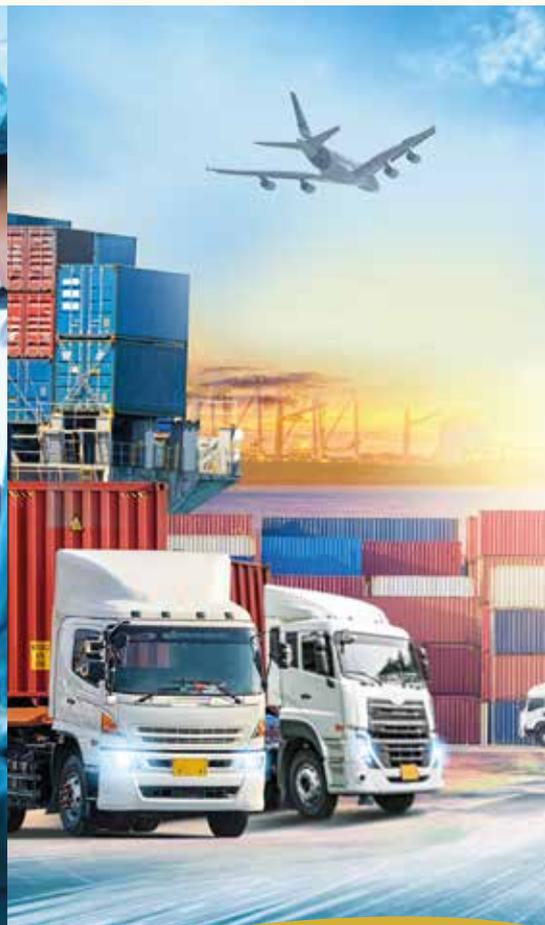




Morocco

Strengthening Integrity in the Energy,
Transportation and Health Sectors



Competitiveness and private sector development

Morocco

STRENGTHENING INTEGRITY IN THE ENERGY,
TRANSPORTATION AND HEALTH SECTORS

JUNE 2018

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OVERVIEW

For more than a decade, Morocco has embarked on an ambitious economic and social modernisation movement, which is based on the improvement of the business climate and openness to international investment. However, according to some perception surveys, this effort is still subject to the persistence of corrupt practices that have a negative impact on economic attractiveness¹, particularly in sectors as strategic as energy, transportation and health. In a global environment that is increasingly repressive against the actors of corruption, the existence of this phenomenon in Morocco threatens to tarnish the image of the country and make its market less attractive for its partners.

Aware of this challenge, the Government of Morocco, party to the United Nations Convention against Corruption since 2007², has undertaken several legislative and institutional reforms. With its new Constitution (2011), which contains several integrity provisions and provides for the establishment of the National Authority of Probity, Prevention and the Fight Against Corruption, as well as with the launch of the National Anti-Corruption Strategy in May 2016³, Morocco has developed the capacity to undertake various actions to support sustainable economic, political and social development. Public bodies as well as the private sector are given the opportunity to build on these institutional means and carry out implementation activities.

The study "Strengthening Integrity in the Energy, Transportation and Health Sectors" aims to assess to what extent the main threats to business integrity have been diagnosed in Morocco, as well as to provide an overview of responses and initiatives undertaken by the private sector, possibly in collaboration with public authorities. The study focuses on three sectors identified as strategic for economic and social development: energy, transport and health. The importance of these three sectors in the national development strategies, the scale of the financial flows involved, as well as their vulnerability to the risk of corruption make it essential that they are given due consideration.

Given the information collected, this study can only be considered as a first draft of the risks of corruption, with the purpose of supporting Morocco in its determination to strengthen the integrity of business, which contributes to the development of a favourable climate to foreign investment, international trade and development.

It draws up an inventory based on available information concerning the three sectors, which shows a limited awareness of the risks. The typology of risks of corruption in the public

1 Transparency International; World Bank & EBRD 2017; World Economic Forum 2017

2 United Nations Convention against Corruption signed in New York, 31 October 2003, entered into force on 14 December 2005, and ratified by Morocco on 9 May 2007.

3 In 2016, Morocco adopted a National Anti-Corruption Strategy that covers various aspects of the fight against corruption, including the upgrading of the institutional and legal aspects, the activation of prevention and repression and strengthening the education and awareness aspects. The implementation of the National Strategy is to take place in three stages (2016-2017), (2017-2020) and (2020-2025).

procurement of the three sectors concerned are limited. Therefore, only certain economic actors in the three sectors have, to varying extents, adopted codes of conduct. Some members of the General Confederation of Moroccan Enterprises (GCME) have begun since 2016, with the support of the Ethics and Good Governance Commission and the OECD, considering the implementation of collective action.

The study proposes in the conclusion some guidelines for reflection and action. These points take into account the diagnosis made and the institutional progress noted as well as exchanges with public and private actors in Morocco. Thus, to define informed policies and enable actors to take appropriate preventive actions, it would be necessary to:

- ▶ Fully reflect the economic structure of the three studied sectors. Therefore, it is important to improve the entry and production of data concerning the main characteristics of the sectors. These data should include information on the actors, their size and turnover by activity, the relative market shares and the risks of corruption to which the actors are exposed to. An extension of this study should better reflect the functioning of the sectors and their complexity, in order to better identify and update the risks of corruption and assist the actors in the implementation of preventive measures.
- ▶ Typology studies of corruption risks should not only focus on the past economic trends of the examined sectors, but also start thinking about future economic trends and the associated risks of corruption, to initiate anticipatory preventive actions.
- ▶ It would be appropriate to designate a government body in charge of establishing a broader public-private dialogue, going beyond the three sectors, with a long-term focus on the legislative framework and the resulting compliance obligations for the economic circles.
- ▶ The authorities, in consultation with businesses, should also consider how to ensure the dissemination and full awareness of the usefulness of the different methods of prevention and detection of corruption to all businesses and how to apply these methods. Indeed, it is important not to leave this subject up to the companies aware of the issue but rather to include them all, especially public companies.
- ▶ Developing effective public and private communication in the implementation of prevention and detection tools to ensure greater visibility of the accomplished progress, would ensure greater sustainable adherence of companies to sound business practices.

METHODOLOGY

Conducted during the Morocco Country Program (2015 and 2018) and developed as part of the project "Strengthening Business Integrity in Morocco", this study is the result of a continuous and collective effort. The data in this report was collected between 2016 and 2017.

The report was initiated by the MENA-OECD Competitiveness Programme in the Middle East and Africa Division of the OECD Global Relations Secretariat. However, the organisation is committed to promoting a high international playing field for a stronger, healthier and fairer global economy to ensure that the well-being of citizens remains in the midst of preoccupations.

The panoply of anti-corruption instruments and recommendations produced make the OECD a reference in this field. Since 1999, accession to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions obliges States Parties to criminalise bribery in international trade and to punish this offence in a civil and administrative manner. This implies the criminalisation of corruption in international trade, the protection of whistle-blowers, corporate social responsibility or the requirement of integrity in the awarding of public contracts. These measures therefore affect the business decisions of international companies and their investments abroad. On the other hand, as part of its regional programmes, the OECD promotes the fight against corruption in North Africa and the Middle East⁴, including corruption in international trade (or transnational corruption, such as designated below).

The study is based on publicly available information as well as study contributions by the Ministry of General Affairs and Governance, Central Body for the Prevention of Corruption (ICPC), Moroccan Agency for Investment and Export Development (AMDIE) and the Ethics Commission of the General Confederation of Moroccan Enterprises. With a view to acknowledge the reforms undertaken by Morocco, the OECD presented the draft report to the representatives of the ministries responsible for the three studied sectors. After taking into account the contributions of the partners in Morocco, the draft report has been revised and completed. Afterwards, an experienced and senior local consultant, expert in integrity and anti-corruption policies, conducted extensive research to note all relevant reforms addressing corruption and efforts supporting integrity initiated by the public and private sectors. The repeated dissemination of the study project made it possible to complete the documentary research by collecting oral and written comments from public and private representatives of the three sectors.

This study first provides an overview of the economic importance of the energy, transportation and health sectors in Morocco's economy. Secondly, it maps the risks of corruption in the three sectors. The study also mentions the risk assessments carried out in Morocco and the possible actions taken by the regulatory and supervisory bodies and the various stakeholders to better anticipate and prevent risks, in particular through awareness-raising actions, such as training or encouraging private bodies to initiate individual and collective actions.

4 [The OECD and the Middle East and North Africa \(MENA\) region.](#)

The study is part of a general approach adopted by the Moroccan authorities and the business sphere, which, based on the OECD's expertise, aims to strengthen integrity in business. Morocco has in fact, a National Anti-Corruption Strategy (NACS), which was adopted in December 2015 and officially launched on May 3, 2016 in the presence of all stakeholders. The NACS, which is an extension of the Constitution, is structured into different programmes that define priority actions and objectives, identify major players and develop indicators and means of implementation.

Programme 8 (P8) "Business Integrity" aims to reduce, on the long term, "sources of corruption fueled by the private sector" by targeting the overall improvement of transparency through several levers, including the promotion of integrity and good governance, "the promotion of transparency through pilot experiments and their deployment as for the compliance project dedicated to companies in 3 business sectors (in collaboration with the OECD)" and encouraging private companies to adhere to codes of ethics and certification of corporate social responsibility.

The project "Strengthening business integrity in Morocco" is therefore referenced. Given that public procurement is considered as highly subject to corruption due to the close interaction between the public and private sectors, it is also important to note that the P7 "Public Contracts" programme plans to strengthen the management of public procurement through several levers, including improving transparency, as well as identifying and narrowing the scope of corruption risks in public procurement.

Thus, the Ethics Commission of the General Confederation of Moroccan Enterprises, in particular in charge of the implementation of P8, is working on the development of preventive measures against corruption. The OECD supported the integrity dialogue among members of the Confederation to identify incentives for businesses to interact and adopt compliance mechanisms. Indeed, a dialogue was initiated with various enterprise representatives from the three selected economic sectors that met in sectoral subgroups several times in the presence of an international expert. These discussions were intended to develop adapted and collective mechanisms for the prevention of corruption.

In addition, the OECD consulted and exchanged with various government authorities. It clearly communicated the objectives of the project to the members of the National Anti-Corruption Commission (NACC), responsible for the supervision of the NACS, and discussed certain international anti-corruption standards. In meetings with the Office of the Head of Government and the Minister of Public Service and Modernisation of the Administration (MPSMA), the Organisation also reported on the directions of activities and discussed potential improvements to the legislative framework and the public-private dialogue. Finally, in addition to the consultations with line ministries in the energy, transportation and health sectors on measures in support of integrity, it has also initiated work to strengthen integrity in public procurement. In addition to developing preventive measures against corruption as an extension to international integrity standards, the project aims to support the development of inter-institutional dialogue, the institutionalisation of public-private dialogue and mutual learning to better fight corruption. Within the framework of this project, the study is neither intended nor can give an exhaustive account of all the characteristics of the three sectors and can in no way be considered as an evaluation of the OECD.

ACKNOWLEDGMENTS

In Morocco, the project would not have been possible without the invaluable support and commitment of many people to contributing to a more honest business environment, in particular, Mr. Ahmed Laamoumri, General Secretary of the MPSMA, the President and Vice-President of the Ethics and Good Governance Commission of the GCME: Mr. Bachir Rachdi, Ms. Figuigui and Naila Saussi El Alaoui of the GCME Secretariat and Mr. Abdallah Benzekri, Lawyer at the Casablanca Bar and Abdessamad Saddouq, member of the Ethics and Good Governance Committee (former Chairman of the said Committee).

At the OECD, Ms. Nicola Ehlermann led the project and drafted the report. She was supported by Mr. Carlos Conde. The members of the MENA-OECD team involved in drafting the report are: Mr. Akram Zaoui, Mr. Sabri Draia and Ms. Diane Pallez-Guillevic. The report also benefited from the very valuable contribution of Ms. Rabha Zeidguy, consultant for the project and Professor at ENSA. The report was reviewed by Ms. Catherine Marty and Mr. William Tompson.

Ms. Kenza Khachani has initiated work to strengthen integrity in public procurement with line ministries in the energy, transportation and health sectors with the support of Mr. Paolo Magina. The project benefited from the expertise of Mr François Vincke, Member of the Brussels Bar - Vice-Chair of the International Chamber of Commerce's (ICC) Commission on Corporate Responsibility and Anti-Corruption.

Based on the Morocco Country Program and endorsing the close cooperation between Morocco and the OECD, this study was developed in the context of the implementation of the project "Strengthening Business Integrity in Morocco". The project and report would not have been possible without the financial support of the Siemens Integrity Initiative.

ABBREVIATIONS AND ACRONYMS

ADEREE	National Agency for Development of Renewable Energy and Energy Efficiency
EFTA	European Free Trade Association
AMDI	Moroccan Investment and Development Agency
AMIP	Moroccan Association of pharmaceutical industry
ANPME	National Agency for the Promotion of Small and Medium-sized Enterprises
ANRE	National Authority for Electricity Regulation
CAJAC	Anti-corruption Legal Assistance Centre
CGEM	General Confederation of Moroccan Enterprises
CJD	Centre for Young Business Leaders
UNCAC	Nations Convention against Corruption
UNCTAD	United Nations Conference on Trade and Development
CRI	Regional Center of Investment
MAD	Mandatory Assets Declaration
DPFR	Directorate of Planning and Financial Resources
FTA	Free Trade Agreement
HCP	High Commissioner for Planning
ICPC	Central Authority for the Prevention of Corruption
INPPLC	National Authority for Probity, Prevention and Fight against corruption
IRESSEN	Institute of Research in Solar Energy and New Energies
MASEN	Moroccan Agency for Solar Energy
MAGG	Ministry of General Affairs and Governance
MENA	Middle East and North Africa
METL	Ministry of Equipment, Transport and Logistics
OECD	Organisation for Economic Co-operation and Development
MOD	Millennium Objectives for development
ONCF	National Railway Operator
ONDA	Moroccan Airports Authority
ONEE	National Office for Electricity and Potable Water
ONT	National Office of Transport

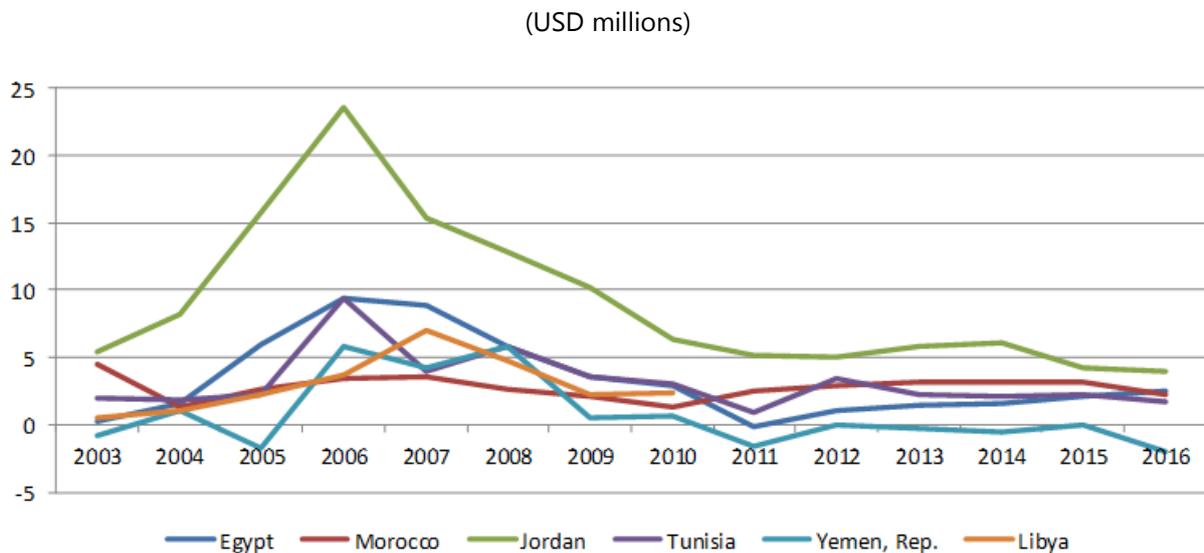
UNDP	United Nations Development Programme
REMDI	Moroccan network for the right of access to information
NES	National Energy Strategy
STEP	Pumping Energy Transfer Stations
TGR	Treasury of the Kingdom
TI/TM	Transparency International / Transparency Maroc
UEMOA	West African Economic and Monetary Union

INTRODUCTION

Morocco has an honourable position as a preferred destination for foreign direct investment (FDI) in the MENA region. Its FDIs reached 1, 6 billion euros⁵ end of August 2017, which represents an increase of 29,8% compared to the same period a year ago⁶. In fact, the 2017 attractiveness barometer published by Ernest & Young, places Morocco at the top of the most attractive countries in the African continent, after Kenya and South Africa, 2nd ex aequo. However, the new "Doing Business 2018" edition ranks Morocco 69th among the 190 countries concerned. The country loses a place compared to the previous year. Among the indicators that have declined are those related to securing funding and the difficulties of companies in the transfer of ownership.

Despite Morocco's efforts to improve the business climate, both domestic and international companies continue to cite corruption as the second most serious obstacle to day-to-day business conduct, following the competition from the informal economy and the lack of human resources training coming in 3rd position (EBRD, 2015).

Figure 1: Foreign direct investment (FDI) inflows, net inflows (% of GDP)



Source: UNCTAD 2015

5 Exchange rate used: 1Euro = 11,1 Dirham ; 1 Euro = 0,858 USD (exchange rates, l'Économiste on 13 novembre 2017)

6 Exchange Office.

MOROCCO: A DECADE OF REFORMS IN FAVOUR OF THE BUSINESS CLIMATE

The proactive policies implemented in the framework of the economic and social modernisation projects undertaken by Morocco for more than a decade, aim to improve the business and investment climate, as demonstrated by the opening up of many sectors to international competition, environment facilitating efforts in which economic actors operate and the development of infrastructure and strategic business sectors.

The establishment of an institutional and legal framework favourable to private investors, the creation of free zones, the entry into force of the European Union Association Agreement (March 2000), and free trade agreements with the EFTA States (March 2000), the United Arab Emirates (January 2006), the United States (FTA, January 2006), Turkey (January 2006), Egypt, Jordan and Tunisia (Agadir Agreement 2007), as well as the development of trade relations with ECOWAS and CAEMC and the implementation of regional and sectoral strategies to promote FDI, are all elements of this policy which led to the improvement of the business climate.

The implementation of the Common Business Identifier (CID) since July 2016 and the merger of AMDI with Maroc Export and OFEC⁷ are part of this approach and aim at simplifying procedures and streamlining efforts to improve Morocco's attractiveness.

These improvements are attributable in particular to the establishment of the National Committee for Business Environment (CNEA) created in 2009 and institutionalised in 2010, in the wake of the Business Climate Development Strategy⁸. The mission of the CNEA, a public-private body, chaired by the Head of Government, is to coordinate the government's strategy on the business environment and to strategically pilot the reforms.

Corruption hinders good business conduct

However, among the main obstacles encountered by entrepreneurs in conducting business, corruption comes second⁹ or third¹⁰. In particular, a survey conducted jointly by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank between 2013 and 2015 revealed that corruption, competition from the informal sector and

7 The Moroccan Agency for Investment Development (AMDI), the Moroccan Center for Export Promotion (Maroc Export) and the Office of Fairs and Exhibitions of Casablanca (OFEC) merged (Law No. 60-16 of August 30, 2017) in a single agency called "Moroccan Agency for Investment and Export Development" (AMDIE).

8 OECD (2011) Competitiveness and private sector development *Morocco 2010: Business Climate Development Strategy*, OECD Publishing.

9 World Economic Forum, 2013.

10 European Bank for Reconstruction and Development (EBRD) (2013), *Business Environment and Enterprise Performance Survey*.

unskilled labour are the three major difficulties faced by Moroccan companies, given electricity problems and access to finance issues¹¹.

By distorting competition and creating a climate of uncertainty about the conditions in which commercial transactions take place, corruption is a powerful deterrent to the entry of any candidate in a given market. This is particularly true since the international legal environment, fighting corruption and its deployment, has been considerably toughened over the last decade. For example, investors from a State party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions¹² are committed to prosecuting transnational bribery and to impose severe civil criminal and / or administrative penalties in their countries of origin. In addition, some countries have adopted extraterritorial anti-bribery laws to prosecute and punish international companies outside their territory¹³.

Thus, due to the stricter global legislative arsenal against corruption and its implementation, companies involved in fraud or corruption practices are increasingly faced with several major risks:

1. An operational risk, resulting from a loss of competitiveness, because of resorting to corruption to win markets at the expense of investment in the development of a high value offer in the market;
2. A risk of civil and criminal sanctions and class actions, or the criminal liability of their directors or their own liability as legal persons;
3. A commercial risk for companies engaged in corrupt international transactions (loss of contracts, blacklisting and exclusion from public procurement¹⁴);
4. A reputation risk, while the development of a good image is a long-term process that only one scandal can undermine.

In an international context where the will to tighten up considerably the noose against the authors of acts of corruption and fraud, transparency and integrity become hallmarks of attractiveness. In addition, one of the priorities to strengthen Morocco's competitiveness is to improve the business climate in order to foster a favourable economic environment, by establishing more equitable competitive conditions for all companies and an efficient regulation, allowing the

11 Survey conducted in the Southern and Eastern Mediterranean region (SEMED), which includes Egypt, Jordan, Morocco and Tunisia, by the EBRD, the EIB and the World Bank, based on interviews with more than 6,500 business owners of more than 5 randomly selected employees between 2013 and 2015.

18.2% of business owners believe that obtaining an import license requires the informal payment of money or gifts (this rate is superior to other countries in the southern and eastern Mediterranean region "SEMED" and 2.6 times higher than average in the MENA region). Nearly 15% of business owners reported having to use this type of informal payment to obtain a building permit or electrical connection.

12 The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, adopted in 1997 and entered into force in 1999, establishes legally binding standards setting bribery of foreign public officials in international business transactions as a criminal offense. It is the first and only international anti-corruption instrument targeting the "offering" of bribes to foreign public officials. Among the 43 States Parties to date are all OECD member countries as well as South Africa, Argentina, Brazil, Bulgaria, Colombia, Costa Rica, Lithuania and the Russian Federation.

13 Reference is made here in particular to the Foreign Corrupt Practices Act (FCPA), on the basis of which a number of multinational companies have already been prosecuted and sentenced for acts abroad, as well as the legislation adopted most recently by Britain (UK Bribery Act).

14 Through the "debarment" procedure, the World Bank regularly updates a blacklist of companies that, for a period of 2 to 5 years, are denied access to public procurement for the markets it finances, in whole or in part, as well as for contracts financed by other multilateral development banks.

development a more competitive and formal private sector. The tightening of the Moroccan institutional and legal arsenal of the fight against corruption and the implementation of measures to promote integrity, by making the market more attractive as it is reassuring for international investors, would support sectoral strategies initiated by the country.

In this context, Morocco acceded in 2009, following an "Investment Policy Review", to the OECD Declaration on International Investment and Multinational Enterprises, in recognition of the progress achieved in reforming its investment policies to improve its business climate.

Companies in the fight against corruption

No anti-corruption strategy can be fully effective without the commitment of market players and different stakeholders. The systemic nature of corruption makes it present in both the public and private sectors. Therefore, an effective combat against this scourge calls for joint efforts. Experiences in this field in various countries, including Morocco, have shown that only an inclusive and comprehensive approach can prevent corruption and effectively combat its expansion. It comes down to forming a coalition.

Companies have a decisive role to play in the fight against corruption, especially in their interactions with the public administration. Through the Principles of Corporate Governance adopted in 2004, OECD member countries and private sector representatives have recognised that "corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law (...)". In particular, "Enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. *Enterprises should also resist the solicitation of bribes and extortion.*" (OECD Guidelines for Multinational Enterprises)

This is why it is imperative to mobilise the private sector in the conception and implementation of actions to promote integrity in business. For a company, integrity is a prerequisite in the conduct of business and supports its long-term economic health, stability and sustainability. Preventing corruption allows the company to orient its strategy towards the development of its organisational, financial and competitive capacities (through investment in Research & Development and Innovation) and to avoid the waste of its resources by paying bribes and / or heavy fines, penal and administrative sanctions, and ultimately optimising its economic performance.

Therefore, it is very important for companies, especially for leading international economic operators, to implement relevant and effective ethics and compliance programs (OECD, 2010). This is reflected through:

- The commitment of management in this sense, and the establishment of clear communication and guidelines (charter of good conduct, mandatory training, internal controls and sanctions);
- The assignment of the compliance function to a person with a high hierarchical level and having autonomy of action;

- Employee training and periodic review of guiding principles; including local business partners (including subcontractors, representatives, distributors, resellers and partners) in compliance programs of international groups;
- Establishing a system of reporting through potential "whistleblowers" within the company and ensuring an effective protection of the latter.

In this context, the initiatives of business associations, such as the adoption of the Corporate Social Responsibility by the National Business Council, the creation of the Ethics Commission, the elaboration of a number of Codes of Good Practice for different categories of companies by the General Confederation of Moroccan Enterprises, could encourage and guide such approaches. It is important to note that the National Anti-Corruption Strategy makes the General Confederation of Moroccan Enterprises responsible for its Program 8 entitled "Integrity of the business community". In addition, business associations could consult and agree on initiatives such as the B20¹⁵, whose fight against corruption is one of the key themes.

Strengthening business integrity in Morocco

The project "Strengthening Business Integrity in Morocco" aims to create an alliance between public authorities, the private sector and the civil society to promote integrity in business. The project is structured around three pillars:

- Support the fight against corruption and the promotion of integrity in business in the three highly strategic sectors (energy, transportation and health);
- Promote integrity and transparency in public procurement, including training on anti-corruption measures in the award of public contracts; and
- Facilitate the deployment of pilot collective actions by companies in the three identified sectors, which likely to prevent, detect and punish corruption.

Based on the available data, the following study aims to establish an initial diagnosis of integrity risks in the three strategic sectors: energy, transportation and health, and to offer a general overview of the solutions and latest initiatives in this area.

Therefore, the document reviews the various sectors of activity by assessing each of them, identifying the undertaken development strategies as well as the main areas presenting a risk of corruption and reporting, where appropriate, the individual and collective actions put in place by the economic actors of the concerned sectors. The study proposes guidelines for reflection and action on possible initiatives that could emerge in Morocco in order to better understand, control and prevent acts of corruption in the identified sectors.

15 Business 20 (B20), which takes place in the context of the G20 Summit, is a place of expression and exchange of views of the business community at the international level. Businesses and employers' organisations are committed to responding to current issues by proposing concrete solutions.

Considered as strategic, the energy, transportation and health sectors are mobilising, in the framework of the development strategies put in place by Morocco, colossal public and private investments.

These sectors are regulated up to varying extents and are characterised by a strong intervention of public authorities, responsible for granting of authorisations and approvals that are essential for carrying out related activities.

Therefore, it is necessary to provide comprehensive and systematic responses that take into account the specificities of these different sectors, within the framework of a global anti-corruption strategy, like the one initiated by Morocco, while integrating the public and private sectors.

OVERVIEW OF THE ENERGY, TRANSPORTATION AND HEALTH SECTORS

In Morocco, the energy, transportation and health sectors have undergone profound changes over the last decade, as the Moroccan economy has opened up to external investment and international competition. These rapid developments are not risk-free in terms of integrity.

- *The development of the energy sector supports Morocco's ambition to overcome a costly energy dependence and helps the country's industrial diversification. Morocco has therefore entered a new phase of liberalisation, particularly with the production of renewable energies. A new regulatory authority for the ANRE sector has been created, which takes into account the even more important role of private actors in this sector;*
- *The development of transport infrastructure reflects Morocco's ambition to position itself as an exchange interface between Europe and Africa and to accelerate the integration of its economy into global value chains;*
- *The health sector, whose importance is crucial in terms of human development, is undergoing significant changes with its gradual opening up to private investors, the universal access to health coverage amid a lack of resources and medical equipment.*

The following section provides an overview of recent developments in these three sectors and assesses the events and consequences corruption can have on each of them. It also provides an account of the awareness of the risks incurred and the possible preventive actions taken. Finally, it proposes some guidelines for reflection and action.

SECTION I: ENERGY SECTOR

The energy sector encompasses the activities of companies that produce, market and distribute energy, including, on the one hand the exploitation of energy sources (conventional or "fossil", and renewable), and on the other hand the production and distribution of electricity, as well as the production of petroleum products and natural gas. As a highly strategic and capital-intensive sector, energy has benefited from significant public investment in the last decade, in a context where Morocco seeks to emerge from a situation of marked dependence on its foreign suppliers, through a supply diversification policy and by prioritising the development of national renewable energies. In the future, given the investments made, the sector is expected to gain in importance and weight, in order to meet growing needs and changes in the Moroccan economy.

1.1 Energy sector: Status

In 2015, Morocco's energy sector accounted for nearly 3.1% of GDP and employed around 0.4% of the country's population¹⁶. This sector is characterised by a rapid growth of consumption (7 to 8% per year) and a very strong dependence on imported fossil fuels: 96% of the energy consumed is of foreign origin¹⁷ and represents 13.3% of total imports¹⁸, making Morocco the largest energy importer in the MENA region. Due to its capital-intensive nature, it is dominated by "big" actors, including large foreign companies, which benefit from measures opening up the domestic market.

Fossil energies

The energy sector in Morocco is dominated by fossil fuels, almost entirely imported, as the country produces neither oil nor gas. Morocco's energy dependency rate was 93.3% in 2016 (98% in 2008). As a result, one of the primary objectives of the National Energy Strategy (NES) ¹⁹, initiated in 2009, is to reduce this dependence to less than 82% in 2030, by reducing energy consumption by 15% and significantly increasing the share of renewable by 2030.

Although the country's efforts are focused on the development of renewable energies, an important exploration programme conducted in recent years by the National Bureau of Petroleum and Mines (ONHYM), suggests the discovery of large gas deposits, particularly in eastern Morocco.

Electric energy

The origin of electricity in Morocco is diversified. The country has a fleet of coal, gas, oil and hydraulic power plants, as well as wind farms and solar installations, some of which are

16 Ministry of Economy and Finance of Morocco - Department of Economic Studies and Financial Forecast - 2015 Sector Scoreboard.

17 2016 Annual Report, Ministry of General Affairs and Governance.

18 TGR : Foreign trade in Morocco in 2016.

19 [National Energy Strategy](#) (NES).

operational and others under construction. At the end of 2016, the installed capacity of all plants reached 8,261.7 MW.

Figure 2: Distribution of energy injected by type of fuel

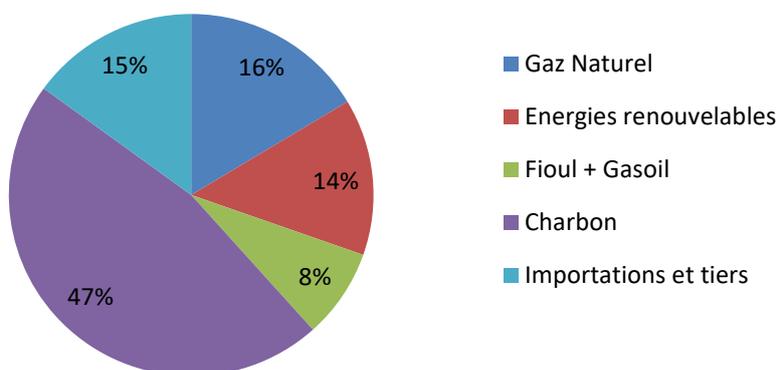
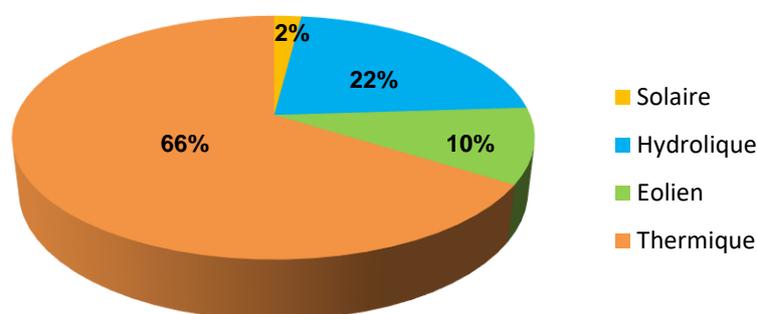


Table 1: Installed capacity 2015

Energy source	MW	%
Classic hydropower	1 306	17%
STEP	464	6%
Total Hydraulic Energy	1 770	22%
ONEE Wind Farm	205	3%
Private wind farms (13-09 & Auto)	241	3%
Wind farm IPP * DCE ** + Tarfaya□	352	4%
* Independent energy producer□		
** Cumulative demand for energy		
Solar thermal power plant of Ain Beni Mathar	20	0.20%
Solar plant Noor 1 of Ouarzazate	160	2%
Total Wind and Solar	979	12%
Total Thermal	5 411	66%
Total installed capacity	8 160	100%

Source: A Snapshot of Morocco's Power, Morocco 2016 Africa Energy Yearbook

Figure 3: Distribution of installed capacity by energy source

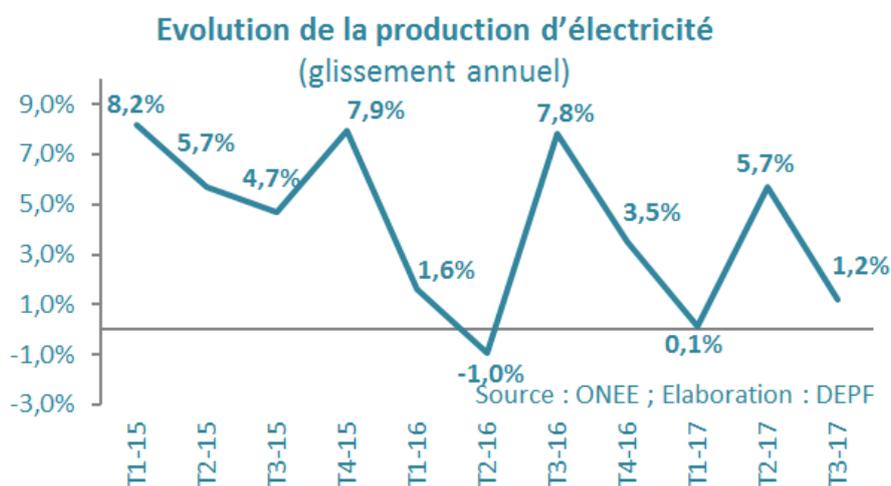


Source: A Snapshot of Morocco's Power, Morocco 2016 Africa Energy Yearbook

Production

The national production of electric power (including autonomous plants), amounted to 30,839.8 GWh at the end of December 2016, thus satisfying 85.4% of the demand.²⁰ At the end of September 2017, this production increased by 2.3% compared with 2.9% a year earlier. This increase is mainly due to the increase in production of the National Office of Electricity and Potable Water (ONEE) by 4.5%, that of national third parties by 282.2% and that of renewable energies by 12.3%, moderated by the slight decline in private production of 0.5%²¹.

Figure 4: Evolution of electricity production



20 Source : ONEE Activity Report 2016
21 Idem

ONEE generating stations produced 10,563 GWh in 2016, making it possible to satisfy 29.2% of the energy demand. Private production, on the other hand, reached 20 153.1 GWh, representing an increase of 4.1% compared to 2015. With an annual output of 14,764.7 GWh, or nearly 50% of national production, Taqa Morocco (formerly JLEC) is the largest private electricity producer in Morocco, despite a slight decline of -1, 1% recorded in 2016, or a decrease from 14,930.8 GWh in 2015 to 14,764.7 GW, due in particular, to the rise in international prices of coal. It is important to note that the consolidated turnover of the company on September 30, 2017, was 549.5 million euros, compared to 537.8 million euros for the same period in 2016²².

Table 2: Private electricity production park

	2016	2015	Evolution en %
	GWh		
Jorf Lasfar Energy Company (JLEC)	14 764,7	14 930,8	-1,1
Energie Electrique de Tahaddart (EET)	2 609,1	2 490,8	4,7
Compagnie Eolienne du Détroit (CED)	135,9	141,6	-4,0
Eolien Loi 13-09 + Eolien via réseau	1 048,2	784,2	33,7
Tarfaya Energy Company (TAREC)	1 195,0	1 009,7	18,4
MASEN (NOOR 1)	400,3	4,3	-
Total de la production	20 153,1	19 361,4	4,1

Imports

The volume of imports rose to 18.1% at the end of September 2017 from 7.6% a year earlier, increasing the change in net energy demand from 2.9% at the end of September 2016 to 5% at the same period in 2017²³.

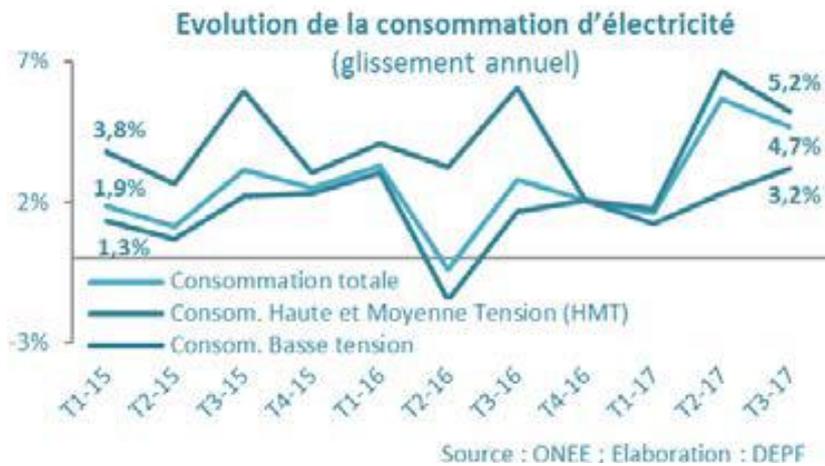
Consumption

The consumption of electric energy in terms of volume increased by 4% at the end of September 2017, compared to 1.9% a year earlier. Sales of very high, high and medium voltage energy saw a 4.6% increase in the first nine months of 2017 compared to 1% in 2016. This increase is explained by the increase in sales of very high and high voltage energy, whose consumption (mainly by the industrial sector) amounts to 12.7%, the increase of medium voltage energy by 3, 8% and 2.5% for distributors. As for low voltage, intended for households, it rose by 2.3% compared to the end of September 2016.

22 ONEE Activity Report 2016. See also: Memo of November 2017 from the High Commissioner for Planning (HCP) and Bourse News of November 15, 2017.

23 Memo of the DEPF, November 2017.

Figure 5: Evolution of electricity consumption



1.2 Energy sector: Sector Development Strategy

Overall, Morocco's energy policy pursues traditional objectives of consolidating equipment, extending the electricity grid and providing access to energy to as many citizens as possible. In 1995-1996, the extension of the electricity grid, through the Global Rural Electrification Program (PERG), made it possible to increase energy access from 18% to 98% of the population within twenty years, extending it especially outside urban areas.

Morocco is a pioneer in the deployment of renewable energies, which it has abundantly (solar, wind, hydro). In 1967, Morocco launched a dam construction policy, which provides 8% of the country's energy consumption in 2012. In 1980, the Renewable Energy Development Center (CDER) was created, but the State's commitment became a reality around the year 2000, with the entry into service of the first wind farms (Tarfaya²⁴) and solar plants (Ouarzazate²⁵) of the country.

In addition, Morocco has progressively opened up the sector to the private sector participation. In 1994, a first agreement opening the supply of energy to foreign capital led to the development of the JorfLasfar thermal power plant project, with a capacity of 330 MW. The 1997 privatisation, followed by the adoption of law n° 13-09 on renewable energies in 2010, opening up the production to the competition to the ONEE, go in the same direction. In 1997, 67% of the capital of the Moroccan oil refinery (SAMIR) is sold to the Saudi company Corral Petroleum for an amount of 315.7 million Euros and in 2002 the sector is opened to the competition, and this measure was completed in 2009 when all distributors were allowed to import the fuel of their choice.

The opening up of the energy market, the reduction of tariff and non-tariff barriers have led to increased competitiveness in the Moroccan energy sector and stimulated FDI from Europe

24 The largest wind farm in Africa entered service in Tarfaya in December 2014, having a capacity of 300 MW and its total cost reaching 450 million euros. This project represents 15% of the target set by the authorities in terms of wind energy.

25 The first solar energy marketing project was launched in March 2010 in Ouarzazate. Ouarzazate solar station was named "Noor" and was divided into several phases, for a total estimated capacity of 500 MW. The commissioning of the first phase took place in 2015 and has become one of the largest stations in the world.

(notably with the Spanish company Repsol) and the Gulf. It is estimated that this liberalisation policy should help reduce the state's share of energy supply to 40% by 2020.

Morocco's "National Energy Strategy" (SEN), adopted in March 2009, aims to:

- (i) ensure security of energy supply, a constant concern since the country's independence;
- (ii) ensure the availability and accessibility of energy at the lowest cost; and
- (iii) reduce the Kingdom's energy dependence by diversifying energy sources, developing national energy potential and promoting energy efficiency. In the short term, the new strategy retains coal as the core of the electricity mix due to its competitiveness and abundance, with an optimisation of available gas resources, an additional contribution from wind power and hydroelectricity as well as the use of Euro-Mediterranean interconnections (AFD, 2014). In the medium term, Morocco is committed to promoting renewable energies, which should by 2020 represent 42% of capacity (8160 MW in 2015) divided by third between hydro, wind and solar and 52% in 2030, distributed as follows: 20% solar, 20% wind and 12% hydroelectric.

To this end, the Moroccan government's policy aimed at overcoming this dependence and diversifying the country's energy mix revolves around five main axes, which are as follows:

Establish energy efficiency as a national priority.

Under the SEN, this policy would be the fastest and cheapest way to better use and save energy and lower the energy bill.

Optimise the energy mix in the electricity sector.

This pillar is based on the use of clean coal as the base for basic production; in particular, it will be used in the new Safi thermal power plant, when it comes into service. Additionally, options for the extension of the Maghreb-Europe Gas Pipeline and the introduction of liquefied natural gas (LNG) are also explored as alternatives.

Accelerate the development of energies from renewable sources, particularly wind power, solar power and hydropower.

In November 2009, the Moroccan authorities launched the 'Moroccan Solar Plan', an integrated project to generate solar power that aims to install a capacity of 2 GW between 2015 and 2020, at an estimated cost of €6.2 billion. The implementation of this major project, which is based on considerable solar potential, estimated at more than 20,000 GW, has been entrusted to MASEN (Moroccan Agency for Sustainable/Solar Energy).

Law 37-16 of 25 August 2016, which amends and supplements Law 59-09 establishing MASEN, gives the agency a new status that makes it the sole central and integrated player in solar power, wind power, hydropower and any other renewable energy that could potentially be developed in Morocco, with the exception of pumped hydroelectric energy storage (PHES), which will continue to be developed and managed by ONEE. Law 37-16 makes MASEN the only player as regards the development, financing and management of all renewable energy projects in Morocco. Consequently, MASEN aims to implement a programme for the development of integrated power generation projects, with a minimum and additional total capacity of 3,000 MW by 2020 and 6,000 MW by 2030; this is to be done in the context of agreements entered into with the State.

Additionally, an '*Integrated Wind Energy Project*', with a total investment of €2.8 billion, also for 2 GW, was launched in June 2010, under the aegis of ONEE. As for the implementation of the power stations, this should be entrusted to national and international operators, selected by the agency through calls for tenders under public-private partnership (PPP) contracts²⁶. It is expected that the construction of these new wind farms will increase wind power to 2,000 MW in 2020, up from 798 MW in 2015, i.e. 10% of total installed capacity. The expected impact of these projects is considerable, in terms of the development of a national industrial fabric and specialised jobs (transfer of know-how and technologies, R&D, specialised sectors).

Promote investment of foreign capital in upstream oil and gas.

ONHYM has intensified its exploration programmes in recent years, which have been marked by the arrival of oil majors and large oil exploration groups such as Chevron, BP, Repsol and Kosmos, with growing interest in deepwater offshore drilling. The amount invested by these companies in 2016 amounted to €90 million, with the same amount being forecast for 2017.

26 Thus, MASEN will purchase the electricity generated over the duration of the project, pursuant to a Power Purchase Agreement (PPA) entered into with each company involved in the project. The electricity generated will then be sold to ONEE, primarily to meet national needs, although some may be exported, particularly to Europe via the Morocco-Spain interconnector ('green electricity').

Box 1:

The Ouarzazate ('Noor') Solar Power Station Project

The Ouarzazate Concentrated Solar Power Project (CSP), also referred to as 'Noor' ('light' in Arabic), is one of the projects developed under the *MENA CSP Scale-up Initiative*, a regional programme funded by the Clean Technology Fund and led by the World Bank and the African Development Bank. It is part of the Moroccan Solar Plan, which aims to produce a minimum of 2 GW of solar power by 2020, the equivalent of 14% of Morocco's installed capacity.

The project is being carried out through public-private partnerships, with partners chosen competitively under the framework of a dedicated mutual fund: a consortium of private promoters and MASEN. Phase 1 of the projected 500 MW, a 160 MW power plant, will make the Ouarzazate CSP Project the world's largest independent producer of solar power.

In association with a group of multilateral development banks and private sector promoters, the Moroccan government has taken the initiative to develop the 160 MW Ouarzazate I CSP plant. Located 200 km south of Marrakesh, the plant should allow Morocco to save 240,000 tonnes of carbon dioxide emissions annually, the equivalent of taking 80,000 cars off the roads each year.

The project was made possible by a substantial grant from the Moroccan government, in the form of an energy purchase agreement covering the project's 25-year duration; the government committed to subsidising MASEN to cover the difference between the cost of the CSP electricity (the price paid by MASEN to the private promoter under the PPA) and the national price of electricity (the price that ONEE will pay to MASEN), as well as to issuing State guarantees for the lenders.

The launch of phase 2 of the project ('Noor 2' and 'Noor 3'), with a capacity of 350 MW, occurred with the closure, in May 2015, of financing to the value of €2.2 billion by the MASEN agency and the Saudi company Acwa Power. Work on 'Noor 4', with a capacity of approximately 70 MW, began on 1 April 2017 and the plant will be operational in the first quarter of 2018.

Source: Adapted from: OECD (2014), *Public-Private Partnerships in the Middle East and North Africa A Handbook for Policy Makers* ISMED Support Programme.

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In anticipation of conclusive results, and with a view to boosting its productive capacities in conventional sources, Morocco is targeting the realisation of 'major projects'. At a cost of €2.2 billion, the Safi thermal power station project lies at the heart of the Moroccan system for phosphate operations and marketing, a particularly energy-hungry industry. Additionally, Morocco plans to increase the proportion of Liquefied Natural Gas (LNG) in the national energy mix to 31% by 2025 (i.e. 2,700 MW) compared to 16% in 2017; this would make it possible to diversify the sources of supplies of natural gas in a context of full offsetting of fuel oil and diesel prices since 1 December 2015. LNG has the advantage of reducing dependence on gas imported from Algeria by pipeline, while the contract between ONEE and the Algerian public company SONATRACH is due to expire in 2021. Other major infrastructure projects in the offing include the construction of a liquefied natural gas (LNG) terminal in Jorf-Lasfar, starting in 2019, and the implementation of the '*Gas to Power*' gas to electricity transformation plan, with an estimated value of €3.9 billion. ONEE is in charge of this initial phase and has already started work on it. A regional distribution network is also expected to result from this project, which is supposed to start operating in 2020.

Promote more extensive regional integration.

Benefiting from a strategic position at the heart of an energy hub, Morocco aims to strengthen the Morocco-Spain electricity interconnectors (connection to the Spanish electricity network via two 400kV/700 MW lines), as well as the Moroccan high voltage network. Morocco is working with its partners in the Maghreb Union to promote the regional integration of networks (through the Maghreb Electricity Committee, established in 1992) as well as with its counterparts in the European Union.

Additionally, as part of its African policy, Morocco came to an agreement with Nigeria, in May 2017, aimed at a gas pipeline project to connect the two countries. The 4,000-kilometre-long trans-African pipeline will supply the countries it crosses, thereby benefiting more than 300 million inhabitants. The cost of this massive project, for which technical studies are already underway, is estimated at €900.9 million.

1.3 The energy sector: Risks of corruption

Risks in the energy sector

An OECD study on corruption has highlighted the main risks in the extractive industries sector, which partly overlaps with the energy sector (OECD, 2015)²⁷. In particular, it recognises that all levels of public intervention may be affected by the risk of corruption in the energy sector, from policy design and planning through to income distribution, by way of the granting of licences, sectoral regulation and supervision, commercial participation and finally tax treatment.

These practices, which may exist in fact, are nevertheless still avoidable and reproachable, while an effort must be made to ensure the smooth and proper handling of transactions. Additionally, and according to another OECD report²⁸, companies operating in the extractive industries (19%), construction (15%), transport and storage (15%), information and communication (10%) and manufacturing (8%) are the ones most often sanctioned for transnational corruption. These data can be put in perspective by means of the 2011 Bribe Payers Index (BPI) for exporting countries which, in line with the perceptions of company directors in 30 countries, classifies the sectors of public works and construction (5.3), services to local government (6.1), property, land, legal and business services (6.1), oil and gas (6.2) and the extractive industries (6.3) as the sectors in which businesses are most likely to pay bribes abroad.

Risks in the electricity sector

Determining the risks of corruption in the electricity sector is vital for at least two reasons: the first is that it is a regulated sector that goes hand in hand with a certain degree of discretionary power on the part of the administration, in particular with regard to the granting of operating and distribution authorisations and licences. And it is a well-known fact that corruption often lurks in places where there are discretionary powers. The second lies in the magnitude of the sums involved and the strategic nature of the sector considered as one of the main levers of the country's development. Consequently, the process of awarding and performing public contracts relating to this sector must be given considerable attention.

27 OECD (2015), *Consequences of Corruption at the Sector Level and Implications for Economic Growth and Development*, Contribution by the OECD, in collaboration with the World Bank Group, to the G20 Anticorruption Working Group, OECD Publishing

28 ['OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials'](#), December 2014. This report attempts to quantify and describe transnational corruption on the basis of information revealed in the 427 transnational bribery cases completed between the entry into force of the OECD Anti-Bribery Convention in 1999 and 2014.

Box 2:

The main risks in the energy sector

- The prominent role of public power. The sector is particularly affected by a risk of so-called 'political' corruption, insofar as the obtaining of authorisations and licences (for exploration, construction, distribution, etc.), which is the responsibility of the administration, plays a central role and the administration's discretionary leeway in this respect could lead to possible abuses.
- The weight of public or semi-public companies, tax benefits granted to companies involved in exploration, production and refining, and the opacity of the management method all constitute additional risks in terms of corruption.
- The lack of financial transparency of the companies involved, in particular the complexity of property rights or the failure to disclose their beneficial owners and the different financial flows involved, are also factors that could prejudice good conduct in business dealings and facilitate insider trading.
- Asymmetric information heightens the risk of corruption. This is especially true when new projects that rely on new technologies are introduced and in which large amounts of public money are involved. And if there are already certain systemic or structural weaknesses, there is an even higher risk of this asymmetric information being exploited for the benefit of certain parties.
- Irregularities in public procurement: in awarding contracts for 'major projects', corruption introduces a distortion of competition. As a result, the efficiency of procurement process suffers, benefiting corrupt companies to the detriment of tenderers that would normally perform better.
- Red tape. Mention should also be made of other potential intermediary forms of corruption, related to customs procedures (import of sophisticated equipment) or to consular formalities for the issuing of visas to expatriate staff.

The importance of this matter has not been lost on the CGEM which, in 2009, launched a study drawing up a map of the risks in public procurement in the field of electricity. The study demonstrates that there is a latent risk of corruption at every stage in the public procurement procedure, all the way through from determining requirements to job awarding and final reception. In this context, it was expected that the various operators participating in tenders for the sector would enter into integrity pacts but, in practice, this did not happen.

Risks in the renewable energy sector

The renewable energy sector, a capital sector par excellence, is not devoid of corruption risks, particularly in terms of public procurement. Other potential risks of discriminatory practices that could be sources of corruption may also exist, not only in terms of access to the national power and distribution grids, but also as regards the signing of concession agreements, or where pricing is concerned.

It should be mentioned that the National Federation of Electricity, Electronics and Renewable Energies (FENELEC), which has more than 540 member companies, representing more than 95% of the activity, products and services of the Moroccan electricity and electronics sector, has set up a Charter of Ethics and Excellence which specifically includes the fight against all forms of corruption or fraud as part of its members commitments. However, the charter has been given no visibility at the level of the Federation or at the level of the CGEM. Furthermore, no information is available regarding its adoption by the Federation's member companies. All of which points to the weakness of the impact of such a document and its commitments to the affairs of companies operating in the sector. The above is all the more true since the majority of companies operating in the sector are either SMEs or SMIs, with the exception of the subsidiaries of major international groups and a few well-structured Moroccan companies. The latter, however, are not always sufficiently well-equipped to commit to an ethical approach requiring, in the first instance, an awareness of the danger that corruption represents for the company's viability and competitiveness. Additionally, and especially in view of their size, these companies often have shortcomings in their internal governance.

Risks in the hydrocarbon sector

Although the risks in the hydrocarbon sector are more akin to practices that distort competition than to acts of corruption in the strict sense of the word, their effects are identical as far as companies' viability and competitiveness are concerned.

Thus, since the liberalisation of the hydrocarbon market on 1 December 2015, pump prices and margins are set by the operators based on the free play of supply and demand. In the absence of a regulator, the fact that pricing is based solely on the market would tend to encourage the appearance of fraudulent practices, such as price agreements. This risk is all the greater given that the Competition Council has been inactive since August 2014.

Similarly, another risk may affect the quality of imported refined oil products. The closure of SAMIR²⁹, Morocco's only refinery, in August 2015, has left the country entirely dependent on imports. The drafting and determination of the content of the specifications applicable to refineries, importers and distributors, for example, is a risk area that would benefit from a framework.

Furthermore, at a time when the discovery of significant gas deposits in the east of the country has been confirmed³⁰, particular attention must be paid to contracts and jobs awarded in this context. Due to the importance of the issues involved, activities connected to this major project are more vulnerable to the risk of corruption.

In light of the information currently available, it does not appear that the Groupement des Pétroliers du Maroc (Moroccan Oil Companies Group) has a code of ethics or has taken any action in this respect.

Table 3: Electricity sector Risk of corruption in the awarding of public contracts

Inputs	Process	Outputs	Person/entity responsible	Risk issues
Need arises	Analysis of the project	Technical-economic study; Implementation programme	Project owner	<ul style="list-style-type: none"> Confidentiality Unjustified investment or purchase
Request for implementation	Definition of the need	Tender dossier	Project owner	<ul style="list-style-type: none"> Choice of solution or technology-oriented choices Works commissioned against a slip: slip unclear Unrealistic schedule (response time, implementation time...) Inappropriate or unclear qualification criteria
Tender dossier (TD)	Start of consultation	Tender dossier made available to suppliers	Project owner	<ul style="list-style-type: none"> Choice of procurement method: Open tender, restricted tender, negotiated Non-generalised dissemination of tenders and addenda Very short response times set Availability of the consultation dossiers within the required time frame Confidentiality of the estimate
Tender dossier made available to suppliers	Receipt and opening of tenders	Tenders open	Project owner Tenderer	<ul style="list-style-type: none"> Safeguarding of tenders before opening/acceptance of tenders after closing date Opening of tenders behind closed doors

29 This Moroccan public limited company operating in the refining industry experienced serious financial difficulties that led to its liquidation in June 2016.

30 On 2 November 2016, the British junior oil and gas exploration company, Sound Energy, announced that it had discovered a large gas deposit in Tendirara, in eastern Morocco.

Tenders open	Studies, comparison and choice of contractor	Contractor chosen	Project owner	<ul style="list-style-type: none"> Biased selection of contractor
Contractor chosen	Contracting and notification	Notification of the contract	Project owner	<ul style="list-style-type: none"> Delay or acceleration of notification
Notification of the contract	Service order	Performance of the contract	Project owner Contractor	<ul style="list-style-type: none"> Insufficient means and resources to monitor the performance of the contract Unforeseen situations and additional requirements not originally foreseen Unfavourable developments in economic conditions Compliance of the project with the contractual requirements
Performance of the contract	Provisional schedules and receipts/ invoicing	Provisional schedules and receipts accepted/ invoicing	Project owner Contractor	<ul style="list-style-type: none"> Drawing up and validating provisional schedules and receipts (overcharging and accuracy of schedules) Occurrence of disputes (ambiguous requirements, interpretation of clauses, etc.)
Provisional schedules and receipts accepted/ invoicing	Payment to contractor	Contractor paid and guarantees released, if applicable	Project owner Contractor	<ul style="list-style-type: none"> Late payments Delay in releasing guarantees
Final handover accepted	Invoicing of the holdback	Holdback paid and guarantees released	Project owner Contractor	<ul style="list-style-type: none"> Late payment of the holdback or release of the guarantee if applicable Drawing up and validation of the final handover

Source: Confédération Générale des Entreprises du Maroc (CGEM) (2009), Lutte contre la corruption : Matrice des Risques Marchés. Secteur de l'électricité.

1.4 Energy sector: Action points for the future

From the above, it can be seen that the three segments of the energy sector are vulnerable to corruption. Nevertheless, the operators in each segment do not all approach the issue with the same vigour.

The electricity sector appears to have grasped the risk under the CGEM's impetus, even if the process that began with the 2009 study has been interrupted. However, the companies operating in the renewable energy and hydrocarbon sectors do not appear to be similarly aware of the dangers of corruption, as can be seen from the lack of known preventative measures.

Since Morocco has targeted the energy sector, for sustainable development, it is important that companies operating in the sector keep pace with this momentum by ensuring integrity is part of their approach. Such an approach requires a strong commitment on their part and a sharp

awareness of the harmful effects of corruption. The Energy Federation and FENELEC, both members of the CGEM, have an important role to play in this awareness-raising. FENELEC could pursue its initiative by organising communication and awareness-raising campaigns for its members, focusing on its Charter of Ethics and Excellence; this would let members take the principles on board and channel them into specific actions to improve the governance of their companies. One such action could be to appoint someone to take charge of monitoring the implementation of the Charter by company personnel. In similar fashion, the aforementioned 2009 CGEM study would benefit from being updated to encompass all of the potential corruption risks in the various segments of the energy sector. An extended study that takes into account the risks connected to public procurement, but goes even further, will be a useful tool for encouraging companies in the sector to be active in their approach to integrity and to take adapted prevention and detection measures.

Collective action

Now would also seem to be a very good time to bring the public and private sectors together on these issues. In particular, this could involve aspects such as: greater integration and participation by the companies in drawing up, implementing and assessing public policies affecting the sector in question; setting up public-private partnerships; precisely identifying the players; greater clarity in their roles; and better access to information all round.

As part of the project *'Strengthening the integrity of business in Morocco'*, some members of the CGEM's Ethics Committee and representatives of companies operating in the energy sector, have met on several occasions to engage in a dialogue aimed at addressing the relevance of developing suitable mechanisms for preventing corruption, including collective action. Some limited coordination is undoubtedly an appropriate first step towards building confidence and bringing about a concrete result. Ultimately this could lead to an expanded process with benefits for players in the sector.

Another important step would be to foster relations between the public and private sectors with a view to enabling a better appreciation of the risks of corruption and to formulate adequate solutions. Indeed, preventative measures are more likely to be successful if they are undertaken in a regulatory context that is both clear and dissuasive, and in a framework of regular and transparent institutional dialogue.

SECTION II: THE TRANSPORT SECTOR

The transportation of people and goods, whether overland (by road or rail), by air or by sea, has undergone profound changes and benefited from considerable investment in Morocco, especially in the building and rehabilitation of infrastructure. The development of this highly capital-intensive sector, characterised by the longevity of the projects and the existence of economies of scale that favour 'natural' monopolies, is a powerful lever for growth and development since it enables jobs to be created, makes regions more accessible, reduces traffic congestion and stimulates flows of people and goods. Weakened by the rapid rise in energy costs are the increasing scarcity of funding, the transport sector must rise to a number of challenges, starting with its environmental impact and the role of sustainable transport in an economic model based on mobility. Its role must also be affirmed and its share in the Moroccan GDP must increase, in light of the work already underway or at the planning stage.

2.1 Transport sector: Status

The transport sector represents 6% of GDP and employed 5% of the country's population in 2015³¹, i.e. some 500,000 people and 10% of the active urban population³². It is characterised by considerable diversity in terms of activities and players, with a significant proportion of casual players, especially with regard to road transport.

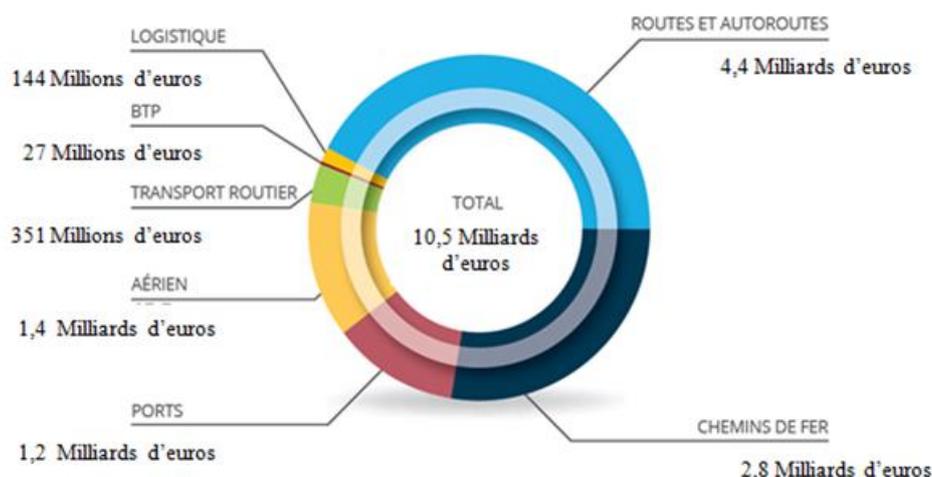
The expansion and strengthening of its transport infrastructure is a major focus of development in Morocco, which has invested massively in the sector over last decade. Among the leading projects carried out in recent years are the construction and expansion of the 'Tanger Med' port, the development of the motorway network, the upgrading of the road network and the implementation of Africa's first high-speed railway line. Thanks to this policy of carrying out major works, the country is well-positioned in the regional rankings and is the second-placed African country in terms of infrastructure in the report on global competitiveness.³³

31 Moroccan Ministry of Economy and Finance – Department of Economic Studies and Financial Forecast – 2015 Sectoral Dashboard.

32 Source of the set of figures cited for the period 2012-2016: 'Ministry of Equipment, Transport and Logistics in Figures 2012-2016'.

33 World Economic Forum, 2017-2018

Figure 6: Investment distribution by sector



Road transport

Road transport is of national strategic interest (but less so on a transnational level due to the closure of land borders with Algeria since 1994). It represents 6% of GDP and provides 90% of passenger travel. Nearly 75% of goods (excluding phosphates) are transported by road. This mode of transport accounts for 35% of the national energy consumption and employs nearly 200,000 people.³⁴ Public investment in the road sector has increased from €1.82 billion over the 2008-2011 period to €3 billion between 2012 and 2016, recording an average annual rate of investment growth of over 30%. However, the presence of informal actors continues to be significant. The latter represent around 40% of operators, for the road sector alone.³⁵ Compared with the "big" players, able to submit tenders and participate in major infrastructure projects due to their size, 95% of road transport companies are still very small to medium-sized enterprises (VSE-SMEs), and 90% are individual companies.

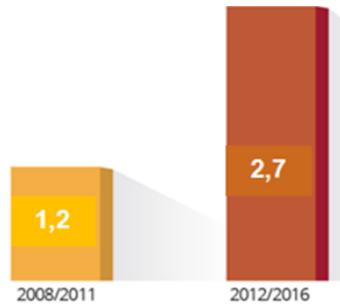
Rail transport

Morocco's railway ranks in first place in Africa, with a network of nearly 2000 km. The volume of goods transported (excluding phosphates) during the 2012-2016 period reached 53.9 million tonnes, making the Office National des Chemins de Fer (ONCF, the national rail operator) the most important goods transporter in the Kingdom. The transportation of goods and minerals thereby provides the ONCF with 60% of its revenue. The investment budget allocated to the rail sector, which was €1.2 billion for the 2008-2011 period, more than doubled between 2012 and 2016 to stand at €2.77 billion.

34 Major projects and reforms 2012-2016: Report of METL activities

35 Source: Ministry of Economics and Finance, 2013.

Figure 7: Investment in billions of Euros



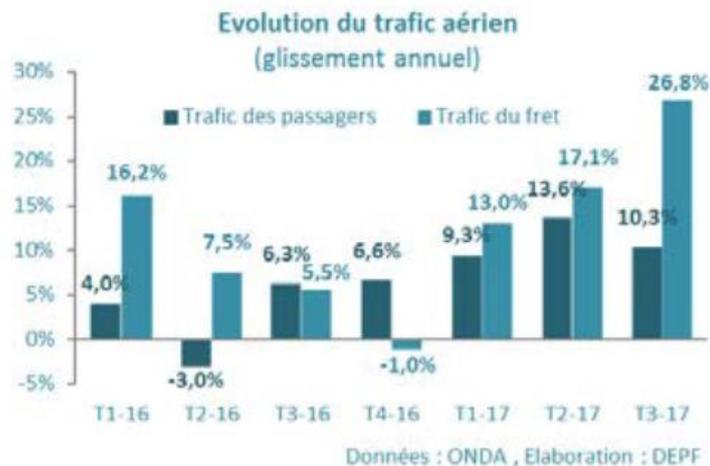
Maritime transport

With two coastlines, the Mediterranean and the Atlantic, spanning 3500 km, Morocco is also reliant upon the development of maritime freight to facilitate international trade exchanges. In tonnage, 98% of such exchanges were carried out via the 34 ports operating in 2017³⁶. Morocco has several ports that are leaders in their respective speciality areas in Africa (transshipment of containers and port hub at Tanger Med, phosphate port of Jorf Lasfar, sardine port of Laayoune). The multi-purpose port of Casablanca remains the largest in the country, regularly handling traffic of between 24 and 26 million tonnes a year, or close to 33-35% of the national port traffic, which in 2017 stood at 79.3 million tonnes.³⁷

Air transport

The air freight and air transport sectors continue to develop³⁸.

Figure 8: Air traffic development



36 Source: National Ports Office.

37 Idem.

38 Economic Outlook Report, November 2017, Department of Economic Studies and Financial Forecast (DEPF), Ministry of Economy and Finance.

Box 3:

The "Tanger Med" project

Tanger Med, located 22 kilometres to the east of the city of Tangier, opened its doors to traffic in 2007, after 3 years of construction and an investment of €5 billion. Its purpose was to improve Morocco's capacity to receive containers, since their transportation represents an increasingly central challenge in global goods traffic. The port quickly exceeded its expected growth, despite the economic and financial crisis that emerged in 2008-2009, and the slowing growth it caused across Europe, where the country's main partners are found.

In 2009, while its activity exceeded the targets set for it by 30%, work was launched to extend the site and construct Tanger Med II, thereby increasing the handling capacity of the whole facility to 8 million Twenty-Foot Equivalent Units (TEU). The port complex also contains an industrial zone, including the Chrafate free zone; this specialises in automotive construction and is home to the Renault factory, among others. In addition to its decisive role in boosting the economy of northern Morocco, the port is also a significant asset in terms of competitiveness and connectivity for the country as a whole.

According to the United Nations Conference on Trade and Development (UNCTAD), in 2014 Morocco ranked 16th in the world in terms of maritime connectivity, while it ranked just 84th prior to the commissioning of Tanger Med. This means that it now finds itself head-to-head with countries such as the United Arab Emirates (15th), Italy (14th), Spain (13th) and France (12th), which attests to the suitability of choices made and projects undertaken.

The activities of Morocco's main private port operators have recently been developed at Tanger Med: DP World, CMA-CGM, Maersk or Hanjin are responsible for terminal management, with the aim of providing the port's users with services that comply with international standards.

Source: Tanger Med Port Authority, UNCTAD (<http://unctad.org/fr/Pages/Home.aspx>)

2.2 Transport sector: Sector development strategy

Within the framework of the National Investment Plan for the development of transport infrastructure for the 2008-2012 period, a budget of €10.2 billion was allocated to this sector, of which around €2.6 billion were allocated to motorway development, €1.7 billion to the rail network and bus terminals, €1.7 billion to the Train à Grande Vitesse (TGV, or High-Speed Train) and €1.5 billion to the construction and development of Tanger Med II.

The 2012-2016 Strategy of the Ministry of Equipment, Transport and Logistics (METL) continued the policy of developing transport infrastructure with a budget of €2.7 billion, with 88% of the programme contract completed by the end of 2016.

Developments in the road and motorway transport sector

Like many sectors of the Moroccan economy, the road transport sector is subject to a liberalisation policy which aims to encourage investment, while its ageing fleet becomes less and less competitive. An initial road transport reform was introduced in 2003, with the objective of adapting the sector to international standards and bringing major actors to the fore. This resulted in the end of the freight monopoly previously held by the National Transport Office (ONT, or Office National des Transports), the liberalisation of goods transport tariffs, the introduction of standard contracts, and the integration of part of the informal sector into the organised sector. In 2010, in the absence of convincing results, a new consultation plan was launched with professionals from the sector.

The densification and improvement of the road network, as well as the priority given to motorway construction, are necessary steps in the effort to enhance the integration of Moroccan regions and improve the flow of intra-national exchanges. In May 2015, the METL announced an extensive motorway construction programme, for an estimated total investment of €2.5 to 3.4 billion. This should result in 1000km of new motorway, the undertaking of which began in 2016. Among the sections planned are the Agadir-Guelmim motorway (200 km), the Safi-Marrakech-Beni Mellal motorway, featuring an eastern bypass, as well as the improvement of the Rabat-Casablanca route to reduce its congestion.

Developments in the rail sector

The National Railway Office (Office national des chemins de fer, or ONCF) has undertaken a modernisation programme that is based on expanding the network, the size of which multiplied by five in 2004, from 370 km to 1907 km, and on upgrading it between 2005 and 2009. For the 2010-2015 period, an allocation of €2.8 billion was ring-fenced for the network's development, more than two thirds of which was spent on completing the High Speed Rail Line, which should link Tangier to Kenitra (at a speed of 320km/hour) and in turn shorten the journey between Tangier and Casablanca, 350 km away, from the current 4 hours 45 minutes to 2 hours 10 minutes.

At the end of 2013, the ONCF operated a total of 3657 km of railway line, including 2238 km electrified lines. The 3657 km of lines are all still operating, and are managed by the ONCF as the single maintenance operator, including individual branches towards its mining, cement works, steelworks and industrial clients, etc. This network of railway is made up as follows:

- 3657 km total railway running, all on UIC gauge;
- 2921 km of main traffic lines
- 736 km of individual and connection branches to ports and logistics zones
- 2110 km of main network used for passenger and freight transport

- 1965 km of Continuous Welded Rail [CWR](#) lines (93% of the network)
- 1300 km of electrified lines (60% of the network);
- 640 km of double-track lines (30% of the network).

Box 4

The High-Speed Rail Line (LGV) project

The first high-speed train (TGV) to be developed in Morocco and on the African continent was due to be initially commissioned between 2015 and 2016 but its delay, caused primarily by procedures for expropriating land located along the route, should mean it is inaugurated in 2018.

By 2035, the country hopes to boast an LGV network spanning 1500 km, divided into two high-speed rail lines:

- an Atlantic line travelling from Tangier to Agadir, via Rabat, Casablanca, Marrakech and Agadir
- a Maghreb line, passing through Meknes, Fes and Oujda, which is expected to be extended as far as Tripoli via Algiers and Tunis.

The TGV should enable Morocco to enhance its North to South links, to find its place within a better-connected Maghreb, to facilitate and improve passenger transport, the capacity of which is expected to exceed 133 million people by 2035, after the completion of the LGVs, compared with 52 million without, according to ONCF estimates. The TGV should also allow a significant reduction in the travel time between Casablanca, the country's main industrial city and largest conurbation, and other major Moroccan cities.

By 2035, the journey between the Kingdom's largest city and Oujda is expected to be 3 hours, while Tangier should take 1 hour 30 minutes, Marrakech 1 hour, Agadir 2 hours 30 and Fes 1 hour 30.

The budget reserved for this project is €2 billion. At the end of 2016, the HSRL project had achieved a progress rate of 80% (*Source METL - in figures, 2012-2016*).

Source: ONCF (www.oncf.ma)

Developments in the port sector

Liberalisation has also extended to the port sector with the maritime transport reform introduced in 2006, which: i) clarified the roles and responsibilities of stakeholders; ii) recognised

the operator's unique capacity for ship loading and unloading operations; and iii) established competition between ports and within them.

The National Port Strategy (SPN) for between now and 2030 was launched by the METL in December 2012. This strategy aims to build the country's capacity to compete in the global economy. The SPN defines 6 port regions: Eastern, North West, the Kenitra-Casablanca area, the Abda-Doukkala hub, the Souss-Tensift hub and the South. Using the concept of port regions allows port development to be restricted to one geographic area, and fits perfectly within the framework of advanced regionalisation, which aims to generate integrated and sustainable development that promotes the emergence of new economic regions. In 2012, nearly €283.1 million were allocated to extending the port at Jorf Lasfar, €164 million to developing Casablanca's port (new container terminal, restructuring of land access to the port), and €1 billion will be spent on setting up an industrial free zone and a transshipment port by 2019. Nador West Med will be dedicated to the energy sector with a capacity of 3 million Twenty-Foot Equivalent Units (TEUs). Among the other new ports are those of Kenitra Atlantique, the port of Safi Grands Vrac, and the port of Dakhla Atlantique.

Developments in the air transport sector

Due to its geostrategic position, Morocco forms a crossroads between Europe and Africa, making Casablanca an essential hub between the two continents. The sector has seen rapid development thanks to its liberalisation since 2004, the signing of an Open Sky agreement with the European Union in December 2006, followed by the finalisation of new agreements with Arabic, Asian and African countries. This has resulted in a significant increase in air traffic and the densification of the air network served by Moroccan aviation. Air travel between Casablanca and Europe and Western Africa is rated second behind Paris.

The air transport development strategy, known as Ajwaa, has a cost of €8.2 billion and is the road map for developing the air sector between now and 2035. This strategy is made up of four key areas: increasing traffic, upgrading infrastructure, developing resources and improving governance. Within this strategy, the plan is to increase airport capacity to 90 million passengers by 2035, and to increase the Royal Air Maroc fleet by acquiring 103 new aircraft.

In 2016, Moroccan airports welcomed over 18 million passengers, representing an increase of 3.58% compared with 2015³⁹. Passengers taking international flights represented 89.48%, and domestic passengers 10.52%. With 16,319,316 overseas passengers, international traffic recorded an increase of 3% compared with 2015.

With regards to air freight, the volume increased from 52,000 tonnes in 2012 to 64,000 tonnes in 2015. The development of air and airport infrastructure, meanwhile, requires an investment of €423.4 million for the 2012-2016 period. Casablanca Airport handles 90% of the country's air freight volume.

39 2017 Annual Report from the National Office of Moroccan Airports.

2.3 Transport sector: Risks of corruption

The transport infrastructure is characterised by the existence of "natural" monopolies due to significant fixed costs, which leads to high barriers to entering and profiting from the market. Indeed, the construction of road and rail networks, as well as ports, requires the provision of substantial capital, generally from governments.

It is also a regulated sector where public intervention plays a central role. In fact, in addition to the social equity considerations which fall to the State in providing citizens with optimal access to infrastructure, particularly in rural or isolated regions, public authorities are also responsible for correcting market imperfections (dominant positions, in particular).

This high level of government intervention, and the magnitude and complexity of these projects, combine to create a high risk of funds being misappropriated, as well as the potential for corruption risks to multiply throughout projects, regardless of the mode of transport in question. The impact of these risks, particularly on productivity, is all the greater since the amounts at stake are high and include a significant share of public aid. This may lead to competition distortion, the main effects of which include increased barriers to entry and reduced sector productivity.

An OECD study on sector corruption identified the following hypothetical corruption risks at each stage of a project's life cycle (OECD, 2015):

- *Infrastructure financing*: public investment support may give rise to lack of transparency in arrangements;
- *Planning, regulation and privatisation*: privatisation is a process that is particularly exposed to political interference, and therefore corruption risks, especially since the sale of assets does not necessarily do away with monopoly. This leads to the formation of "national champions", strongly subsidised by means of these sales;
- *Transfer and awarding of public contracts*: as mentioned above, special attention should be paid to public contracts, and this fully applies to the transport sector, beforehand while needs are defined, during the tendering phase, but also afterwards by ensuring effective monitoring of achievements, as it is often at this level that fraud risks are the most prevalent. Generally-speaking, there is a risk of artificial price "inflation" and of sharing of the resulting "capital gains", particularly in the case of agreements and collusion between bidding companies.

Project identification and evaluation phases are particularly crucial for preventing the risk of corruption. It is therefore necessary to define a strict framework for identifying, monitoring, evaluating and hierarchising public projects.

The multiplication of large-scale projects requires increased vigilance, insofar as the considerable amounts at stake may consequently induce particularly significant cases of corruption. The examples taken from other countries show that these risks exist⁴⁰;

- *Service provision*: the fragmentation of the sector and the presence of many small actors, including some in the informal sector, makes them vulnerable to "small-scale corruption" (for example, by traffic officers). The provision of road transport services, particularly "informal" services, thus gives rise to "facilitation payments", i.e. the payment of small bribes to officials in order to obtain a service that the requesting party may legally claim (such as bribes aiming to "facilitate" connection to the road or highway network).

The risks outlined above largely match those observed by the study conducted by the ICPC in 2011⁴¹ on the phenomenon of corruption in the road transport sector. Indeed, as highlighted previously, due to its strategic character, this sector attracts huge investments which call for close vigilance in terms of their related public contracts.

It remains difficult for companies in the transport sector to assess the risk of corruption, due largely to the fragmentation that characterises it, and the absence of data (figures, in particular) enabling the risk to be accurately mapped. This clearly appears in what concerns road transport, including the multitude of small actors and the strong presence of the informal sector, which disrupts organisation and makes it difficult to view this segment clearly.

2.4 Transport sector: Action points for the future

A certain awareness exists within the Transport Federation (affiliated to the CGEM) of the harmful effects of corruption on smooth business operations. For example, it embarked upon a project with the Customs and Excise Administration to digitalise procedures for issuing temporary authorisations for importing and exporting commercial vehicles. However, no succinct or in-depth study has been conducted in Morocco regarding the risks of corruption in the different areas of the transport sector. Yet, it would certainly be very pertinent to conduct an in-depth study in order to understand the different corruption risks to which different actors may be exposed. This kind of study could strive to examine the different stages of public procurement, but should also look at other aspects that may result in the misappropriation of funds. Attention could also be paid to matters of interactions with international networks and structures. Thus, companies operating in the sector could work with the administration to adopt adequate measures within an integrity strategy.

Collective action

40 In 2010, the European Commission fined 11 airline companies for a total of €800 million. The main charge was the fixing of cargo freight prices between 1999 and 2006; • British Airways was fined €104 million, Air France-KLM €340 million and Cargolux Airlines €79.9 million.

41 Study on the phenomenon of corruption in the road transport sector and other stakeholders: Evaluation and Diagnostic, Summary Report, ICPC 2011.

It also seems very expedient to bring together and encourage cooperation between the public and private sectors on these issues of anti-corruption and integrity, to support growth and productivity gains. In particular, this action may involve enhanced integration and participation of companies in the development, implementation and evaluation of public policies relating to the sector in question, the establishment of public/private partnerships, the accurate identification of actors, a better clarification of their roles and improved access to information on both sides. As part of the "Renforcer l'intégrité des affaires au Maroc" (Strengthening business integrity in Morocco) project, certain members of the CGEM's Ethics Committee and company representatives from the transport sector came together several times to discuss the relevance of developing appropriate anti-corruption mechanisms, including through collective action.

In order to strengthen the impact of this action on business integrity in the transport sector, the Federation should lead communication and awareness-raising activities, not only aimed at its members but also at other operators in the field, in order to secure their commitment and to thereby incorporate their action into a holistic, preliminary approach to effectively combating corruption. The Federation could play the role of instigator to encourage companies to consider the ethical dimension of their internal governance and to forge a connection of trust between them in order to embark upon common anti-corruption activities.

However, to support this kind of approach, it seems necessary to create synergies between the public and private sectors. It could, for instance, involve enhanced integration of companies in the development, implementation and evaluation of public policy relating to the sector in question, the establishment of public/private partnerships, the accurate identification of actors, a better clarification of their roles and improved access to information, as is necessary and encouraged in other key sectors of the Moroccan economy.

SECTION III: THE HEALTH SECTOR

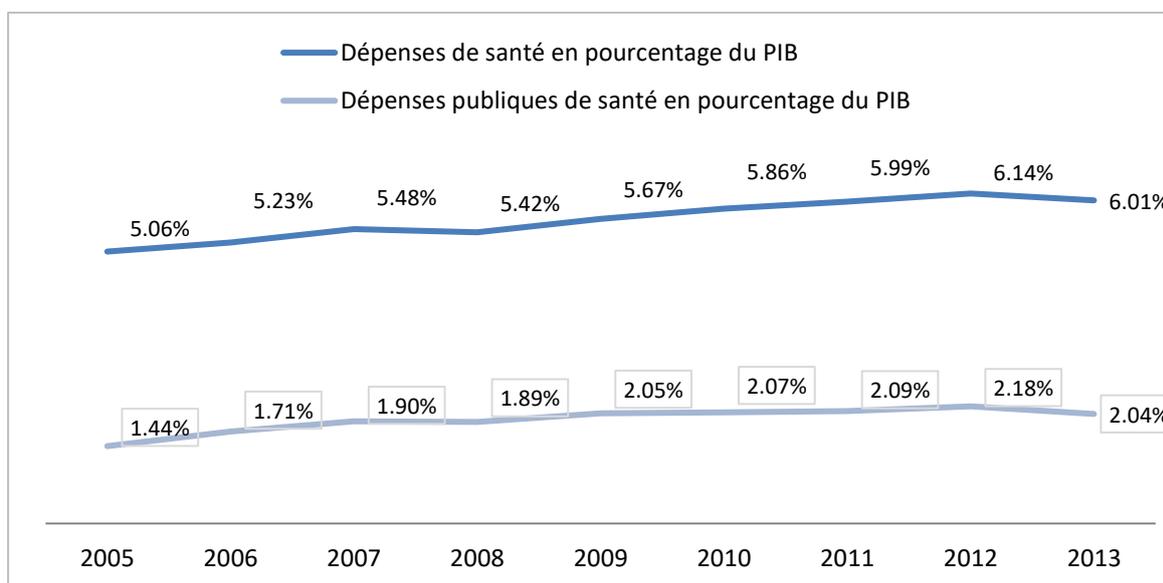
The health sector encompasses the activities of public hospitals, free clinics, hospices and dispensaries, but also clinics, medical testing laboratories and medical practices operating in the private sector, those of dispensing pharmacies, drug wholesalers, pharmaceutical companies and even those of public and private insurers, organisations and foundations operating within the sector. Health is one of the sectors with the most significant long-term impact on the country's economic performance. The rapid extension of medical coverage in Morocco and the progressive opening-up to the private sector makes it a particularly sensitive sector.

3.1 Health sector: Status

The Ministry of Health budget for 2017 is €1.3 billion, marking a very slight 0.1% increase over 2016. It represents 5.69% of the State's general budget. Over half of this budget, or 54%, is allocated to personnel expenditure.

Morocco's total health expenditure represented 6.01% of GDP in 2013, or around €5.5 billion, and public health expenditure accounted for 2.04% of GDP, or a total of around €1.9 billion (WHO, 2013).

Figure 9: Changes in total and public health expenditure (%GDP)



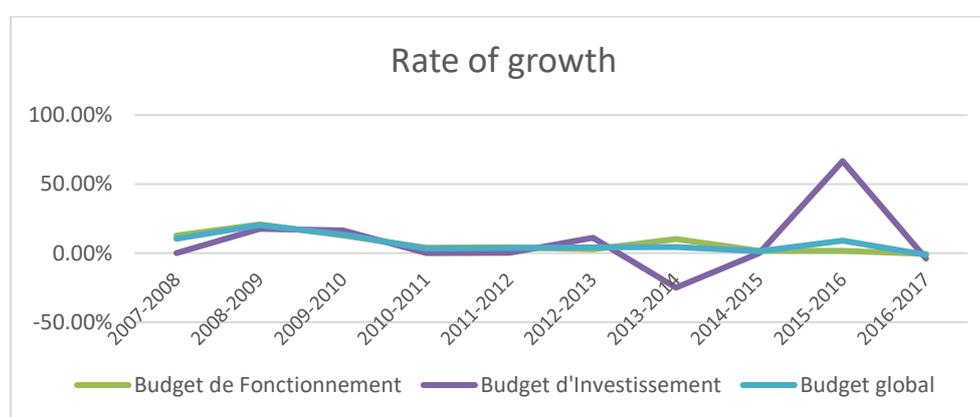
Source: World Bank

Table 4: Changes in Total Budget (TB) for Health within the State Budget

Name	2011	2012	2013	2014	2015	2016	2017
Share of TB for Health within the State Budget	4.3	4.81	4.8	5.2	5.3	5.69	5.69

Source: Health in figures available on the Ministry of Health (MoH) website

Figure 10: Annual changes to the Ministry of Health budget 2007-2017



Source: Health in figures and DPRF

While progress was made in terms of reducing morbidity and mortality (reduction of maternal mortality from 112 for every 100,000 live births in 2012 to 72.6 in 2016, a 35% reduction), the health context in Morocco remains marked by structural weaknesses, with inadequate health coverage, significant medical under-equipment and an acute shortage of human resources. Among the main constraints identified for this sector are:

- A growing demographic of 33,848,242, according to the 2014 census
- An epidemiological situation marked by communicable diseases with a high fatality rate
- Healthcare concentrated in large conurbations. Access to healthcare is largely inequitable on a national scale: 28% of the country's clinics are located in the Grand Casablanca area, and a quarter of public medical professionals work in the Casablanca and Rabat regions, which are also home to half of all private doctors.

This sector suffers from under-resourced medical and paramedical personnel, chronic underfunding and inadequate organisational administration structures. Public facilities in particular suffer from a lack of equipment and staff. The result of this is that patients have inadequate and unequal access to healthcare, and that the quality of care and efficacy of medical services are unequal.

Box 5

Health at the heart of economic and human development

The importance of the health sector is closely linked to the level of economic development:

- In the Human Development Index (HDI) calculation, life expectancy at birth is considered a key indicator of the availability of healthcare;
- Among the eight Millennium Development Goals (MDGs) adopted in 2000, three are related to the health sector (reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other communicable diseases with high fatality rates).

While Morocco is making efforts to improve living conditions for its citizens and to improve its performance in terms of human development, in 2014 it only ranked 129th in the world for HDI (123rd in 2016), ahead of only Yemen (154th) and Mauritania (161st) in the MENA region. Furthermore, a substantial improvement in health services delivered would see an improvement in these indicators and, in turn, the development level of these countries, not to mention the positive effect it would have on Morocco's growth and economic performance.

Source: Human Development Report 2015, UNDP <http://hdr.undp.org/fr/data>

The growing role of the private sector

The private sector is assuming an increasingly important role, primarily through the pharmaceutical industry and private clinics, in favour of which the Moroccan authorities intend to encourage and diversify investment sources.

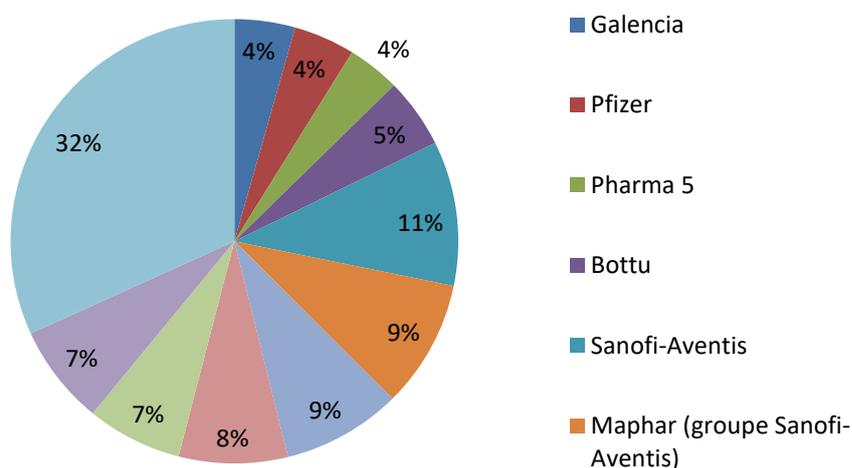
The Moroccan pharmaceutical industry is among the most developed in Africa, in second position behind South Africa. The revenue of the private pharmaceutical market rose in 2016 to €810.8 million, a growth of 26% since 2007. The sector represents 1% of Morocco's GDP and employs nearly 40,000 people (7500 direct jobs and 32,500 indirect). 46 pharmaceutical laboratories are currently located in Morocco, compared with 40 in 2014.⁴² Most of these operators are made up of the subsidiaries and laboratories of large foreign groups that have set up in Morocco: Pfizer (USA), Sanofi-Aventis (France) and Roche (Switzerland). Certain local laboratories also assume a position among the market leaders (Cooper Pharma, Sothema and Laprophan, etc.), as shown by the graph below.

42 AMIP Key figures 2016.

In addition, with a national production of 425 million units in 2016, the Moroccan pharmaceutical industry satisfies 65% of the internal demand for medicines, while 35% continues to be imported. 60 wholesale distributors guarantee 80% of the supply for the 11,000 existing pharmacies. These results are the outcome of a long process of development policies, initiated by the enactment of a Dahir (Moroccan Royal Decree) in 1960, aiming to encourage the local manufacture of medicines and regulating the conditions of manufacture, import and distribution. This was followed by a memorandum in 1996 from the Ministry of Health, announcing that all medicines marketed in the country must be manufactured there. It is worth noting that the manufacture of medicines in Morocco complies with international quality standards.

The table below outlines the market shares of the main actors in the pharmaceutical sector in 2009, and illustrates the strong presence of overseas actors, but also the importance of a certain number of national companies, sometimes associated with international groups.

Figure 11: Market shares in the pharmaceutical industry



Source: Study on the competitiveness of the pharmaceutical industry sector (SIS Consultants), 2009

Table 5: Changes in revenue of the private pharmaceutical market in Morocco:

Year	Revenue (in €million)
2005	441.4
2006	477.4
2007	549.5
2008	630.6
2009	702.7
2010	711.7
2011	747.7
2012	702.7
2013	801.8
2014	702.7
2016	810.8

Source: Study on the competitiveness of the pharmaceutical industry sector (SIS Consultants), 2009 / AMIP

The growing role of the private sector also relates to the opening-up of the capital from private clinics to non-professional investors from the medical sector, pursuant to Law no. 131-13 of 19 February 2015 relating to the practice of medicine. The main aim of this measure is to attract more capital into the sector, while the State struggles to commit necessary funds and to modernise the required equipment and infrastructure. However, this new initiative carries certain risks, in terms of equal access to care between regions and quality of care offered to citizens. Since Law no. 131-13 came into force, the Ministry of Health has received 40 requests to create private clinics. Nearly all of these requests come from individuals (physicians) or from private professional companies (groups of physicians).

3.2 Health sector: Sector development strategy

The "right to health" was enshrined in the Constitution in 2011. Article 31 of the new Moroccan Constitution states that:

"The State, public institutions and local and regional authorities work for the mobilisation of all means available to facilitate the equal access of citizens to conditions that permit their enjoyment of the right: to healthcare; to social protection, to medical coverage and to mutual social welfare or that organised by the State (...)".

Among other outcomes, this gave rise to the extension of medical coverage. Several medical coverage schemes exist in Morocco:

- Mandatory Medical Insurance (AMO, or Assurance Maladie Obligatoire), which came into force in 2005, and is intended for people on a high income
- The Medical Assistance Scheme (RAMED, or Régime d'Assistance Médicale), for the poor and vulnerable population. The RAMED was launched in January 2011⁴³
- Medical Insurance for the Self-Employed (AMI, or Assurance Maladie des Indépendants): Law no. 98-15 of 13 June 2017 (11 million beneficiaries, or 30% of the population, and a basic medical coverage rate of 95%)
- Student Medical Insurance (Assurance Maladie des Étudiants) (2015-2016) covers 288,000 students
- Ascendant Medical Insurance (Assurance Maladie des Ascendants): Bill n 63-16 adopted by Parliament in July 2016;
- Partnership and cooperation framework convention of 26 October 2015, designed to provide immigrants and refugees residing legally in Morocco with basic medical coverage and healthcare, similar to that dispensed under RAMED.

3.3 Health sector: Corruption risks

According to a study by the OECD on the consequences of corruption across all sectors (OECD, 2015), the health sector is seen to be particularly exposed to the risk of corruption due to the following factors:

- i) The asymmetry of information between suppliers, providers and patients
- ii) The relatively inflexible demand in health care and products; and

43 Joint Decision no°5911 <https://www.ramed.ma/SInformer/DocTelecharger/BOArreteGeneralisation-AR.pdf> of 24 January 2011 relating to the launch of RAMED.

iii) The complexity of health systems, with the involvement of many public and private actors.

The broad scope of financial flows also makes the medicines market extremely vulnerable to corruption⁴⁴. Therefore, while the procurement of pharmaceutical products can represent up to 50% of health expenditure in developing countries, fraud and corruption can result in the disappearance of almost 25% of medicines purchased (WHO, 2009). Due to their high market value, these products are vulnerable to theft, corruption, informal distribution, contraband and unethical practices: this relates to fraudulent preparations as well as medicines the marketing of which is improperly authorised.

Among the corruption risks in the health sector, the following categories have been identified (European Commission, 2013):

- Corruption in the provision of medical services (including in the form of informal payments)
- Corruption in the procurement of medicines and medical materials (public contracts, informal distribution, exploiting tax exemption de facto in the southern provinces)
- The existence of improper agreements (generally between industrial actors and practitioners)
- Abuse of authority (such as the inappropriate use of high-level positions)
- The formulation of undue reimbursement requests (such as insurance fraud)
- Fraud and misappropriation of medicines and medical devices.

These categories are in line with the main examples of corruption in Morocco, as shown in the sector survey conducted by the Central Office for Prevention of Corruption (ICPC, 2011), as follows:

44 Source: WHO (2009), *Medicines: corruption in the pharmaceutical sector*, Aide-mémoire no 335, December 2009.

Table 6: Examples of corruption in the health sector - ICPC

Type	Definition
Undue remuneration and bribery	Payment for a treatment, service or benefit that is free-of-charge or to which a person is entitled (welcome and orientation, food and hygiene, change of bedsheets, etc.), which may occur on the patient's initiative or that of or his/her companion, or following an act of extortion carried out by the healthcare worker.
Favouritism (or nepotism)	Various types of favours granted by healthcare professionals, directly or indirectly, via an intermediary or an influential person (central administration, local authorities, elected officials, etc.). The favours granted also relate to services rendered as part of the care offer (welcome, favour handling, admission, etc.), as well as to cross-sector management modes (allocation of healthcare staff, transfer, public contracts).
Gratuity (or gifts)	Payment initiated by the patient voluntarily and not requested by the healthcare worker, in order to receive privileges compared with other patients (seeking quality/favour handling or simply to offer a post-treatment gratuity).
Improper medical treatment	When the patient receives unnecessary treatment/services/benefits. Improper treatment is often a pretext to justify over-charging for services, particularly in the private sector.
Over-charging for services offered	When patients pay more for a service than they should pay (for blood bags, maternity kit, etc.) or in the context of improper treatment (fraudulent charging for fictitious care, charging for services or care not delivered, such as blood transfusions, injections).
Payment for non-compliant/illicit services	When patients pay to receive a service to which they are not entitled (medical certificate, abortion operation, medical fitness certificate, etc.). Misappropriation of public funds or goods such as their use for private purposes (misappropriation of public contracts for the procurement of equipment, medicines, medicine authorisation).
Monopolising of time, equipment and premises for private purposes	Being able to be connected with the misuse of corporate assets; this type of act is demonstrated when there is a use of time, equipment and public premises for private purposes, through: <ul style="list-style-type: none"> ▪ Illegal practice by physicians and public healthcare professionals of activities in private clinics and laboratories without authorisation or to the detriment of public institutions, resulting in absences and delays ▪ The use in public institutions (radiology centre, laboratories, etc.) of equipment, material and consumables for the gain of private biological testing or radiology laboratories ▪ The sale of medicines by the pharmacies of public institutions to private dispensing pharmacies.

Source: ICPC (2011), Study on the phenomenon of corruption in the health sector: Evaluation and Diagnostic, Mazars.

Certain acts of corruption are believed to be more prevalent in public hospitals (illegal public contracts⁴⁵, overcharging for medical services and products, missing medicines) due to the length of patient care pathways and the diversity of parties involved in hospital management procedures (ICPC, 2011).

With regards to private clinics, corruption is predominantly demonstrated through the practices of overcharging for services, improper or unnecessary treatments, as well as charging for fictitious treatments. Other practices resulting from interactions with the public sector relate to "agreements" between public and private healthcare professionals for referring patients to private clinics and laboratories, public physicians taking on private work or even the misappropriation of public assets (premises, time, equipment, reagents) for private purposes.

In terms of pharmaceutical companies, their exposure to the risk of corruption and fraud is latent due to their close relationship with health authorities and civil servants. This risk is prevalent from the request for a product or device's marketing authorisation, its processing by the medical insurance system, its sale to hospitals within the framework of public contracts, and its monitoring via pharmacovigilance or materiovigilance⁴⁶.

3.4 Health sector: Action points for the future

Understanding the risks and harmful effects of corruption in the health sector remains fragmented. It is worth noting that the health sector development strategy introduced for the 2012-2016 period included an "introduction of ethics" section which contained a set of measures for preventing and combating corruption within healthcare facilities. These measures included the launch of a "freephone" number to report acts of corruption. Furthermore, within the framework of the SNLCC, the Ministry of Health is among the ministries involved in the priority action plan. The focus is on a set of actions to facilitate access to care and to promote transparency in the sector.

The assessment of the corruption risk by actors in the private healthcare sector, meanwhile, continues to vary. While the Moroccan subsidiaries of large international pharmaceutical groups generally have codes of ethics or conduct due to the compliance obligations placed on their parent companies, this is not the rule for all companies acting in the health sector. There are many companies that are not bound by commitments of this sort. Moreover, in the rare cases in which these charters do exist, they often mention ethics, integrity and transparency as the company's shared values, without setting out express or explicit measures for combating corruption.

Nevertheless, the initiatives that do exist are to be recognised and would do well to be encouraged; they may be considered a prelude to a more sustained and targeted commitment. To achieve this, the 2011 study conducted by the ICPC could be extended to address the risks

45 See [//www.marchepublics.ma/pmmp/IMG/pdf/note_52_tgr_relative_aux_modalites_et_conditions_de_dematerialisation.pdf](http://www.marchepublics.ma/pmmp/IMG/pdf/note_52_tgr_relative_aux_modalites_et_conditions_de_dematerialisation.pdf) and also all existing documentation on the public procurement portal <http://www.marchepublics.ma>; electronic submission is another measure that will also take effect from January 2017.

46 According to the WHO, expenditure on health services "is a powerful magnet for corruption. 10 to 25% of public funds allocated to medicine procurement worldwide is lost due to corruption.

identified in the sector at international level, and the reality of actors operating in Morocco in the different areas of the health sector. This type of study could aim to examine the different types of interactions involved, including patient-doctor, doctor-pharmacist, patient-hospital facility, doctor-pharmaceutical company, pharmaceutical company-ministry of health, and hospital facility-ministry of health. The impact of types of health insurance, as well as international trade, must also be taken into account. With regard to the elements identified, adequate measures could be adopted by companies operating in the sector, but also by the administration, and these could form an integrity approach.

Collective action

The role of the Moroccan Pharmaceutical Industry Association (AMIP) as a professional association, also seems crucial for the establishment of a culture of integrity in this important sector. It has taken a first step by participating in the joint initiative between the CGEM and the OECD for put in place collective actions to combat corruption. These actions have the merit of improving different operators' knowledge of each other, and of inspiring trust between them. The companies involved in this initiative have opted to establish a code of ethics applicable to the sector as a whole. However, in order to produce the desired effects, once finalised this draft code of ethics should be accompanied by awareness-raising actions aimed at all actors within the sector, with a view to obtaining their compliance. They will also need to be encouraged to have compliance structures in place that enable the implementation of this code to be monitored, and it to be assimilated by all personnel within each company.

As for the energy and transport sectors, individual or collective actions undertaken by companies in the health sector are at risk of remaining piecemeal if they are not supported by the government. In this regard, greater mobilisation around the SNLCC could provide the opportunity to create spaces for increasing the dialogue between the public and private sectors. Indeed, it seems very expedient to bring together and encourage cooperation between the public and private sectors on these issues of anti-corruption. In particular, this action may involve a structured and improved dialogue with companies on the development, implementation and evaluation of public policies relating to the sector in question, the establishment of public/private partnerships, the accurate identification of actors, a better clarification of their roles and improved access to information on both sides. This inclusive approach is dictated by the very nature of corruption, which spans the border between public and private.

CONCLUSION

Corruption and poor governance are the main obstacles to sustainable economic development in Morocco. In order to effectively combat corruption, prevention is essential. Yet, to ensure effective and commensurate prevention, public authorities, business associations or non-governmental organisations, as well as companies, each have an important and individual role to play, and must act together.

Morocco is equipped with significant tools with which to fight corruption, through the adoption of the SNLCC, the introduction of the National Anti-Corruption Commission (CNAC) chaired by the Head of Government, and of the SNLCC Monitoring Committee, as well as the signing of programme conventions between different parties, including the CGEM and civil society. In this context, the implementation, development and long-term success of public-private dialogue is likely to contribute to the development of a business climate that is conducive to improving Morocco's drawing power, thereby supporting investment and job creation. Public-private dialogue is also essential to the targeted and effective support for integrity measures and actions by all economic sectors, in particular within the energy, transportation and health sectors.

Although prevention tools have been developed, primarily in the past, and while some actions have recently emerged under the impetus of the CGEM, including with the support of the OECD as part of the '*Strengthening business integrity in Morocco*' project in sectors as strategic as energy, transportation and health, they are largely inadequate.

However, to effectively combat corruption, particularly with the aim of more effective public and private investments, it is important to broadly implement prevention actions. To do this, actions that are confidential, sporadic or limited to certain sectors or companies should be extended by means of a true partnership between the public and private sectors.

In addition, to move forward in the fight against corruption and to bring about sustainable action, it is essential that the subject of integrity is not left to one single actor or to only those businesses who understand it, but that all stakeholders involved act collectively. To this end, the impetus from public bodies remains a decisive factor, including among sectors with limited or no awareness of ethics and integrity. In particular, it falls to the authorities to put in place a clear and dissuasive legislative framework, compliant with the international standards to which Morocco has adhered, and to ensure that it is implemented. It is also essential that the competent public authorities identify institutions that are dedicated to leading communication and dialogue with the private sector around the theme of anti-corruption. Without this, the effective application of integrity and anti-corruption measures could be compromised, despite the willingness and efforts of Morocco's public and private sectors. The bodies identified may enter into a dialogue around compliance and prevention measures, as promoted within international standards.

Moreover, with regards public procurement, which represents over 16% of GDP, the integrity system cannot be improved without also improving the regulatory and institutional framework in terms of transparency, responsibility and monitoring, but also by improving the awareness and capacity of officials responsible for public procurement. In view of their importance and weight with respect to the domestic economy, this is particularly important for the public procurement system for the three sectors examined. It is in a context of dialogue and regular and transparent openness that national public and private companies – including from the energy, transportation and health sectors – should be encouraged to adopt internal control measures on ethics and compliance with anti-corruption standards. To adopt appropriate prevention measures, a more extensive and in-depth study should be conducted in order to better report on the way sectors work, their complexity and anticipated developments – including through public procurement, and to refine the identification of corruption risks, including future risks relating to technical and technological developments, so as to assist actors in introducing prevention measures.

To raise awareness and to involve all companies in Morocco in the means and tools to fight corruption, all employer organisations should be included in the dialogue, as they will then be able to inform their members. Finally, through a coordinated effort, thought could also be given to better integrating the informal sector into the formal economy and, through this approach, supporting business integrity in general.

Morocco is encouraged to observe the gradual advances in the introduction of the SNLCC and to identify the accomplishments achieved with the framework of different programmes. Any delays in implementation should also be identified and the situation should be reflected upon with the different parties involved, in order to improve implementation. Public communication could allow greater visibility of the progress achieved, resulting in better adherence to the objectives set for society in general.

APPENDIX: OECD LEGAL INSTRUMENTS

The Organisation of Economic Cooperation and Development (OECD) has an arsenal of legal instruments and recommendations for combating corruption in all its forms:

- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1999)
- Recommendation on Public Procurement (2015)
- Integrity Framework for Public Investment (2016)
- OECD Recommendation on Public Integrity (2017)
- Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance (2010)
- [Recommendation on the Principles for Transparency and Integrity of Lobbying \(2010\)](#)
- Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions (2009)
- Recommendation on Tax Measures for Further Combating Bribery of Foreign Public Officials in International Business Transactions (2009)
- Recommendation on Bribery and Officially Supported Export Credits (2006)
- [Guidelines for Managing Conflict of Interest in Public Service \(2003\)](#)
- [Recommendation on Improving Ethical Conduct in the Public Service: Principles for Managing Ethics in the Public Service \(1998\)](#).

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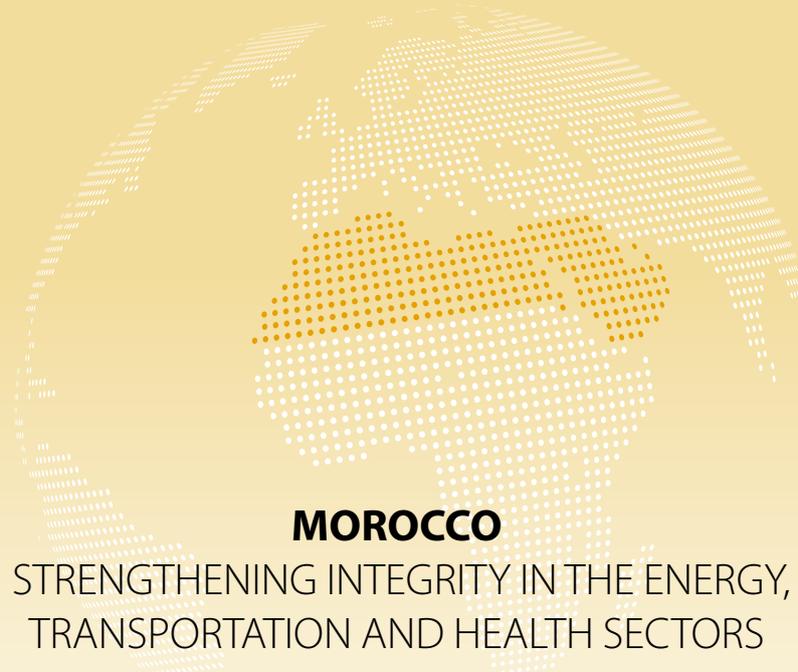
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MOROCCO

STRENGTHENING INTEGRITY IN THE ENERGY, TRANSPORTATION AND HEALTH SECTORS

Energy, transport and health are three strategic sectors for Morocco's economic and social development. These sectors in particular are exposed to the risk of corruption, which this report analyses in the form of a cartography in order to advance the fight against this very damaging problem. After a brief overview of the economic importance of each sector, the report looks at the risks of corruption and reviews the measures taken or envisaged by the private sector (and involving the public sector in certain cases) to better contain these risks. In conclusion, the study proposes some guidelines for reflection and action that could help Morocco better understand, control and prevent acts of corruption in the identified sectors.

This study was developed as part of the implementation of the "Strengthening Business Integrity in Morocco" project that aims to support Morocco in its determination to strengthen business integrity and create a better environment for foreign investment, international trade and economic development.

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