

Report on the Public Establishments and Enterprises (PEE) sector accompanying the 2023 Finance Bill - SUMMARY -

Following the **High Royal Directions**, given notably in the Speech from the Throne of July 29, 2020, the Speech to the Parliament of October 09, 2020 and the Council of Ministers of October 14, 2020, the PEE sector is the subject of a profound reform program laying the foundations of a new paradigm for the governance, management and control of PEEs, through :

- The profound reform and substantial and balanced redefinition of the public sector;
- The creation of a national agency in charge of the strategic management of the State's holdings and the monitoring of the PEEs' performance;
- The creation of the Mohammed VI Fund for Investment as an essential lever for financing the country's economic recovery, launched by **His Majesty the King, may God assist him**, on the occasion of the opening of the 1st session of the 5th legislative year of the 10th legislature.

In addition, the vision for Morocco's development outlined in the New Development Model (NMD) of 2021 reflects the awareness and importance of PEE reform.

In fact, the NMD recommends, in particular, that in order to improve the quality of services provided to the citizen, the administration should focus on the missions that are essential for the proper functioning of all economic and social sectors, namely the design of strategies and public policies, their monitoring and regulation, and progressively entrust the public execution missions to autonomous structures or delegate them through a contract-based approach. In particular, it recommends that the sectoral departments focus on defining public policies, the operational dimension of which must be contracted with the PEEs.

In its 2021-2026 program established in line with the **Royal High Directions**, the Government made a commitment to accelerate the reform of the PEEs and the operationalization of the Mohammed VI Fund for Investment and the National Agency in charge of the Strategic Management of State's Holdings and Monitoring of the PEEs Performance (ANGSPE). In this context, work has been accelerated for the deployment of the reform of the PEE sector through the preparation of legislative and regulatory texts provided by the framework law No. 50-21 and Law No. 82-20 mentioned above, the operationalization of the National Agency and the acceleration of actions to identify and implement restructuring operations, giving priority to mature sectors and actions to consolidate the economic and financial models of some

PEEs. The roadmap drawn up, in this respect, has identified the PEEs whose strategic vision or economic and financial models need to be redefined, others that could be grouped together according to the synergies to be identified or prepared for a possible opening of their capital to the private sector.

Concerning the finance bill for the 2023 fiscal year, the **Council of Ministers, chaired by His Majesty the King, may God assist him, on October 18, 2022**, gave the general guidelines relating essentially to the strengthening of the foundations of the social State through the implementation of the Royal project for the generalization of social coverage, the consecration of territorial equity through the continuation of the advanced regionalization project and the program of reduction of spatial and social disparities, the restoration of budgetary margins to ensure the sustainability of reforms as well as the revival of the national economy through the support of investment by the deployment of the new Investment Charter.

In the same vein, the circular No. 1615/22 of 20/09/2022 from the Minister of Economy and Finance on the PEEs budget forecasts for the year 2023 is in line with the above-mentioned general guidelines, focusing on priority themes for the PEEs sector, in particular, the commitment to measures aimed at speeding up the reform of PEEs, consolidating their model in order to strengthen their resilience in the face of the risks of soaring raw material prices and supply chain disruptions, improving the quality of service, prioritizing local products, supporting the national company, accelerating investment programs by prioritizing water consumption rationalization schemes, the use of renewable energies, optimizing production costs, reducing the call on the State budget and continuing efforts to improve payment times for suppliers.

I. COMPOSITION AND PERFORMANCE OF THE PUBLIC PORTFOLIO

The situation of water stress in our country, coupled with the effects of international tensions including, in particular, the rise in energy prices, the disruption of supply chains and the increased pressure on financial markets have slowed down, to some extent, the post-Covid recovery recorded in 2021 and have had differentiated impacts on the financial performance of the PEEs and on their investment programs.

Thus, after an overall downward trend in 2020, following the restrictive measures to limit movement and gatherings, decided to deal with the health crisis related to Covid-19, which hampered economic activity (confinement, curfew, closure of borders to people and goods, limitations on mobility ...) and in view of the various efforts made by the State to limit the repercussions of this crisis on economic and social activity, the economic and financial indicators of the PEEs have experienced a significant recovery during the fiscal year 2021.

This trend is expected to consolidate further during the years 2022-2025, despite a generally unfavorable and uncertain context, marked by rising inflationary pressures and the disruption of global supply chains.

1. Composition of the public portfolio

The composition of the public portfolio, comprising **271 PEEs** operating in the strategic and diversified sectors of the national economy, is, **at the end of July 2022**, as follows :

- **227 Public Establishments (PE);**
- **44 Limited companies with direct Treasury participation (SA-PDT).**

In addition, some PEEs hold subsidiaries and/or equity interests totaling **502 entities**, 53% of which are majority-owned.

In addition, **21 Limited Companies are under the responsibility of the Local authorities (CT)**, the same number as the previous year.

2. Economic and financial indicators

In terms of performance and **in a context of recovery**, the PEEs show, in 2021, a **global turnover** and an **added value**, up, respectively, by 21% and 41% compared to 2020 by passing, respectively, from **236.002 MDH** and **68.770 MDH** to **285.482 MDH** and **97.164 MDH**, whereas the evolution recorded compared to 2019 is 13% and 15% respectively.

As regards the turnover (CA), it recorded, at the end of 2021, an amount of **285.482 MDH** up, respectively, by 21% and 13% compared to 2020 and 2019. The growth of the turnover in 2021 is attributed, in particular, to the OCP Group (**84.300 MDH**) which realized a significant increase of its turnover (+50% and +56% respectively compared to 2020 and 2019) and which represents alone 30% of the sector's turnover. This increase in turnover is attributed, to a lesser extent, to ONEE with a turnover of **39,289 MDH** up by 7% and 4% compared to 2020 and 2019, to the CDG Group (+54% and +19% respectively compared to 2020 and 2019 with **12,388 MDH**)

The probabilities of closing the fiscal year 2022 are based, for the whole sector, on a turnover of **344,171 MDH**, up by 20% compared to 2021. The expected increase in turnover is due to the expected performances, in particular, of OCP Group (+56% with **131.331 MDH**), ONEE (+6% with **41.700 MDH**), TMSA Group (3% with **7.365 MDH**) and ONCF Group (+12% with **4.431 MDH**).

Concerning the results of the PEEs sector, and after a downward trend in 2020, **the operating results and net results of the PEEs** sector all showed a notable increase in 2021, recording a total of **31,178 MDH** and **16,021 MDH** respectively. Similarly, the upward trend in the PEEs sector's results is expected for the 2022 closing forecast, with an increase in operating results (**35,153 MDH**) and net results (**34,771 MDH**).

The increase in the sector's results in 2021 is generated, in large part, by the improvement in the results of the **merchant PEEs**, which have been trending upwards, rising for operating and net results, respectively, from **15,648 MDH** and **5,835 MDH** in 2019 to **2,345 MDH** and **-6,361 MDH** in 2020, and then to around **31,765 MDH** and **14,703 MDH** by 2021.

3. Investments of Public Establishments and Enterprises

The volume of PEEs investments increased from **72,675 MDH** in 2016 to **64,164 MDH** in 2021 and is expected to reach **80,989 MDH** in 2022.

The volume of investment achieved in 2021 has been reached, thanks, in particular, to the achievements of the following PEEs: OCP Group (**13.135 MDH**), ONEE (**8.805 MDH**), HAO (**4.386 MDH**) and AREF (**3.711 MDH**).

The closing forecasts for the year 2022 (**80,989 MDH**), up by 26% compared to 2021, mainly attributed to the following PEEs: OCP Group (**26,100 MDH**), ONEE (**9,475 MDH**), HAO (**4,343 MDH**), AREF (**3,598 MDH**) and TMSA (**3,442 MDH**).

The global amount of PEEs investments planned for the year 2023 amounts to **140.500 MDH** and are, mainly, due to the projections of the following PEEs: OCP Group (**55,437 MDH**), ONEE (**12,696 MDH**) and MASEN (**7,011 MDH**).

For the years 2024 and 2025, the volume of PEE investments is expected to be lower than in 2023, at **127,911 MDH** and **106,818 MDH** respectively.

4. Financial relations between the State and the PEEs

Financial relations between the State and the PEEs are gradually being consolidated insofar as the income paid by the PEEs to the State in terms of dividends, profit shares and other contributions has risen from **9,594 MDH** in 2020 to **10,704 MDH in 2021** (excluding proceeds from the sale of assets and privatization), i.e. a realization rate of 96% compared to the forecasts (**11,118 MDH**).

As for the closing forecasts for 2022, they are based on an amount of **14,138 MDH** against **10,985 MDH** initially forecast for 2022. This increase is due, essentially, to the upward revision of the income to be received from the following PEEs: OCP (**+1,131 MDH**), ANCFCC (**+720 MDH**) and IAM (**+285 MDH**).

The forecasts for **the year 2023** are **16,464 MDH** for income from dividends and contributions from PEEs, i.e. a strong increase of almost 50% compared to the 2022 Finance Act, in addition to **8,000 MDH** in expected income from asset disposals (**3,000 MDH**) and privatization operations (**5,000 MDH**).

For **the subsidies granted by the State to the PEEs**, the total of these transfers reached, in 2021, an amount of **40,687 MDH** of which 59% for operation, 33% for investment and 8% for capital grants. The forecast for 2022 is **48,148 MDH**.

II. SECTORAL POLICIES CARRIED BY THE PEEs

The PEEs continue their efforts to accelerate the implementation of strategic projects and sectoral programs for which they are responsible, with a view to achieving the objectives set out in accordance with the **High Royal Directions**, particularly in terms of consolidating social equity, reviving the economy, strengthening territorial connectivity, improving the quality of service to users, promoting investment, extending infrastructure and optimizing the cost of factors of production in order to consolidate the competitiveness of the national economic fabric.

In this respect and **concerning the Royal site of generalization of the social coverage**, it was proceeded to the installation of the legislative and regulatory texts required for the execution of this site and the CNSS, in charge of its implementation, was equipped with an information system and proceeded to the reinforcement of its operational capacities and in human resources and this, to guarantee the success of this program in respect of the prescribed deadlines and the expected results.

The measures relating to family allowances and those relating to the broadening of the membership base of pension schemes are scheduled for 2023 and 2024 respectively.

In terms of mitigating the effects of the water stress experienced by Morocco, the PEEs involved in the water sector, in particular the ONEE, the Water Basin Agencies (ABH) and the distribution operators, play an important role, in consultation with the ministerial departments concerned, in defining and implementing emergency measures to deal with situations of water shortage or insufficiency, and action plans based on structural and alternative solutions, mainly on water transfer projects, desalination of sea

water and reuse of purified wastewater, in addition to water saving programs and awareness campaigns on rationalization of water consumption and protection of water resources.

In terms of vocational training, the OFPPT continues to implement the components of the roadmap relating to the development of vocational training presented on April 4, 2019 before **His Majesty the King May God Assist Him**, and which concern, mainly, the establishment of the Cities of Trades and Skills (CMC).

Regarding the agricultural sector, the PEEs involved in this sector have accelerated their action plan for the deployment of the strategy "Generation Green 2020-2030" launched by **His Majesty the King may God assist him** in February 2020 and which consolidates the achievements of the Green Morocco Plan (PMV), giving priority to the human element and the sustainability of agricultural development.

In addition and in order to accelerate **the revival of the tourism sector**, the ONMT continued, in 2022, the program initiated in 2021 and relating to the realization of a marketing and commercial strategy, involving the entire profession.

As regards the phosphates sector, forecasts announce favorable prospects for the coming years marked by growth in demand and stagnation of supply, which would result in OCP's sales increasing in order to consolidate its leadership, continue the deployment of its integrated development strategy, focusing on the acceleration of production capacity expansion programs, the strengthening of its positioning on growing markets, the diversification of its products, giving priority to the development of a range of customized and decarbonated fertilizers within the framework of a digital strategy targeting the final customer (the farmer).

III. OPERATIONALIZATION OF THE GLOBAL REFORM OF THE PEE SECTOR

1. Creation and operation of the Mohammed VI Fund for Investment

Following the publication of Law No. 76-20 of December 31, 2020 establishing the Mohammed VI Fund for Investment, in accordance with **the Royal High Directions**, and its implementing decree No. 2.21.67 of February 19, 2021 approving the articles of association of the company and setting its capital at **15,000 MDH**, work has been carried out to structure the sectoral and thematic funds on which the Fund will rely to deploy its development strategy.

In addition, and as part of the implementation of the prerequisites relating to the administration and management bodies of the Mohammed VI Fund for Investment, the organic law n° 02.12 relating to the appointment to higher functions has been amended by adding the said Fund to the list of strategic Public Enterprises whose General Manager is appointed by the Council of Ministers.

2. Implementation of the Framework Law No. 50.21 on PEEs reform

➤ **Implementation of the legislative and regulatory texts for the deployment of the framework law n° 50.21 on the reform of the PEEs**

In terms of reforming the PEE sector, concrete progress has been made in the preparation of implementing legislation for Framework Law No. 50-21, the operationalization of ANGSPÉ and the implementation of PEEs restructuring operations.

Of the **four pieces of legislation** provided for in the above-mentioned framework law, three are currently being finalized in consultation with stakeholders and concern the reform of the governance and financial

control of PEEs, the establishment of a privatization regime, and a bill relating to the conditions and procedures for appointing independent directors to the decision-making bodies of public enterprises. The fourth text relating to the creation of the Central Liquidation Body is the subject of a study which is scheduled to be launched in early 2023.

As for the **regulatory texts**, they concern **five draft decrees** relating to the modalities of appointment and remuneration of the representatives of the State sitting within the deliberative bodies of the PEEs, the modalities of appointment and remuneration of the independent members sitting within the deliberative bodies of the Public Establishments, the contractualization of the relations between the State and the PEEs, the approval of the Moroccan code of good governance of the PEEs and the evaluation of the public domain made available to the PEEs. The first two draft decrees have been finalized and are in the process of being adopted, while the other three are in the process of being finalized.

➤ **Realization of restructuring operations**

The consultations and reflections undertaken have led to the development of a roadmap aiming, on the one hand, at resizing the public portfolio and, on the other hand, at strengthening the economic models of certain PEEs.

In this regard, the year 2022 has seen **the targeting of a number of sectors deemed to be priorities** such as energy, transport and logistics, as well as other sectors (audiovisual, gaming and national lottery) or PEEs with high stakes (RAM, HAO, Barid Al Maghrib). These restructuring operations are carried out within the framework of a collective and partnership approach and aim at treating, within a planned framework, all the risks and problems which hinder the realization of the performances and development projects launched by the various actors.

➤ **Operationalization of the ANGSpe**

In accordance with Article 32 of Law No. 82-20 establishing the National Agency, the entry into force of the said law will take place as soon as its administrative and management bodies are operational, knowing that its Director General has been appointed by Dahir No. 1-22-45 of July 22, 2022 published in the Official Gazette of 04/08/2022.

Work will be accelerated for the establishment of the Board of Directors of the National Agency with a view to its operationalization. In this regard, the main work carried out and/or in progress within the framework of the operationalization of the Agency is as follows :

- **Integration of the Agency among the strategic Public Establishments** through the amendment of the organic law n° 02-12 relating to the higher jobs in order to register the Agency at the level of the appendix 1-A of the aforementioned law concerning the strategic establishments (*Published in the BO of 27/01/2022*);
- **Elaboration of the State's shareholding policy:** the Agency will have to propose to the governmental authority in charge of finance and implement a State shareholding policy, in consultation with the stakeholders of this policy which should be approved by the Government Council. In this respect, a study is being carried out with a view to proposing a draft State shareholding policy and a roadmap for its deployment;
- **Preparation of the Agency's management instruments** (control agreement, organization chart, purchasing regulations, staff regulations, reference manual for the various operational and accounting procedures, operating charters for the governance bodies, etc.);

Draft implementing regulations under preparation :

- Draft decree on the representatives of the State at the level of the Board of Directors of the Agency. This project has been finalized and put in the circuit of adoption;
 - Draft decree fixing the modalities according to which the Agency proceeds to the necessary diligences to give its opinion on the various operations of capital and portfolio envisaged at the level of articles 7 and 8 of the law n° 82-20;
 - Draft decree fixing the composition and the modalities of functioning of the Instance consultation on the State's shareholding policy;
- **Passage to the control of accompaniment:** by virtue of the article 30 of the law n° 82-20 above mentioned, eight Public Establishments (AASLM, AAVBR, ANCFCC, LOARC, MAP, OMPIC, ONDA and ONP) falling within the perimeter of the Agency are concerned by this operation which must be accomplished within a maximum period of 6 months as from the date of entry into force of the law 82-20 above mentioned

IV. PUBLIC-PRIVATE SYNERGIES AND THE CONTRIBUTION OF PEEs TO IMPROVING THE BUSINESS CLIMATE

1. Strengthening PEE management efficiency and public-private synergies

In accordance with Article 36 of Framework Law No. 50-21 on the reform of PEEs, with regard to the **contractualization of relations between the State and the PEEs**, work is underway to finalize the draft decree to set the new conditions under which program contracts must be concluded between the State and the PEEs and which is designed to give the program contract a content in terms of development plan to be carried out, stakes and targeted objectives and especially in terms of raising the economic and social efficiency of the action of the PEE concerned, through the identification and the implementation of the measures of restructuring, development of synergies and complementarities with the other public actors.

This draft decree is supported by a new methodological guide for contractualization, structured according to an approach that aims to make the contract a broad receptacle that must integrate all the areas of progress to strengthen the efficiency of the PEE, ranging from the viability of its model, its management system and steering of its activities, its digital transformation strategy, the reinforcement of human capital, and even synergies, complementarities, or even rapprochement or grouping with other public actors, all within the framework of the implementation vision of the PEE sector reform.

In 2022, the dynamics of contractualization of relations between the State and the PEEs resumed after two years of slowdown due to the pandemic crisis and the launch of the profound reform of the PEE sector. Indeed, a State-CMR Program Contract for the period 2022-2024 was signed in September 2022. Other projects are being negotiated, notably with GBAM, SNTL, ONCF and ONEE.

With regard to **payment times**, the second annual report of the Observatory of Payment Times was published on October 14, 2022. In this regard, many actions have been carried out since the year 2018 including the implementation of exceptional measures to cope with the economic crisis due to the Covid-19 pandemic and therefore help companies overcome cash-flow difficulties, especially SMEs and VSEs in order to maintain the positive trend of reducing payment times of PEEs.

The success of the reduction of average payment times of PEE to **36.1 days** in June 2022 against **55.9 days** in December 2018 will be further consolidated through the measures underway, following the recommendations of the Observatory of Payment Times, through, in particular, the establishment of a

mechanism of sanctions that provides for the application of fines for late payment. This mechanism targets an inflexion of the payment delays within the private sector, being specified that the bill n° 69-21 of implementation of this mechanism was adopted by the Council of Government of 29/09/2022.

In terms of **accounting standards**, the project to upgrade the national accounting framework was launched in collaboration with the Ordre des Experts Comptables (**OEC**) with the support of an international institution. This project aims to update and modernize the Moroccan accounting framework to make it a lever for transparency, improving the business climate and attracting investment.

Similarly, work is underway to set up a system for consolidating the accounts of PEEs, with the aim of developing an accounting framework for consolidating the accounts of PEEs, identifying the scope of consolidation and preparing the first consolidated financial statements.

Regarding the implementation of the legal framework governing **public-private partnership contracts (PPP)**, and after the publication, dated March 19, 2020, of Law No. 46-18 amending and supplementing Law No. 86-12 on PPP contracts, the steps are going well for the establishment of the implementing regulations provided by this law and are a prerequisite for its entry into force.

The entry into force of this new legal framework will make it possible to start the work of the National Commission of the PPP (**CNPPP**) invested of the missions of strategic order in relation to the definition of a national strategy as regards PPP and the development of a national program of PPP.

2. Strengthening governance and transparency of the public portfolio

The **draft reform of the governance and financial control of the State on PEEs**, which is currently undergoing consultations with stakeholders, is being finalized with a view to putting it in the approval circuit in 2023. The new version of this project aims to provide PEEs with a **unified and clear legal framework** and to establish the **principles that should guide this ambitious reform** and reside, in particular, in the consecration of the autonomy of PEEs, the accountability of the deliberative bodies and leaders, the restoration of user confidence, the improvement of PEE performance, better customer service, proper use of public funds and a better contribution of PEEs to socio-economic development.

The updating of the **Moroccan Code of Good Practices for the governance of PEEs** is being carried out taking into account recent developments in the field of governance, both at the national level (new regulatory and normative texts, etc.) and at the international level (new OECD and G20 Directives). This project is also being carried out within the framework of a participatory approach involving the national commission for corporate governance, several PEEs as well as organizations and associations working in the field of governance.

The draft of the new Code is structured in 10 chapters dealing, in particular, with the role of the governing body and specialized committees, the responsibilities of management, the culture of ethics, risk management and internal control and audit systems, the dissemination of information, transparency and social and environmental responsibility.

In accordance with article 38 of the framework law n° 50-21, this draft code, once validated and adopted, will be published by decree.

On the other hand, **the external audit operations** carried out in 2021 concern 7 PEEs (ABHS, ABHM, ONSSA, BAM, INRA, ABHOER and ABHSM). The follow-up of the recommendations of these operations is launched during the first semester of 2022.

Regarding the external audit program for the year 2022, it covers 5 operations (SNGFE, Al Omrane Group and 3 Public Establishments of the social sector, namely, the Agency for Social Development, the Office for the Development of Cooperation and the National Mutual Aid). The service order for the realization of the external audit operation of the SNGFE was given in September 2022 and the two other operations are being relaunched.