



## Budget Department

DB5/DEPPI/SBDP&SAC

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

Public investment is crucial to improving the well-being of the population and the productivity of businesses. In fact, it is a fundamental tool of the State to stimulate economic growth, create jobs and reduce social and territorial inequalities.

In that respect, Morocco has made significant efforts, under the leadership of the Royal Directives, to mobilize financial resources to carry out large-scale infrastructure projects and implement various sectoral strategies.

Thus, the last few years have been marked by an increase in the credits 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 is clearly reflected in the seventh version of the regional investment allocation memorandum accompanying the 2022 budget bill, which is organized into 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 put in place by the government in order to address the repercussions of the pandemic crisis on economic and social life at the regional level.

In view of its crucial role in mitigating the effects of the crisis and reviving territorial economies, public investment continues its rising trend, which has been taking place for more than a decade, reflecting the Government's proactive policy for the continued 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, distributed over the State budget (General Budget, Treasury Special Accounts and SSMA) with 88.9 billion dirhams, the Mohammed VI Investment Fund with 45 billion dirhams, public institutions and enterprises with 92.1 billion dirhams and 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.

In parallel to these advances, Morocco is making significant efforts to reduce disparities between regions and to accelerate the process of regional convergence, while reconciling its interventions between a logic of strengthening the international positioning of its champion territories and a concern for promoting the latent potential of territories in economic difficulty by encouraging the development of their specific resources in a balanced and equitable manner.

In addition, the different regions of the Kingdom have experienced the repercussions of the pandemic crisis in a very unequal manner, depending on the diversity of the productive base and the weight of the sectors most affected. The evaluation of the regional impact of the various support measures put in place, notably in favor of households, businesses and the health sector, has highlighted a gain of around 1.5 percentage points of value added. Therefore, the losses generated 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. In addition, the region of Casablanca - Settat is the first among the regions that have benefited most from the effects of economic support measures against the crisis.

In this context, Morocco has undertaken a series of measures to contain the effects of the crisis, notably through the stimulation of public investment, more particularly through the establishment of the Mohammed VI Investment Fund. The year 2021 was characterized by the publication of the implementing decree n° 2.21.67 of the law n° 76-20 dated February 22, 2021 defining 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 5, 2021, of the project to manufacture and syringe the vaccine against Covid-19 and other vaccines.

The last point of this first part is devoted to the presentation of a status report on the reform of the public investment management system. In this respect, the 2020 and 2021 fiscal years, which were particularly characterized by the Covid-19 pandemic crisis, were marked by the completion of certain actions planned under the roadmap of the reform project. These include 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 is being prepared.

## ❖ **Section II :**

This section demonstrates the role of public investment in the struggle against social and territorial disparities and in the achievement of socio-economic development, under the guidance 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 characterised by several achievements, of which the main ones are presented below:

### ✓ **National education sector**

In the context of the generalization of preschool education, a tangible improvement has been perceived as a result of the concerted efforts of all actors. As a matter of 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%, knowing that in 2016-2017, this percentage did not exceed 45.6%. In addition, the school supply has experienced a significant expansion, through the opening of 639 new schools during the period 2017-2021, including 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.

Furthermore, and as part of the implementation of the government program 2021-2026, an additional allocation of 1,140 million dirhams is allocated to the department in charge of National Education and Preschool, in particular for the reinforcement of 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.

Additionally, the government program 2021-2026, provides an additional allocation of 360 million dirhams that will be granted to the department responsible for Higher Education and Scientific Research including the upgrading and rehabilitation of universities and the construction and equipment of educational institutions and training.

### ✓ **Professional training sector**

Professional training aims to meet the requirements of the labor market and meet the challenges of economic competitiveness, in this sense the investments made in this area are oriented towards the professionalization of training. Therefore, 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 educational places in the field of professional training which has reached nearly 455,576 places under the start of the school year 2020-2021 will rise to about 555,400 places, from the start of the school year 2021-2022, through the start of training at the level of 24 professional training institutions, under the Office of Professional Training and Work Promotion (OFPPT), including three Cities of Trades and Skills (CMC). The achievement of these CMC is part of a program that aims to cover the 12 regions of the Kingdom whose estimated cost amounts to 3.6 billion dirhams, including 2 billion dirhams paid by the Hassan II fund for Economic and Social Development and 1.6 billion dirhams by the OFPPT and this, in addition to the contribution of the regions to 733 million dirhams and the Ministry of Industry of 64 million dirhams. Regarding the progress of this program, it should be noted that in addition to the three CMC put into service under the start of the school year 2021-2022, it is expected the gradual opening of the remaining 9 CMC between the start of school years 2022-2023 and 2023-2024.

### ✓ **Health sector**

The Covid-19 pandemic has weakened the Moroccan health system, as it has in other countries, prompting the government to review its health strategy in order to remedy the shortcomings that have been 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 reinforcement of the medical system. Moreover, the department in charge of Health has implemented in recent years a multidimensional working policy, aiming essentially at

strengthening the health infrastructure through significant public investments including the construction and development of university, regional and provincial hospital centers as well as community hospitals and psychiatric health facilities. Additionally, and as part of the implementation of the government program 2021-2026, an additional budgetary effort of 2.7 billion dirhams is deployed 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 has put in place a social development strategy to promote the situation of women and vulnerable groups (people with disabilities, the elderly and children in difficult circumstances). In this regard, social assistance centers and Social Protection Institutions, as well as projects for vulnerable groups, have been completed and rehabilitated for the period 2019-2020, it is 238 projects with a budget of 53.11 million dirhams.

Concerning the component relating to the support of people with disabilities, several projects of creation, development and equipment of reception and orientation centers have been realized. Also the State 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 allocated for the operationalization of accessibility upgrading works in several cities.

Meanwhile, under the implementation of the "Integrated Territorial bodies for Child Protection" (DTIPE), the State, in coordination with the relevant actors, has launched in 2019 the first phase of the DTIPEs at the level of 8 pilot Provinces/Prefectures.

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

#### ✓ **Housing and urban policy sector**

**Programs to combat substandard housing:** During the last 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 has signed 53 agreements for the financing and implementation of programs to fight against substandard housing for the benefit of 117,217 households requiring a total investment of more than 12 billion dirhams subsidized by the Ministry up to 2636 million dirhams. These include slum clearance programs, treatment of buildings in danger of collapse, as well as urban upgrading and restructuring of non-standard or under-equipped housing areas.

**City policy program:** It consists of an ambitious national strategy aimed at improving people's access to basic infrastructure and public facilities and local services as well as strengthening urban integration and social cohesion in cities and rural centers. In this respect, the period 2019-2021 has seen the continuation of projects underway and the launch of 90 new projects of the policy of the city for a total cost of 15.37 billion dirhams subsidized by the state to the tune of 4.63 billion dirhams. Furthermore, the city policy projects scheduled to be launched in 2022 are 20 projects with a total cost of 904.9 million dirhams and financial assistance from the Ministry of 472.1 million dirhams. These forecasts for the year 2022 are established on the basis of the commitments of the Ministry and its financing partners in the draft financing agreements currently being signed.

## **2. Public investment in infrastructure and productive sectors**

#### ✓ **Infrastructure sector**

Concerning the development of infrastructure, the State's investments have received considerable encouragement in recent years and have made it possible to connect Morocco's nine largest regions, which account for 93% of the population, to the motorway network, to link three major economic regions by a high-speed line (LGV), and to provide the Kingdom's coastal regions with major seaports.

The achievements in terms of road and highway infrastructure have been focused on the following actions:

- **Reinforcement of the highway network** by continuing, during the period 2019-2021, the construction of the Tit Melil - Berrechid highway at a total cost of 3.24 billion dirhams as well as the continuation of studies concerning the highway link with the new port of Nador West-Med at a total cost of 4.50 billion dirhams;
- **Development of express ways** by achieving the work of the expressway Taza-Al Hoceima on three sections for a total cost of 1.03 billion dirhams and the doubling of the national road No. 1 linking Guelmim to Laayoune on two sections for a total cost of 2.91 billion dirhams (average completion rate of 26% and 60%).
- **Continuation in the year 2021 of the implementation of the special program for road safety improvements 2014-2020** notably through the widening or the development and 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 emphasis was placed on the implementation of the **national strategy of ports** through the continuation of port and maritime projects in several ports (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 Foum El Oued (Laâyoune-Sakia El Hamra)

Regarding the **railway field**, several operations 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. In parallel and concerning the water infrastructure, several projects concerning the construction of dams were carried out during the period 2019-2021 including the 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**

Concerning support for the productive sectors, the State's investment effort has continued in the framework of support for the **agricultural sector** with the aim of improving productivity and adding value to agricultural products and concerns the projects of the Green Plan Pillar II, the irrigation and agricultural space development program and the production sector development program.

- The continuing implementation of projects under the Morocco Green Plan Pillar II, 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 continuing implementation of the irrigation program of the agricultural area, which mobilizes a total budget of 22.30 billion dirhams, of which 7.33 billion dirhams have been committed for the years 2019 to 2021;

- The continuing implementation of the program of development of the production chains with a total cost of 1.29 billion dirhams, including 275 million dirhams of committed credits during the period 2019-2021 (until May 31, 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.

In the context of the continuing implementation of this strategy, several projects have been carried out or launched during the period 2019-2021 and relate mainly to the purchase of lifeboats, the construction of landing points arranged, 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. This strategy aims to increase the share of renewable energy in the electricity mix to more than 52% by 2030. By the end of 2020, the installed capacity of renewable energies had reached 3,934 MW, i.e. a penetration rate of renewable energies of about 37% in the national electricity mix.

**Solar energy** : the total installed capacity commissioned reached 747 MW by the end of 2020, with a total investment of about 28.8 MMDH. The year 2020, has seen the commissioning of the solar photovoltaic plant "Noor -Tafilalet- Arfoud" with a capacity of 40 MW and an investment of 400 million Dhs, in the region of Drâa-Tafilalet and this as 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 with a total capacity of 200 MW and an investment of about 2000 Million Dhs and which will be put into service in 2023

**Hydroelectric energy** : 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 billion dirhams. 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 Boujdour wind farm with a capacity of 300 MW with an investment of 3.2 billion dirhams in the region of Laâyoune-Sakia El Hamra is planned, as well as the second phase of the wind farm of Taza with a capacity of 62 MW with a total investment of 2.5 billion dirhams 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 billion dirhams.

**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 experience the commissioning as well as the continuation of the implementation of projects for the production of electrical energy from renewable sources with an additional capacity of 120 MW, it is the 2nd and 3rd tranche of the solar photovoltaic plant 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**

A number of actions have been undertaken to strengthen the capacity of tourism professionals and the qualification of human resources working in the sector, including the rehabilitation of hotel and tourism training institutions to meet international standards in this area, and this 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.