

**STRENGTHENING WORLD BANK GROUP  
ENGAGEMENT ON GOVERNANCE AND ANTICORRUPTION  
CONSULTATION FEEDBACK**



**MOROCCO**

(JANUARY 8-10, 2007)

**Participants:** See attached list

Consultations between the Bank and representatives of the Moroccan Government, civil society, the media and the donor community took place in Rabat from January 8-10, 2007. Feedback consisted of: (1) a half-day set of extensive discussions with 36 senior government officials, primarily from the Ministry of Finance; (2) a half-day workshop with more than 40 representatives from parliament, civil society, academia, the media, and professional associations; and (3) a two and a half hour meeting with around 18 members of the donor community. A list of Moroccan and donor participants is attached. On behalf of the Bank, the participants included the Country Manager Ferid Belhaj (MNCMA); Robert Beschel and Charles Adwan (MNSD); Najat Yamouri (MNAEX); and Dominique Bichara (LEGMS). All of the meetings were moderated by Ferid Belhaj. Charles Adwan served as the rapporteur for the sessions with government and civil society.

**How did the process fit into ongoing country dialogue?**

The discussions were fully consistent with the Bank's rapidly expanding country dialogue on these issues. The Bank has been working closely with the Government of Morocco (GoM) for the past four years to help implement a major public sector reform agenda, which has been supported by both analytic work and a series of program lending operations, including the Public Administration Reform Loan I for \$100 million in 2004 and a Public Administration Reform Loan II in 2005 for another \$100 million. These loans have focused upon public financial management, civil service reform (including both human resource management and the machinery of government), and helping the GoM reach its wage bill target of 11.5 percent of GDP through a voluntary retirement program.

Recently, the Moroccan Government passed legislation establishing an independent anticorruption agency—one of the first of its kind in the region. The establishment of this agency is an element in a drive towards governance reforms that culminated in the adoption of a national anticorruption action plan. The action plan builds on the UNCAC and highlights the importance of cooperation with civil society and the private sector. In addition to the legislation establishing the anticorruption agency, the action plan also stipulates the passing of legislation and regulations on anti-money laundering, civil service recruitment and rotations, red tape reduction, and increased transparency in financial markets.

The Bank's dialogue on issues of anticorruption has been rapidly expanding, and the Country Management Unit and World Bank Institute sponsored a workshop in early December 2006 that brought together senior government officials and representatives of civil society to discuss next steps in combating corruption. Additionally, some of the legislation, passed within the framework of the national anticorruption action plan is supported by the Bank; an example is the anti-money laundering

law, which is a part of the Financial Sector Reform Development Policy Loan. These consultations were a logical next step and helped impart further momentum to this rapidly evolving agenda.

### **What were the key issues/themes raised by participants?**

Several themes surfaced repeatedly throughout the discussions. Government officials and representatives of civil society were curious at why Morocco had been selected for the consultations. Bank staff explained that the policy was a global one, and Morocco was chosen for a variety of reasons. The Government has embarked upon a major reform program, including a number of recent innovative measures on the anticorruption front. The Bank has been working closely with the GoM throughout the past several years to help advance a major public sector reform effort. Civil society is large, active and vocal. For purposes of regional balance, it was important to have a country from the Maghreb included in the consultations, and Morocco is the Bank's largest borrower in this sub-region. For all of these reasons, Morocco was a natural choice for the Bank's GAC consultations.

Representatives from both Government and civil society expressed concern at the level of generality in the GAC paper. It does not take into consideration the special circumstances and challenges confronting countries in the Middle East and North Africa (MENA) region, and even less so the unique history, administrative traditions and developmental concerns that are shaping Morocco's current reform agenda. In their view, the GAC paper focuses excessively upon the Bank's internal procedures and concerns regarding its projects and does not adequately address how the Bank should help clients address specific developmental issues such as strengthening accountability. For example, ministers in Morocco often have limited control over the performance of their key deputies, who are appointed directly by royal decree and accountable directly to the King.

Widespread concerns were also voiced about the topic of "bright lines"—areas within Government that are perceived to be beyond the rule of law. Many participants voiced frustration at the relative impunity perceived to surround certain well-connected figures. There are economic corruption cases that are still pending as well as cases of state capture, particularly among those who have close ties to the Palace and the military and security forces. Another taboo topic is the economic interests of the royal family. Participants expressed concern that there is limited transparency and competition in the operation of certain enterprises. How does the Bank promote greater competitiveness in this type of business environment?

In terms of Bank engagement, several priority areas emerged. The first is continuing to support the Government's reform agenda through the strategy advanced in the CAS, including the PARL process and its associated reforms in public financial management and public administration. The second involves supporting the Government's efforts to create a National Integrity Charter, which will help advance this agenda through initiatives such as the recent creation of an independent anticorruption agency. A third area is reinvigorating work in legal and judicial reform.

A number of participants noted problems with the terminology used in the Arabic translation of the Bank's GAC paper—a problem made more complicated by the relatively recent translation of the terms "governance" and "good governance" into Arabic and the use of differing terminology between the Maghreb and the Mashrek. Should the term "corruption" be translated as *arrachwa* or *fassad al am*? The Bank would play a useful role in helping to better define the specific phrases used.

Finally, the consultations with the donor community resulted in an unexpected bonus. Agreement was reached between the various donor representatives to establish a consultative group on governance and corruption to help coordinate their respective activities in this area. The Bank offered

to host the first meeting in coordination with UNDP, which will take place within the next month or so.

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**Note About the MENA Consultations:**

1. In all countries in the MENA region, joint consultations were held involving parliamentarians, members of civil society, business associations and trade unions. It is therefore difficult to disaggregate the views of these distinct constituencies. In cases where observations clearly reflected the views of one group or another, we have broken them down separately. In other cases, they have been listed collectively under the “civil society” category.
2. Most consultations followed a standardized format, in which a brief 10-15 minute Powerpoint presentation was made by Bank staff that drew upon the key slides prepared by Central EXT and laid out the major aspects of the strategy. The discussions with various groups typically consisted of two sessions. The first session focused on Questions 1-3 in terms of the overall governance environment within a particular country. The more general questions provided by EXT were utilized in discussions with parliamentarians, civil society and the media, whereas discussions with government officials involved a more detailed and focused dialogue over their specific reform agenda. (In all of these countries, the Bank has been closely engaged in supporting a host of governance and public management reforms.) The second session then focused on the five Board-mandated questions to be addressed. After the initial presentation, Bank staff sought to refrain from subsequent interventions to maximize the time available for participant discussion. The only exceptions were: (1) instances where staff were asked to respond to specific questions; and (2) areas where there was a danger that, by not intervening, the quality of the discussions could be compromised by extensive reference to false and/or misleading information.
3. In two of the three countries (Egypt and Yemen), external facilitators and rapporteurs were used for sessions with civil society, parliamentarians and the media. In Morocco, the Country Manager, Ferid Belhaj, moderated the discussions. To ensure confidentiality, no external moderators or rapporteurs were present for any of the consultations with government.
4. Finally, in the interest of conserving space, we have deleted blank boxes from the matrix below where specific comments and/or feedback were not forthcoming during the consultations.

Respondent Type	Consultation Reply
<b>1. Top governance challenges in country</b>	
[Government]	<ul style="list-style-type: none"> <li>• There are is a need for engagement on cross-cutting issues at the sectoral and local levels, which is where much of the corruption takes place within the Executive branch.</li> <li>• Morocco faces challenges with petty corruption at a daily level, and occasionally confronts corruption at higher levels.</li> <li>• There was a strong consensus among government officials, civil society, professional associations and others that the justice sector requires thorough and sustained attention in the struggle against corruption.</li> </ul> <p>Another area where reforms are necessary is the water sector, where procurement procedures are typically being followed but excessive resources are being devoted to that sector.</p>
[Legislature]	<p>The real struggle against corruption is at the local level and in sectors such as justice, education, health, etc.</p>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• There was a consensus among civil society representatives that both grand and petty corruption are rampant in the country.</li> <li>• The major problem within Morocco is the “culture of impunity,” in which certain government agencies and departments, as well as those in positions of power or with close connections to those who do, are exempt from prosecution for corruption.</li> <li>• Another major problem is that the separation of powers is not fully developed within Morocco. An example is the practice whereby senior civil servants are appointed directly by the King, which in practice often means that ministers are not fully empowered to control or manage their staff.</li> <li>• Corruption in education and higher education is a major concern, as is corruption in the private sector.</li> </ul> <p>Another area worthy of careful scrutiny is the flow of resources to the south and east of the country. Many resources are diverted before they reach their intended goals.</p>
[Private sector]	<ul style="list-style-type: none"> <li>• The heavy concentration of economic power and extensive network of private sector interests within the Palace is running the risk that legitimate entrepreneurial activity will be “crowded out” by those with political connections.</li> </ul>

Respondent Type	Consultation Reply
	The regulatory environment under which small enterprises operate is poorly defined and subject to considerable corruption.
[Media]	Some concerns were expressed about issues of press freedom, particularly in light of recent developments in the country.
[Donor Community]	The donor community is particularly concerned about the quality of service delivery in remote areas, noting that 80 percent of doctors do not serve in such settings. Education is another key sector where there are concerns about what is happening in rural areas.
<b>2. Promising areas of governance and anticorruption reform and potential obstacles</b>	
[Government]	<ul style="list-style-type: none"> <li>• The Morocco CAS underscores the importance of governance and highlights a rich agenda for collaboration between the Bank and the Government.</li> <li>• An important area for Bank engagement is procurement reform, where new legislation has recently been passed. The GoM is now moving forward with e-procurement, and RFPs and tenders are being placed on the Internet.</li> <li>• Legislation has also recently been passed to combat money laundering. Morocco has been actively seeking to realize the standards embodied in the IMF's Report on the Observance of Standards and Codes (ROSC) framework. It is also subject to the discipline of international credit rating agencies.</li> <li>• Another area where reform is needed is to help facilitate accounting standardization in the private sector. A third is to help in the drafting of management contracts in the area of Build-Operate-Transfer (BOT) projects.</li> <li>• The GoM is making significant progress in moving the entire public sector towards an enhanced performance orientation through public financial management reform. The introduction of a Medium Term Development Framework (MTDF) is bringing a more strategic orientation to the budget process.</li> </ul> <p>The GoM has been heavily engaged in the modernization of customs, and this work could serve as a model for reforms in other sectors as well as other countries. Significant reforms have also been implemented in the Ministry of Interior.</p>
[Legislature]	Morocco's parliament has been proactive in the struggle for greater integrity and transparency in government. In

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	2006, Morocco hosted the meeting of Arab Parliamentarians Against Corruption.
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• Morocco is taking the anticorruption agenda seriously. The Government has signed the United Nations Convention Against Corruption (UNCAC); passed a decree on procurement reform; and will shortly establish an independent anticorruption agency. However, it has not yet ratified the UNCAC.</li> <li>• There are “islands of best practice” that currently exist within Government, which can be identified, documented and expanded upon. They can serve as entry points for the broader agenda.</li> <li>• There has recently been some improvement in reducing corruption in procurement. The process of getting a drivers license used to be extremely corrupt, but things have improved to the point where 30 percent of applicants now fail (as opposed to 2 percent formerly).</li> </ul>
<b>3. How the Bank should engage where governance is weak, and circumstances under which to disengage</b>	
[Government]	<ul style="list-style-type: none"> <li>• The Bank’s fundamental mission is that of poverty reduction. The poor should not be penalized for poor government policies, and the Bank must find ways to remain engaged even in countries where the overall governance environment is weak.</li> <li>• When working in weak governance environments, the Bank should pay particular attention to ensuring that its finances are not diverted for inappropriate purposes. However, the imposition of sanctions under the pretext of fighting corruption is likely to be counterproductive.</li> </ul> <p>The Bank documents are unclear as to how the Bank would disengage from countries where governance is a problem. What criteria will be utilized in making this decision? How will the withdrawal take place? Will the Bank pull back precipitously or gradually?</p>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• A majority of participants agreed that Bank conditionalities could be a useful way of pressuring reluctant governments to adopt needed government reforms. However, the Bank’s overall focus should remain one of poverty reduction. It should stick to the economic and social fields and avoid direct engagement on sensitive political topics.</li> <li>• Several participants noted that they were uncomfortable with the notion that the Bank should partition itself as a referee between governments and civil society. The Bank should act in a clear and transparent way to help others</li> </ul>

Respondent Type	Consultation Reply
	<p>reach a common approach.</p> <p>Other participants noted that the Bank had a developmental obligation to press the good governance agenda that went well beyond ensuring that its own projects adhere to the highest standards of integrity.</p>
<b>4. How to ensure fair and consistent treatment across countries</b>	
[Government]	<ul style="list-style-type: none"> <li>There is often a significant gap between reforms being implemented on the ground and the perception of them in Washington. The Bank needs to have a greater presence on the ground where it can see what is going on. The Bank needs to adopt a consistent approach over time and not over-react to temporary problems and set-backs.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>The WB should be prudent and cautious in using indicators, and it is important to use accurate and pertinent indicators. Countries that make considerable efforts in improving their management managing of procurement contracts should be supported and not denied assistance from the WB who should intervene with improved monitoring of projects.</li> </ul>
<b>5. How to strengthen the Bank’s work with champions of reform outside the executive branch of government – parliament, judiciary, civil society, media and the private sector</b>	
[Government]	<ul style="list-style-type: none"> <li>All of the pieces are in place for a National Integrity Charter, and the Bank should focus on forging partnerships between government, the private sector and NGOs. The new anticorruption agency could be the focal point for this agenda.</li> <li>In addition to the Charter, the Bank can help with the formulation of a national action plan that lists a specific agenda of legislative and administrative measures to be implemented. Such a plan will require public participation. Civil society and the private sector have long been actively working in partnership with the Government, and the local Transparency International chapter was heavily engaged in the recent decision to establish an independent anticorruption agency.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>There was a strong consensus among participants from civil society that the Bank needed to be much more proactively engaged in legal and judicial reform within Morocco. The Bank should be engaging with the</li> </ul>

Respondent Type	Consultation Reply
[Society]	Government on areas such as income and asset declaration, whistleblower and conflict of interest legislation. The Bank should also be engaged in helping to strengthen accountability at the sub-national level, such as provinces, districts and municipalities.
<b>6. How to mitigate fiduciary risk in Bank operations?</b>	
[Government]	The Bank should not lend in areas where there is a high risk that its resources would be stolen or ineffective. It is up to the Bank to decide what safeguards and procedures should be implemented to protect its investments, and the risk-based approach is a sensible one.
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• The Bank clearly has a fiduciary responsibility to ensure integrity in its projects. The risk based approach advanced in the document appears sensible, but greater effort needs to be devoted to enhanced supervision and monitoring. Combating corruption is not limited to the context cited in the strategy but extends to an international level that sometimes induces corruption, such the case of some international contracts.</li> </ul>
<b>7. The Bank's role vis-à-vis other donors in supporting governance reform</b>	
[Government]	<ul style="list-style-type: none"> <li>• The Bank and other donors should make sure that their engagement is consistent with the MDGs. The GoM is currently confronting tremendous transaction costs in complying with the different reporting requirements and standards of various donors. There is a need for streamlining to ensure consistency of procedures.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• The World Bank should coordinate conditionality with the different donor agencies that are active in the country</li> <li>• The Bank has a preeminent role among the donor community in Morocco, and can use its leverage to help frame the debate and bring others along.</li> <li>• The Bank should provide support for the Government's efforts to ratify and implement the United Nations Convention Against Corruption (UNCAC). Why hasn't the Bank been more forceful in pressing for UNCAC ratification?</li> </ul> <p>Indicators utilized by the Bank need to be consistent with those utilized by other donors, such as the OECD or UNDP, to avoid sending conflicting and/or confusing messages about Government progress on these issues.</p>

Respondent Type	Consultation Reply
[Donor Community]	<ul style="list-style-type: none"> <li>• Donors agreed that they each had relative strengths and weaknesses when it came to addressing governance issues, and the optimal strategy should be crafted to maximize their respective areas of comparative advantage.</li> <li>• Donors agreed that it made sense to establish a Governance Coordinating Group to perform a number of valuable tasks, including: (1) exchanging information about governance issues and concerns in certain sectors; (2) ensuring consistency in programming on key governance issues and topics; and (3) helping to coordinate views on governance indicators and rankings.</li> <li>• Other areas where door harmonization could be valuable would be in framing consistent views regarding salary top-ups and per-diem payments.</li> </ul>
<b>8. How to monitor progress in governance and anticorruption at the country level</b>	
[Government]	<ul style="list-style-type: none"> <li>• The WB should concentrate its efforts and expertise on developing more objective, actionable indicators, since those currently used by the WB such as the CPIA and KKM are overly based on perceptions. The development of indicators such as the Public Expenditure and Financial Accountability (PEFA) indicators will be necessary to ensure greater objectivity in the future.</li> <li>• Government officials noted that many reforms take a long time to ultimately bear fruit in terms of quantifiable improvements in the quality of regulation or service delivery. Hence the Bank needs to avoid an overly mechanistic approach in its use of indicators.</li> <li>• Officials identified the recent ranking of the GoM's budget process as 50<sup>th</sup> out of 57 in terms of transparency by a global NGO as an example of how unfair or misleading characterizations can damage the Government's reputation.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• The evaluation/index of corruption is a fundamental element in the broader anticorruption struggle. Yet their accuracy is uncertain. Many of the indicators rely upon perceptions, which do not accurately reflect actual progress made in the country.</li> <li>• The indicators should be discussed with the countries before being applied. It is necessary to have an open debate with Morocco on the application of indicators that may ultimately penalize the country. The Bank can help in devising indicators that can help bridge the gap between perceptions and what is actually occurring on the ground.</li> <li>• Public education and awareness raising will be extremely important for combating corruption and monitoring</li> </ul>

Respondent Type	Consultation Reply
	progress on the good governance agenda.
[Donor Community]	<ul style="list-style-type: none"> <li>The donor community was interested in where Morocco stood with regard to global indicators regarding corruption and why it was perceived to have slipped backwards recently.</li> </ul>
<b>9. Areas for improvement in GAC strategy and country-level support</b>	
[Government]	<ul style="list-style-type: none"> <li>The World Bank’s strategy needs to be more precise and move from vague and general declarations to concrete action plans. It should outline how it is going to be implemented at the regional and country levels.</li> <li>The WB should support the GoM in the implementation of its anti corruption action plan in Morocco at two levels: (1) at the methodological level in order to better measuring its progress and accomplishments to combat corruption; and (2) at the level of implementing cross sectoral reforms.</li> <li>It is not clear that the Bank has dedicated adequate financial and human resources to implementing the new policy. How many staff are currently working on issues of governance and public sector management in the MENA Vice Presidency? How will they be augmented to implement the policy? Historically, the Bank has been rather thinly resourced to implement this agenda, and more will be needed if the new policy is to be effective.</li> <li>Has adequate risk analysis been performed with regard to the Bank’s new strategy? Has the Bank accurately assessed the most promising avenues for success in Morocco?</li> <li>Bank support in the area of information technology and e-governance can play a very important role in helping to combat corruption.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>There were concerns among many members of civil society that the current Bank GAC paper is too broad and generic, and it needs to be made much more concrete and practical to address Morocco’s unique governance concerns and challenges.</li> <li>While Bank support on these issues will be useful, the Bank needs to realize that the agenda is at its core a Moroccan one that only Moroccans can solve. The Bank needs a clear mandate for its engagement, such as helping the GoM implement the UNCAC.</li> <li>If the WB wants to fit into the overall picture, it should not limit its action to specific projects but instead it should initiate the creation/implementation of an observatory for combating corruption and get involved at a broader level of governance.</li> </ul>

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> <li>• Some participants felt that the Bank should no longer remain on the defensive. The WB is involved in development as a full partner and not only as a “provider of advice” to government.</li> <li>• The WB should have a more daring approach for monitoring and evaluating (<i>al mousaala</i>) its loans. Several WB projects have failed or defaulted, such as the case of project management and financing for the public health sector.</li> <li>• Others felt that the Bank has no consistency for its anticorruption activities at the broader level. The Morocco CAS does not have a clear governance or anti corruption component. How could the Bank possibly use conditionality to influence governance and anti corruption agenda or, for example, encourage the ratification of the UN convention?</li> </ul>
[Private sector]	The reform of the international banking system, a major source of corruption, is not addressed at all in the Bank’s paper.
[Media]	The Bank’s papers/studies have an important impact only if they are disseminated in an appropriate and professional manner as they help enhancing debate and boost/initiate activities. The World Bank has a great comparative advantage but needs to address/focus on regional/country specificity to help local development partners to progress on combating corruption and make sure that they have access to information.
<b>10. Other key issues</b>	
[Government]	<ul style="list-style-type: none"> <li>• A number of GoM officials inquired as to why Morocco was included in these consultations. In their view, the country does not struggle with these issues to the extent that other MENA countries do such as Egypt or Yemen.</li> <li>• Several officials noted that the terminology utilized in the Arabic translation of the Bank’s governance paper is awkward and not readily accessible to the non-specialist.</li> </ul>
[Representatives from Civil Society]	A number of participants felt that the Bank has been overly timid in the wake of the December 11, 2006 discussion on anticorruption issues and should have pushed this agenda harder. In particular, it should have pressed the Government for more clarity and specificity in its statutes and decrees.