Summary of the Economic and Financial Report accompanying the 2020 Draft Finance Law

Morocco currently faces a great challenge in making a qualitative leap in terms of its overall development trajectory in an international environment that is characterized by signs of slowing economic growth, the intensity of which varies from one region to another.

In His Speech on the Throne Day of July 29, 2019, His Majesty King Mohammed VI clearly highlighted the need to mobilize the efforts of all driving forces of the nation to meet the challenge of economic acceleration and institutional efficiency. To this end, the King stated that "… *The challenge is thus to rebuild a strong and competitive economy, by encouraging private initiative through the launch of new productive investment programs and by creating new job opportunities...*".

While considering these changes that are guided by the search for a new development model which would make our country a prosperous nation, the Economic and Financial Report (REF) accompanying the Draft Finance Law 2020 (PLF 2020) is structured around three parts. In its first part, the report deals with recent trends in the international economic and financial environment, in terms of the opportunities and challenges that this environment raises for the competitiveness of the Moroccan exportable supply and for the attractiveness of the national economy for foreign capital.

The second part of the report is an in-depth analysis of the overall and sectorial trajectory of the Moroccan economy over the past twenty years, while focusing on the continuing shortcomings that limit the country's development outlook and the decisive actions to deal with them.

As for the third part of the report, it details the budgetary choices made within the framework of the 2020 Draft Finance Law, which are based on the financial forecasts prepared that take into account the development of the national economy and the impact of the planned budgetary measures.

I. Recent trends in the international and regional context of Morocco

The world GDP growth rate should reach 3% in 2019, after reaching 3.6% in 2018 and 3.8% in 2017. This decrease in global growth affects, albeit in differentiated proportions between countries and regions, both advanced economies (1.7% in 2019 after 2.3% in 2018 and 2.5% in 2017) as well as emerging and developing economies (3.9% in 2019 after 4.5% in 2018 and 4.8% in 2017).

The euro area is the region most affected by this economic downturn, recording a growth rate of 1.2% in 2019 after 1.9% in 2018 and 2.5% in 2017. This downturn is the result of the sharp decline in activity in Germany, the main driver of growth in the area, and that of Italy, as well as that of France and Spain.

As for the United States, economic activity should experience a slight decline, recording a growth rate of 2.4% in 2019 after 2.9% in 2018.

With regard to economic growth of emerging and developing economies, it would average 3.9% in 2019 after 4.5% in 2018 and 4.8% in 2017. This decline hides, however, contrasting developments within and between regions. For instance, the decline in growth in China (6.1% in 2019 after 6.6% in 2018) would be accompanied by a decline in the growth rate in other countries in the region, notably India (6, 1% in 2019 after 6.8% in 2018). In Brazil, the economic recovery recorded is still fluctuating (0.9% in 2019 after 1.1% in 2018). As for Russia, the stability in prices on the world market for basic products and the lack of Russian exports, should affect the economic growth displayed, the rate of which would stand at 1.1% in 2019 against 2.3% in 2018.

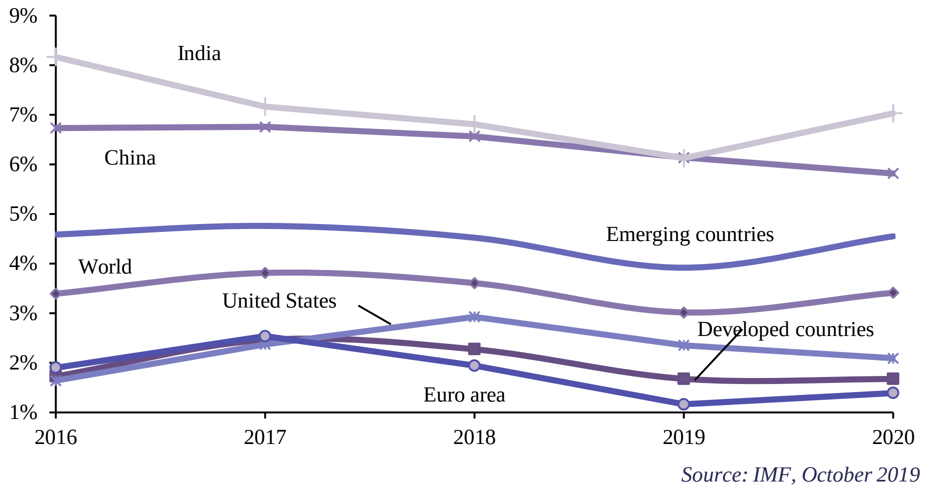


Figure 1: Real GDP growth, in%, 2016-2020

The economic situation in the MENA region continues to suffer from the continued economic, political and security vulnerabilities, as evidenced by the region's GDP growth of only 0.1% in 2019 compared to 1.1% in 2018. In sub-Saharan Africa, the economic recovery should, however, continue gradually, recording an average growth of 3.2% in 2019 similar to that achieved in 2018. It is also important to note that growth would not be as strong in the oil-exporting countries of the region than in the importing countries.

This global economic downturn has resulted in a decline of trade and investment flows. In fact, trade increased only by 3% in 2018 compared to 4.6% in 2017[1], while the flow of foreign direct investment in the world fell sharply by 13% in 2018 to reach its lowest level since the 2008 global financial crisis, at 1.3 trillion dollars[2].

In terms of the global outlook for 2020, the downward trend recorded is expected to slightly reverse. According to IMF forecasts[3], the world GDP growth rate should reach 3.4% in 2020, driven mainly by the good performance of emerging and developing economies. Emerging Asian economies are expected to record relatively high growth rates in 2020 (6.0%). India is expected to see growth reach 7.0% in 2020, while in China, growth in economic activity would slightly decline to settle at 5.8% in 2020.

In the emerging countries of Europe, the improvement in the general investment climate and the slight rebound in household consumption should favor the recovery of activity in this region, with expected GDP growth of around 2.5% in 2020 compared to 1.8% in 2019.

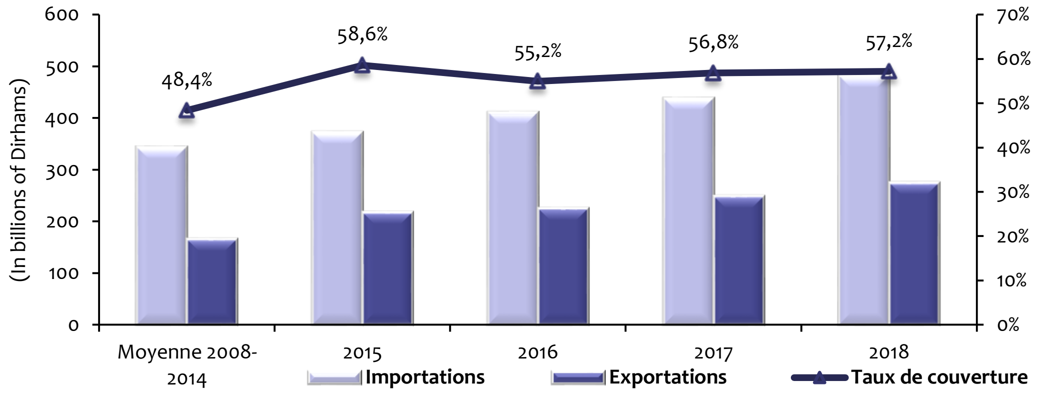
[1] According to the World Trade Organization (WTO)
[2] UNCTAD "World Investment Report 2019"
[3] World Economic Outlook, IMF, October 2019

The same trend would be observed in Latin America, since growth in this region is expected to reach 1.8% after 0.2% in 2019, benefiting particularly from the new upward trend in commodity prices. The MENA region will experience the same trend and should return to more sustained growth rates (2.7% in 2020).

As for Sub-Saharan Africa, it would see further improvement in its economic growth, which would stand at 3.6% in 2020 after 3.2% in 2019. The improved economic outlook for Nigeria and South Africa is the reason for this development.

However, some major uncertainties still persist. These are the increase in retaliatory trade measures between the United States and China, the increase in geopolitical tensions with eminent effects on the volatility of commodity prices, the possibility of a Brexit without agreement, as well as worsening vulnerabilities in emerging markets.

Despite the decline in the rate of growth in world trade, Moroccan exports were able to continue increasing in 2018 by 10.6% compared to 10.3% in 2017. The coverage rate thus continues to improve, reaching 57.2% in 2018.



Source: DEPF calculations, data from the Exchange Office

Imports Exports Coverage rate

Figure 2: Evolution of Morocco's trade balance

In view of this development, Morocco's share on the world market improved from 0.12% on average per year over the period 2008-2014, to 0.15% in 2018. This increase was more noticeable in the traditional export markets where the share of the Spanish and French markets increased from 1.27% to 1.74% and from 0.63% to 0.92% respectively between 2014 and 2018.

In this regard, it is important to note that the favorable performance of Moroccan exports has been accompanied by diversification in terms of space and products. The number of export markets increased by 1.4% on average per year between 2000 and 2018, going from 149 to 185 markets. Similarly, the number of products exported increased by 1.6% on average per year between 2000 and 2018, going from 2,580 products to 3,405 products. The observed change in the composition of Moroccan exports benefits industrial sectors with high value added (automobile, electric, etc.), while the importance of the "traditional" sectors has decreased significantly (clothing, agricultural products).

Furthermore, Morocco's attractiveness to FDI continues to strengthen, reflecting the progress made by the country in terms of improving its general business climate. In fact, net FDI inflows to Morocco grew by 36% to reach $ 3.6 billion in 2018[4]. Consequently, Morocco takes fourth place in Africa in terms of receiving FDI, just behind Egypt, South Africa and the Congo. In

[4] Source UNCTAD

terms of geographic structure, Ireland is now the leading investor in Morocco, with a share of 20% of total FDI to Morocco compared to 10% in 2017, ahead of France, which comes in second position with a share of 17 % compared to 23% in 2017.

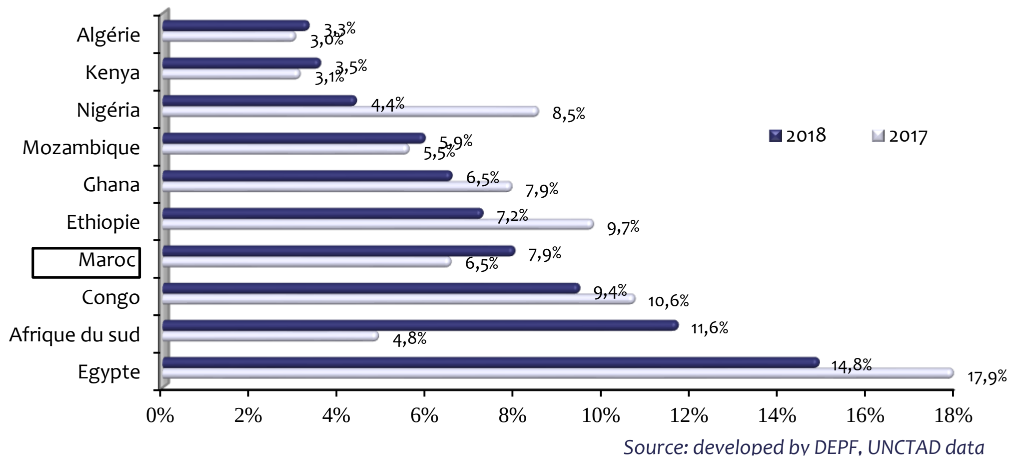


Figure 3: Share of the top ten FDI recipient countries in Africa

Such positive developments are the result of the reforms implemented by Morocco in the context of the modernization of its productive system and the strengthening of its competitiveness and attractiveness, as well as the efforts made in terms of diversification of cooperation and partnership agreements with several key players in the globalized world. In this regard, it is important to mention the strengthening of economic ties with our European partners making Morocco an exceptional partner in the Euro-Mediterranean area, the significant increase in trade between Morocco and the United States, the sustained development of bilateral trade between Morocco and Turkey as well as the strengthening of cooperation ties between Morocco and its African partners.

II. Towards a new national development model: achievements to build on and changes to be made

Despite an international environment experiencing high-frequency structural crises, the Moroccan economy has shown, over the past twenty years, great resilience. The rate of growth of national GDP has in fact improved considerably, going from 3.1%, at constant prices, in the 1990s to almost 4.2% on average per year between 2000 and 2018.

This development stems from the growth of the service sector which recorded an increase in its value added of 4.2%, contributing 2.1 percentage points to the growth of national value added over the period from 2000 to 2018. The secondary sector also followed the same trend with growth of 3.3%, contributing 0.9 percentage points to economic growth. As for the primary sector, it recorded an increase in its value added of 4.4% for a GDP growth of 0.6 percentage point. However, the performance of the various sectors in terms of job creation remains variable and fluctuating. Overall, the past two decades have seen an increase in the share of employment in construction and the service sector at the expense of other sectors.

The good performance of national economic activity is further driven by the strength of the components of domestic demand, namely household consumption which remains by far the main driver of economic activity, with a contribution 2.4 points between 1999 and 2018. For its part, the GFCF shows a positive contribution to growth at 1.2 points over the same period, which reflects the growth in investments of the general State budget and of Public Entities and Enterprises (EEP). However, the contribution of net foreign trade to growth turned out to be negative, removing 0.3 point from GDP growth, despite the sustained export growth of 6%

between 2000 and 2018. This situation reflects the strong import activity of the national economy, with a tripling of the value of imports since the early 2000s.

This means that the performances shown by the national economic activity are due to the gradual diversification of the national economy, which relies as much on the modernization of traditional sectors as on the emergence of new promising niches, thanks to the implementation of several sectorial programs and strategies which have contributed to the recovery of the specialization aspect of the national productive system.

In this respect, it is necessary to mention the Green Morocco Plan (PMV), launched in 2008, the implementation of which has boosted the modernization of Moroccan agriculture, by promoting its gradual use in sectors with high value added and high resilience to climatic hazards. A substantial public investment effort was thus made, which amounted to nearly 41 billion dirhams, or about 3.7 billion dirhams on average per year for a decade. The end of the PMV in 2020 constitutes an opportunity to give fresh impetus to the development of the agricultural sector on new bases, through the strengthening of the countless achievements and the introduction of new action plans in order to provide necessary responses to the continuous constraints (strengthening of the sustainability, competitiveness and industrial integration of the agricultural sector without forgetting the crucial role of the sector in terms of rural development).

As for the fishing sector, significant progress has been recorded in terms of achieving the objectives defined within the framework of the Halieutis plan launched in 2009, as demonstrated by the achievement of the objective of 96% of the fisheries covered by rational management measures, strengthening of fishing and marketing infrastructure and improvement of the value of seafood. All of these efforts have made it possible to develop national fishery production and boost Moroccan exports fishery products, recording an average annual growth rate of 6% since 2000.

The industrial sector also experienced a strong boost with the implementation of the Industrial Acceleration Plan (PAI 2014-2020). This strategy, which has attracted several leading industrial groups, has contributed to improving the quality of Morocco’s economic specialization and its diversification in promising industries. In view of this context, the share of exports with high and moderately high technological content stood at 55% in 2017, up 17 points compared to 2007. In addition, the development of the industrial sector benefited from the significant support from the State in terms of financing (7.2 billion dirhams over the 2015-2018 period of investment subsidies allocated to the Industrial Investment Development Fund), training and use of land.

For its part, the phosphates and derivatives sector has undergone major transformations over the past two decades. The strategic plan implemented in 2008, to strengthen Morocco’s leading position in the world and in the continent through the planned major investments (200 billion dirhams), set itself the objective of doubling the OCP Group's mining capacity and tripling its processing capacity by 2027. This momentum of modernization has tripled the increase in fertilizer production capacity to 12 million tonnes. In addition, the transport flow of rocks has been increased by more than 38 million tonnes, which has made OCP the most competitive group in its sector in the world; a position strengthened by various joint ventures with foreign players with high potential (13 joint ventures and 40 subsidiaries)..

In the housing sector, the various measures implemented have made it possible to reduce the housing deficit by almost 67% and to significantly reduce substandard housing (59 cities without slums so far). To maintain these achievements and overcome the declining activity in this sector lately, it would be necessary to optimize the current system dedicated to the implementation of the housing policy, by means of a more efficient implementation of the public support system for this sector, improving the governance of the social housing program and the effectiveness of beneficiary targeting mechanisms.

Similarly, the development of investments in transport and logistics infrastructure has been a top national priority in order to accompany and support the growth of national economic activity. In this regard, several structuring projects have been launched over the past two decades covering sectors as sensitive as those of roads, motorways, ports and airports. The efforts made in terms of infrastructure were reinforced by a sustained mobilization of public investment, the overall amount of which increased sharply, from 32 billion dirhams to more than 66.6 billion dirhams respectively between 2005 and 2018.

In the tourism sector, thanks to strong investments, Morocco's hotel capacity has almost tripled since 1999. Tourist arrivals reached 12.3 million in 2018, making Morocco the leading African destination and the second in the Arab world. Morocco also plans to maximize the socio-economic benefits of the tourism strategy at the regional level by creating diversified and competitive tourist attractions.

The offshoring sector shows encouraging growth in terms of job creation, particularly since the signing of the 2016-2020 performance plan dedicated to the sector. With the structuring of the 5 ecosystems identified within the framework of this plan, Morocco has managed to attract nearly 80% of the top 10 global companies specializing in IT engineering services.

Moreover, the financial sector, as an essential component capable of meeting the requirements of economic and financial development of our country, has undergone significant changes over the past two decades, thanks to reforms that have significantly contributed to the strengthening of its solidity and resilience.

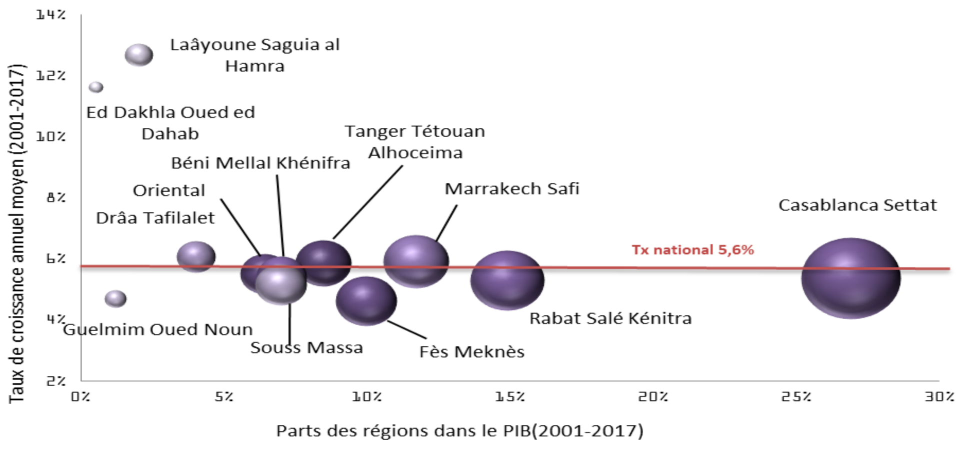
As part of this growth, the banking sector has had a good performance over the past two decades, as demonstrated by the increase in the amount of available credit, to represent more than 90% of GDP during the period from 2008 to 2018, after an average of 54% between 2000 and 2007, the increase in the average solvency ratio of banks by 3.6 points compared to 2000 to stand at 14.7% at the end of 2018 as well as the reduction in unpaid debts in the total of loans granted from 14.3% to 6.2 % respectively between 2001-2007 and 2008-2018.

For its part, the guarantee aspect, through the establishment of dedicated public funds, has made it possible to support a large segment of small businesses relatively excluded from conventional financing sources. According to the survey on the conditions for granting loans, carried out by Bank Al-Maghrib for the 2018 financial year, the share of loans granted to SMEs improved significantly, reaching 37% of the loans granted to all non-financial corporations. At the same time, the support of the Caisse Centrale de Garantie of SMEs enabled 9,100 SMEs to raise 20.5 billion dirhams of guaranteed loans in 2018, an increase of 16% and more than 21% in number of operations compared to 2017.

Recognizing that the creation of national wealth and jobs remains dependent on the strengthening of the bases of an integrated and sustainable regional development, Morocco makes the rehabilitation of regions a national priority. The efforts thus made in this regard are generally encouraging, but remain insufficient to fully exploit the potential of the regions and make them real drivers of an inclusive and sustainable development. In this regard, it should be noted that 4 out of 12 regions account for more than 60% of GDP. In this case, it is the Casablanca Settat region which achieved the largest average share of GDP, at current prices, during the period 2001-2017, contributing 26.9%, followed by the regions of Rabat Sale Kenitra (14.9%), Marrakech Safi (11.7%) and Fez Meknes (10%).

Analysis of the sectoral configuration of regional value added, at current prices, during the period 2001-2017, shows the contribution of 6 regions at 74.6% to the value added of the primary sector. As for the secondary sector, the Casablanca Settat region shows the largest contribution with 45.4% of the national secondary sector value added. A relatively less concentrated configuration is observed in terms of regional contributions to the service sector value added.

The Casablanca Settat region contributed 21.4% to the national service sector value added, slightly more than the contribution of the Rabat Sale Kenitra region (18.6%).



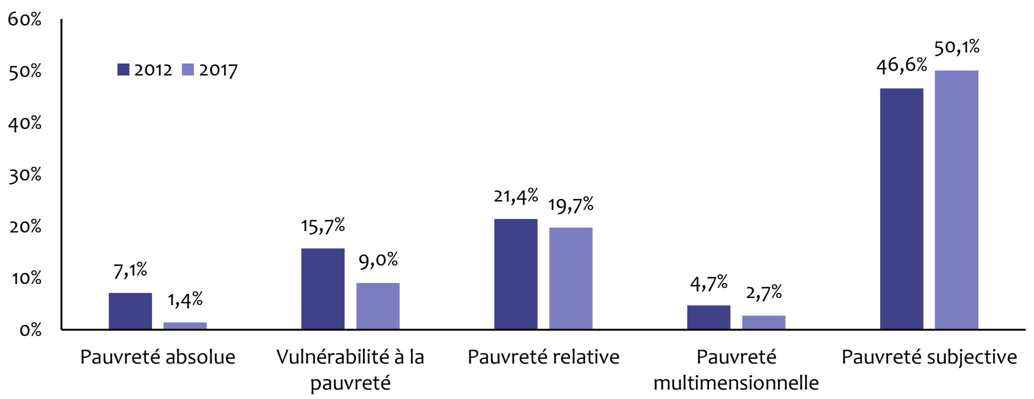
Source: DEPF

Figure 4: Contribution and regional growth over the period 2001-2017

The fact that economic growth is concentrated in a small number of regions suggests that an increase in the contribution of other regions to national activity would be necessary to promote the transition to a new, more profitable level of growth. To this end, the launch of regional development plans would be important for enhancing the competitiveness and attractiveness of regions, addressing regional disparities and thereby diversifying the growth sources of the national economy.

As part of our country's momentum in the search of inclusive and sustainable development, various programs to combat poverty and exclusion have been implemented and have made it possible to make significant progress in the fight against poverty, but social, spatial and gender inequalities still remain.

The standard of living of citizens has thus improved, as evidenced by the increase in gross national income per capita which amounted to 31,233 dirhams in 2018 compared to 25,486 dirhams in 2012, an average annual increase of 3.5%. This improvement in living standards led to a remarkable drop in absolute poverty and vulnerability, which fell between 2012 and 2017 respectively, from 7.1% to 1.4% and from 15.7% to 9.0%.



Source : Enquête Panel de ménages (ONDH)

Figure 5: Evolution of poverty rates between 2012 and 2017

Absolute poverty Vulnerability to poverty Relative poverty Multidimensional Poverty Subjective poverty

As the main form of social inclusion, the labor market has benefited from several actions aimed at its promotion, like active employment programs (Tahfiz, Taehil, self-employment, etc.). These programs, aimed at supporting salaried employment and professional integration, improving employability and training job seekers as well as supporting self-employment, have contributed to the fall in the unemployment rate from 13.4% in 2000 to 9.5% in 2018. Despite this decline, the number of unemployed people in Morocco still exceeds the threshold of 1 million people (1,137,000 in 2018 against 1,368,000 in 2000), of which 79% are young people.

At the same time and to further strengthen and enhance its human capital, Morocco continues to implement large-scale strategies (National Charter for Education and Training, Emergency Plan, strategic vision for Moroccan school reform (2015-2030)) to ensure access to quality education and training. Positive trends have therefore been recorded, particularly when it comes to primary school enrollment, the specific rate of which reached 99.8% in 2018-2019 compared to 99.5% in 2017-2018. At the secondary and high school level, these rates stood at 91.8% versus 89.7 and 66.9% versus 65.8% respectively during the same period. A significant decrease was also recorded in terms of the congestion rate, which stood during the year 2018-2019 at 4.4%, 11.5% and 8% respectively in the primary, secondary and high school cycles. Moreover, social support programs for schooling set up by the public authorities to overcome the socio-economic obstacles which hinder the schooling of children from disadvantaged families have shown remarkable results. Thus, the number of beneficiaries of the "Tayssir" program reached 1.8 million students for an annual budget of 1.65 billion dirhams. As for the Royal initiative "a million school bags", the number of beneficiaries increased from 4.2 million students in 2017-2018 to 4.3 million students in 2018-2019.

Vocational Training is getting a new roadmap in order to upgrade its offer and restructure its training programs according to their relevance on the job market. This concerns the rehabilitation of the vocational training offer, the creation of a new generation of training centers and the modernization of teaching methods, with the ultimate aim of improving the attractiveness of vocational training and enhances the employability of young people. In this context, the “Cités des Métiers et des Compétences”, which are destined to become multi-sectorial and multifunctional structures in each region of the Kingdom, constitute the cornerstone of this roadmap, favoring training that meets the specificities and the potential of each region..

In terms of access to health services, significant efforts have been made over the past twenty years, as shown in particular by the drop in the maternal mortality rate of over 68% during the period 1997-2018 to reach 72.6 per 100,000 live births. The same is true when it comes to the child mortality rate, which fell significantly to 18 per 1,000 live births for children under one year of age and 22.16 per 1,000 for children under the age of 5 in 2018 compared to 36.6 and 45.8 per 1,000 in 1997. However, improvements in health indicators should recognize the constraints in terms of accessibility to care, particularly for remote regions, from the lack of medical staff to the quality of care offered and its high cost for households. To provide appropriate solutions to these issues, a “2025 Health Plan” has been implemented, focusing on the development of human resources in the sector, the promotion of local health services, the achievement of Universal Health Coverage (UHC) under the best conditions of equity, quality and financial protection of citizens with the aim of achieving an overall medical coverage rate of 90%.

It is also important to highlight that the efforts made in terms of the development and promotion of human capital have been considerably supported by the implementation of the National Initiative for Human Development (NHRI), the third phase of which, for the period 2019-2023, was launched with a budget of 18 billion dirhams aimed, among other things, at promoting the condition of the younger generations and supporting categories in vulnerable situations, by launching a new generation of income-generating and job-creating initiatives. There is also the

Social Cohesion Support Fund (FACS) created in 2012 to ensure the funding of RAMED, the Tayssir program, direct assistance program for widowed women, the "1 million school bags" initiative and support for people with disabilities. The expenses incurred within the framework of this Fund amounted to 16.14 billion dirhams from its creation until the end of September 2019.

Meeting the requirements related to the respect and protection of the environment is a pledge of the inclusive and sustainable development to which our country aspires. To this end, Morocco has introduced a set of reforms aimed at transforming the constraints the country is facing in this area into a source of economic growth. In this regard, the strategic vision for sustainable development provides the programmatic and operational tools capable of taking into consideration, at the level of public policies and sectorial strategies, current and future environmental challenges. In addition to internal efforts, Morocco has shown unwavering support for the global effort to fight climate change and is actively working to strengthen the adaptive capacities of African countries to this global phenomenon.

In the same context, the achievement of the expected goals in terms of laying the foundations for inclusive and sustainable development depends on effective and efficient public action. Thus, Morocco set up a momentum of reform by focusing on the practices of governance and transparency and by rehabilitating the ethical values of national accountability (reform of justice, public administration, and the fight against corruption…). Similarly, our country has turned towards a regionalization of its public policies to ensure integrated and sustainable regional development, by adopting advanced regionalization and by putting in place mechanisms capable of operationalizing it through the establishment of a new vision of decentralized administration.

III. Budgetary choices supporting the country's economic and social priorities

With the aim of restoring the budgetary leeway of the State and gradually strengthening the sustainability of public finances which are necessary prerequisites capable of ensuring the financing of public strategies and actions, several reforms have been carried out during the last two decades, which have focused as much on controlling spending as on improving revenues. As a result, the budget deficit was reduced sharply, from 6.8% in 2012 to 3.7% of GDP in 2018.

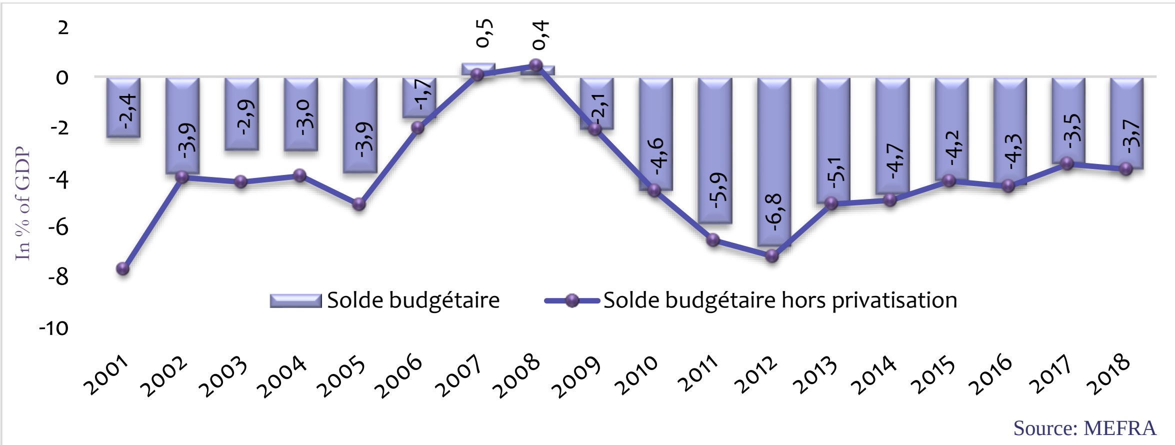


Figure 6: Evolution of the budgetary balance

Thus, in terms of revenue, the emphasis was placed on improving the collection of tax revenues and income from Public Entities and Enterprises (EEP) in the same way as the mobilization of donations within the framework of bilateral and multilateral cooperation. In fact, tax revenue increased by 6% on average annually to reach 209 billion dirhams in 2018 against 77.2 billion dirhams in 2001. After a moderate recovery between 2013 and 2014, tax revenue rose sharply starting 2015, showing an average annual growth of 4.5% between 2015 and 2018.

Detailed analysis by type of tax shows that income from corporate tax increased by 6.5% on average per year over the period 2015-2018. As for income tax revenue, it increased by 4.3% on average per year over the same period. This increase reflects the positive performance of revenue from Income Tax on property income and that of Income Tax levied by the Staff Expenditure Department (DDP), which increased by 3.1% and 2.3% respectively.

For their part, domestic VAT revenues increased by 5.5% in 2018. The growth rate of these revenues was higher in 2017 (+ 8.3%), and in 2015 (+9, 3%), with the exception of 2016 when this rate fell by 4.3%, affected by the amounts reimbursed. As for import VAT revenues, they recorded a fairly sustained increase (6.1% on average per year between 2015 and 2018) driven by the upward trend in imports which increased by 5.3 % during the reporting period.

With regard to revenues from the Domestic Consumption Tax (TIC), they recorded an increase of 3.4% in 2018, compared to 2017, taking advantage of the increase in the consumption of energy products and that of cigarettes.

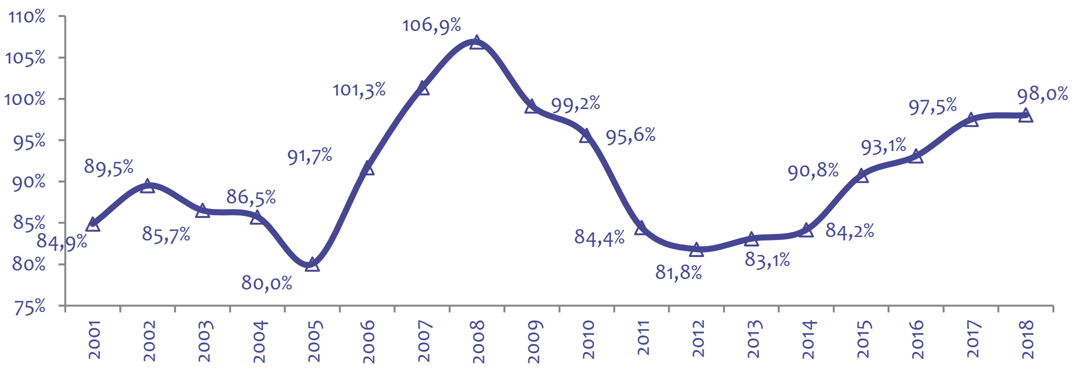
Revenues from registration and stamp duties, after recording a sharp increase in 2014 (+ 14.9%) with the revenues from the sale of part of Maroc Télécom (1.4 billion dirhams) and the ONE-ONEP merger (1 billion dirhams), fell sharply in 2016 and 2017, before increasing by 4.6% in 2018. Over the 2015-2018 period, these revenues decreased by 2.1%.

As for revenue from customs duties, it showed contrasting trends over the period 2015-2018, in correlation with taxable imports over this period. However, in 2018, this revenue clearly increased to stand at 9.7 billion dirhams, an increase of 12.6% compared to 2017.

These developments have led to a significant decrease in the tax burden, from 22.4% in 2009 to 21.2% of GDP in 2018[5].

In terms of government spending, government efforts have focused on further reforming the subsidy system as well as rationalizing operating expenses and transfers to EEP.

A review of the structure of budgetary expenditure over the past decade reveals a still significant ordinary expenditure (79.5% on average between 2012 and 2018) compared to that of capital expenditure. In fact, thanks to the actions implemented by the State to control the progression of spending, positive ordinary balances were generated between 2014 and 2018, making it possible to cover part of the investment expenses. The rate of coverage of ordinary expenses by tax revenue improved significantly in 2018 to 98% compared to an average level of 90.3% over the period 2009-2018.



Source: MEFRA

Figure 7: Evolution of the rate of coverage of ordinary expenditure by tax revenue

[5] It should be noted that the current level of the tax burden includes revenue from the tax administration's effort in control and collection.

This situation reflects in particular the dominating share of operating expenses, in particular the wage bill, and the cost of subsidies.

It is important to note that the period 2012-2018 was marked by a moderate performance of the wage bill, which grew only at the rate of 1.5%, a rate of growth significantly lower than that of the GDP. As for compensation costs, they were reduced to 1.6% of GDP in 2018 against 6.5% in 2012 following the reform process of the compensation system.

In terms of Treasury debt, and thanks to the measures implemented by the public authorities since 2013, in terms of optimizing budgetary expenditure and strengthening revenue, the variation in the ratio of its outstanding revenue gradually decreased from 1.8 percentage points of GDP between 2013 and 2015 to 0.7 percentage points of GDP during the period 2016-2018.

At the same time, investment expenditure of the State Budget went from 4.1% of GDP on average over the period 2001-2007 to 6% of GDP over the period 2008-2018, which reflects the continued government action to support economic activity over the past two decades.

As part of restoring the budgetary leeway of the State, the State's budgetary choices are based on the continued implementation of the provisions of Organic Law No. 130-13 relating to the Finance Law as well as on the operationalization of the recommendations of the 3rd National Tax Conference held in 2019 for the implementation of a framework law on taxation.

In keeping with the Royal Guidelines as well as the commitments of the Government, the priorities of the 2020 Draft Finance Law relate to the continued support for social policies, the reduction of social and regional disparities and the implementation social protection mechanisms as well as giving a fresh impetus to investment and business support.

In terms of outlook, the growth rate of the Moroccan economy should settle in real terms at 3.7% in 2020 after 2.9% in 2019, largely due to the 3.6% increase in value added non-agricultural activities. This forecast is based on the assumption of a cereal production of 70 million quintals, on an oil price of 67 dollars per barrel and a euro-dollar parity of 1.13. To support economic activity, the General State Budget would mobilize an investment budget equivalent to 5.8% of GDP in 2020. The revenue and expenditure forecasts for 2020 should result in a budget deficit of around 3.5% of GDP.