

## Morocco Health Reform Program (P179014)

### Fiduciary Systems Assessment

#### A. Objective, methodology and scope of the FSA

1. **The integrated Fiduciary Systems Assessment (FSA) of the MHSP was carried out by the World Bank, as part of the Program preparation, based on the requirements of the World Bank policy and procedures for the PforR.** Based on the analysis of available documents and working sessions with the key stakeholders, the FSA considers whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program's institutional arrangements, financial management and procurement systems, and governance systems.

2. **Data collection and methodology: The FSA team focused on the following sources of information:** (i) the team's knowledge of Morocco's public procurement and PFM systems in the current context; (ii) the Court of Auditors' report dated March 2023; (iii) the MHSP's performance Audit reports for 2020 and 2021; (iv) the 2020 and 2021 audit reports and fiduciary supervision mission reports of the Bank and other development partners closed or active operations; (v) Finance bills for the years 2020 to 2023; (vi) the fiduciary data available on the electronic government public procurement portal (PMMP); and (vii) various reports issued by the oversight bodies including Inspectorate General of MHSP (IG).

3. **Based on the Program boundaries and expenditure framework, the IFSA covered MHSP through the DPRF and participating directorates, substantially involved in the coordination of the Program and implementation of its RAs:** The overall implementation and supervision of this Program will be under the responsibility of the MHSP, through the Division of Cooperation within the DPRF. The DPRF is responsible for: (i) coordinating the department's action in the budgetary field by finalizing, based on the proposals of the directorates and delegations, the department's draft budgetary laws; (ii) implementing appropriations by delegating them to and by keeping the department's accounts; (iii) playing the role of resource observatory, by monitoring the use of budgetary and extra-budgetary resources in relation to the physical achievements of the department. Most of the directorates / implementing entities were involved in Bank-financed operations (Improving Primary Health in Rural Areas and Responding to COVID-19 Pandemic Emergency PforR (P148017 & P173944).

4. **The Kingdom of Morocco and specifically the PFM and procurement country systems at the national level are deemed acceptable to the Bank and broadly meet the requirements for the implementation of a PforR.** There are strong legal and institutional frameworks; governance and oversight institutions, effective PFM planning and budget system; and strong internal control system with clear and relevant segregations of duties at each step of the budget execution. Budget execution and internal control systems are computerized and inter-linked with treasury systems. As to procurement, the Government of Morocco has recently adopted a new national public procurement decree (PPD) No2-22-431, the scope of which is now enlarged to include public entities besides ministries and local governments. The new decree includes several enhancements e.g., introduction of rated criteria, most advantageous bid, competitive dialogue, and establishment of an Observatory for public procurement. The implementation of new decree is expected to achieve better value for money with adequate levels of transparency, competitiveness, efficiency, and fairness by the program implementing agency (MHSP).

However, at the sectoral level (MHSP), while the MHSP's fiduciary system is broadly aligned to the national one, the FSA assessment has revealed some key weaknesses and risks that require to be addressed through a number of actions that are detailed in the **Program Systems and Capacity Improvements** section below.

5. **The Program will finance approximately 34.72 percent of the GOM's supported Program expenditures (US\$ 1,296.06 million):** The government program is formalized through the aggregation of five programs of the 2023-25 program-based budget. The World Bank reviewed the government four (4) programs at the MHSP, and subprograms extracted from the General budget of the State (P700; P701; P702; and P705) following the performance-based nomenclature set by the 2015 LOF and reflected in the PPs of the MHSP.

#### **Risk assessment**

6. The overall residual Fiduciary risk of the program is assessed to be **substantial**. The FSA concludes that only upon implementation of the agreed fiduciary mitigation measures, will the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes. A detailed description of fiduciary risks is presented in Section V of the PAD "Risk".

### **B. Program Description, Institutional Arrangements, and Expenditure Framework**

#### **(i) Program Description**

7. The PforR has three results areas: (a) Strengthened organizational and institutional capacity for health system governance; (b) Improved availability, motivation and competence of human resources for health and (c) Strengthened and reorganized health services. The Program has nine DLIs and will be executed during the period (2023-2028). DLI 1 focuses on strengthening institutional capacity through the new deconcentrated governance system with the introduction of management, planning, and budgeting tools for GST to fulfill their responsibilities as well as the development of key management inputs, such as the Board of Directors, organogram, and status of personnel; it also includes measures to strengthen the management capacity of these deconcentrated entities. The Program supports activities across six programs in the PBT of the MHSP: (i) P700: Human resources and health system capacity building; (ii) P701: Planning, programming, coordination and support of health system missions; (iii) P702: Reproductive health maternal, child, youth and special needs populations; (iv) P703: Epidemiological surveillance, health monitoring and safety, disease prevention and control; (v) P704: Primary, pre-hospital and hospital care delivery actions ; and (vi) P705: Strengthening, upgrading and preservation of infrastructure and equipment.

#### **(ii) Institutional Fiduciary Arrangements**

8. **The Planning and Financial Resources Directorate (DPRF) within the MHSP will be the World Bank fiduciary focal point for the PforR operation:** The PMU established within MHSP's Planning and Financial Resources Directorate (*Direction de la planification et des Ressources financières – DPRF*) through the Cooperation Division is familiar with World Bank requirements and will be the World Bank fiduciary focal point. The DPRF will have the overall fiduciary responsibility of the World Bank-funded PforR in terms of procurement and financial reporting and annual external audit. Although it is not mandatory, in order to anticipate the preparation of the consolidated annual financial statements, the program will prepare financial information similar to that of the consolidated unaudited interim financial report (IFRs) and will be integrated with the biannual Program report. Furthermore, the audit reports,

prepared by the IGF, of the consolidated annual financial statements of the program will be submitted to the World Bank within nine months following the end of each calendar year. The participating entities involved in the program will have to prepare and submit to the Cooperation Division within the DPRF—for consolidation—individual budget execution report related to expenditures executed from the PEF. Similarly, the DPRF will be in charge of collecting and consolidating semi-annual procurement performance reports along with key procurement performance indicators and share them with the World Bank.

### (iii) Expenditure Framework

9. The PforR will finance approximately 34.72 percent of the GOM’s supported program expenditures. Specifically, the program will be financed over four years (2023–2028) for a total of US\$ 1,296.06 million, including an IBRD loan of US\$ 450 million. The distribution of this funding is as follows:

**Table A4.1: Program costs and source of financing (US\$ 1,296.06 million)**

Source	Amount	% of Total
Borrower	846.06	65.28
IBRD	450	34.72
<b>Total</b>	<b>1,296.06</b>	<b>100</b>

10. **Based on the PEF, 100 percent of the Program expenditures under the three results areas are procurable and can be grouped under four (4) main procurement categories** as follows: (1) Goods (59 percent), (2) Information systems (35.3 percent), (3) Works (4.3 percent) and (4) consulting services (1.4 percent) which in total represents 100 percent of the PEF. The procurement will cover reinforcement and upgrading of information systems under RA#1; procurement of goods, works and consulting services for the reinforcement of the Higher Institutes of Nursing Professions and Health Techniques (*Institut Supérieur des Professions Infirmières et Techniques de Santé*, ISPITS) under RA#2 and purchase of medicines and consumables under RA#3. The table A4.2 below summarizes the breakdown of the PEF into procurement categories per Result Area.

**Table A4.2. PEF by procurement category**

<u>Results Area</u>	<u>Implementing Entity</u>	<u>Goods and services (US\$ million)</u>	<u>Information Systems (US\$ million)</u>	<u>Works (US\$ million)</u>	<u>Consulting Services (US\$ million)</u>	<u>Annual (US\$ million)</u>	<u>Total (US\$ million)</u>
Result Area #1: <u>Strengthened organizational and institutional capacity for health system governance</u>	MHSP	0%	91.512(100%)	0%	0%	91.512	457.560
Result Area #2: <u>Improved</u>	MHSP	0.428(3.5%)	0%	11.150(91.1%)	0.661(5.4%)	12.240	61.199

availability, motivation and competence of human resources for health							
Result Area #3: Strengthened and reorganized health services	MHSP	<u>155.460</u> (100 %)	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>155.460</u>	<u>777.298</u>
<b>Total</b>		<b><u>155.888</u></b> <b><u>(35.3%)</u></b>	<b><u>91.512 (59%)</u></b>	<b><u>11.150</u></b> <b><u>(4.3%)</u></b>	<b><u>0.661</u></b> <b><u>(1.4%)</u></b>	<b><u>259.212</u></b>	<b><u>1,296.06</u></b>

11. The program expenditure framework (PEF) includes relevant lines items from the MHSP with exclusion of salaries, large-scale civil works, lines outside of the scope the Program, and contracting of activities that exceed OPRC thresholds.

12. Investments with potential significant impact on the environment and/or affected people as defined in the World Bank Policy and Directive on PforR financing, as well as investments involving works, goods, and consultancy contracts above the Operations Procurement Review Committee (OPRC) thresholds, are excluded. As such, construction and major rehabilitation works were excluded. In addition, salaries for health workers are excluded. SEGMA budgets (which include ANAM, blood transfusion centers, and secondary-level hospitals) and CHU budgets were also excluded.

13. The PforR supports a portion of the Government program. The expenditure framework arrangements are based on the country PFM Organic Act adopted in June 2015 and on the new national public procurement decree (PPD) No2-22-431.

14. Measures related to fiduciary aspects in place by the government have been assessed by the Bank fiduciary team and found acceptable. The Royal General Treasury (TGR), from the MEF, generates a monthly report on State budget execution (*bulletin de statistiques des finances publiques*), as well as special funds. The report is available on TGR website.<sup>1</sup> However, the financial information provided by TGR is global and doesn't detail expenditures by beneficiary sectors and items procured. Additionally, the Moroccan Public procurement Portal ([www.marchespublics.gov.ma](http://www.marchespublics.gov.ma)) is the One Stop Shop for the State and Local Governments Public Procurement activities where, among others, annual procurement plans, contract award information, bid opening and evaluation minutes, procurement audit reports (for large contracts) and debarred firms are published. However, information published by public buyers, including the MHSP, on the eGP portal is incomplete.

### C. Legal and Institutional PFM Framework in Morocco applicable to the PforR

15. The legal and institutional PFM framework is acceptable for the PforR: The Moroccan public finance system is governed by a legal and regulatory framework that is in line with international standards.

<sup>1</sup> [https://www.tgr.gov.ma/wps/wcm/connect/665c9aa6-9d96-4bd2-8fc5-242d23ae932b/BSFP+Mars+2020\\_2.pdf?MOD=AJPERES&CACHEID=665c9aa6-9d96-4bd2-8fc5-242d23ae932b](https://www.tgr.gov.ma/wps/wcm/connect/665c9aa6-9d96-4bd2-8fc5-242d23ae932b/BSFP+Mars+2020_2.pdf?MOD=AJPERES&CACHEID=665c9aa6-9d96-4bd2-8fc5-242d23ae932b)

Morocco's compliance with rules and regulations and existing accountability arrangements provides an adequate framework for the use of public funds, and PFM is considered broadly transparent.

16. Specifically, the Organic Law No. 130-13 relating to the Finance Laws (OLFL) promulgated on June 2, 2015, introduced the three-year budget program in its article 5 and the program budgeting, which uses statements of missions, goals, and objectives to explain how the money is spent. Overall, the planning and budgeting of all central entities involved in the program follow a structured, timely, and disciplined process, which is consistent with the country's PFM cycle and ensures that allocations fit within the available budget envelope. The 2017 PEFA assesses the country's planning and budgeting procedures as satisfactory (rated A). The ongoing PEFA assessment will provide updates on the performance of the country's PFM systems used by the directorates the MHSP.

17. **The Program procurement will be executed in accordance with the GOM's procurement procedures and regulatory framework.** Procurement and award of contracts for MHSP will be governed by the new Public Procurement Decree (PPD)# 2-22-431<sup>2</sup>, approved by the Council of Government on December 29, 2022, and published in the Official Bulletin #7176 dated March 9, 2023. This New Decree will come into effect and replace the existing one (#2-12-349 dated March 20, 2013) as of September 1st, 2023. The new procurement decree is largely in line with international best practices of economy, efficiency, fairness and integrity.

#### ***Program Planning, Budgeting, and Transparency***

18. The overall costs of the supported Program including the portion financed by the World Bank are expected to be integrated into the budget laws 2023-2028. Planning and budgeting related to this Program will follow the national procedures. Based on budget instructions/circulars, the teams of the MHSP will prepare the budget of the Program considering the limits of allocations set by the Government. The total amount allocated to the Program during years 2023-27 according to the operation document should be reflected in the 2023-27 budget Laws.

19. **The sustainability of the expenditure framework is ensured by the existence of several tools.** First, the three-year budget programming developed in the context of the Public Finance Act. The current three-year budget programming covers the period from 2023-2025 and is annually updated through the Finance Act. Second, the annual performance plan endorsed by Parliament which describes the key programs, the associated budget and performance indicators. Third, the annual performance report which summarizes the results achieved and the budget executed for a given year. The Program is well included and articulated with the above-mentioned tools.

20. **Funding predictability.** Overall, the predictability of the GoM's expenditures is robust with timely release of the budget's appropriations to the budget holders. The expenditures of the Program are already planned as part of the Government program as mentioned above and are therefore included in the three-year programming of the Finance Act. The expenditures planned for 2023 are programmed in detail in the

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<sup>2</sup> On December 29, a new procurement decree, decree# 2.22.431, was adopted by the Moroccan government in response to the recommendations of the special commission for the New Development Model and was published in the Official Bulletin No. 7176 dated 9 March 2023. The new decree aims to consolidate the public procurement system to provide more clarity to economic actors and improve the business climate. It also seeks to open opportunities for innovation, for new procurement features and approaches such as competitive dialogue and for small businesses and self-employed individuals (self-entrepreneurs) and establish a national preference for domestic products. Furthermore, the new procurement decree includes provisions to strengthen transparency, fight corruption, promote data analytics through the establishment of a procurement observatory and to promote sustainable development. Notably, the new decree includes a scoring system (rated criteria) that considers factors beyond price, such as an enterprise's ability to deliver a project on time and environmental criteria.

Budget Law. The Bank fiduciary and task teams will ensure close monitoring of budget programming of this program year by year with the MEF to avoid any incoherence between the Program expenses and the disbursement rate. No specific issue related to funding predictability as well as budget allocation release was identified in the execution of the programs as well as for the ongoing PforR operations in Morocco. No delays were observed in payment of public administration (directorates) expenses. Furthermore, the government has set up a platform “MASSAR” on the MEF website to monitor payment durations of companies and public establishments. All establishments are required to provide payment execution times on a quarterly basis. The table below shows the evolution of the MHSP budget allocations and confirms the increase in allocations in the sector; this guarantees the predictability and sustainability of the program in terms of financing. Budget allocations in the sector increased by more than 26 percent between 2020 and 2022; capital budget allocation in the sector doubled during the same period.

**Table A4.3. MHSP budget evolution**

Chapter	Evolution of the budget of the MHSP 2020-2022 (MDH)					
	FL 2020	Evolution	FL 2021	Evolution	FL 2022	Evolution
Capital budget	3,350.0	3.08%	4,200.0	25.37%	6,900.0	64.29%
Operating budget	15,334.6	17.23%	15,574.1	1.56%	16,642.6	6.86%
Personnel	10,908.5	27.12%	10,431.1	-4.38%	11,367.6	8.98%
Materials & DD	4,426.1	-1.64%	5,143.0	16.20%	5,275.0	2.57%
<b>TOTAL</b>	<b>18,684.6</b>	<b>14.41%</b>	<b>19,774.1</b>	<b>5.83%</b>	<b>23,542.6</b>	<b>19.06%</b>

21. **Budget structure.** The General Budget of the State is the source of funding of this Budget Program. Its budget structure is conformed with the international budget classification (Classification of the Functions of Government – COFOG) as confirmed by last PEFA report (rated A). The ongoing PEFA will provide update on the country overall PFM system performance. Expenditure will be subject to procurement following the country public procurement decree (No. 2-12-349 of March 20, 2013). This procurement decree and directives are deemed adequate and are in line with international standards. They have been used for all the ongoing PforR operations in Morocco. No specific activity or expenditure has been identified as high-risk activity.

22. **Procurement planning.** MHSP is required to publish an Annual Procurement Plan (APP) in a nationally distributed newspaper and on the electronic government procurement (eGP) portal before the end of the first quarter of the fiscal year. APP can be searched through the search engine of the eGP portal<sup>3</sup>. However, a recent assessment of the Moroccan eGP by the World Bank using the Multilateral Development Banks (MDBs’) e-GP readiness Guidelines, has revealed that APP is not interoperable with the e-bidding process. The APP is created separately. Different public entities create the plan in different formats, and Invitation to Bids don’t link or refer to the procurement item in the APP, so the procurement plan and procurement process are not interoperable. The APP is also required to be displayed in the MHSP premises for at least 30 days no later than the end of the first quarter of the fiscal year. As an example, the DPRF APP for 2023 that is currently published on the eGP portal is summarized in the table below:

<sup>3</sup> Searchable here: <https://www.marchespublics.gov.ma/index.php?page=entreprise.ListePPs>

Category	Description	Place of Performance/Delivery	Procurement Method	Tentative date for Invitation to Bid	Contacts of the concerned Department	This Contract is reserved to SMEs (Yes/No)
Services	Selection of a service provider for the provision of air medical transport services on behalf of the MHSP as part of its emergency medical assistance service (as a single lot)	MHSP	Open Competitive Bidding	S1 of 2023	Ministère de la Santé et de la Protection Sociale, 335 avenue Mohammed V Rabat (entrée rue Larache) Tel: 0537 76 51 54 Fax : 0537 76 94 80	No
	Supply, installation, and implementation of a geolocation system on behalf of the MHSP, as well as related training and maintenance services	MHSP	Open Competitive Bidding	S2 of 2023	Ministère de la Santé et de la Protection Sociale, 335 avenue Mohammed V Rabat (entrée rue Larache) Tel : 0537 76 51 54 Fax : 0537 76 94 80	No
Goods	Purchase of computer supplies for the DPRF.	DPRF	Open Competitive Bidding	S2 of 2023	Ministère de la Santé et de la Protection Sociale, 335 avenue Mohammed V Rabat (entrée rue Larache) Tel : 0537 76 51 54 Fax : 0537 76 94 80	Yes
	Purchase of computer equipment for the DPRF."	DPRF	Open Competitive Bidding	S2 of 2023	Ministère de la Santé et de la Protection Sociale, 335 avenue Mohammed V Rabat (entrée rue Larache) Tel : 0537 76 51 54 Fax : 0537 76 94 80	No

23. **Procurement profile of the Program.** According to the Program Expenditure Framework (PEF), all Program expenditures falling under the three results areas are considered procurable and can be categorized into four primary procurement categories, which are as follows: Goods (59 percent ), Information Systems (35.3 percent ), Works (4.3 percent ), and Consulting Services (1.4 percent %), representing a total of 100 percent % of the PEF. Procurement activities will involve the reinforcement and upgrading of information systems under Result Area #1, procurement of goods, works, and consulting services for the reinforcement ISPITS under Result Area #2, and the acquisition of medicines and consumables under Result Area #3. The MHSP is expected to leverage the new procurement decree and utilize its new features such as rated criteria, competitive dialogue, and international competitive bidding, among others, as deemed necessary. To estimate the average contract value, we analyzed a sample of data provided by DEM regarding its procurement activities from 2020-2022, primarily focused on central equipment and works activities. For the procurement of medicines and health products, since the 2020 and 2021 CAS-Compte d'Affectation Speciale (Account for Special Assignment) performance reports did not include the number of contracts, we used the data available in the 2021 audit report of the previous PforRs implemented by MHSP (Improving Primary Health in Rural Areas and Responding to COVID-19 Pandemic Emergency PforR (P148017 & P173944) about the sample of 2020 and 2021 contracts reviewed by the Inspectorate General of Finance (IGF) as a proxy. The table below summarizes the average contract size per type of purchase, specifically equipment and works (DEM) and medicines and other health products (Procurement Division).

Year	2020			2021			2022		
Type of purchases	# of committed contracts	Total amount (MAD)	Average contract amount (MAD)	# of committed contracts	Total amount	Average contract amount	# of committed contracts	Total amount	Average contract amount
1- Equipment and Works (DEM)	33	238,280,852.250	7,220,631.886	65	239,178,109.970	3,679,663.230	64	156,204,609.610	2,440,697.025
2- Medicines and other Health products (Procurement division)	6	69,940,098.850	29,554,581 (largest contract)	4	70,970,754	29,156,065.54 (largest contract)			



24. The information presented in the aforementioned table validates that the program's procurement activities do not entail high-value contracts surpassing the OPRC threshold value that would make them eligible for procurement exclusions. Regarding procurement capacity, multiple documents reviewed by the fiduciary team have identified several key and persistent shortcomings. The table presented below summarizes these weaknesses with regards to procurement capacity.

Source of information/Report reviewed by the FSA Team	Key procurement capacity-related weakness (s)
2021 CAS-Compte d'Affectation Speciale (Account for Special Assignment) performance reports	Procurement delays at the local level for purchasing emergency services equipment (SAMU - service d'assistance médicale urgente).
the Court of Auditors' report dated March 2023	Inefficient management and monitoring of some medicine procurement contracts due to unrealistic planning and delays.
the 2021 audit report of the previous PforRs implemented by MHSP ( <i>Improving Primary Health in Rural Areas and Responding to COVID-19 Pandemic Emergency PforR (P148017 &amp; P173944)</i> )	Irregularities in executing three contracts for technical and medical equipment/accessories (\$0.8 million)
The IGF report on the 2021 Performance Assessment of MHSP's 700 and 703 programs	Inadequate approach to translating MHSP's programs into projects.

25. **Budget execution.** The monitoring of budget execution is ensured through the Performance Reports (Rapports de Performance RoP) which trace the results achieved and analyzes the discrepancies between the forecast established in Performance Projects (PdP) and the budget execution. The RoPs of ministerial departments or institutions are consolidated in the Annual Performance Report. This report has been audited by the IGF since the year 2020. The table below demonstrates the commitment and payment rates for the supported programs during 2020 and 2021. These programs were executed by the directorates of the centrale administration of the MHSP involved in the program. The DPRF is responsible for : (i) coordinating the department's action in the budgetary field by finalizing, based on the proposals of the directorates and delegations, the department's draft budgetary laws; (ii) implementing appropriations by delegating them to sub-ordinators and by keeping the department's accounts; and (iii) playing the role of resource observatory, by monitoring the use of budgetary and extra-budgetary resources in relation to the physical achievements of the department.

26. **Overall, the directorates and entities involved in the Program have had acceptable performance in terms of budget commitments and execution in 2020 and 2021:** Morocco scored A for PI-1 of PEFA 2016. Table 12 describes the strong performance of budget commitments and execution of the MHSP involved in the program. Specifically, the directorates of the centrale administration budget execution rate exceeds 85 percent in 2020 and 2021. Budget execution performance is deemed satisfactory.

### Commitment and payments rates (MDH)

#### Budget execution of general budget (GB) appropriations by program - MDH

Programs	Year 2020			Year 2021		
	Commitment	Payment	Rate	Commitment	Payment	Rate
700	11,028.8	10,478.4	95.0%	10,525.6	10,507.5	99.8%
701	3,632.6	3,565.9	98.2%	3,034.9	2,971.5	97.9%
702	464.6	417.2	89.8%	497.8	384.0	77.1%
703	161.7	132.1	81.7%	160.3	132.0	82.3%
704	3,346.9	3,308.7	98.9%	3,789.0	3,718.2	98.1%
705	4,623.8	2,013.6	43.5%	5,370.9	2,797.3	52.1%
<b>Total</b>	<b>23,258.4</b>	<b>19,915.9</b>	<b>85.6%</b>	<b>23,378.5</b>	<b>20,510.5</b>	<b>87.7%</b>

27. **The overall commitment and payment rates in 2020 and 2021 for all six programs were satisfactory overall, except for program 705:** the overall execution rate (payment) of the budget is 85.6 percent in 2020 and 87.7 percent in 2021. However, the payment rates of the program 705 was low at 43.5 percent in 2020 and 52.1 percent in 2021 mainly due to the COVID-19 pandemic as all contracts were committed by the end of December 2020. The analysis of the MHSP 2020 and 2021 budget documents revealed the following: (i) about 56 percent of the ministry's general budget is executed at the level of the central directorates (common services), compared to 44 percent in the regions, with payment rates of around 77 percent each; (ii) the rate of budget execution (payments) made for the personnel and the operating expenditure is deemed satisfactory and was respectively above 98 percent, while the investment budget is 54 percent; and (iii) the budget execution rate at region levels varies from 41 percent (lowest in 2020) to 80 percent (highest in 2021).

#### Budget execution of CAS appropriations by program - (MDH)

Programs	Year 2020			Year 2021		
	Commitment	Payment	Rate	Commitment	Payment	Rate
701	48.1	34.5	71.7%	181.9	141.3	77.7%
702	139.6	38.4	27.5%	514.0	405.7	78.9%
703	922.6	558.7	60.6%	538.1	375.6	69.8%
704	3,495.1	2561.3	73.3%	3,031.1	2,023.0	66.7%
<b>Total</b>	<b>4,605.4</b>	<b>3,192.9</b>	<b>69.3%</b>	<b>4,265.1</b>	<b>2,945.6</b>	<b>69.1%</b>

28. **The overall execution rate of the CAS (Compte d'Affectation Special) budget is considered satisfactory at around 69 percent in 2020 and 2021.** The low budget execution rate in 2020 of the program 702 is linked to the contracts related to COVID-19.

29. **Procurement processes and procedures.** With the enactment of the new procurement decree No.2-22-431, effective September 1st, 2023, the existing public procurement decree No.2-12-349 dated March 20, 2013, will be replaced, and its scope will be extended to public entities and establishments in addition to ministries and deconcentrated regional entities. Consequently, the Program's procurement,

to be carried out by MHSP will be fully governed by this new decree. The new procurement decree includes several enhancements e.g. introduction of rated criteria, most advantageous bid, Competitive dialogue, and establishment of an Observatory for public procurement. The implementation of new decree is, therefore, expected to achieve better value for money with adequate levels of transparency, competitiveness, efficiency, and fairness by MHSP. The implementing agencies' procurement systems adhere to the rules of good governance and provide for sustainable procurement. Bidding documents are overall based on the guidance note<sup>4</sup> and the standard bidding documents<sup>5</sup> that were issued by TGR in 2015. Procedures for bid submission, receipt and opening are clearly described in the document called "Consultation Regulations- *Règlement de consultation*" which is part of the bidding documents. The qualification, evaluation and award criteria are clearly defined in the bidding documents and are complied with during evaluation. Based on the published Annual Procurement Plan of MHSP for 2023, open tendering is the default method of procurement. It is important to note that procurement of medicines and pharmaceutical products at the central level is exclusively the responsibility of the *DAMPS*. *DAMPS* is newly created by Decree No.2-22-811 dated 24 January 2023 and has replaced the previous Procurement Division created in 1994. MHSP has, since 2013, a Guide for the organization and operation of the hospital pharmacy<sup>6</sup> which describes, among others, the procurement procedures to be followed for the purchasing of medicines and health products. Moreover, local procurement of medicines and pharmaceutical products is subject to the Minister of Health Order No. 10/DHSA dated January 30, 2019, which sets out local procurement procedures for medicines and other pharmaceutical products. Procurement of goods, services and works is the mandate of the DEM.

**30. Record Keeping and Document Management Systems.** The contracting authorities are required to keep records of all procurement transactions for at least five (5) years, and these records must include all documents related to the procurement process, such as the procurement plan, specifications, invitations to bid, bid evaluation reports, contracts, invoices, payment records, and any other relevant documents. The contracting authorities are also required to ensure that these records are organized and kept in a way that ensures their accessibility, reliability, and integrity. Additionally, with the generalization of electronic submission, contracting authorities must establish an electronic procurement record management system that complies with the technical and legal requirements established by the Ministry in charge of finance. While the MHSP didn't provide details about the way record keeping is being implemented, this requirement is generally complied with given the robust audit institutions and legal framework in Morocco.

**31. Controls, oversight of procurement and audits.** In Morocco, public procurement oversight during the procurement and contract award process is mainly performed by the TGR for the MHSP. While MHSP conducts its own procurements, the TGR oversees a network of "public comptrollers," who sit on evaluation panels and monitor procurement process throughout both the local and national governments. These controllers have the authority to stop procurements if serious violations are found in the implementation of the tenders. Furthermore, the TGR has implemented: (1) the Moroccan Public Procurement Portal (e-procurement), (2) integrated systems to track and implement budget spending and to process payments (GID), and (3) the e-invoicing in public procurement<sup>7</sup>. In addition to TGR, the Court of Accounts (CoA) conducts post-audits of procurements and issues reports identifying weaknesses or

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<sup>4</sup> Available here : [https://www.marchespublics.gov.ma/pmmp/IMG/pdf/note\\_relative\\_aux\\_documents\\_type\\_des\\_marches\\_publics.pdf](https://www.marchespublics.gov.ma/pmmp/IMG/pdf/note_relative_aux_documents_type_des_marches_publics.pdf)

<sup>5</sup> Available here : <https://www.marchespublics.gov.ma/pmmp/spip.php?article122&lang=fr>

<sup>6</sup> The Guide is available here: <https://remed.org/wp-content/uploads/2017/03/Guide-dorganisation-et-de-fonctionnement-de-la-pharmacie-hospital%C3%A8re.pdf>

<sup>7</sup> See guide here: <http://communaute-fournisseurs.gid.gov.ma/assets/files/Guide%20DEF%20VF3-04062019-rectifier-et-valider.pdf>

irregularities that are shared with the public. The CoA's jurisdiction covers all government acquisitions including those implemented by local governments and state-owned entities. The CoA audits are conducted on a systematic basis and are not done randomly. While the CoA does not have a specialized task force for procurement, it has many technical experts who have specialized knowledge of each of the sectors covered by the CoA. Additionally, as per article 165 of the existing procurement decree (#2-12-349), all contracts whose value is MAD 5 million and higher for contracts awarded through open competitive bidding process and MAD 1 million and higher for direct contracts are subject to a systematic procurement audit. While these reports are searchable on the Moroccan Procurement Portal (here: <https://www.marchespublics.gov.ma/index.php?page=entreprise.ListeSRA>), the documents published are not necessarily related to procurement audit. They sometimes include the procurement plan and other types of documents. Therefore, to strengthen the program's procurement oversight and audit, the implementing agencies will be required to timely and accurately publish all procurement audit reports under the program on the public procurement portal.

32. **e-Procurement.** In accordance with the Minister of Economy and Finance Order No. 1982-21 dated December 21, 2021, on the digitalization of public procurement procedures and financial guarantees, MHSP is required to comply with full digitalization of electronic submissions and bid securities. This order has progressively introduced the obligation to electronic submission of bids, electronic bid opening, and electronic bid securities effective from November 1, 2022. Public Procurement plays an important role in the national economy of Morocco. In 2022, the Moroccan Government spent MAD 245 billion (~US\$25 billion) which is almost 20 percent of the total GDP. This important activity inspired the government to prioritize modernizing public procurement. In 2007, the TGR launched a basic form of e-Government Procurement (e-GP) and developed its features over the years, culminating in 2022 when it became mandatory for all public entities to use. As of 2021, 35,000 invitations to bid have been published through the e-GP portal and generated more than 84,000 electronic submissions for a total estimated contracts' cost of MAD 126 billion, representing more than 50 percent of that year's total procurement. Currently, 4,400 public entities, 600 public companies, and 28,000 providers and suppliers are registered on the system; 1,826 being foreign (6.5 percent). MHSP is using e-GP. The recent assessment of the GOM's eGP system by the World Bank has concluded that the system is generally compliant with Multilateral Development Banks' e-GP Guidelines, and the Bank will gradually start accepting the e-GP system in Bank financed contracts under IPF Operations.

33. **The public procurement decree has a complaints' handling mechanism.** A bidder can file a complaint no later than the fifth day after the publication of the provisional contract award results on the public procurement portal. If so, there will be up to 15 days of a standstill period. During this time, complaints can be filed, and decisions received. If not satisfied with the decision made, the bidder may file the complaint again. The 1<sup>st</sup> and 2<sup>nd</sup> appeals should be resolved within 15 days. After 15 days, if the dispute is not resolved, the bidder can appeal to the minister. The minister can order the contracting authority to stop the procurement process up to 10 days. A bidder can go for an administrative appeal to the CNCP and court at any time. The complainant may get compensation if the decision is made in favor of the complainant. According to the Ministry's Inspectorate General (IG) activity report for 2022, IGM received and treated 12 procurement-related complaints out of 144 complaints received in total, which represented 8.3 percent. The complaint handling mechanism is expected to be strengthened with the entry into force of the new procurement decree that introduced a strengthened redressal mechanism. Additionally, based on the information published in the CNCP's opinions, in 2022, 32 complaints were received. On average, CNCP makes its decision in about 103 working days which is much higher than the

30 working days period set forth in the decree establishing CNCP<sup>8</sup>. Therefore, there is a need to strengthen the program's procurement-related complaints handling mechanism. As to the possibility of filing a complaint electronically, the institutional portal of TGR has a space with a dedicated page and form of complaint where bidders could submit complaints<sup>9</sup>. Complaints about public procurement could be selected among a drop-down menu of Category of common complaints.

34. **Additionally, there is a blacklist in the e-GP System.** If the scope of abuse is limited to the single department, the minister will sign the decision placing the company in blacklist. The second case is a broader exclusion, the bidder is excluded from all public procurement processes, and this needs the approval of the head of the government. The blacklist is publicly available and can be found by using the search engine of the portal<sup>10</sup>. Some blacklists are temporary, and some are definitive. The list shows the reason for blacklisting, the beginning and end date of blacklisting, type of blacklisting: partial (only within a department) or total. The decision document is uploaded and accessible to the public.

35. **The program's procurement processes and procedures are evaluated to be inclusive, transparent, and fair, with open competition being the default procurement method.** The bidding documents establish qualification, evaluation, and award criteria, which are generally followed during the evaluation process. The procurement approaches employed aim to ensure that appropriate bidders participate and that the best-suited bidder is selected. While a mechanism for handling procurement-related grievances exists, it needs further improvement to become more efficient. Furthermore, there is a need to enhance MHSP's procurement planning and execution to prevent delays that have been identified in various recent reports.

36. **Contract management.** The TGR has established functional systems for budget tracking, payment processing (GID), and e-invoicing in public procurement, which MHSP is using. However, according to the IGF report on MHSP's 700 and 703 programs' performance, there is no appropriate approach to translate programs into projects, resulting in poor visibility of project-level contract execution at the deconcentrated level. To improve the procurement of medicines and strengthen the management of contracts for this critical category, the newly established DAMPS will create a digital platform. This is intended to address weaknesses in medicine contract management identified in recent audit reports.

37. **Procurement performance.** The 2020 and 2021 audit report of the previous Improving Primary Health in Rural Areas and Responding to COVID-19 Pandemic Emergency PforR (P148017 & AF P173944), revealed irregularities that have affected the execution of the three contracts related to "the purchase of technical and medical equipment and accessories". The cumulative amount of the expenses concerned by these irregularities, was about MAD 8.2 million, representing 21.16 percent of the total amount of the PforR expenditures for the year 2021 but less than 1 percent of overall Program expenditures. This risk is also due to the absence of an integrated fiduciary management system at the central level (DPRF) to monitor the performance of procurement and FM systems at the local and regional level in real-time. The table below summarizes the procurement activities of the DEM over the last three years (2020-2022)

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<sup>8</sup> As per Article 32 of Decree No. 2-14-867 of 7 Hijra 1436 (September 21, 2015) establishing the National Public Procurement Commission, the handling of complaints shall be carried out by the competent bodies of the commission in accordance with a maximum period of fifteen (15) working days from the date of receipt of the complaint letter. This period may be extended for a period of fifteen (15) working days by a reasoned decision of the president of the commission, which shall be notified to the interested parties.

<sup>9</sup> Available here

[https://www.tgr.gov.ma/wps/portal!/ut/p/b1/04\\_Sj7SwMDEzMDM3t9SP0I\\_KSyzLTE8syczPS8wB8aPM4i28fc0snAwdDSx8LAWMHAP9nAOC3QKN3QOMgQoigQoMcABHA3z6DUwNofoRClz8QApcAIwcvU0NDIKMibMfjwUE9IfrR6EpwXQBWAE-LxLypJ9Hfm6qfm5UjpubpWeWiaOiiGdG-M1L/dI4/d5/L2dJQSEvUUt3QS80SmtFL1o2XzhLTTY4QjFBMDhMODAwQVFOQ1BTRIEzMKYw/](https://www.tgr.gov.ma/wps/portal!/ut/p/b1/04_Sj7SwMDEzMDM3t9SP0I_KSyzLTE8syczPS8wB8aPM4i28fc0snAwdDSx8LAWMHAP9nAOC3QKN3QOMgQoigQoMcABHA3z6DUwNofoRClz8QApcAIwcvU0NDIKMibMfjwUE9IfrR6EpwXQBWAE-LxLypJ9Hfm6qfm5UjpubpWeWiaOiiGdG-M1L/dI4/d5/L2dJQSEvUUt3QS80SmtFL1o2XzhLTTY4QjFBMDhMODAwQVFOQ1BTRIEzMKYw/)

<sup>10</sup> Available here: [https://www.marchespublics.gov.ma/index.php?page=entreprise.EntrepriseRechercherSocietesExclues&search=1`](https://www.marchespublics.gov.ma/index.php?page=entreprise.EntrepriseRechercherSocietesExclues&search=1)

## Procurement Performance Indicators

◆ 2020 :

Budget	Procurement approach	Number of committed contracts	Total amount MAD	% (out of procurable expenditures)
Investment budget	Direct contracting	33	238,280,852.25	98.71%
	Purchase Order	13	2,344,754.10	0.97%
Operating budget	Purchase Order	14	702,028.85	0.29%
	Common Law contract	02	78,933.52	0.03%

◆ 2021 :

Budget	Procurement approach	Number of committed contracts	Total amount MAD	% (out of procurable expenditures)
Investment budget	Open competitive bid	65 contracts	239,178,109.97	88.29%
	Direct contracting	11	30,506,817.19	11.26%
Operating budget	Purchase Order	18	893,901.71	0.33%
	Common Law contract	01	11,221.10	0.00%
	Convention	02	99,990.00	0.04%
CAS	Purchase Order	01	199,997.45	0.07%
	Transfer	04	26,776,613.96	

◆ 2022 :

Budget	Procurement approach	Number of committed contracts	Total amount MAD	% (out of procurable expenditures)
Investment budget	Open competitive bid	64 contracts	156,204,609.61	98.9%
	Purchase Order	10	778,528.20	0.5%
Operating budget	Purchase Order	16	841,350.49	0.5%
	Common Law contract	01	2,173.52	0.0%
	Convention	01	103,080.60	0.1%
	Transfer	01	39,983,234.43	

38. The main points to note from the table are:

- Open competitive bidding is the primary procurement approach used by MHSP, except in 2020 here direct contracting was allowed to quickly respond to COVID-19 needs.
- The size of contracts is small, confirming that the program does not involve high-value contracts that would require procurement exclusions based on OPRC threshold value.

39. **Fraud, corruption, and debarment of Contractors.** Morocco's Constitution, enacted on July 1, 2011, explicitly mentions the need to fight corruption and to ensure good governance and transparency as fundamental tools of public sector management. It also recognizes the right to citizen

participation in government decision making and public engagement, as well as the right to access public information. The 2011 Constitution sets the groundwork for more transparency and the efficient use of public resources, through Title II on conflict of interest, misconduct in public procurement, misuse of public funds, greater transparency, accountability, and fight against fraud and corruption and through Title XII for good governance. The ICPC (Instance centrale de prévention de la corruption) oversees the prevention of corruption. It conducts awareness raising and information campaigns and has set up a database and a whistleblowing system to allow citizens to alert on corruption cases. Furthermore, the client has been sensitized during the preparation phase that it must ensure that any person or entity debarred or suspended by the Bank is not awarded contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension.

### **Program Accounting and Financial Reporting**

40. **Accounting.** Like the Government financial and accounting transactions, the program operations will be accounted for based on the procedures and legal framework applicable to the public-sector described in the public accounting decree no 330-66 du 21/04/1967 (decree on public accounting) which is cash basis. Specifically, DPRF will follow the central Government public-sector accounting standards. Participating entities will use the Integrated Expenditure Management (IEM) system, which is an integrated set of computerized applications developed in-house. Authorizing officers and accounting officers keep administrative and cash accounts separate. The administrative accounts kept by the authorizing and sub-authorizing officers are commitment accounts which clearly show the implementation of the budgetary authorizations recorded in the State budget and in the budget of each of the entities participating in the Program. The accounts of the Treasury record the appropriations and the payment of expenditures. The two accounts are reconciled monthly and then annually to reconcile payment orders paid by the accounting officer. No specific issue has been raised in the audit reports regarding compliance with the prescribed accounting standards by the implementing entities involved in this program. The sub-authorizers and delegated authorizers execute the credits placed at their disposal by the DPRF, which is ultimately responsible for producing the budget execution accounts of the MHSP. To this end, the directorates are required to monitor the budget of the appropriations opened for them and report to the DPRF. In practice, as mentioned in the CoA and IGF report, some directorates have difficulty reporting on their budget execution within the deadlines. As mitigating actions, the semi-annual report (IFR) shows the amount of the budget allocated to each department and the level of commitment and payment/execution. These budget execution reports of each directorate are not published on the website of the MHSP.

41. Specifically, like most of the Bank-financed operations in Morocco, an Excel spreadsheet and data extracted from the national budget execution software “Integrated Expenditure Management System” (*Gestion Intégrée de la Dépense- GID*), will be used to prepare Program’s periodic consolidated budget execution reports and consolidated annual financial statements. The arrangement in place may impact the quality and timeliness in the preparation of those reports and submission of audited financial statements. Detailed actions have been developed (ref. Risk mitigations measures in the Executive Summary of the PAD) to address the issue including assignment of dedicated fiduciary focal point and the development of tools to facilitate the collection on budget execution in each participating directorates and capacity building activities for the entity staff.

## Internal Controls and Internal Audit Arrangements

### Internal control

42. Law No. 69-00 on the financial control of the State over public enterprises and other organizations describes in its articles 2 and 8, the financial control missions and the financial and accounting organization of public establishments. These provisions are applicable to the state entities of the MHSP (DPRF) involved in the program. The review of the various documents during the evaluation did not reveal any cases of non-compliance or non-application of the provisions of this law.

43. The system of public accounting, as described by Royal Decree No. 330-66 of 21 April 1967, is built around the concept of separation of tasks between authorizing officers and accounting officers. Ex-ante financial control is exercised through expenditure controls in accordance with the procedure for the implementation of the central government budget (Decree n° 2-07-1235 of 4 November 2008). Internal audit. The internal audit and management control function was formally established at the MHSP following a letter from the Minister of Health dated May 30, 2018. The audit firm recruited to support the MHSP has finalized the risk mapping as well as the development of an approach to implement this function. A pilot phase has started with four Divisions including the Finance Division at the DPRF. Some RHD have established internal audit units. However, the operationalization of the circular is still on-going. It was not possible to assess the implementation status of the pilot phase, nor the effectiveness of the units implemented so far in the four Divisions. The report of the last supervision mission of PforR closed in 2021 outlined the need to update the Bank on a regular basis on the progress made in the implementation of the internal audit unit in the MHSP. The new PforR will be an opportunity to support the operationalization of the internal audit and management control function within the central administration directorates, regional health directorates, institutes, centers and national laboratories in line with the Instructions dated on May 30, 2018, and the new decree on the internal audit function. An action will be included in the PAP and will be monitored as part of the program performance indicators. A management control system at the level of the ministerial departments was instituted by decree n°2.22.580. The PAP has planned to operationalize the internal audit and management control function within the MSPS.

### inspectorate General of the MHSP (IG)

44. The MHSP's IG is composed of 59 executives, 42 of whom come under the central IG and 17 of whom are made available by the Regional Health Directorates. The IG intervenes in the form of audit, inspection, and investigation missions, but also supports the Ministry's structures, particularly in the preparation of responses to audits carried out by the Court of Accounts and the IGF. The IG of the MHSP has a regional structure called "CRAI" which intervenes jointly with the central level teams or separately on missions. The conclusions of IG auditors confirmed that the procedures for managing and reporting data relating to program indicators are generally complied with, and that the data communicated is reliable. However, they highlighted certain weaknesses, particularly in relation to: (i) the lack of involvement of regional observatories in the monitoring and control of the information system; and (ii) the multitude of information media and the lack of integration in the management and reporting of data relating to the various health programs. In addition to its IVA role, some of IG mandate and missions such as "audits" may overlap with those of the IA units which may lead to some inefficiency in the use of the HR in the institutions of controls. The review of the 2021 and 2022 activity reports prepared by the IG revealed the following as shown in the below table:



Key indicators related to IG activity	2021	2022
Number of missions conducted (all mission categories combined)	227	215
Number of audit missions conducted	56	47
Number of inspection missions conducted	36	35
Number of public entities covered	156	115
Complaints received and handled	535	144
Support to MHSP entities in responding to draft reports of CoA	18	23
Support to MHSP entities in responding to draft reports of IGF	4	7
Coordination and collaboration activities with Ombudsman	62	58
Number of recommendations issued by the IG	367	N/A
Number of recommendations implemented	N/A	N/A

45. A review of the above table reveals the following: (i) the IG conducted 47 audit missions and 35 inspection missions in 2022, compared with 56 audit missions and 36 inspection missions in 2021; (ii) in 2021, audits covered 109 entities included in the program's expenditure framework, compared with 38 for inspections; (iii) 367 recommendations were issued in 2021 by the IG following its missions, of which 237 were made on behalf of the public sector entities covered by the PforR; and (iv) follow-up on the recommendations of the IG's reports or those of other audit bodies has been initiated, but it has not been possible to determine the exact number of recommendations actually implemented for the years 2021 and 2022. The new PforR operation will support the IG as well as other Internal audit units being implemented to strengthen follow up of audit recommendations.

#### Treasury Management and Funds Flow

46. The budget allocated to line ministries in the Finance law is available and usable as soon as it is promulgated by the parliament. Each ministry is responsible for management of its allocated budget. transfers between budget lines during the year could be proposed by the MHSP and decided at the level of the Directorate of Budget from the MEF and this, according to the Organic Law on the Finance Act (Loi Organique relative à la Loi de Finances, LOLF).

47. **Treasury management and funds flow including disbursement of DLI to the Treasury Bank Account.** The funds flow arrangements for Program implementation are adequate. The Program's funds will be reflected in the Government budget under the MHSP. In fact, the expenditures and revenues of the Program are identified in the State budget through the Budget law and detailed in the annual budgets of the participating entities. The government's treasury single account (TSA) will be used to make payments under the program. Specifically, for the payment of invoices of the activities to be implemented by the participating entities, the funds will flow directly from the TSA to service providers, consultants, and constructors. The GOM's internal institutions of controls will reserve the right to verify the expenditures ex post, and actions might be requested for any noncompliance with the rules. The IFSA team did not identify any wrongdoing during the assessment.

48. For advances, prior results and achieved results, the funds will be disbursed to the Government's Single Treasury Account (STA). Specifically, the GoM would claim disbursements from the World Bank as the DLIs are achieved. All DLIs will be independently verified by the Inspectorate General "IG" of the MHSP, the Independent Verification Agency (IVA). The IVAs will prepare the Results Verification Report, which

will be shared with the MHSP, MEF and the World Bank. A key use of the Results Verification Report will be to confirm and certify the technical achievement of the results/indicators. If the World Bank finds that the disbursement request meets the terms of the Financing Agreement, the World Bank will disburse the corresponding funds to the Treasury bank account opened at the Central Bank (Bank Al-Maghrib). The external audit reports will confirm the total expenditures incurred to achieve these DLIs versus the expenditure incurred to achieve these DLI/DLR. The government is expected to use the 25 percent advance, to be reconciled through DLI verification upon achievement of results.

### **Program's External Audit**

49. The arrangements for external audit of the Program consolidated annual financial statements will follow the same arrangements put in place for most Bank-financed operations in Morocco. These arrangements which rely on IGF are deemed adequate with audit reports of good quality. The IGF will audit the consolidated financial statements prepared by the PMU. The IGF will carry out the audits of the Program annual consolidated financial statements based on agreed terms of reference. The audit reports together with detailed management letters will be submitted to the Bank no later than nine (9) months after the closure of accounts. The Program would comply with the World Bank disclosure policy of audit reports within two months of the report being accepted as final by the team and the World Bank. To address the issue of overload of IGF and avoid overdue audit reports, meetings will be planned with the MEF to explore some alternative options including the use of the services of the Court of Accounts to audit Bank-financed operations starting with a pilot.

50. The review of the audit reports of the Bank-funded operation which closed in 2021 revealed some irregularities and internal control weaknesses. The audit reports and Bank supervision missions outlined the delays as well in implementing audit recommendations as the late development of systematic reporting on the status of the implementation of audit recommendations. The audit report of the court of accounts raised some concerns. Appropriate measures have been developed in the risk mitigation section of the PAD as well as in the PAP to address these challenges described above.

51. **Programme Governance and Anticorruption arrangements.** Morocco has a National Anti-Corruption Strategy. The measures foreseen in this strategy cover different aspects of the issue of the fight against corruption, including the upgrading of the institutional and legal aspects, the activation of the prevention and law enforcement dimensions and the intensification of education and awareness-raising activities.

52. The institutional framework is enriched by the National Authority for Probity, Prevention and Fight against Corruption (INPPLC), a constitutional body, which enjoys legal, financial, and administrative autonomy.

53. All these measures have not yet contributed to an effective improvement. Indeed, the score of the Corruption Perceptions Index developed by Transparency International improved from a score of 34/100 in 2011, to 43/100 in 2018 (73rd /180 countries) and regressed in 2022 to a score of 38/100 (94th /180 countries). In addition, Morocco is ranked 10th out of 54 African countries in 2022 based on the Mo Ibrahim Index of Governance in Africa.

54. The status of actions related to fraud and corruption has not been formally reported for closed and on-going Bank-funded operations. As such, the IFSA team was unable to assess the effectiveness of some institutions in the World Bank portfolio in Morocco, including for the MHSP. This had been previously identified during the implementation of the Bank closed Improving Primary Health in Rural

Areas Program for Results, and additional financing for COVID-19 response (P148017 & P173944). Therefore, additional efforts are required and compliance with actions to fraud and corruption as detailed in the paragraph below, and these measures will be monitored over the implementation period. Specifically, the following actions will be required: the development of a framework for collecting and reporting on cases of fraud and corruption and procurement complaints. The frequency and entity responsible for playing this role will be clarified as well. This should be detailed in the POM and monitored as part of the Program performance indicators and included in the PAP.

55. Actions related to fraud and corruption: The Borrower will: (a) take all appropriate measures to ensure that the Program is carried out in accordance with the Bank's Anti-Corruption Guidelines; (b) take all appropriate measures to prevent fraud and corruption in connection with the Program, including (but not limited to) adopting and implementing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted; (c) promptly inform the Bank of all credible and material allegations or other indications of fraud and corruption in connection with the Program that come to its attention, together with the investigative and other actions that the Borrower proposes to take with respect thereto; (d) unless otherwise agreed with the Bank with respect to a particular case, take timely and appropriate action to investigate such allegations and indications; report to the Bank on the actions taken in any such investigation, at such intervals as may be agreed between the Borrower and the Bank; and, promptly upon the completion of any such investigation, report to the Bank the findings thereof; (e) if the Borrower or the Bank determines that any person or entity has engaged in fraud and corruption in connection with the Program, take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its recurrence; and (f) ensure that any person or entity debarred or suspended by the Bank is not awarded contract under or otherwise allowed to participate in the Program during the period of such debarment or temporarily suspension. The Bank's debarment list, which is easily accessible, will be checked by all procuring entities before awarding contracts. As regards the list of temporarily suspended firms, each implementing agency will access the same through Client Connection for which one representative from each of the implementing agency shall be nominated for granting access to the Client Connection by the World Bank. The borrower will develop and operationalize the mechanism of enforcing these requirements through the issue of instructions/circular to all the procuring entities requiring the procuring officers to check the eligibility of firms and individuals from the Bank's list of debarred and temporarily suspended firms and record the same in procurement award decision files. The borrower will report compliance with these requirements in annual Program Audit Report.

#### **Evaluation of the Financial Management Risk at the Sector level:**

56. There are various areas of improvement for the MHSP, including the implementation of monitoring and evaluation pertaining to following: (i) asset management (assets, equipment, etc.), (ii) management of human resources, (iii) management of stocks of medicines, (iv) internal control systems compliant with the Committee of Sponsoring Organizations of the Treadway Commission, (v) internal information system to track indicators and prepare consolidated reports and dash boards and (vi) management control system and function in the organigram. These deficiencies remain important fiduciary risk factors. Measures to mitigate these risks will not be fully operational during the PforR period of execution.

57. **Due to these deficiencies, the residual risk of the financial management at the Program level is considered Substantial.**

## Financial management performance in the sector and FM arrangements:

58. Most of the directorates / implementing entities were involved in Bank-financed operations. The last supervision missions of the closed operations managed by the MHSP rated the fiduciary performance and risk respectively moderately satisfactory and substantial at closing date. The 2020 and 2021 audit reports on the closed operations identified some procurement irregularities and internal control weaknesses described in detail in the PAD (Section V. Risks). The design of the fiduciary arrangements of this operation will benefit from the lessons learned from the closed Bank's PforR and ongoing development partner operations in the sectors. Furthermore, the 2021 performance audit report of the health sector on programs P700 and 703 prepared by the IGF revealed several areas for improvement, including: (i) the weak implementation of key recommendations from the 2018 to 2020 performance reports; and (ii) the lack of performance indicators for evaluating and monitoring operations with large budget allocations. It is important to remember that during the year 2021, a section was created at the IG level to follow up on the recommendations made during audit missions carried out by the IG as well as those made by other audit and governance institutions. The capacity of the team in charge of audit recommendations follow up will be strengthened during the PforR implementation period.

59. The PforR will be part of the national budget process and will be executed following on existing institutional systems for its implementation. The main arrangements agreed with the Government are:

- (i) A program expenditure framework in line with the budget voted under each annual budget law during of the PforR period.
- (ii) Government expenditures over its implementation period more than the amount of Bank financing.
- (iii) The formal appointment of a steering and a technical committees.
- (iv) Compliance with FM requirements including preparation and submission of periodic financial reporting audited financial statements.
- (v) Periodic and systematic reporting of cases of fraud and corruption.

60. These arrangements will be detailed in a POM acceptable to the World Bank prior to disbursements against achieved results. This POM should also cover the consistency of the interim financial reports (IFRs), the content of the annual financial statements, the protocol for verification of the DLIs, the disbursement modalities and the terms of reference of the annual audit of the program.

## Program Systems and Capacity Improvements.

61. The Fiduciary risk for the health sector PforR is rated "Substantial".

62. The findings of the fiduciary assessment highlight the risk related to the national fiduciary system itself (budgeting, public procurement, financial management and disbursement) and its environment and those related to the MHPS about its capacity and the way the ministry is organized to implement the Program and carry out fiduciary function. The main risks and proposed mitigating measures are specified in the summary table below. Fiduciary systems also present elements of strengths that will constitute a sound basis for the Program if complemented by measures to strengthen it.

**Table A7. PAP Fiduciary Actions to address fiduciary weaknesses**

Action Description	Due Date/Schedule	Responsible Party	DLI or Loan Covenant	Completion Measurement
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<b>Planning and Budgeting</b>				
Ensure that procurement plans are prepared and implemented in accordance with the existing regulations.	Continuous	DPRF/DEM/DA MPS/GST	N/A	Annual Procurement plans are published no later than the end of Q1 of the fiscal year and are implemented in accordance with the existing regulations.
<b>Budget Execution</b>				
Develop and implement a program to enhance capacity-building on the new procurement decree.	Jan 2024	TGR	N/A	A capacity strengthening program on the new procurement decree is prepared and implemented
Implement a bi-annual reporting mechanism on:  (i) Public Procurement: Tenders and procurement-related complaints  (ii) Financial Management: (a) the status of implementation of the program expenditure framework; (b) the amount of commitments and payments made; and (c) the performance indicators as described in the Program Operations Manual (POM).	Continuous  Continuous  Continuous	DEM/DPRF/DA MPS/GST  DPRF  DPRF	Semi-annually  Semi-annually  Semi-annually	A reporting is done through the minutes of technical committees, on a semi-annual basis  The status of the program expenditure framework is included in the semi-annual activity report  Financial management performance indicators (ref. MOP) are included in the semi-annual program activity report
Include in the bidding documents an eligibility check clause	Continuous	MSPS/GST	N/A	An eligibility check clause is included in the bidding documents and implementing agencies are required to ensure that any person or entity debarred or suspended by the Bank is not awarded a contract under the program.
<b>Internal Control and Internal Audit</b>				
Set up the internal audit unit in accordance with the regulations in force (new decree).	Date of publication of the decree	MEF/DPRF	N/A	Application of the decree and operationalization of the internal audit unit within the ministry (internal audit unit with its staff; management tools of the function put in place; number of internal audit mission reports; allocated budget etc.)
Follow up on audits recommendations of the Program	Recurrent	I IGM	N/A	Number of audit recommendations implemented and timely

				reported in the Program activity reports
<b>External audit</b>				
<b>Fraud &amp; Corruption</b>				
Develop in the program operations manual (POM), the tools and procedures for collection, consolidation, reporting, on fraud and corruption and identify the responsible entity.	Six months following the Program effectiveness / Semi-annual	DPRF	N/A	Number of cases of fraud and corruption systematically reported in Program activity reports
<b>Procurement and FM Capacities</b>				
Strengthen coordination between implementing entities and develop tools for collecting budget execution; and accounting data at the level of each implementing entity and capacity building actions	Six months following the Program effectiveness	WB/DPRF	N/A	Financial and budgetary information is included in the half-yearly activity report and is considered to be acceptable and audited financial statements prepared and submitted on time

**Implementation Support**

**63. Fiduciary implementation support would include:**

- Monitoring fiduciary implementation progress including reconciliation of execution of the PEF and IBRD disbursements (DLI achieved).
- Support to the borrower to resolve implementation issues and carry out institutional capacity building.
- Compliance with audit reports, including the implementation of the PAP; and
- Monitoring, as relevant, of compliance with the fiduciary provisions of legal covenants.