

Curbing the Size of the Public Sector: The “Intilaka” Program of Morocco

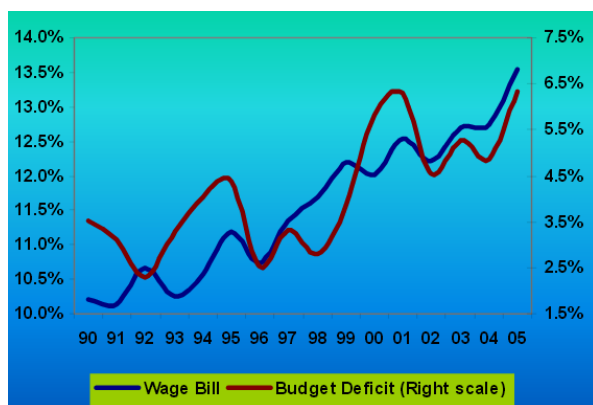
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1. Introduction

The civil service in Morocco suffers from a number of structural and administrative setbacks. It is an excessively centralized system in terms of both budget management and civil service management. At the budget management level, procedures are highly centralized for budget preparation and execution with heavy ex-ante compliance controls, coupled with inefficiencies in the use of public resources. On the other hand, the civil service management system was dominated by a tenure system with little incentives for good performance. Compensation systems were opaque and fragmented, coupled with constraining regulations. Pay size and promotions were linked to seniority and collective bargaining, leading altogether to the development of a rapidly rising and unsustainable wage bill.¹

Figure 1: Rising Wage Bill Resulted in Budget Deficits (in % of GDP)



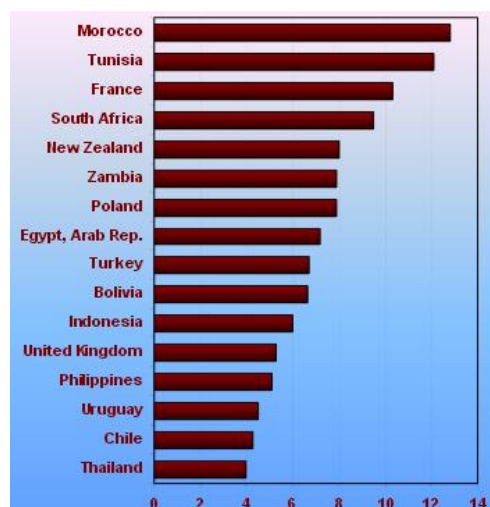
Note: From Massnaoui, “Curbing the Size of the Public Sector”, 13

Under such conditions appeared the centrality of policies such as human resources planning, downsizing, and more particularly, Retirement Voluntary Departure. The state decided to streamline its public sector, to stabilize a mass salary in constant increase and which develops annually from 2.5% to 3% (the cost for the public Treasury is 12.8% of the GDP for 2005). While launching the communication campaign operation, the objective was very clear: investment. The Ministry of the Modernization of Public

¹ Khaled El Massnaoui, “Curbing the Size of the Public Sector: The Case of Voluntary Retirement Program in Morocco” (paper presented at IMF/AMF High Level Seminar on Institutions and Economic Growth in the Arab Countries, Abu Dhabi, United Arab Emirates, December 19-20, 2006), 3. Accessed 28 June 2013.
<http://www.imf.org/external/np/seminars/eng/2006/arabco/pdf/elmass.pdf>

Sectors wants to make it an “opportunity for the civil servants eager to start activities in the private sector and so to take a new departure in their professional life”.²

Figure 2: Weight of Central Government’s Wage Bill to GDP 2004, in %



Note: From Massnaoui, “Curbing the Size of the Public Sector,” 12

One of the entrances to the reform of the administration was therefore the implementation of a voluntary departure program for the civil servants. The choice of the slogan “**Intilaka**” (launch) aims to give a positive image to the operation because it insists on the new departure which is given to the civil servants avid to capitalize their experience and to renew their professional life. Operation Intilaka was implemented in 2005.

2. The Moroccan Public Service: An Overview

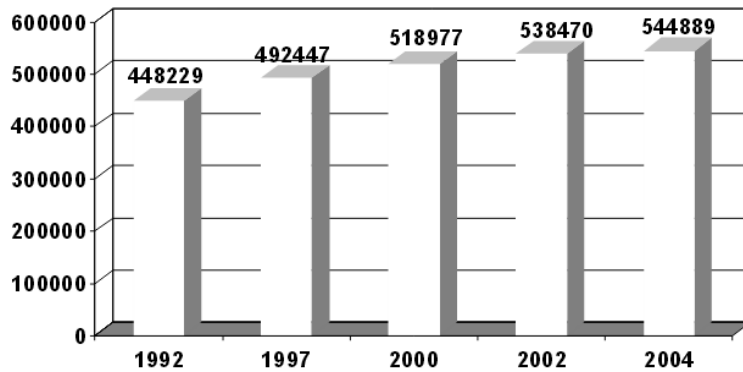
a. Salaries Mass

The number of civil servants in the public sector amounts to 851'000 in 2004. Taking into account the total population of 29'891'708 according to the census of September 2004, this figure seems less important than one could think. Indeed, the ratio of 2.3% in 2004 was much lower than that of several countries such as Algeria (4.2%), Tunisia (3.7%), Turkey (2.6%), or Thailand (2.8%) according to the sources of the World Bank.³

² Khalid Ben Osmane, “The Voluntary Departure Programme of the Moroccan Public Service” (presented at Meeting on Sharing of Best Practices and Innovation in Governance and Public Administration in the Mediterranean Region, Tunis, Tunisia, 15-17 June 2005, 3. Accessed 28 June 2013. <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan030448.pdf>

³ The world Bank, An International Statistical Survey of Governments Employments and Wages * MD/MC * 9.02.99, as quoted in Osmane, “The Voluntary Departure Programme of the Moroccan Public Service,” 5

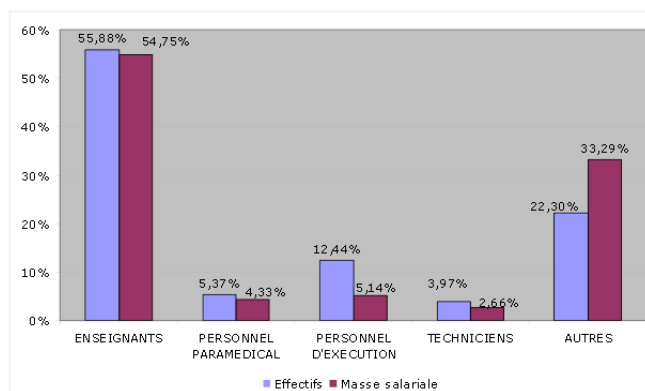
Figure 3: Evolution of the public service working population since 1992



Note: From Osmane, "The Voluntary Departure Programme of the Moroccan Public Service," 6

However, if the Moroccan administration does not seem to be abnormally sized with regard to the other similar countries, the mass salary itself appears very high considering the wealth of the country: 13.6%. The mass salary reached 12.5% of the GDP in 2001, 14% if one takes into account welfare costs, and about 16% when one considers salaries paid to the civil servants of local governments. Compared with similar countries, the mass salary in percentage of the GDP is high in Morocco. The average salary in the public service in Morocco is 4 times the GDP per inhabitant against 3 in Tunisia, 2.8 in Malaysia, 2 in Turkey and 1 in France. The weight of the mass salary results more from the level of the payments rather than the number of civil servants.

Figure 4: Distribution of civil servants by categories



From Osmane, "The Voluntary Departure Programme of the Moroccan Public Service," 8

According to statistics, the State public service (excluding National Education) would include 28% executives and 27% supervisors. A high percentage of the workforce is from 40 to 50 years of age.⁴

⁴ Ben Osmane, "The Voluntary Departure Programme of the Moroccan Public Service," 6-9

b. Retirement Departure Forecasts

The number of civil servants who were expected to retire between 2004 and 2011 was 59'000 persons according to a proportion of 11% of the current total number and with an annual average of 7'400 departures. The number of civil servants who will retire between 2012 and 2018 is 97'000 persons, with an annual average of 13'858, which means that retirement departures will not stop accelerating for the ten years to come. However, to accelerate the process, the state decided to exercise an immediate pressure by the program of voluntary departure.

3. Implementing “Intilaka”

a. Designing the Operation: Key Assumptions

To launch the new plan in 2005,⁵ the government only had forecasts and projections to estimate the different repercussions and notably on the Moroccan Pension Fund (CMR). Concerning the eligible population to the voluntary departure, the following items were proposed: 1) to open eligibility to the totality of the civil servants filling the required legal conditions by abolishing the 15% contingency for the civil servants who have not completed 30 years of actual service, and 2) to benefit the population of the civil servants not filling the legal conditions of seniority from the instigation plan. On this basis, the eligible population to the early voluntary departure retirement system was estimated at 439'000 distributed as follows:

Table 1: Eligible Population

	Total	Including MEN (*) + Justice + Health (**)	Remainder
With the right to retirement	224.000	157.000	67.000
Without the right to retirement	215.000	140.000	75.000
Total	439.000	297.000	142.000

⁵ Previously, a system of voluntary retirement for civil servants between grade 1 and 9 according to the Moroccan system of scaling has been implemented since 2004 for a total estimated number of 34000 civil servants. It was planned to benefit the candidates, besides the old age pension calculated at 2%, from an allowance equal to a month gross monthly payment a year for service which could go to a maximum of 30 months for those ranked from 6 to 9.

The system did not however allow the achievement of the expected objectives because applications for departure formulated for the statutory period, which ended on May 30, 2004, did not exceed 944 cases. This situation was due to many factors including the excluding of the superior categories, the weakly granted instigation which was not considered sufficient to encourage departure, and the weak communication on the operation.

(*): Ministry of National Education

(**): Justice (ranking from 1 to out of scaling) MEN and Health (ranking from 7 and plus)

Note: From Osmane, "The Voluntary Departure Programme of the Moroccan Public Service," 11

For the setting up of the instigation plan, the following scenarios were considered for the population filling seniority conditions:

Table 2: Departure Allowance Scenarios

	S1	S2	S3
Rate of annual instalment	2 %	2 % until the legal age limit and 2.5 % beyond	2.5%
Allowance	2 months	1.5 months	1 months
Maximum			
- échelles 1 - 5	-	-	-
- échelles 6 and more	48 months	36 months	36 months

Note: From Osmane, "The Voluntary Departure Programme of the Moroccan Public Service," 12

For the population not filling the legal seniority conditions, they would benefit from the Employee's contribution refund as well as from a departure allowance grant equal to 2 months salary a working year. Within the proposed scenarios, the allowance amount could not exceed 50% of the global amount of the remaining payment which is normally granted at the retirement age.

It should be underlined that if the three reform scenarios end in equivalent results in terms of net savings for the state (11678 MDH to 13041 MDH), it is not the same as far as their impact on the reform of the retirement systems. Indeed, the calculation rate increase of the retirement annual installment from 2% to 2.5% will inevitably have a dominating impact on the current civil retirement parameters reform works.

Table 3: Comparison of the First and Second VRP Operations

	First VRP (2004)	Second VRP (2005)
Targeted population	<ul style="list-style-type: none"> • Civil servants pertaining to scales 1 to 9 • Work tenure entitling to pension benefits required: 21 years for men and 15 years for women • Civil servants retiring for age limit by the end of 2004 are not eligible 	<ul style="list-style-type: none"> • All civil servants (scales 1 to 12) • Work tenure entitling to pension benefits is not required • Civil servants retiring for age limit by the end of 2005 are not eligible
Pension benefits	<ul style="list-style-type: none"> • Two percent of gross salary (GS) for each year of service • Immediate benefit upon early retirement 	<ul style="list-style-type: none"> • Two percent of GS for each year of service until the normal retirement age; thereafter, two percent and a half of GS for each year of service • If not entitled to pension, collection of employee's contribution to pension schemes
Severance amount	<ul style="list-style-type: none"> • One month for each year of service • A ceiling of 30 months for retirees belonging to scales 6 to 9 • The total amount must not exceed 50 percent of total salaries the retiree would have earned if stayed until the age limit retirement 	<ul style="list-style-type: none"> • One month and a half for each year of service • A ceiling of 36 months for retirees belonging to scales 6 and above • The total amount must not exceed 50 percent of total salaries the retiree would have earned if stayed until the age limit retirement
Income taxes on severance payments	<ul style="list-style-type: none"> • Apply 	<ul style="list-style-type: none"> • Exempt
Application period	<ul style="list-style-type: none"> • January 1 to May 31, 2004 	<ul style="list-style-type: none"> • January 1 to June 30, 2005

Note: From Massnaoui, "Curbing the Size of the Public Sector," 23

b. Objectives

Several objectives are behind the voluntary departure operation: 1) to encourage the outgoing civil servants to start up new businesses, 2) to keep the mass salary at a controllable level, and 3) to create a staff management dynamic on the basis of a management approach of human resources. It was expected to achieve at least a reduction of 30'000 persons that is about 5% of the current number of civil servants.

c. Characteristics

It is a question of encouraging civil servants, especially those aged 40 to 55 years old, having worked 21 years for men and 15 years for women, to ask for their voluntary departure before the retirement age. In exchange, the candidates will benefit from financial advantages of which the departure allowance is the most important. It is exactly the amount of the allowance for unfair dismissal according to article 41 of the new work code which came into effect in June 2004. The text on voluntary departure expresses the principle by allowing each department to determine its own terms and criteria. The operation of voluntary departures is characterized by the following principles:

Figure 5: Principles characterizing “Intilaka”



- i. **The principle of exception** as a reduced period was dedicated to the progress of the operation: from January 1st to June 30, 2005
- ii. **The principle of voluntary attitude** which takes into account essentially the wish expressed by the civil servant of his willingness to leave the public service
- iii. **The principle of motivation** since the candidate to voluntary departure benefits not only from the departure allowance but also from pension rights
- iv. **The principle of selectivity** allows both qualitative and quantitative control, given the fact that the administration considers the specificities of the categories wishing to benefit from this operation by using, if necessary, its discretionary power. Indeed, the acceptance of applications depends on the agreement of the concerned departments' heads.
- v. **The principle of global nature** which means that all categories of the state personnel are concerned with the exception of the civil servants who will retire in 2005.

d. Targeted Population

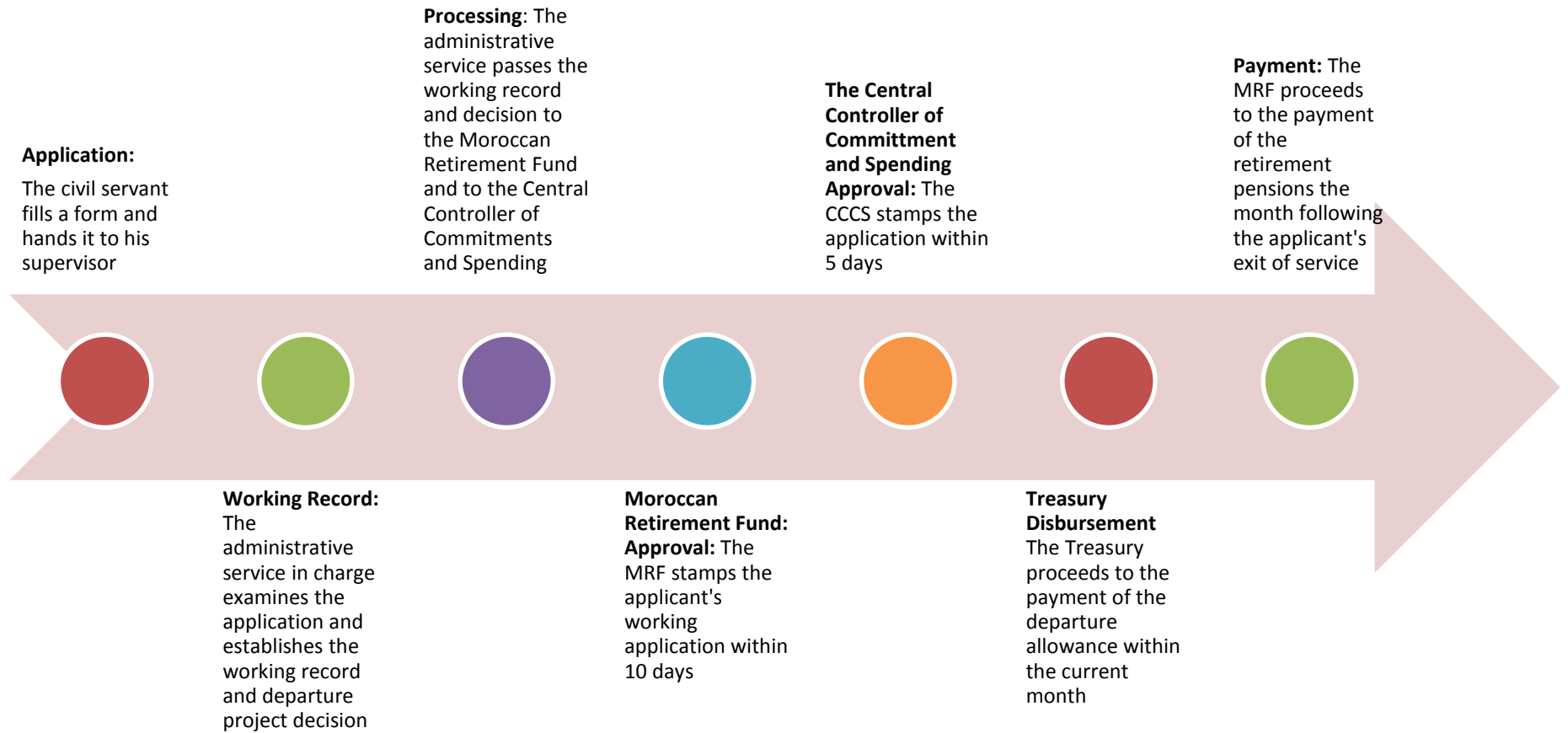
The program targeted civil servants aged 40 to 55, having served for 21 years for men and 15 for women, civil servants who have not completed the minimum required to benefit from an early retirement, as well as those in position of a detachment, leave of absence and finally, those who are put at disposal. Certain categories were not concerned by the program, among which figured the civil servants who were expected

to retire in 2005, civil servants and officials of local governments and public establishments, contractual, occasional, and daily staff.

e. Organization

- i. Communication campaign: a vast communication campaign, confided to a specialized company, was launched around this plan with notably the publication of inserts in the press and the diffusion of spots on audiovisual media. Those retained for the TV, lasting from 25 to 40 seconds, are dedicated to the life of civil servants who were converted to investors. The global cost of the operation turns around 4.3 million dirham. The impact of this campaign had its effect widely because the diffused information left no place to any rumor on the subject.
- ii. Follow-up organs: two follow-up organs on the voluntary departure process were foreseen: Cells in charge of information and communication in this campaign, and a Voluntary Departure Central Cell for the operation coordination is placed within the Ministry of the Modernization of Public Sectors.

f. Implementation Procedure



g. Accompanying measures

A whole package of measures was foreseen to accompany the program. Current data showed that two-thirds of the candidates to the departure are bearers of personal projects. Most of these projects are related to services, and tend to strengthen small and medium sized companies (SME). In this respect, two agreements were signed within the framework of the program accompanying measures:

1. The first agreement engages a group of big commercial banks to contribute to financing the beneficiaries projects according to a preferential rate and a repayment spread over seven years.
2. The second agreement of February 25, 2005 signed between the Ministry of Commerce, Industry and Economy Upgrading which concerns the efforts which will be supplied to the assistance of the future investors (ex civil servants). The objective of this agreement is the implementation of a partnership frame with the Ministry of Commerce, Industry and Economy Upgrading aiming to accompany and to assist "Intilaka" beneficiaries in their methods of creating Small and Medium-Sized Company projects.

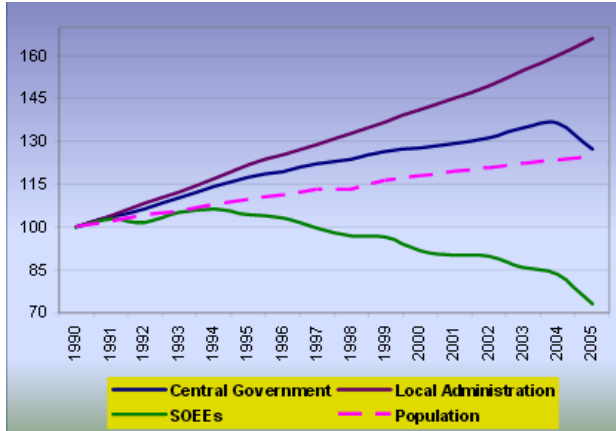
In 2002, consensus was attained via a symposium on Administrative Reform held in May 2002 with the participation of stakeholders and with the strong backing of the Prime Minister. The Symposium allowed sharing common diagnostics, objectives, action plans, and recommendations. Among the recommendations figured the redefinition of the administration’s mission, administrative decentralization, ethics, human resource development and remuneration reform, and improvement of relations with public service users. The Public Sector Management and Public Sector Reform Plan was identified as a priority to build a modern administration and improve human resources management. This would include better aligning staff profiles and the needs of the administration, the establishment of a simplified, unified and coherent compensation framework, while keeping the wage bill under control in the short term.

The direct objectives of the first Voluntary Retirement Program (VRP) plan were:

- a. To downsize the central government by some 35’000 civil servants over a three to four year period,
- b. That 5000 would retire in 2004, and
- c. 15’000 would retire by the following year.

The first VRP failed to reach its objectives due to lack of cooperation among the main actors, while short term budgetary concerns prevailed to address the critical fiscal challenge.

Figure 2: Evolution of Public Sector Workforce – Indices (1990=100)



A. The Public Sector Management and Public Sector Reform Plan (PARP)

A new VRP was designed taking in account the lessons learned from the failure of the first VRP. The second VRP was named "Intilaka" – the "start" in Arabic. Intilaka acknowledges the experience of the potential candidates to early retirement and their capacity to start new activities in the private sector. It was an opportunity to seize by those privileged who would be authorized to retire. Messages stressed the values of entrepreneurship and the rewards successful retirees would get in launching investment projects. According to the Minister of Public Sector Modernization:

"The philosophy of Intilaka is to streamline the Administration and re-profile the civil service, but also to create new linkages with the private sector by giving the civil servants the opportunity to launch their own businesses, profitable to them and useful to the community".

Measures that were taken to ensure the success of Intilaka included:

- a. Political Leadership: The Prime Minister explicitly heads the operation, appoints new minister for MPSM and issues an implementation order (PMO).
- b. Implementation leadership: clear mandate for the new minister: succeed the VRP with close cooperation of various actors.
- c. Actors' roles, participation and coordination: PMO defined the role of actors and set up timeframe for their actions. All actors were organized in committees and cells: monitoring, supervising, follow-up, assessment...
- d. Communication: sustained communication: broad communications campaign, press conferences, toll free telephone lines, dedicated websites. Particular emphasis was given on values of entrepreneurship in line with Intilaka spirit.
- e. Targeted personnel and financial package: all civil service were eligible. Improved pension benefits and enhanced severance pay.

The salient features of Intilaka were:

- a. Voluntary operation
- b. Universal: All civil servants are eligible
- c. Selectivity: authorization from ministerial departments
- d. Financial incentive:
 - a. Pension benefits or employees' contribution to PF
 - b. Severance payments exempt from taxes
- e. Flexibility: Postpone the release date of civil servants expecting a promotion or important salary rise in 2005.
- f. One shot operation: carried out from January 1 to June 30 2005

- g. Accompanying measures for business start up: conventions with Banks and Ministry of Industry

The VRP was managed in different ministerial Departments (MD's)

- a. Some MDs tried to introduce additional criteria as a basis to accept or turn down an application
- b. Most of the MDs processed applications as they received them Except in the MDs where potential severe adverse selection problems raised the fear of service disruptions
- c. Some departments approved all requests received
- d. Social sectors: managers tried to be parsimonious in authorizing retirement to avoid disruptions in service delivery - Primary and Secondary Education and Health Departments

Table 2: Results of Intilaka (Main Indicators by Sectors)

Departments	Applications	Retirees	Acceptance		Distribution		Applicants	Retirees
			Rates	Civ. W.force	Applications	Retirees	to SW*	to SW*
			in %	In %	In %	In %	in %	in %
National Education	22 317	13 047	58.5	53.7	44.1	33.8	8.2	4.8
Interior and National Security	6 447	6 447	100.0	12.6	12.8	16.7	10.0	10.0
Agriculture	3 464	3 428	99.0	3.1	6.9	8.9	21.8	21.5
Health	3 336	2 267	68.0	8.3	6.6	5.9	7.9	5.3
Higher Education	2 838	2 838	100.0	4.1	5.6	7.4	13.6	13.6
Finance and privatization	2 132	1 896	86.5	3.7	4.3	4.9	11.6	10.0
Justice	1 987	988	49.7	4.2	3.9	2.6	9.2	4.6
Equipment and Transport	1 860	1 752	94.2	1.8	3.7	4.5	20.4	19.2
Wetland and Forests	754	716	95.0	1.1	1.5	1.9	13.9	13.2
Youth	752	752	100.0	0.9	1.5	2.0	16.2	16.2
Water	624	624	100.0	0.7	1.2	1.6	16.6	16.6
Other sectors	3 990	3 836	96.1	5.8	7.9	9.9	13.6	13.1
Total	50 561	38 591	76.3	100.0	100.0	100.00	9.9	7.6

Figure 3: Departure Rates by Sectors (in % of respective workforce)

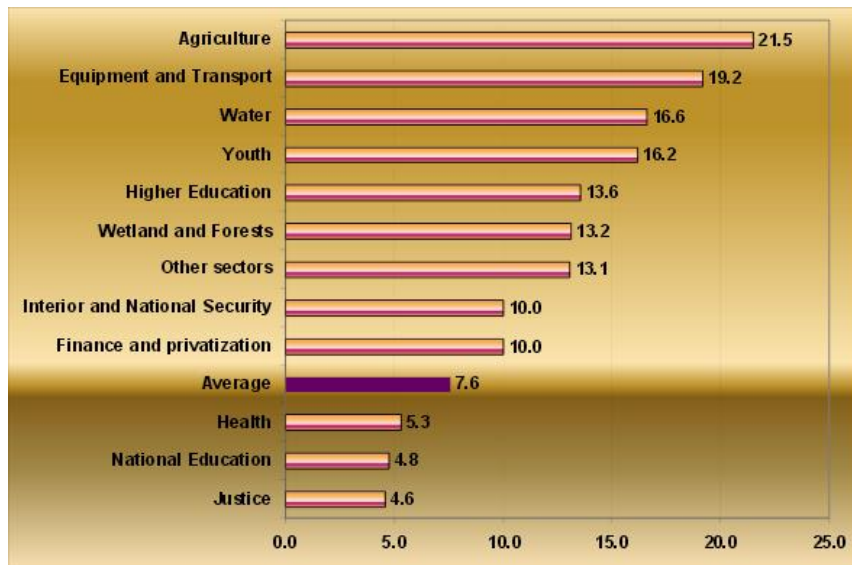


Figure 4: Short Term Fiscal Impact of Intilaka

	2005	2006
Gross Savings	0.52	1.22
Wage Bill	0.47	1.05
Employer's Contribution to Pension Fund	0.04	0.14
Contribution to Health Insurance	0.01	0.03
Gross Outlays	2.37	0.65
Severance Payment	2.30	
Personal Tax, net	0.07	0.12
Pension Fund Support		0.44
Wage for Rehiring		0.10
Net Savings (+)	-1.85	0.57
Memo: GDP (US\$ billions)	51.6	

B. Outcomes

In order to properly assess the outcomes of "Intilaka", it is necessary to evaluate its outcomes in terms of qualitative objectives, implementation, transparency, and sustainability.

a. Qualitative Objectives

1. Tackling employment and redundancies: just partially, with outstanding results in the education sector (40%). But the existing redundancies would decline as remaining staff have to fill the freed positions.

Improve civil service efficiency: Yes, as just some minor and temporary service discrepancies have been reported. Sound organization of many ministerial departments allowed overcoming the problems over the transition period. In the medium term, redeployment and training operations would enhance the capacity to deliver services more efficiently.

Rejuvenate civil workforce:

Yes, as 74 percent of retirees are above 50 years while they represent only 42 percent in the civil workforce

Balance regional distribution of civil workforce

Some improvement

Ongoing redeployment operation should improve results

Generate economic activities and employment

Some investment projects (14 percent) and construction projects (20 percent): creation of between 5,000 and 10,000 job positions

b. Implementation

- The technical implementation of the VRP was a success
- The operation was well announced, explained, organized, conducted, and closed professionally But weakness in the design of selection criteria
- Criterion “Necessity of service” proved ineffective.
- Adverse selection problem

c. Transparency

Upstream communication and monitoring was crucial to disseminate information.

Consultation with trade unions was marginal (voluntary nature of the operation saved lengthy discussions)

Lack of communication downstream (lack of accurate and transparent information on the VRP outcomes fueled rumors and aroused speculation)

C. Lessons Learned

It is possible to downsize a costly and unproductive public service without generating major disruptions in public service delivery.

A viable financial operation can result in significant savings for the budget.

Most expected objectives can be met if the program ensures right sequencing and design

A serious consultation at the outset with stakeholders, especially trade unions, would allow avoiding some of VRP’s shortcomings.

The sustainability of the VRP’s results depends on the timely implementation of the related complementary reforms for a modernized civil service management.

Conclusion

In the context of the broader PARP

The VRP's assessment should take into account the other components of the PARP, mainly those related to civil service reform.

Making the VRP one of the cornerstones of administration reform helped to advance a major reevaluation and improvement in management methods. Urged ministerial departments to re-examine modes of organization and resource management.

Commitment to reform in a number of important aspects of human resources management: redeployment and strategic staffing, recruitment, pay, promotion and training, performance evaluation and monitoring.

Looking forward, such operations are better not as one-off exercises but as a routine and ongoing process of continuous renewal of the government workforce.