

Summary sheet of the "NOTE ON THE REGIONAL DISTRIBUTION OF INVESTMENT accompanying the 2022 Finance Bill

Public investment plays a key role in improving the well-being of the population and the productivity of businesses. Indeed, it is a fundamental tool of the State to stimulate economic growth, create jobs and reduce social and territorial inequalities.

In this context, Morocco has made significant efforts, under the guidance of the High Royal Guidelines, to mobilize financial resources to carry out large-scale infrastructure projects and implement various sectoral strategies.

Thus, the last few years witnessed an increase in the funds allocated to public investment, reflecting a proactive policy chosen by the Kingdom to make public investment a lever for sustainable and integrated socio-economic growth.

This effort is evident in the seventh version of the regional investment allocation memorandum accompanying the 2022 budget bill, which is structured around the following two sections:

Section I :

The first part of the Note presents some indicators for the overall assessment of public investment performance at the national level and highlights the effects of the pandemic on regional economies. It also highlights the regional impact of the support measures introduced by the government in order to address the repercussions of the pandemic crisis on economic and social life at regional level.

Given its crucial role in mitigating the effects of the crisis and reviving territorial economies, public investment continues its upward trend for more than a decade, reflecting the Government's proactive policy of further implementation of large-scale infrastructure projects and the various sectoral strategies, thus benefiting all regions both economically and socially.

Thus, for the year 2022, the budget allocated to investment should reach 245 billion dirhams, an increase of 6.5% compared to last year. This funding will be distributed over the State budget (General Budget, Special Treasury Accounts and SSMA) with 88.9 billion dirhams, the Mohammed VI Investment Fund with 45 billion dirhams, public institutions and companies with 92.1 billion dirhams and the local authorities with 19 billion dirhams.

Moreover, in terms of execution of investment credits under the General Budget, the issuance amounted to 89.91 billion dirhams in 2020 against 67.01 billion dirhams in 2017, i.e. respective issuance rates of 83.80% and 78.95%. In addition, the efforts undertaken to clean up the carry-over credits have made it possible to significantly reduce their stock to about 11.01 billion dirhams in

2020 against 15.75 billion dirhams in 2017, i.e. a reduction of about 30%. At the same time, the ratio of carryover credits to credits opened by the Finance Act has continued to improve, falling from 36% in 2017 to just 24% in 2020.

Furthermore, Morocco is making significant efforts to reduce disparities between regions and accelerate regional convergence, while balancing its actions between an approach of a stronger international positioning of its champion regions and a concern for promoting the latent potential of regions in economic difficulty by encouraging the development of their specific resources in a spirit of balance and territorial equity.

Furthermore, the different regions of the Kingdom have suffered from the effects of the pandemic crisis in a very unequal manner, depending on the diversity of the productive fabric and the weight of the sectors most affected. The evaluation of the regional impact of the various support measures, notably for households, businesses and the health sector, has highlighted a gain of around 1.5 percentage points of value added. Therefore, the losses caused by the crisis would have been reduced to 5.3% of the national value added instead of 6.8% if no measures had been decreed. Moreover, the region of Casablanca - Settat is ranked first among the regions that have benefited most from the effects of economic support measures against the crisis.

In this respect, it is noteworthy that Morocco has undertaken a series of measures to contain the effects of the crisis, in particular through the stimulation of public investment, more specifically, through the establishment of the Mohammed VI Investment Fund. In this context, the publication of the implementing decree n° 2.21.67 of the law n° 76-20 dated February 22nd 2021 defined the internal regulations of the Mohammed VI Investment Fund, its status, the list of the first administrators and its initial capital fixed at 15 MMDH coming from the State budget. The effective start-up of the Fund was marked by the launch, on July 5th 2021, of the project to manufacture and syringe the vaccine against Covid-19 and other vaccines.

The last point of this first part presented a review on the reform of the public investment management system. In this respect, the 2020 and 2021 fiscal years, characterized particularly by the Covid-19 pandemic crisis, were marked by the completion of certain actions included in the roadmap of the reform project. These consist of the development of a normative framework governing the management of public investments and a first version of the framework document relating to the method of prioritization of public investment projects. At the same time, a detailed functional specification booklet for the development of the BDP.

❖ **Section II :**

This section demonstrates the role of public investment in reducing social and territorial disparities and in achieving socio-economic development, under the impetus of the Royal Directives, notably through the implementation of public policies that facilitate and expand access to basic social services.

1. Public investments in the social sectors

Public investments in the social sectors have been marked by several achievements, the main ones being as follows:

✓ **National education sector**

As part of the generalization of preschool education, a significant improvement was perceived due to the concerted efforts of all stakeholders. In fact, the enrollment rate in preschool has reached 72.5% during the start of the school year 2019-2020, exceeding by 5.5 points the target rate set in

the national program to 67%, considering that in 2016-2017, this percentage did not exceed 45.6%. Additionally, the school offer has significantly expanded, through the opening of 639 new schools during the period 2017-2021, of which more than 60% in rural areas to reach a total number of 11,487 schools.

For the 2021-2022 school year, 166 new schools will be opened across all regions of the Kingdom.

Moreover, and in the framework of the implementation of the governmental program 2021-2026, an additional allocation of MAD 1,140 million is allocated to the department in charge of National Education and Preschool, in particular to enhance the school offer in all its aspects.

✓ **Higher education sector**

Concerning the improvement of the quality of higher education, the last three years have been marked by the construction, equipment and rehabilitation of several universities in the different regions of the Kingdom at a total cost of MAD 1,152 million.

The government's 2021-2026 program also provides for an additional MAD 360 million to be allocated to the Department of Higher Education and Scientific Research, in particular for the upgrading and rehabilitation of universities and the construction and equipment of educational and training establishments.

✓ **Professional training sector**

Vocational training aims to meet the requirements of the labor market and address the challenges of economic competitiveness. In this sense, the investments made in this area are directed towards the professionalization of training. Thus, ten specialized institutes have been built, equipped and opened to trainees in the sectors of automotive industry, aerospace, textiles and clothing and renewable energy and energy efficiency. Thus, the number of training places in the field of vocational training which has reached nearly 455,576 places for the school year 2020-2021 will rise to about 555,400 places, from the launch of the school year 2021-2022, through the start of training at the level of 24 vocational training institutions, under the Office for Skills Training and the Promotion of Work (OFPPT), including three Cities of Trades and Skills (CMC). The achievement of these CMC is part of a program that aims at covering the 12 regions of the Kingdom. The estimated cost of this project amounts to 3.6 MMDH, including 2 MMDH paid by the Fund Hassan II for Economic and Social Development and 1.6 MMDH by the OFPPT and this, in addition to the contribution of the regions to 733 MDH and the Ministry of Industry 64 MDH. Regarding the progress of this program, it should be noted that in addition to the three new CMC starting under the school year 2021-2022, the gradual opening of the remaining 9 CMC is expected between the start of the school years 2022-2023 and 2023-2024.

✓ **Health sector**

As in other countries, the Covid-19 pandemic has weakened the Moroccan health system, thus putting pressure on authorities to rethink its health strategy in order to urgently address the shortcomings identified. In fact, within the framework of the Amending Finance Law n°35-20 for the 2020 budget year, a new programming of investment expenditures has been carried out in order to reallocate them to strategic priorities, including in particular the support to public health infrastructures and the strengthening of the medical system. In addition, in recent years the Department of Health has implemented a multidimensional work policy, aimed primarily at strengthening the health infrastructure through significant public investment, including the construction and development of university, regional and provincial hospitals, as well as community hospitals and psychiatric health facilities.

In addition, and as part of the implementation of the government program 2021-2026, an additional financial effort of 2.7 MMDH is made for the health sector, in particular for the implementation of the health information system, the construction of university hospital centers (CHU Rabat and CHU Laâyoune) and the construction and upgrading of other hospital infrastructure.

✓ **social development Sector**

The government introduced a strategy for social development and the promotion of women's issues and vulnerable groups (people with disabilities, the elderly and children in difficulty) .

For this purpose, social assistance centers and Social Protection Institutions, as well as programs for vulnerable groups, have been achieved and rehabilitated under the period 2019-2020. These are 238 projects with a budget of 53.11 MDH.

With regard to the component relating to the support of people with disabilities, several projects for the creation, development and equipment of welfare homes and counselling centers have been established. In addition, the authorities launched, in 2018, the program "Accessible Cities" in partnership with local authorities in order to generalize the good practices accumulated in the field of accessibilities of people with disabilities. For the years 2019 and 2020, an amount of 20 MDH has been dedicated to the implementation of the upgrading works of accessibility in several cities.

At the same time, as part of the implementation of the "Integrated Territorial Child Protection Systems" (DTIPE), the government, in coordination with the relevant actors, has launched the first phase of the DTIPEs in 2019 at the level of 8 pilot Provinces/Prefectures.

In addition, as part of fighting violence against women, the State is working to set up approximately 85 Multifunctional Centers (EMF) for women in difficult situations by the end of 2021.

✓ **Housing and Urban Policy Sector**

Programs to address substandard housing: Over the past three years (2019-2020-2021), the Ministry of National Territory Planning, Land Planning, Housing and City Policy has launched a number of projects aimed at improving the living conditions of the population throughout the Kingdom. Indeed, during this period, the Ministry proceeded to the signature of 53 agreements aiming at the financing and the achievement of programs to fight the insalubrious housing for the benefit of 117.217 households requiring a total investment of more than 12 MMDH funded by the Ministry up to 2636 MDH. These include slum clearance programs, buildings in danger of collapse processing, as well as urban upgrading and restructuring of unregulated or under-equipped housing areas.

City Policy Program: This ambitious national strategy aimed at improving people's access to basic infrastructure, public facilities and local services as well as strengthening urban integration and social cohesion in cities and rural centers. In this sense, the projects underway were maintained during the period 2019-2021 and 90 new projects of the policy of the city were launched for a total cost of 15.37 MMDH subsidized by the state to the tune of 4.63 MMDH. In addition, the projects of city policy whose launching is planned during the year 2022 are 20 projects for a global cost of 904,9 MDH and a financial contribution of the Ministry of 472,1 MDH. These projections for the year 2022 are based on the commitments of the Ministry and its funding partners in the funding agreements currently being signed.

2. Public investment in infrastructure and productive sectors

✓ Infrastructure Sector

In terms of infrastructure development, State investments have received considerable impetus in recent years and have made it possible to connect Morocco's nine largest regions, which account for 93% of the population, to the highway network, to link three major economic regions by a high-speed line (LGV), and to provide the Kingdom's coastal regions with major seaports. Thus, the achievements in terms of road and highway infrastructure have focused on the following actions:

- **Reinforcement of the highway network** through the continuation during the period 2019-2021 in particular of the construction of the freeway Tit Melil - Berrechid for a global cost of 3,24 MMDH as well as the maintenance of the report concerning the motorway connection with the new port of Nador West-Med for a global cost of 4,50 MMDH ;
- **Development of highways** by the completion of the work of the expressway Taza-Al Hoceima on three sections for a total cost of 1.03 MMDH and the doubling of the national road No. 1 linking Guelmim to Laayoune on two sections for a total cost of 2.91 MMDH (average completion rate of 26% and 60%).
- **The Continued implementation in 2021 of the special program for road safety improvements 2014-2020:** through in particular the widening , the development or the reinforcement of 2 roads which know a high traffic in this case the national road n°9 connecting Ait Ourir and Ouarzazate (1,57 MMDH) and the regional road n°413 connecting Meknès to Souk Elarbaa (396 MDH).

Moreover, during the period 2019-2021, the focus was on the implementation of the **national strategy of ports**. Port and maritime projects in several ports were pursued (ports of Casablanca and Safi, fishing port of Lmhiriz,), the realization of studies and technical expertise for the port of Dakhla as well as the work of protection of the coastline at the level of the beach of Fom El Oued (Laayoune-Sakia El Hamra)

As for the **railway field**, several actions have been carried out during the period 2019-2021 including the rehabilitation of tracks, technical facilities, substations and safety, signaling and communication facilities along the national railway network.

Concerning **the water infrastructure**, several projects on the construction of dams have been finalized during the period 2019-2021 including dams Cherif El idrissi, Dar khrofa, Moulay Bouchta, Ouljet Essoltane, Tamalout, Timkit, in addition to the programming of 4 new large dams under the year 2021, namely the Tamri Dam (Agadir), the Dam on Oued Lakhdar (Azilal), the Taghzirt Dam (Beni Méllal) and the Kheng Grou Dam (Figuig) as well as the raising of the Imfout Dam (Settat).

✓ Agricultural sector

Regarding support for the productive sectors, the State's investment effort has continued in the context of support for the **agricultural sector** with the aim of improving productivity and adding value to agricultural products and. It also concerns the projects of Pillar II of the Green Morocco Plan, the irrigation and agricultural space development program and the production development program. The main achievements during the period 2019-2021 relate to:

- The continued implementation of projects under the second pillar of the Green Morocco Plan, where the number of projects completed between 2019 and 2021 has reached 154 projects, and whose committed credits are estimated at MAD 3.683 billion ;

- The continued implementation of the irrigation program of the agricultural area with a total budget of 22.30 MMDH, of which 7.33 MMDH have been committed for the years 2019 to 2021;
- The continued implementation of the development program of the production chains with a total cost of 1.29 MMDH, including 275 MDH of committed credits during the period 2019-2021 (until 31ST May 2021).

In addition, the **Halieutis strategy** has instilled a dynamic development of the marine fisheries sector in Morocco through the realization over the period 2019-2021 of several investment projects based on three axes that are the sustainability of fisheries, the performance of fishing and marketing infrastructure and the competitiveness of fisheries products.

As part of the continued implementation of this strategy, several projects have been completed or launched during the period 2019-2021 and relate mainly to the purchase of lifeboats, the construction of equipped landing points, the equipment of artisanal barracks in life jackets, the acquisition of reinforced rotary seines and support for maritime training institutions in investment.

✓ **Renewable energies**

The renewable energy strategy is a key element of the Moroccan energy strategy. Indeed, this strategy aims to increase the share of renewable energy in the electricity mix to more than 52% by 2030. Thus, by the end of 2020, the installed capacity of renewable energy has reached 3,934 MW, or a penetration rate of renewable energy of about 37% in the national electricity mix.

Solar energy: the total installed capacity commissioned reached 747 MW at the end of 2020, with a total investment of about 28.8 MMDH. The solar photovoltaic plant "Noor -Tafilalet- Arfoud" came into operation in **the year 2020**, with a capacity of 40 MW and an investment of 400 million Dhs, in the region of Drâa-Tafilalet. This initiative is part of the program of production of electrical energy at the end of the line of ONEE, as well as the development of the "Noor Atlas" project which will be developed in the regions of Drâa-Tafilalet, Fez-Meknes, Oriental, Souss-Massa and Guelmim-Oued Noun. The total capacity of this program, which will be put into service in 2023, is 200 MW with an investment of about 2000 MDH.

Hydroelectric power: The period of 2019-2021 has seen the continuation of construction work on the Abdelmoumen Pumping Energy Transfer Station of 350 MW in the Souss Massa region, with an overall investment of around 3.2 MMDH. This major project will allow, among other things, the satisfaction of the demand for electricity during peak hours and the storage of energy, the optimization of the operation of the means of production.

Wind energy: In 2022, the development and operation of the wind farm Boujdour is planned, with a capacity of 300 MW and an investment of 3.2 MMDH in the region of Laayoune-Sakia El Hamra. The second phase of the wind farm of Taza with a capacity of 62 MW provides for a total amount of 2.5 MMDH in the region of Fez-Meknes, and the wind farm of Jbel Lahdid located in the region of Marrakech-Safi with a capacity of 200 MW and an investment of 2.6 MMDH.

Strengthening of the electrical supply: In order to meet the growing demand for electricity and increase the capacity of electricity production, an additional capacity of 2,348 MW has been installed over the past three years. The year 2021 will see the commissioning as well as the continuation of the achievement of production plans of electric energy from renewable sources with an additional capacity of 120 MW. This involved the 2nd and the 3rd section of the solar photovoltaic power station Noor Tafilalet in the region Drâa-Tafilalet, with a capacity of 80 MW, commissioned in May 2021 and the wind farm of Oualidia in the region of Casablanca-Settat, with a capacity of 36 MW, under Law No. 13-09 on renewable energy.

✓ **Tourism**

Several actions have been undertaken to strengthen the capacity of tourism professionals and the qualification of human resources working in the sector, by rehabilitating hotels and tourism training institutions to meet international standards in this area, through the improvement of the quality of infrastructure and strengthening of equipment. This includes the repositioning of the ISTAHT of Tangier and Ouarzazate as well as the repositioning of the Higher International Institute of Tourism of Tangier.