

## Summary of the Report on the Public Enterprises Sector appended to the 2011 Finance Bill

Public enterprises (PE) are key players in the country's economic and social development by:

- Taking part in the execution of major projects launched by the government, such as developing and modernizing port, road, railway, and airport infrastructure, as well as in basic equipment programs in rural areas (PERG, PAGER, PNRR 2...)
- Making a massive contribution to social sectors: training-employment, social housing, implementation of compulsory medical cover (AMO).

In 2009 and the first semester of 2010, public enterprises performed well economically and financially, despite the negative impact of the international economic slowdown. This performance was notably affected by the results of the OCP Group which achieved a sharp increase in 2010, following the drop it suffered in 2009 and the exceptional results of 2008.

The action program for public enterprises is based on:

- the continuation of reform and sector-based and operational restructuring, designed to boost their performance and competitiveness, while extending their involvement in the implementation of greater deconcentration and regionalization ;
- the launch of partnerships between public enterprises, such as those involving OCP, BCP, OMNT, SMIT, or public entities, as part of the national logistics strategy ;
- further improvement of management, control, and governance modes, by using the best international practice in financial transparency, rendering of accounts, and sustainable development.

In 2011, public enterprises will press ahead with their investment efforts and the consolidation of their position at the national and regional level.

This summary presents the main achievements as well as the major projects of the public enterprises sector, divided into the following areas:

- public portfolio performance ;
- financial ties between state and public enterprises;
- public enterprises investment ;
- public enterprises restructuring ;
- public enterprises governance ;

## 1. Public Portfolio Performance

At the close of 2009, the inventory of public enterprises and direct and indirect financial stakes held by the state and local authorities totaled 721 entities, against 716 in 2008.

According to the classification introduced by Law n° 69-00 pertaining to the financial control by the state of public enterprises and other entities, the public portfolio comprises:

- **240 public entities** ;
- **481 companies**, divided into: **97** state companies, **128** public subsidiaries, **258** semi-public companies.

The public portfolio saw the following transfers and transactions in 2009:

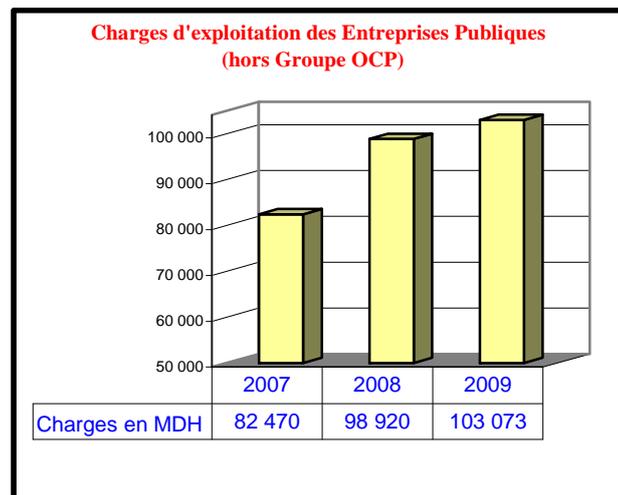
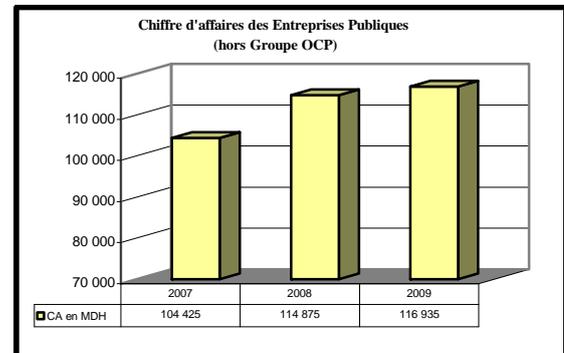
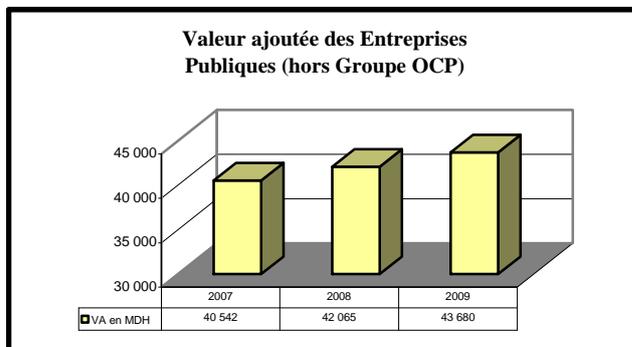
- **46 buy-ins and enterprises created**, 21 of which created by specific legislation, such as the Agricultural Development Agency, the Moroccan Agency for the Promotion of Investment, 2 Agencies for the Management of Water Resources (Sakia El Hamra-Oued Eddahab and Ghir Zizi Rheris), the National Office for Food Safety (ONSSA), and 16 Regional Chambers of Agriculture. 25 public enterprises created by decree in keeping with the provisions laid out in Article 8 of Law n° 39-89 pertaining to the transfer of public enterprises to the private sector. These include 2 Al Omrane Holding subsidiaries, as well as new subsidiaries of TMSA, SOSEP, Barid Al Maghrib, Marchica Med, and buy-ins of new subsidiaries by CDG, BCP, and OCP plc.
- **41 buy-outs** of public enterprises which include 37 Provincial Chambers of Agriculture.

### Main Aggregates for the public enterprises sector in 2009

❑ investment	: 67,7 billion MAD
❑ turnover	: 142.2 billion MAD
❑ added value	: 51.9 billion MAD
❑ operating profit	: 17.3 billion MAD
❑ profit before tax	: 17.8 billion MAD
❑ net profit	: 12.7 billion MAD
❑ human resources	: 122,942 employees
❑ capital stock	: 230.2 billion MAD
❑ overall accounts	: 795.5 billion MAD
❑ self-financing capacity	: 29.7 billion MAD
❑ financing debt	: 135.4 billion MAD

Following an exceptional upward trend in 2008, OCP Group's economic, financial, and activity indicators registered a significant drop in 2009, only to recover and take a resolutely upward turn in 2010 with very solid results.

The main indicators for the public enterprises sector (excluding OCP) for 2009 registered the following trends:



### **External Debt**

The external debt stood at 73.4 billion MAD at the close of 2009, against 61.5 billion MAD in 2008, a 19.3% increase due to growing investment by public enterprises. The debt accounts for:

- 54.2% of overall financing debt of public enterprises, OCP Group included, against 50.8% in 2008 and 57.5% in 2007;
- 48% of outstanding external public debt against 46.9% in 2008 and 44.7% in 2007;
- 10% of GDP against 8.9% in 2008 and 8.8% in 2007.

### **Regional Contribution of Public Enterprises**

With the launch of the scheme for greater regionalization, public enterprises' regional contribution will be enhanced. Public enterprises involved number 104 state entities operating across specific geographical areas, and 32 entities with links to local authorities.

The main indicators for this category of public enterprises registered the following trends:

En MDH	2008					2009				
	CA	Charges Exploitation	Charges personnel	Effectif (unité)	Invest.	CA	Charges Exploitation	Charges personnel	Effectif (unité)	Invest.
104 EEP agissant dans un territoire géographique déterminé (1)	4 552	13 247	2 294	19 929	19 957	5 676	10 809	1 839	14 277	24 432
(1) % (4)	2,60%	10,08%	9,14%	15,99%	30,03%	3,99%	8,64%	7,38%	11,61%	36,11%
32 EEP à participation totale ou partielle des CL (2)	5 675	5 586	903	7 053	1 951	6 241	4 793	964	7 771	2 206
(2) % (4)	3,24%	4,25%	3,59%	5,66%	2,94%	4,39%	3,83%	3,87%	6,32%	3,26%
Total (3)	10 227	18 833	3 197	26 982	21 908	11 916	15 602	2 803	22 048	26 638
Total Secteur EEP (4)	175 014	131 453	25 109	124 610	66 450	142 211	125 081	24 931	122 942	67 656
(3) % (4)	5,84%	14,33%	12,73%	21,65%	32,97%	8,38%	12,47%	11,24%	17,93%	39,37%

Public enterprises operating locally and regionally account for 39.4% of investment in the public enterprises sector in 2009 with 26.6 billion MAD, against 33% in 2008. The contribution of public enterprises linked to the state and operating across specific geographical areas amounts to 24.4 billion MAD in 2009, against 19.9 billion MAD in 2008.

## 2. Financial Ties between State and Public Enterprises

Financial ties between the state and public enterprises take shape notably through budget transfers and other support from the state to public enterprises, and through these enterprises' output and tax contribution.

### ➤ Budget transfers from the state to public enterprises :

In 2009, budget transfers to public enterprises, especially those destined to priority sectors (infrastructure, education, agriculture, basic public services), reached **24,655 million MAD**, a 43% rise compared to 2008. It should be noted that :

- 18.9 billion MAD, or 77% of these transfers, go to non-commercial entities ;
- 5.8 billion MAD, or the remaining 23%, are allocated to commercial public enterprises.

For 2008 and 2009, a comparative layout of these subsidies shows the following:

Nature des subventions	Réalizations LF 2008		Réalizations LF 2009	
	MDH	Part en %	MDH	Part en %
Fonctionnement	6 150,33	35,7	10 646,46	43,2
Équipement	8 452,98	49,1	12 265,42	49,7
Augmentation de capital et restructuration	2 626,50	15,2	1 743,32	7,1
<b>Total</b>	<b>17 229,81</b>	<b>100,0</b>	<b>24 655,20</b>	<b>100,0</b>

Besides direct transfers already mentioned, public enterprises benefit from budget resources based on parafiscal tax which amount to more than **2,554 million MAD** in 2009, against 2,336 million MAD in 2008.

### > Public Enterprises' output:

At the close of 2009, public enterprises' output stands at **10,489 million MAD**, a 35% increase in comparison to 2008, and shows a realization rate of 105% according to the forecasts laid out in the Finance Bill (10,015 million MAD).

This output accounts for 1.4% of GDP in 2009, against 1.1% in 2008, and 6% of standard general budget revenues, against 3.8% in 2008. The table below shows the following trends :

Nature des transferts*	Réalizations LF 2009		Prévisions LF 2010		Prévisions LF 2011	
	MDH	Part en %	MDH	Part en %	MDH	Part en %
Produits provenant d'organismes financiers	3 601,00	34%	3 505,00	38%	2 960,00	29%
Dividendes et autres produits	6 668,10	64%	5 580,00	60%	7 007,00	69%
Redevances domaniales	220,00	2%	255,00	3%	260,00	3%
<b>TOTAL</b>	<b>10 489,10</b>	<b>100%</b>	<b>9 340,00</b>	<b>100%</b>	<b>10 227,00</b>	<b>100%</b>
Variation annuelle en %	-	-	-11,0%		9,5%	

\* : excluding privatisation revenues

### ➤ Tax Contribution of public enterprises :

In 2009, **corporate tax** payments due from public enterprises amount to **3,697 million MAD** against 8,887 million MAD in 2008. This drop is essentially due to the significantly lower contribution of OCP Group (1,235 million MAD in 2009, following the exceptional contribution of 5,109 million MAD made in 2008).

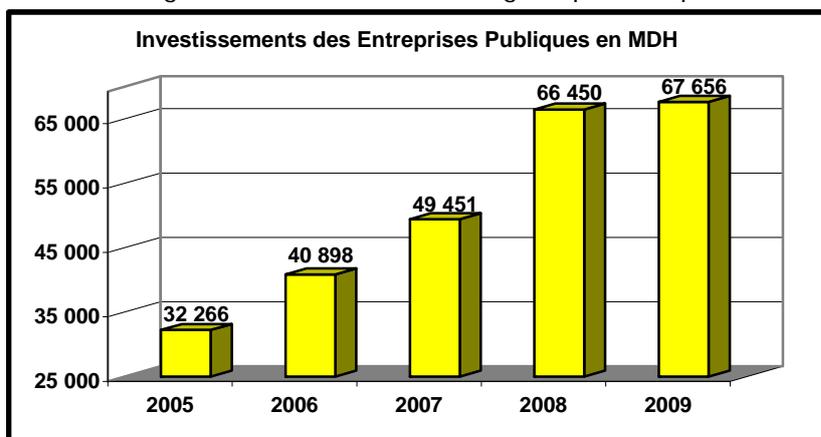
Corporate tax payments due from public enterprises for 2009 account for 8.5% of total corporate tax due for the year. More than 50% of these payments are due from OCP Group (1,235 million MAD), ANCFCC (268 million MAD), HAO Group (235 million MAD), and ONDA (235 million MAD).

If corporate tax recorded in the annual accounts of IAM Company (3,548 million MAD) and Bank Al Maghrib (1,777 million MAD) is taken into account, overall corporate tax for the sector will reach **9,022 million MAD** in 2009.

Income tax recorded by public enterprises stands at **2,748 million MAD**, against 3,187 million MAD in 2008. If income tax recorded in the annual accounts of IAM Company and Bank Al Maghrib is taken into account, overall income tax for the sector will rise to **3,295 million MAD** in 2009. Thus, overall recorded corporate tax and income tax stand at **12,317 million MAD** in 2009.

## 3. Public Enterprises Investment

In 2009, public enterprises' investment reached **67.7 billion MAD**, against 66.5 billion MAD in 2008, an increase of 1.8%, which followed the 34% leap made from 2007 to 2008, and which confirmed that public enterprises' investment had reached a new benchmark, moving above levels reached during the previous period, as the graph below shows :



**The investment realization rate** was 80% in 2009, against 91% in 2008 and 79% in 2007. The study of investment made by public enterprises operating in strategic sectors highlights the fact that a number of enterprises achieved realization rates higher than the average 80% rate. These enterprises include :

- HAO Group : realization at 8,349 million MAD 2009, following initial forecasts at 8,591 million MAD ; a 97% realization rate ;
- ADM Company : 6,204 million MAD out of 6,715 million MAD forecast; a 93% rate ;
- CDG Group : 4,439 million MAD against 3,300 million MAD forecast ; a 135% rate ;
- ONEP : 3,754 million MAD against 4,241 million MAD ; an 89% rate ;
- AAVBR : 3,142 million MAD against 2,000 million MAD ; a 157% rate ;
- ONDA : 2,496 million MAD against 1,881 million MAD; a 133% rate.

In general terms, public enterprises' investment accounts for:

- 30% of **gross fixed capital formation**, against 29.2% in 2008 (25.7% in 2007) ;
- 146% of **general state budget** investment, against 176% in 2008 (175% in 2007).

The **regional breakdown of public enterprises investment** highlights a gradual balancing in favour of several regions, such as Laayoune-Boujdour-Sakia El Hamra, Eastern Morocco, and Doukkala-Abda:

### **Regional breakdown of public enterprises investment 2007-2009 (in million MAD)**

REGION	2007		2008		2009	
	Valeurs	%	Valeurs	%	Valeurs	%
Rabat - Salé - Zemmour Zaër	12 929	26,10%	13 944	21,0%	13 132	19,4%
Tanger - Tétouan	6 989	14,10%	9 527	14,3%	5 712	8,4%
Grand Casablanca	7 199	14,60%	9 422	14,2%	9 132	13,5%
Marrakech -Tensift - Al Haouz	5 939	12,00%	6 291	9,5%	7 148	10,6%
Oriental	2 158	4,40%	4 765	7,2%	7 248	10,7%
Chaouia - Ouardigha	2 810	5,70%	4 594	6,9%	4 488	6,6%
Souss Massa - Draâ	3 684	7,50%	4 394	6,6%	4 573	6,8%
Doukkala - Abda	1 228	2,50%	3 633	5,5%	3 056	4,5%
Meknès - Tafilalet	1 749	3,50%	1 970	3,0%	2 182	3,2%
Guelmim - Es Semara	299	0,60%	1 629	2,5%	832	1,2%
Fès - Boulemane	1 151	2,30%	1 440	2,2%	2 197	3,2%
Laâyoune - Boujdour - Sakia El Hamra	609	1,20%	1 417	2,1%	2 432	3,6%
Gharb Chrarda - Beni Hssen	1 093	2,20%	1 133	1,7%	1 587	2,3%
Taza - Al Hoceima -Taounate	808	1,60%	1 070	1,6%	2 602	3,8%
Tadla - Azilal	762	1,50%	779	1,2%	992	1,5%
Oued Eddahab - Lagouira	44	0,10%	442	0,7%	342	0,5%
<b>Total</b>	<b>49 451</b>	<b>100,00%</b>	<b>66 450</b>	<b>100,0%</b>	<b>67 656</b>	<b>100,0%</b>

**To finance investment**, public enterprises resort to self-financing, support from the state, and loans, alongside other resources such as treasury allocations and contributions from partners, among which the Hassan II Fund for Economic and Social Development and local authorities.

In 2009, the overall **Self-financing Capacity** (SFC) of the sector, excluding OCP Group, reached 28 billion MAD, which represents 44.1% of public enterprises investment, against 39.7% in 2008.

**State contributions** to financing public enterprises investment entailed capital allocations and equipment subsidies drawn from the state general budget, totaling 14,009 million MAD, against 11,079 million MAD in 2008.

**The Hassan II Fund's contribution** to financing the major projects of a number of public enterprises remains significant, especially in the domains of social housing, tourism, industry and port infrastructure, roads and highways. The contribution amounted to 2,109 million MAD in 2009.

Public enterprises investment in 2009, 2010, and 2011 is a component in the government program for 2008-2012, and is designed to contribute to the implementation of sector-based strategies, upgrade the country's infrastructure, create momentum for regional development, and maintain the pace of economic growth at a high level.

As to rural areas, public enterprises are particularly involved in rural development programs, such as the Extensive Rural Electrification Program (PERG), the Generalization of Access to Drinking Water Program (PAGER), the National Program for Rural Roads (PNRR2), as well as in telecom equipment and postal services through the PACTE and GENIE programs.

Public enterprises investment planned for 2011 will be sustained at a high level with 107 billion MAD, 65% of which made by the 10 public enterprises or groups below:

In million MAD		
EP	2010	2011
<b>OCP</b>	18 000	15 217
<b>CDG</b>	12 969	13 000
<b>HAO</b>	8 542	10 328
<b>ONE</b>	9 780	7 436
<b>ONCF</b>	4 926	7 103
<b>ONEP</b>	4 635	4 500
<b>ADM</b>	7 898	3 290
<b>Régies Distribution</b>	4 120	3 441
<b>AAVBR</b>	2 242	2 000
<b>ONDA</b>	2 778	1 964
<b>RAM</b>	1 562	1 873
<b>Autres EP</b>	33 219	37 461
<b>Total</b>	<b>110 671</b>	<b>107 614</b>

To ensure the effective implementation of public enterprises investment programs, an **Investment Monitoring Committee** was set up at the close of 2008 under the tutelage of the Ministry of Economy and Finance, comprising executives from the major public enterprises. The Committee has held trimestrial meetings to monitor the investment programs of these enterprises, and to take the necessary measures to achieve objectives set.

#### 4. Public Enterprises Restructuring

The positive results previously mentioned are due to the restructuring and the modernization of management modes within public enterprises initiated in recent years. Thus, the reform process which began with sector-based liberalization, operational restructuring, and the development of public-private partnerships (PPP), continues in earnest and aims to make the action of the public sector more efficient.

Action taken is particularly focused on:

- institutional and strategic restructuring in a number of priority sectors, which reflects the determination of public authorities to prepare and implement reforms, especially in public and social services such as transport (road, highway, rail, and maritime), ports, airports, postal services, telecommunications, radio and television, housing, social services, agriculture, energy, water... ;
- Operational and financial restructuring of public enterprises that can be carried out as part of contract programs, which underlines the necessity to take measures aimed at reforming and/or improving the situation of certain public enterprises making a significant contribution to national economic development.

#### 5. Public Enterprises Governance

Besides reforms and restructuring, boosting the contribution of public enterprises to the country's development entails the promotion of better governance within public enterprises, as well as the modernization of their modes of management.

Major improvements in public enterprises governance and management are being made, notably through:

- on-going reform of the financial control by the state of public enterprises, in compliance with Law n° 69-00 ;
- greater contractualization of state – public enterprises ties ;
- Promoting external auditing of the different facets of public enterprises management (accounts, performance, strategy, organization...)

Contract Programs in force since December 31th 2010

PE	Duration of contract	Contract date	Main objectives	Investment
Régie Autonome de Distribution d'Eau et d'Electricité de Marrakech ( <b>RADEEMA</b> )	2010-2012	July 9th 2010	Developing, modernizing, and rationalizing the management of the company	3,058 million MAD
Société d'Etudes et de Réalisations Audiovisuelles ( <b>SOREAD-2M</b> )	2010-2012	June 11th 2010	Modernising and rationalizing the management of the company	170 million MAD
Royal Air Maroc ( <b>RAM</b> )	2009-2013	March 4th 2010	Launching the RAM Express company for domestic and regional air transport	1,200 million MAD
Office National des Chemins de Fer ( <b>ONCF</b> )	2010-2015	February 1st 2010	- Building high-speed rail line between Tangier and Casablanca (20,000 million MAD) - Upgrading and modernising existing rail network (13,000 million MAD).	33,000 million MAD
<b>Universités (15), CNRST et ONOUCS</b>	2009-2012	October 6th 2009	Developing Moroccan universities to ensure their contribution to research and knowledge	4,400 million MAD
Société Nationale de Radiodiffusion et de Télévision ( <b>SNRT</b> )	2009-2011	October 2nd 2009	Upgrading the company's management information systems and developing its technical facilities	650 million MAD
Office National des Pêches ( <b>ONP</b> )	2009-2012	September 29th 2009	Promoting and modernising the fishing sector nationwide by integrating its different branches	1,700 million MAD
Office du Développement de la Coopération ( <b>ODCO</b> )	2009-2012	July 29th 2009	Promoting the cooperation sector to enhance its contribution to national development and to the fight against poverty and marginalization	-
Office National de l'Eau Potable ( <b>ONEP</b> )	2008-2010	October 31st 2008	Generalising access to drinking water and boosting capacity for water production and liquid waste treatment	12,900 million MAD
Société Nationale des Autoroutes du Maroc ( <b>ADM</b> )	2008-2015	July 2nd 2008	Completing the first highway network of 1,416 km and launching an additional program for 384 km	32,000 million MAD

Other programs with specific monitoring mechanisms are being implemented with the following public enterprises: AAVBR, ANPME, CAM, SODEA, SOGETA, electricity distribution companies, and CNESTEN.

The 2011 action plan includes contract programs with Barid Al Maghrib, RAM, ANP, ANRT, ONEP, ONDA, and CMR.