147. The Program’s fiduciary systems are acceptable and provide reasonable assurance on the use of the Program’s resources for intended purposes. The fiduciary risk is substantial. The Program Expenditure Framework consists only of the Conditional Cash Transfer (CCT) Program in the education sector – “TAYSSIR” – benefiting 2.3 million children from vulnerable families. TAYSSIR aims to reduce school dropouts through CCT payments to parents. The main fiduciary risks of the Program relate to: (i) inadequate beneficiary identification (exclusion of eligible beneficiaries and inclusion of ineligible beneficiaries), resulting in inaccurate payments; and (ii) delays in payments. In addition, another risk – related to Program expenditures being double-counted, under both the proposed Program and the Eligible Expenditure Program (EEP) of the on-going World Bank-funded Identity and Targeting for Social Protection Project (Projet d’Identification et de Ciblage pour les Programmes de Protection Sociale – PICPPS: P155198) – has been identified. The ongoing project’s financial management risk is substantial, and the FM performance is Satisfactory. The main issue related to the 2016/2017 CCT arrears has been addressed. Arrears were caused by a higher demand for Conditional Cash Transfers than initially anticipated by government. This has been resolved with the introduction of a revised beneficiary targeting methodology. Finally, there are no procurement-related activities (of goods or construction) include under the proposed Program that could be at risk of fraud and corruption. The World Bank’s “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing”, dated February 1, 2012, and revised July 10, 2015 will apply to the proposed operation.

148. A comprehensive set of mitigation measures that aims to reinforce the governance of TAYSSIR are embedded in the Program Action Plan. In particular, the Program Action Plan includes monitoring of timely payment of each tranche of CCT. The improvement of the identification of beneficiaries will be achieved through DLI #5 of the ongoing Identity and Targeting for Social Protection Project (Inclusion of TAYSSIR applicants registered in the Social Registry\(^1\)). DLI #5 includes several DLRs related to the reliability of the targeting of TAYSSIR beneficiaries. Risks associated with the double counting of expenditures with the on-going Identity and Targeting for Social Protection Project will be mitigated by the enforcement of ex-ante and ex-post controls. Ex-ante controls will be specified in the Program Operations Manual to ensure a clear segregation of the expenditures of the two programs. As such, the secondary students’ CCTs (amounting per annum to US$140 million) will be used to account for the Education Program’s yearly expenditure (US$100 million). The ongoing Identity and Targeting for Social Protection Project will cover primary students’ CCT in an annual amount of US$87 million. Ex-post controls will include verification by the Inspectorate General of Finance (IGF), which is in charge of auditing both operations.

149. Program exclusions. As the Program does not include procurable expenditures, there are no contracts above the Operations Procurement Review Committee (OPRC) thresholds.

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\(^1\) This system includes biometric identification. It is one of the country’s major reforms with respect to the social protection agenda.
150. Morocco’s public financial management system is considered adequate and risks are moderate. There is an enabling fiduciary environment for the implementation of the Program. The main conditions for fiscal and financial discipline are met, as evidenced by the credibility of the budget and the achievement of the planned objectives. Budget execution benefits from an adequate information management system (Gestion Intégrée de la Dépense – GID), as well as from robust internal controls which include an ex-ante expenditure control based on a risk model. The internal audit function is satisfactory, using a risk-based audit approach, and with an acceptable completion rate of the audits planned, including follow up of recommendations. Procurement reforms have also been undertaken as part of the Government’s efforts to ensure a more strategic and efficient use of resources. In addition to the establishment of a National Commission for Public Procurement (CNCP) in September 2015, the regulatory framework for procurement was harmonized and simplified in line with a procurement decree (March 2013), and standard bidding documents were developed for works, goods, non-consulting services and consulting services. General Conditions of Contracts for Works are already developed and will be complemented by General Conditions of Contracts for Goods/Services and for Consulting services. The existing electronic procurement system includes features that facilitate transparent and efficient execution of procurement. The Supreme Audit Institution (SAI) provides an effective ex-post control.

151. Planning and budgeting. Assumptions for planning and budgeting are based on annual cash allowances and the number of eligible beneficiaries. This number increased from 833,000 children in 2015 in 434 rural municipalities to 2.3 million children in 2018. This is mainly due to the expansion of TAYSSIR’s coverage, which includes all rural municipalities for primary education and rural and urban municipalities for secondary education. Consequently, the annual budget quadrupled from US$52 million (2015, 2016, 2017) to US$230 million (US$140 million for secondary students and US$90 million for primary students) in 2018 and 2019. The SAI report and the Impact Evaluation on TAYSSIR underscored insufficiencies in resource planning and budgeting, and spending resulting from shortcomings in beneficiaries’ identification (exclusion of eligible beneficiaries located in non-targeted municipalities and inclusion of ineligible beneficiaries located in targeted municipalities) affecting planning and programming. Efforts are being deployed to improve the system. They include: (a) the revision of TAYSSIR’s manual of procedures in January 2019 to better define eligibility criteria, and (b) the upgrade of the information management system and the reconciliation of TAYSSIR’s database with other systems such as RAMED, for medical benefits, and EMIS, to monitor the students. The financial management supervision report of the on-going Social Protection Project confirms the use of these tools. By the end of CY2019, it is planned to gradually identify beneficiaries based on the Social Registry supported under PICPPPS, and the project’s DLI #5 – on the share of TAYSSIR applications registered in the Social Registry – provides incentives to improve the identification of beneficiaries.

2 The cash allowance increases with academic levels: (i) 1st and 2nd year of primary school: MAD 60, (ii) 3rd and 4th year of primary school: MAD 80; (iii) 5th and 6th year of primary school: MAD 100; and (iv) secondary school: MAD 140. The conditionality of transfers is based on student school attendance, absences (less than 4 absences per month at primary school and fewer than 6 sessions at the secondary school. The maximum number of recipients per household is set at 3 children (similar to family allowances).


4 Noncontributory health insurance, which benefitted about 8.5 million individuals.

5 School Management and information system for monitoring the students.
Table 1. PICPPS DLI No. 5: Share of the new applicants to Tayssir programs registered in the Social Registry

<table>
<thead>
<tr>
<th>Calendar Year (Year)</th>
<th>CY 2019</th>
<th>CY 2020</th>
<th>CY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR formulation</td>
<td>DLR 5.2</td>
<td>DLR 5.3</td>
<td>DLR 5.4</td>
</tr>
<tr>
<td></td>
<td>40% of new applicants to Tayssir program in a given calendar year, have been registered in the Social Registry</td>
<td>80% of new applicants to Tayssir program in a given calendar year, have been registered in the SR.</td>
<td>100% of new applicants to Tayssir program in a given calendar year, have been registered in the SR</td>
</tr>
<tr>
<td>Amount</td>
<td>US$5 million</td>
<td>US$4 million</td>
<td>US$3 million</td>
</tr>
</tbody>
</table>


152. **TAYSSIR’s planning and budgeting processes are acceptable but could be improved to ensure a better match between needs and resources.** To increase efficiency of planning and budgeting, the program will rely on DLI #5 of PICPPS while using existing tools (revised manual of procedures, upgraded information management system).

153. **Procurement planning and profile.** The Program Expenditure Framework only includes the TAYSSIR CCT Program. As such, no procurement is planned.

154. **Budget execution, accounting and reporting.**

   i. **Budget execution.** Before 2018, TAYSSIR’s execution was undermined by two challenges. First, resources were insufficient to cover payment requirements (US$52 million compared to US$73 million)\(^6\). Second, delays in the availability of financial resources. For example, 2015/2016 financial resources were only released in July 2017. Since the academic year 2018/2019, this issue has been resolved thanks to a strong political commitment to address TAYSSIR\(^7\) execution delays. Thus, financial resources are sufficient (US$230 million) to cover the execution of the 2018/2019 budget. In addition, the resources were released on time (January 2019) to facilitate budget execution. It is expected this trend will be maintained throughout the Program implementation period.

   ii. **Accounting.** TAYSSIR’s accounting standards are on an accrual basis. The accounting function is outsourced to a qualified accounting firm. The financial management supervision report of the PICPPS and the IGF audit report confirm that the accounting books are kept in a satisfactory manner and the key accounts reconciliations are performed monthly.

   iii. **Financial reporting.** The financial statements comprise the following: (a) source/used of funds, (b) budget execution, (c) summary of payment made on the CCT, and (d) reconciliation of the DLI disbursed and the EEP. The review of these financial statements does not reveal any significant issues. The existing financial reporting system is adequate and allows the timely submission each semester of the financial statements of the PICPPS. The review of the Dec 2018 financial report by the Bank confirmed that CCT arrears have been addressed. The main risk on the accounting and reporting arrangement – related to potential Program expenditures being accounted twice (once under TAYSSIR and once under the EEP of PICPPS) – has been identified. This risk will be mitigated by the enforcement of ex-ante and ex-post

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\(^6\) This translates into a gap between the budget allocation and actual payments.

\(^7\) The King made clear reference to the need to improve TAYSSIR’s implementation and other social programs in his 2018 Speech of the Throne following the audit of the program by the SAI.
controls. Ex-ante controls will include the integration in the Program Operations Manual of provisions on the segregation of the expenditures of both operations. The Education PforR will support secondary students’ CCT payments, amounting to US$100 million per year. The PICPPS will cover primary students’ CCT payments, for an annual amount of US$87 million. Ex-post controls will include verification by the Inspectorate General of Finance (IGF) in charge of auditing both projects.

155. **TAYSSIR’s budget execution, accounting and reporting procedures are adequate.** However, they will be strengthened to prevent any double counting between the PforR and the PICPPS’ EEP. MOE will oversee the elaboration of the Program’s budget execution report and financial statements which will comprise TAYSSIR expenditures based on the cash transferred to eligible beneficiaries. These financial statements will be produced not later than 45 days after the end of each semester. The financial statements comprise the following: (a) source/used of funds, (b) budget execution, (c) summary of payment made on the CCT, and (d) reconciliation of the DLI disbursed and the expenditures incurred under the Program (CCT for the secondary students).

156. **Assessment of performance in procurement planning, execution and contract administration.** There are no procurable expenditures under the Program.

157. **Treasury management and funds flow.** Upon completion of a series of controls by TAYSSIR’s central team and provincial coordinators, payment of CCT is made to the beneficiaries’ (parents of the children) bank accounts in three tranches (January, April, and July) through Barid Bank (the National Post). This financial institution has a long and satisfactory track record in Morocco, and it has one of the widest network of agencies in the country. Mobile units are also used for the payment in remote areas. In addition, mobile banking payments are being tested. The Impact Evaluation report on TAYSSIR – including interviews with the beneficiaries – confirms the adequacy of the funds flow from the central level to the beneficiaries’ bank accounts. The report noted a greater impact on student performance when the payment is made to the bank account of the mother. Additional analyses are being undertaken in order to make payments to mothers’ bank accounts. Before 2018, there was an 18-month delay in the payment process, as pointed out in the SAI and IGF audit reports. This was mainly due to inadequate financial resources for the program and the late release of these resources by the Ministry of Finance. Since 2019, the financial resources have been released on time, but the payments to beneficiaries due in January 2019 have not been made because of the enforcement of new eligibility criteria. One payment combining two tranches is being processed.

158. **A risk remains regarding the delay of payments to beneficiaries despite progress made regarding the timely availability of financial resources.** The payment lead time to beneficiaries will be monitored as part of the Program Action Plan.

159. **Internal controls.** Internal controls over CCTs are described in the revised TAYSSIR Manual of procedures. The assessment of the internal control system using the COSO\(^8\) Internal Control framework revealed the following:

i. The control environment is governed by: (a) the revised manual of procedures; and (b) the Memorandum of Understanding signed in 2008 between the MOE and the TAYSSIR Unit. Both documents ensure the establishment of decentralized management units, a steering committee, and a monitoring and evaluation committee. The decentralized management

\(^{8}\) Committee of Sponsoring Organizations of the Treadway Commission.
units play the following roles: coordination with the school director in the identification of the beneficiaries; handling complaints from the beneficiaries; and preparation of the progress report. The steering committee provides strategic guidance and oversees TAYSSIR’s implementation. The monitoring and evaluation committee is in charge of operational implementation and evaluation of TAYSSIR. The IGF 2018 audit report and Impact Evaluation report assessed the effectiveness of the above-mentioned arrangements as acceptable.

ii. The risk assessment is affected by the absence of a risk map. A risk map would include, primarily, the risks pertaining to the delay in the release of the funds by the MOF and the exclusion of eligible beneficiaries and inclusion of ineligible beneficiaries.

iii. The control activities include the monitoring of: (a) beneficiaries’ eligibility based on the information management system; and (b) the beneficiaries’ school absenteeism. Control activities also include the consolidation of data by the central unit and the verification of the list of payments and the payments. These controls ensure traceability of transfers to the beneficiaries through reporting and monitoring mechanisms. They help detect any deviations and apply corrective measures to avoid over or under payment. Despite these controls, a test performed on a sample of beneficiaries by the IGF confirmed the need for a continuous update of the list of eligible children.

iv. Information and communications need to be improved. The webpage dedicated to TAYSSIR is not regularly updated with recent information.

v. Monitoring activities are being gradually reinforced. Monitoring is performed by the committees that oversee/execute the implementation of the various action plans, including the one related to the internal/external audit reports. A detailed action plan on the various recommendations is being monitored by TAYSSIR management (see table 11). Two key actions identified in the fiduciary assessment are at risks: (a) the beneficiaries’ identification, and (b) the delay in the transfer payment.

Table 2: Summary recommendations from FSA

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Status</th>
<th>WB Comments and areas for further monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revision of the beneficiaries’ identification</td>
<td>Eligibility criteria included the registration on RAMED database for 2018-2019 school year</td>
<td>Deployment of the Social Registry under the Social Protection Project will be critical milestone in the improvement of the identification process.</td>
</tr>
<tr>
<td>Funds release from the Ministry of Finance and payment to the beneficiaries</td>
<td>MoU signed between the Ministry of Education and the Ministry of Finance to secure the timely release of the funds Establishment of a payment calendar in 3 installments (January, April and July)</td>
<td>Persistent delay in the CCT payment in spite of the various actions implemented. January and April tranches for 2019 still not paid</td>
</tr>
<tr>
<td>Reconciliation of TAYSSIR with other data bases</td>
<td>Completed with EMIS and RAMED</td>
<td>Areas for improvement in TAYSSIR data base identified</td>
</tr>
</tbody>
</table>
Adoption of quantitative performance indicators for TAYSSIR | List of quantitative indicators under finalization | Finalization and implementation of the indicators
--- | --- | ---
Impact evaluation of TAYSSIR | Completed on September 2018 and findings disseminated on December 2018 | Further dissemination is ongoing as to incorporate the findings in the design of TAYSSIR

160. **TAYSSIR’s internal controls are acceptable, but there are residual weaknesses that need to be addressed.** The Program Action Plan includes an action on the continuous update of the list of beneficiaries.

161. **Internal audit.** As per TAYSSIR’s revised manual of procedures, the internal audit function is under the responsibility of the General Ministerial Inspectorate. The entity is operational and staffed with 23 auditors, including 3 engineers. The entity establishes an annual plan approved by the Ministry of Education. More than 60 percent of the plan is executed. About 50 audit missions are performed, as well as the investigation missions requested by the MOE. The internal audit unit is also in charge of processing the complaints logged at the Ombudsman Office. 150 complaints are processed annually by the internal audit unit. Three annual reports are issued by the entity: (i) report on the annual audit plan, (ii) report on the processing of the complaints transferred by the Ombudsman Office; and (iii) report on absenteeism at school. In line with the provisions of TAYSSIR’s revised manual of procedures, an annual audit should be undertaken. However, the most recent audit was performed on 2017. The issues identified then (insufficiencies in the targeting of beneficiaries, delays in the payment of CCTs) are factored in the Fiduciary Systems Assessment for the PforR. An internal audit mission was held in April 2019.

162. **TAYSSIR’s internal audit arrangements, which rely on the General Ministerial Inspectorate, are acceptable.** The Program Action Plan includes an action on the need to carry out an annual audit (including follow-up of the recommendations of previous audits) of TAYSSIR in line with the provision of the revised manual of procedures.

163. **Program governance and anti-corruption arrangements.** TAYSSIR’s revised manual of procedures includes detailed provisions on the processing of the complaints/requests from beneficiaries using the information management system. This is complemented by the country governance and anti-corruption system, including the following institutions: the Institution of the Ombudsman (*Institution du Médiateur*), the General Inspectorate of MOE, the IGF, and the Supreme Audit Institution. The Office of the Ombudsman’s mandate is to handle complaints from citizens. It is deployed at the subnational level through regional units, complemented by focal points. The Office publishes its report on an annual basis. The 2017 report shows that education receives the third largest number of complaints (absenteeism, weaknesses in the functioning of the schools,). The increase in the number of complaints logged (18 percent from 2016 to 2017) to the Ombudsman’s Office confirms the growing confidence of the citizens in the system. About 32 percent of the complaints have been addressed by the Office, 16 percent are being processed, and the remaining 58 percent have been transferred to the relevant administrations, including the internal audit unit of the MOE.

164. **TAYSSIR’s anti-corruption system, which relies on the complaints handling mechanism detailed in the revised manual of procedures, the Ombudsman Office, the Supreme Audit Institution, the IGF, and the General Inspectorate of the MOE are considered adequate.**

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9 For the current academic year, 17,075 complaints were received from the families. More than 95 percent were processed and addressed within 3 months.
165. **The Bank’s Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, dated February 1, 2012 and revised July 10, 2015 (the Anti-Corruption Guidelines), will apply.** The MOE will handle the allegations formulated and explicitly declared by the competent bodies occurring under the Program and will report them to the World Bank in the annual progress reports produced during the implementation of the Program. The reporting format will include the following: (i) location, and date of the complaint, (ii) allegation’s description, (iii) description of progress in investigation, and (iv) investigation outcome. The World Bank’s prerogative of administrative inquiry for allegations of fraud and corruption has been clarified to the Borrower during Program preparation. In accordance with the Bank’s Anti-Corruption guidelines for PforR operations, the Program will take steps to ensure that “any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension”. While there are no procurements envisaged under the Program, in the event any small-value procurement is identified during Program implementation, the implementing entities will verify the names of the contractor against the Bank’s database\(^\text{10}\) of debarred or suspended contractors to ensure that no such contractor is awarded any contract under the Program.

166. **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 actions 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; and (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.

167. **External auditing.** The IGF is the assigned entity in charge of auditing the GoM programs in line with the country’s external audit arrangements. The World Bank carried out a comprehensive assessment of the IGF in 2016, complemented by the 2017 PEFA and annual review.\(^\text{11}\) The conclusions of the assessments were as follows: first, IGF has built credibility in auditing GoM’s programs over the last 20 years thanks to the quality of the staff\(^\text{12}\). Second, the entity adequately implements international auditing standards (e.g., risk-based approach, quality assurance process), and follows up on the recommendations through a web-based audit software (Blue Audit) that is used by all the auditors to plan, carry out and report on their missions. More than 95 percent of the annual plan is executed. The deployment of Blue Audit since 2014 has increased the efficiency and the value added of IGF’s mandate. Third, the IGF has an adequate track record in auditing about 5 PforRs in various sectors, including at the subnational level.


\(^{11}\) Carried out in March 2017 and February 2018.

\(^{12}\) About 125 auditors. The recruitment plan includes the hiring on a competitive basis of about 25 new auditors between 2017 and 2020.
(Health, Urban Transport, Casablanca, Agribusiness, and Integrated Risks). The reports were submitted in a timely manner and in line with international standards. They highlighted systemic issues in the program design, delay in the implementation of the programs, and limited capacity at decentralized levels. The reports include sections on the monitoring of the recommendations from the previous audits. TAYSSIR is subject to annual audits performed by the IGF and on an as-needed basis by the SAI. These audits cover the decentralized units. The issues identified in these reports were factored into the Fiduciary Systems Assessment. An action plan has been prepared and its implementation will be monitored by the steering committee (see monitoring activities in the internal control sections).

168. The Program audit arrangements are adequate. The General Inspectorate of Finance will carry out the financial audits of the Program expenditures. The audit reports will be carried out based on agreed Terms of References and will include the verification on the reconciliation of the disbursements and the Program expenditures. The scope of those audits will include a review in order to detect any double counting between the Program and the PICPPS EEP. Submission of the audit reports is planned no later than nine months after the closure of accounts and will be part of the disbursement and financial information letter.

169. Staff capacity. TAYSSIR fiduciary functions are at the central level and well-staffed. The assessment and the various audit report did not reveal any significant staffing issues.

170. Contribution to the Program Action Plan. The table below details the PAP’s fiduciary actions.

<table>
<thead>
<tr>
<th>Risk/Weaknesses</th>
<th>Mitigation action</th>
<th>Responsible Party</th>
<th>Type of action (PAP, TA, DLI, KPI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficiencies in the identification of the beneficiaries</td>
<td>Identify the eligible beneficiaries based on the Social Registry</td>
<td>TAYSSIR</td>
<td>DLI # 5 of PICPPS (P155198)</td>
</tr>
<tr>
<td>Delay in cash allowance payments</td>
<td>Monitor timely payment of each installment of the cash allowance (January, April, July) during Program implementation</td>
<td>TAYSSIR/MOE</td>
<td>PAP</td>
</tr>
<tr>
<td>Insufficiencies in the internal audit function (non-respect of the annual internal audit mission provision)</td>
<td>IGAA conducts an annual audit of Tayssir. Implement the recommendations of the program action plan including the one of the Court of Audits.</td>
<td>MOE Inspectorate</td>
<td>PAP</td>
</tr>
<tr>
<td>Risk of double counting between the P4R and the EEP of the Social Protection Project (P155198)</td>
<td>Include in the Program Operations Manual the clear segregation of the expenditures of the two operations. Include verification by the Inspectorate General of Finance (IGF), which is in charge of auditing both projects.</td>
<td>MOE</td>
<td>PAP</td>
</tr>
</tbody>
</table>

171. Implementation support. Fiduciary support would include:
• Monitoring implementation progress and working with the World Bank to ensure the achievement of Program results and DLIs that are of a fiduciary nature;
• Support to the Borrower to resolve implementation issues and carry out institutional capacity building;
• Monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP;
• Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.