n. 1-76-584 (5 chaoual 1396) relatif à l'organisation des finances des collectivités locales et de leurs groupements (B.O. 1er oct. 1976, p. 1057)*, Ministry of Finance website.
- ⁴ Interviews in Morocco, 13-17 November 2006.
- ⁵ Interviews in Morocco, 13-17 November 2006.
- ⁶ See Article 27, *Statuts de Bank Al-Maghrib*.
- ⁷ *Rapport sur les Comptes Spéciaux du Trésor. Projet de Loi de Finances pour l'Année Budgétaire 2007*, pp. 3-4.
- ⁸ Interviews in Morocco, 13-17 November 2006.
- ⁹ *Rapport sur le secteur des Etablissements et Entreprises Publics*, www.finances.gov.ma
- ¹⁰ *Rapport sur le secteur des Etablissements et Entreprises Publics*, at: www.finances.gov.ma
- ¹¹ See under 'Organisation', at: www.finances.gov.ma
- ¹² Interviews in Morocco, 13-17 November 2006.
- ¹³ Note de Présentation de la Loi de Finances 2004, at: www.finances.gov.ma
- ¹⁴ Interviews in Morocco, 13-17 November 2006.
- ¹⁵ Budget Department, Ministry of Finance, 'Textes et Règlementation', at: www.finances.gov.ma
- ¹⁶ Interviews in Morocco, 13-17 November 2006.
- ¹⁷ See http://portail.finances.gov.ma/portal/page?_pageid=33.1786286&_dad=portal&_schema=PORTAL
- ¹⁸ Tax Department, Ministry of Finance, at: www.finances.gov.ma
- ¹⁹ Interviews in Morocco, 13-17 November 2006.
- ²⁰ Interviews in Morocco, 13-17 November 2006.
- ²¹ Interviews in Morocco, 13-17 November 2006.
- ²² Interviews in Morocco, 10-11 December 2002.
- ²³ Interviews in Morocco, 13-17 November 2006.
- ²⁴ See "Loi sur la responsabilité: Le crédo de la bonne gouvernance", *AL MALIYA*, No. 29, March 2003.
- ²⁵ "Morocco: Report on Observance of Standards and Codes, Fiscal Transparency Module", Country Report No. 05/298 International Monetary Fund, August 2005; <http://dsbb.imf.org/Applications/web/sddswhatsnew>
- ²⁶ See "Plan d'action à long terme de la Direction de la Statistique," at: www.statistic-hcp.ma/
- ²⁷ Interviews in Morocco, 13-17 November 2006.
- ²⁸ See www.finances.gov.ma
- ²⁹ Interviews in Morocco, 13-17 November 2006.
- ³⁰ Interviews in Morocco, 13-17 November 2006.
- ³¹ Interviews in Morocco, 13-17 November 2006.
- ³² "Morocco: Report on Observance of Standards and Codes, Fiscal Transparency Module", Country Report No. 05/298 International Monetary Fund, August 2005.
- ³³ Interviews in Morocco, 13-17 November 2006.
- ³⁴ Interviews in Morocco, 13-17 November 2006.
- ³⁵ See Monetary Statistics at: www.bkam.ma
- ³⁶ Interviews in Morocco, 13-17 November 2006.
- ³⁷ Interviews in Morocco, 13-17 November 2006.
- ³⁸ Rapport #: P7589-MOR, World Bank Document, 4 June 2004.
- ³⁹ "Morocco: 2004 Article IV Consultation" (IMF Country report No. 04/162), International Monetary Fund, June 2004, p. 12.
- ⁴⁰ Interviews in Morocco, 13-17 November 2006.
- ⁴¹ Interviews in Morocco, 13-17 November 2006.
- ⁴² "Morocco: 2006 Article IV Consultation – Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Morocco," IMF, 2006, p.10.
- ⁴³ Interviews in Morocco, 13-17 November 2006.
- ⁴⁴ Interviews in Morocco, 13-17 November 2006.
- ⁴⁵ Mohammed Benyahya, *Le Budget de l'Etat*, Collection 'Guide de Gestion', 2002, pp.193-212.
- ⁴⁶ Interviews in Morocco, 13-17 November 2006.
- ⁴⁷ General Royal Treasury, Ministry of Finance, at: www.finances.gov.ma

⁴⁸ Interviews in Morocco, 13-17 November 2006.

⁴⁹ “Morocco: Report on the Observance of Standards and Codes – Data Module; Response by the Authorities; and Detailed Assessments Using the Data Quality Assessment Framework” (*IMF Country Report No. 03/92*), International Monetary Fund, April 2003, available at: www.imf.org/external/np/rosc/rosc.asp#M

⁵⁰ See pages for the General Royal Treasury (*Trésorerie Générale du Royaume*), including the ‘Décret Royal n. 330-66 (10 moharrem 1387) portant règlement général de comptabilité publique’ under ‘Textes Règlementaires’, at: www.finances.gov.ma

⁵¹ “Morocco: Report on Observance of Standards and Codes, Fiscal Transparency Module”, Country Report No. 05/298 International Monetary Fund, August 2005.

⁵² Interviews in Morocco, 13-17 November 2006.

⁵³ TI Corruption Perceptions Index 2006 at www.transparency.org/policy_research/surveys_indices/cpi/2006. See also www.transparencymaroc.org

⁵⁴ Interviews in Morocco, 13-17 November 2006.

⁵⁵ “Morocco: Report on the Observance of Standards and Codes – Data Module; Response by the Authorities; and Detailed Assessments Using the Data Quality Assessment Framework” (*IMF Country Report No. 03/92*), International Monetary Fund, April 2003, available at: www.imf.org/external/country/mar/index.htm

⁵⁶ “Morocco: Report on Observance of Standards and Codes, Fiscal Transparency Module”, Country Report No. 05/298 International Monetary Fund, August 2005; Interviews in Morocco, 13-17 November 2006.

⁵⁷ Interviews in Morocco, 13-17 November 2006.

⁵⁸ Interviews in Morocco, 13-17 November 2006.

⁵⁹ See www.statistic-hcp.ma

⁶⁰ Interviews in Morocco, 13-17 November 2006.