REFORMING PUBLIC FINANCE SYSTEM IN MOROCCO: WHAT IS THE IMPACT ON HEALTH SECTOR SPENDING?

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Outline

1. Introduction: Recent Trends in Public Finance

2. Public finance reform in Morocco:
   1/ Organic Law relating to the Finance law Reform
      ✓ Implications for budget planning
      ✓ Implications for budget implementation
   2/ Reforms in Expenditure Control: modulated expenditure control
   3/ Control of external stakeholders

3. Illustrative case: health sector
I. Introduction: Recent trends in public finance
I-1. Why a reform of public finance?

✓ During these last few years, the reform of public finance was a major priority for the government;
✓ Important steps have been implemented to reduce the budget deficit and to maintain macroeconomic stability:

- **Revenue optimization**: improved tax collection and the mobilization of grants from public companies;
- **Rationalization of public expenditure**: reform of the Organic Law relating to the Finance Law, reform of the compensation system, rationalization of operating expenditures and transfers to the public companies, territorial reform in 2015.
I-1. Recent trends in public finance: What is the impact on the financial situation of the state?

The budget deficit decreased from 6.8% of GDP in 2012 to 5.1% in 2013 and 4.6% and 4.3% in 2014 and 2015, respectively.

This budgetary adjustment was due to several measures:

• Reduction of compensation charge,
• Rationalization of state expenditures and imposing discipline in the execution of capital expenditure,
• Mobilize grants from Gulf Cooperation Council countries (CCG) for a total revenue of 22 billion dirhams over the last three years,
• Public finance reform.
II. Public finance reform in Morocco
II-1 Reform of the Organic Law relating to the Finance Law

1. Why an Organic Law relating to the Finance Law reform

- international dynamics characterized by the reform of public finance systems and their guidance toward results-based logic;
- Adapting to international financial institutions recommendations: according to the OECD, the seven institutional characteristics for the effective control of public finance:
  - A medium-term budget framework;
  - Prudent economic hypotheses;
  - Down budgeting techniques;
  - Easing of central control means;
  - The focus on results;
  - Budget transparency;
  - Modern methods of financial management.
II-1 Reform of the Organic Law relating to the Finance Law

1. Why an Organic Law relating to the Finance Law reform

National context characterized by a scarcity of resources and increasing needs

**Scarcity of resources:**
- Drop in state resources (taxes, revenue PE);
- Resource mobilization difficulties with donors (WB, EU,...);
- Tax reform.

**Increased needs following:**
- Constitutional reform: consecration of the principles of separation and balance of powers, adoption of advanced regionalization, strengthening the principles of good governance;
- Initiation of major sectoral projects (agreements signed in front of Majesty highness);
- Start of programs against poverty (INDH) and opening up the rural and mountainous areas;
- Accroissement des dépenses de fonctionnement (masse salariale).
II-1 Reform of the Organic Law relating to the Finance Law

2. What are the objectives of the reform of the LOF?

Objectif 1
- strengthening the role of the finance law as the main tool for the implementation of strategies and public policies

Objectif 2
- strengthening the role of the finance law as the main tool for the implementation of strategies and public policies

Objectif 3
- increased transparency of public finances and the simplification of the budgetary readability

Objectif 4
- increasing the role parliament in the budgetary debate in the control and in the evaluation of public policies
3. What are the areas of reform of the LOF?

**II-1 Reform of the Organic Law relating to the Finance Law**

- **Axe I**: Strengthening the performance of public management
- **Axe II**: Increase the Parliament’s role in the debate on budget and its control over finances
- **Axe III**: Increasing fiscal transparency
II-1 Reform of the Organic Law relating to the Finance Law

4. Implications for budget planning

- Redesign of the FL preparation schedule: 3 main features:
  1. Preparation of the reference multi-annual programming framework in which the budget law must register;
  2. Increase the role of Parliament on the choices and budget priorities ahead of the presentation of the Budget Law;
  3. New reports accompanying FL
II-1 Reform of the Organic Law relating to the Finance Law

4. Implications for budget planning

- **multiannual programming:**

  - **Objectif 1**: clarification of the strategic vision in the medium-term strategic vision of the Government for the achievement of socio economic development objectives of the country
  - **Objectif 2**: priority setting of policies and ensuring their cohesion
  - **Objectif 3**: improvement of preparation conditions of the Finance Law
  - **Objectif 4**: achieve better visibility to managers for program management by providing a performance monitoring framework

  the first year is the project of the finance law
  The 2nd and 3rd year of the triennial budget programming
II-1 Reform of the Organic Law relating to the Finance Law

4. Implications for budget planning

- new phase of cooperation with parliament:

- The evolution of the national economy
- The overall three-year budget planning (MTEF)
- The status of the execution of the Finance law
- The guidelines for public finances
- The strategic objectives and main action programs
- Introduction of a conciliatory and information phase of Parliament on the choices and budget priorities ahead of the presentation of the FL

The guidelines for public finances
II-1 Reform of the Organic Law relating to the Finance Law

4. Implications for budget planning

- Overhaul of the budget nomenclature:

  normative approach of spending

  budget nomenclature structured around programs and highlighting the regional dimensions
II-1 Reform of the Organic Law relating to the Finance Law

4. Implications for budget planning

- Introduction of performance approach:
  
  Restructuring budget around programs:

  - **Program**
    - coherent set of projects or actions in the same ministerial department

  - **Objective**
    - Must be representative of the essential aspects of the program,
    - clear, simple, easy to understand by all measurable by quantitative indicators

  - indicators
    - Allow surrender
    - Accounts and assessment performance

  the gender approach is taken into account when setting targets and indicators
II-1 Reform of the Organic Law relating to the Finance Law

4. Implications for budget planning

- Introduction of the performance process
  - Structuring the budget documents to reflect the action plans arising from the strategy of each business

- Implementation of the performance process
  - Developing a matrix of objectives relating to each program of actions and performance related indicators
  - Designation of responsible for each action program
  - Establishment of a management dialogue related to each action program

Development of a Ministerial Project Performance:

- Introducing the industry's development strategy
- Presentation of action programs under the development strategy
- Determination of costs for each program: Investment (BGE, CAS, SEGMA), MDD and Personnel
- Fixing of targets, measured by quantitative indicators
II-1 Reform of the Organic Law relating to the Finance Law

5. Implications for budget implementation:

- Terms delegation Credits:

- The authorizing officer has the ability to:
  - Edit the credit on the lines within the limits of project credits.
  - Add new lines from the existing budget glossary at the BD. If the new line is not available at the BD base, their creation is performed at the BD in cooperation with the authorizing officer.
5. Implications for budget implementation:

- New rules of redeployment of funds:

  **More flexibility in credit management:**

  **Total freedom in allocations:**
  - Within a project/action;
  - Between projects/actions within the same programme or region.

  **Unlimited transfer of allocations**
  between regions of the same programme, pending approval by the MoF

  **Allocations between programs capped, and**
  with the prior approval of the MoF
5. Implications for budget implementation:

- New rules: funds redeployment by the authorizing officer:
  - Limitation of investment credits reports: Consolidation of reports in new credits in the capital budget up to 30%
  - Strengthening budget sustainability
  - Master balanced budget through the opening credits based on actual execution capabilities
  - Accelerating the implementation of investment expenditure
  - Adoption of the limitation of personnel credit
Control reform is part of the dynamics of modernization of circuit of public expenditure and the development of results-based management. It has the following objectives:

1. Reform Objectives:

- Simplification of the control procedures and reducing costs
- Integration flexibility and fluidity needed to exercise control state expenditure
- Guidance to a control system based on a logic of results and evaluating performance
II-2 Reform of the control of state expenditure

2. The modulated expenditure control (MEC):

2.07-1235 Decree dated November 4, 2008 relating to the control of state expenditure: introduction of a modulated expenditure control system, based on relief due diligence and greater accountability of managers services:

✓ The management capacity is assessed in an audit conducted by IGF and TGR. This will allow the classification of management services to one of the two management capacity levels provided in the MEC (control lightened or further lightened control).

✓ The reduced expenditure control, is given to managers services with a system of internal control, allowing them to make a number of control attributed to them by the current regulation.

✓ As for the additional lightened control, these services must have in addition to the internal control system, an internal audit system.
III-2 Reform of the control of state expenditure

3. Control of external stakeholders:

posteriori control by:

• The General Inspectorate of Finance:
  ✓ His control is carried out after carrying out financial and accounting operations;
  ✓ The reports contain recommendations that can improve the management procedures and to establish the culture of rationalization,

• The Court of Auditors:
  ✓ Responsible for conducting overall supervision of public funds, it ensures the regularity of revenue for operations and expenditures of agencies under its control;
  ✓ Under the new constitution, the CC is of benefit involved in protecting the principles and values of good governance, transparency and accountability of government accounts and public bodies.

• Parliamentary control:
  ✓ procedural control through voting of the Finance law, oral and written questions and parliamentary committees;
  ✓ Review and approval of the regulation law;
  ✓ new LOF: enrichment of the information provided to parliament, redevelopment of the terms and schedules for review and vote of the finance laws, consultation phase with parliamentt ➔ a more informed parliament and a more thorough control.
III. Illustrative case: health sector spending
III- illustrative case: Ministry of Health

III-1. budget structure of the Ministry of Health:

- Positive development of the budget allocated to health: 14.3 MMDH in 2016 against 6.2 MMDH in 2005;
- The predominance of the payroll during the past 10 years: more than 7.5 MMDH in 2016 against 3.97 MMDH in 2005;
- The large share of subsidies to CHU and hospitals SEGMA in the budget for the MDD over 70%;
- Investment in stable development over 2005-2016 with an increase in 2016 in the amount of 1 MMDH to upgrade public hospitals.
### III- 2. Restructuring the budget around programs:

<table>
<thead>
<tr>
<th>Art</th>
<th>Parag</th>
<th>Rubrique Budgétaire</th>
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<tbody>
<tr>
<td>0000</td>
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<td><strong>Administration Générale</strong></td>
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<td>10</td>
<td></td>
<td>Soutien des missions</td>
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<td>20</td>
<td></td>
<td>Apurement, redevances et taxes</td>
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<td>30</td>
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<td>Œuvres sociales et assistance</td>
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<tr>
<td>40</td>
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<td>Transferts, versements et participation</td>
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<td>50</td>
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<td>Développement rural</td>
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<td>2000</td>
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<td><strong>Direction des équipement et de la maintenance</strong></td>
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<td>Soutien des missions</td>
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<td>3000</td>
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<td><strong>Direction des ressources humaines</strong></td>
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<tr>
<td>10</td>
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<td>Soutien des missions</td>
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<td>20</td>
<td></td>
<td>Formation de base et formation continue</td>
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III-2. Restructuring the budget around programs:

<table>
<thead>
<tr>
<th>Programs</th>
<th>Chap. MDD</th>
<th>Chap. Inv. CP</th>
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<tbody>
<tr>
<td>Planning, programming, coordination and support of the health system missions</td>
<td>616 642 000</td>
<td>101 200 000</td>
</tr>
<tr>
<td>reproductive health, maternal, child, young and special needs populations</td>
<td>49 145 000</td>
<td>508 380 404</td>
</tr>
<tr>
<td>epidemiological surveillance, health surveillance and security, prevention and control of diseases</td>
<td>83 695 000</td>
<td>54 815 161</td>
</tr>
<tr>
<td>primary care actions and services, pre-hospital and hospital</td>
<td>3 400 654 000</td>
<td>227 000 000</td>
</tr>
<tr>
<td>Human resources and capacity building of health system</td>
<td>106 829 000</td>
<td>11 200 000</td>
</tr>
<tr>
<td>Heath infrastructure</td>
<td></td>
<td>1 597 404 435</td>
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<tr>
<td>TOTAL CHAPITRE</td>
<td>4 256 965 000</td>
<td>2 500 000 000</td>
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IIII- illustrative case: Ministry of Health

Restructuring the health ministry budget around 6 programs: allow better clarity of budget choices and inform more about the priorities of the department.
III-3. Development of departmental performance project

Under LF 2015 and 2016, the MS has developed its departmental performance project including a **summary of the ministry's strategy**, a **summary of the estimated credit department** divided by programs and regions, a **three-year budget planning** and **presentation of various programs and budget targets and indicators associated with it.**

<table>
<thead>
<tr>
<th>Programme 2: reproductive health, maternal health, health of the child, of the young, and special needs citizens</th>
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<tbody>
<tr>
<td><strong>Programme Manager:</strong> Mr. Director of the Population Structures and steering players:</td>
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<tr>
<td>• Director of Planning and Financial Resources</td>
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<tr>
<td>• Director of hospitals and ambulatory care</td>
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<tr>
<td>• Director of Epidemiology and Fight against Disease</td>
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<tr>
<td>• Communications Division</td>
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<tr>
<th>Objective 1: Ensure the promotion and health prevention for children and youth</th>
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<tr>
<td><strong>Indicator 1.1:</strong> Coverage rate with the second dose of vitamin D for children under one year</td>
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<tr>
<td><strong>Indicator 1.2:</strong> Coverage rate of pupils and students by a systematic medical examination</td>
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<table>
<thead>
<tr>
<th>Objective 2: Improve reproductive and maternal health</th>
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<tbody>
<tr>
<td><strong>Indicator 2.1:</strong> Birth rate in a monitored environment</td>
</tr>
<tr>
<td><strong>Indicator 2.2:</strong> Participation rate in breast cancer screenings</td>
</tr>
</tbody>
</table>
III- illustrative case: Ministry of Health

III-4. Evolution of credit reports and financial execution of the budget Ministry:

- Considerable efforts in the reduction of investment credit reports: down 46 % over a period of 4 years.

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<tr>
<td>Credit reports DH</td>
<td>1.730.735.945,38</td>
<td>1.477.166.559,51</td>
<td>1.130.618.777,20</td>
<td>933.110.266,50</td>
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- Improving budget financial execution:

<table>
<thead>
<tr>
<th>CHAPITRES</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td></td>
<td>Commitment %</td>
<td>Payement %</td>
<td>Commitment %</td>
</tr>
<tr>
<td>Capital budget</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>* Payment credit</td>
<td>94</td>
<td>49</td>
<td>92</td>
</tr>
<tr>
<td>* Commitment credit</td>
<td>69</td>
<td>-</td>
<td>86</td>
</tr>
<tr>
<td>Operation budget (non staff budget)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Staff credit</td>
<td>97</td>
<td>100</td>
<td>100</td>
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</tbody>
</table>
III. Illustrative case: Ministry of Health

III-5. Positive results in terms of physical implementation of projects:

- Strengthening health care delivery and implementation of the upgrade program of infrastructure and sanitary equipment.
- Commissioning of 109 new health facilities: new CHU, 45 ESSB, 9 provincial and local hospitals, 3 psychiatric hospitals, 12 birthing centers, 8 organ transplant centers, ...

- Improving the health of mother and child, health promotion of populations with special needs, mobile strategy (commissioning of the first civilian hospital, 5.713 million rural beneficiaries of riaya operation) and program RAMED (9.9 million beneficiaries).

- Ensure targeted care provision based on gender equality.
- Improving the management of medical emergencies.
- Reorganization of medical and hospital emergency, purchase of 393 emergency medical transport units, provision of 4 Heli SMUR and creation of 58 medical emergencies to nearby units, ...

- Fight against disease: towards a healthy lifestyle.
- Promotion of mental and psychiatric health and prevention and fight against diseases.
- Lower prices of 2,602 medicines, between 20% and 80% and 1,000 medical devices, as well as the marketing of medicines for the treatment of hepatitis "C" to cheaper prices in comparison with other countries.

- Improving access to medicines.

Positive results in terms of implementation of the 2012-2016 strategy.
Further improvement of key health indicators:

**Medical staff**: number of inhabitants per doctor 1,925 in 2013 against 2,038 in 2003; number of inhabitants per ESSP: 11,943 in 2013 against 12,241 in 2003; Healthcare services was also strengthened by the construction of 301 primary health care facilities between 2003 and 2013.

- **Maternal mortality rate**: 112 per 100,000 live births in 2009-2010
- **Infant mortality rate**: 28.8 per 1,000 live births for children under one year in 2011
- The **childhood vaccination rate** reached over 95%.

- **Number of hospital days** in 2014 reached 4,878,012 against 4,410,759 in 2004 with average occupation rate of 65.1% and 54.2% respectively.

- The **national emergency services** receive 5.2 million people annually.
IV- Key messages

- Multiannual programming;
- The well defined programs and projects;
- Improving the purchasing process;
- Deconcentration and decentralization.

the performance of the ministry of health through:

- The behavior of consumer credits;
- Adhesion of different partners;
- Lightened control.

The implementation of the ministry of health budget is dependent on:
Thank you for your attention