Kingdom of Morocco

MINISTERE DE L'ECONOMIE ET DES FINANCES

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2011 Economic and Financial Synthesis Report

The 2011 draft Budget Law, which was adopted in a global context of profound change resulting from the systemic financial and economic crisis of 2008, is aimed, among other strategic goals, at stepping up the pace of economic growth and job creation. Therefore, maintaining efforts towards more public investment and structural reforms, speeding up the implementation of the strategy, promoting national and international private investment, diversifying markets, especially vis-à-vis Africa, and supporting regional development are all priorities for public action.

Supporting social sectors is also another priority, as well as enhancing social solidarity policy to ensure a better distribution of growth benefits at social and territorial levels, and preserving basic balances to provide appropriate conditions for funding the national economy.

This project is admittedly very particular in nature, being reasonably cautious out of realism; but it does not relinquish the ambition to serve the genuine and promising momentum that drives Morocco in the process of strengthening its progress through fairness and democracy, while combining the morale of well understood interests with that of fairly deployed efforts.

Reconfiguring Global Economic Growth

The year 2009 will have been the year of all negative records globally: the largest GDP contraction since the Second World War with -0.6%, the steepest fall in global trade since the 1970s with -12% in value, and the biggest concentration of foreign direct investment flows with -37%. The voluntary policies applied across sectors have enabled to invert this trend; and the IMF predicts a 4.8% growth in 2010 and 4.2% in 2011, not to mention the recovery of international trade and the progressive improvement of credit terms. However, economic recovery varies depending on regions, and prospects for 2011 still indicate downside risks relating to fragile public finances and debt sustainability issues in developing countries.

Accordingly, Europe, our main economic partner, would experience a growth of 1.7% in 2010 and 1.5% in 2011. For the United States, the IMF predicts improved growth of 2.6% in 2010 and 2.3% in 2011, due mainly to increased investment, which demonstrates renewed confidence in business circles despite persisting high unemployment rates.

Growth recovery is proving to be stronger in emerging and developing countries. The strength of Asian emerging economies feeds on the dynamism of Chinese (10.5% following 9.1%) and Indian (9.7% following 5.7%) economies, and also fuels Japanese growth. Latin America, which was severely hit by the financial crisis causing a decline in growth of 1.7% in 2009, seems to be out of recession with growth forecasts of 5.7% in 2010 and 4% in 2011.

Reconfiguring the world economy has a bearing on Morocco, a country that is exerting genuine efforts towards its regional and global integration. The new growth mapping exercise has indeed repercussions on the impact of free trade agreements, but it also offers opportunities at Euro-

Mediterranean level or on the African market.

Now that the trade agreements with the EU on agriculture-related products and fisheries have been reviewed, and the 2009 negotiations on services are over, the challenge for 2010 will consist in advancing actual implementation of the commitments made under the Advanced Status, especially in terms of convergence of Moroccan legislation and standards with European law.

The free trade agreement signed between Morocco and the United States has boosted business relations and private US investment and loans, ranking the USA third largest foreign investor in Morocco.

Economic and financial relations between Morocco and African Sub-Saharan countries reflect Morocco's interest and will to readjust its relationship with the South in order to open up alternative markets for Moroccan investors in the face of increasing competition on conventional markets, and to benefit from the expected dynamics of growth in the region.

Resilience of the National Economy and the Financial and Economic World Crisis

The national economy has resisted the strong disruptions that marred the world economy in recent years. Macroeconomic, structural, sectoral and social reforms, along with big-ticket projects, have created the conditions for vigorous and sustainable growth, and placed us from the start of the crisis in a solid position, with ample latitude to confront shocks with serenity. After a decade where growth was based on a cyclic pattern combining expansion and recession movements, the world economy experienced a phase of sustained positive growth of 5.1% in real terms between 2001 and 2009, against an average 2.8% from 1991 to 2000.

The sectoral analysis of economic growth during the last decade shows a significant contribution of high added-value sectors, an upgraded domestic productive fabric, and a higher share of new generation services gaining ground over "conventional" sectors. The analysis also highlights the confirmed emergence of some engine sectors, notably agriculture, public construction, financial activities, and the consolidation of dynamic sectors (transportation, telecommunications, services to businesses) contributing up to 51.2% and 29.1% to real GDP growth.

Furthermore, the latest regional[1] developments highlight the regional dynamics driving the structural transformations of the Moroccan economy. The performance of some regions, particularly in the south of Morocco (9.9%) – Chaouia-Ouardigha (9.8%) and Doukala-Abda (8.2%) -, made it possible to offset the relative decline of other regions that used to be the engines of national production, such as the Great Casablanca region, which now has one of the lowest growth rates (4.9% from 1998 to 2008) in Morocco.

On the demand side, household consumption played a significant role as a major component of domestic demand, and its contribution to growth is on the rise. However, a real disruption happened with investment. The investment dynamics, backed by a restructured financial sector in line with international standards, caused the investment rate to go up to over 36% of GDP in 2009.

Constantly increasing, the investments undertaken under the General State Budget and by public establishments were instrumental to private investment. No pressure was exerted on the State budget, whose deficit is still contained at 2.2% following two years of quasi equilibrium, and the debt ratio maintained its downward trend at 46.9% of GDP in 2009.

In this context, the continued reduction in funding rates, combined with the increasing credibility of an active central bank, and by less than 2% inflation from 1998 to 2009, and 1% in 2009, comes as the culmination of the aforementioned performances, and maintains the conditions for stronger, sustainable and job creating growth.

The resilience of the national economy in relation with the multiple impact of the global financial and economic crisis is confirmed by the closing prospects for 2010. In fact, GDP growth rate,

[1] DEPF Study, « Contributions of regions to national wealth creation »

initially projected at 3.5%, was reviewed upwards at 4% due to the positive repercussions of the global economic recovery on the national economy, the return of non agricultural activities to their pre crisis level, and the dynamism of domestic demand.

The resumption of economic activity in 2010 in crisis-ridden sectors was partly due to the measures adopted by the Strategic Monitoring Committee. Through concerted and permanent management and coordination between the government, the private sector and the banking system, this committee provided social, financial, commercial and training assistance to those businesses that were most hit by the crisis in the textile, leather, automotive equipment and electronics sectors. The Committee also put in place a specific action plan to promote tourism, and measures to foster investment by Moroccans living abroad.

In order to diversify its funding sources and alleviate cash constraints on the domestic financial market, Morocco successfully launched, in September 2010, a bond issue on the international financial market for 1 billion Euros, with a 10-year maturity period and a 4.5% interest rate. The success of the operation confirms the growth potential of the national economy, backed by ambitious sectoral strategies and well controlled macroeconomic fundamentals, and reflects the soundness of the banking sector, a sustainable debt situation and visibility of political, economic and social choice.

Consolidating human development indicators

The overall economic performance of recent years, along with the increasing pace of execution of social big-ticket projects, had a positive effect on human development indicators in Morocco. The available national gross income per capita registered an average yearly increase of 5.7% between 200 and 2009, and the results of the National Survey on Household Living Standards (2006/2007) revealed an increase in the average monthly income of households, reaching MAD 5,308. This very survey, however, indicates an aggravation of inequalities and higher income concentration.

As far as education is concerned, substantial breakthroughs were reported at the primary educational level, particularly towards reducing inequalities between boys and girls, and between rural and urban areas. To reduce the persisting shortcomings of the system and improve the internal and external returns, an emergency plan titled "*A new impetus towards reforming education and training*", which will require a budget of MAD 43.7 billion, was adopted to step up the implementation of the education and training reforms, and to achieve the qualitative and quantitative targets of the Charter.

Regarding the job market, public authorities have allowed structural reforms designed to promote job creation and improve employability and work climate. Moreover, cognizant of the impact of the financial and economic crisis, the Strategic Monitoring Committee took actions to mitigate job losses in the most vulnerable sectors. Such measures caused the unemployment rate to go down progressively to around 9%, against more than 11% in 2005, and over 229,000 new jobs were created during the first semester of 2010.

The health sector boasts substantial breakthroughs, especially with regard to rising life expectancy (from 70 years in 2001 to 72.6 in 2008). The most significant progress involves maternal mortality, which declined from 227 to 132 cases for 100,000 live births between 2004 and 2009, neonatal mortality (-9.8 points) and infant mortality (-9 points), although these figures remain below the level targeted under the Millennium Development Goals.

The pace of progress in the health sector should however accelerate with the implementation of a strategic action plan covering the period 2008-2012, which focuses mainly on enhancing health coverage, establishing a rational drug-related policy, and extending and widening health insurance services.

Launched in 2005, the National Initiative for Human Development (NIHD) was instrumental in consolidating human development indicators, and managed to bring about dynamism and to involve all players around several equipment, economic development and infrastructure projects. The first phase of the initiative, which was completed in 2010, benefited approximately 5.4 million individuals, with an overall budgetary allocation of MAD 13 billion. The second phase, covering the period 2011-2015, should take into account the specific nature of actions to be undertaken, while ensuring their sustainability and synergy with the different sectoral programs and communal development plans.

Stepping up reforms for improved global competitiveness

Strengthening and diversifying export engines

To sustain economic growth and tackle its increasing trade deficit, Morocco is deploying efforts to speed up sectoral strategies based on the voluntary targeting of sectors for which it has unquestionable comparative advantages, especially in the field of industry. The acceleration of structural and setoral reforms is one of the fundamental choices included in the Moroccan development strategy. The different reforms introduced have enabled the country to further its process of modernization and development, and enhance the resistance of its economy to both internal and external shocks.

Although the national economy proved to be resilient to the impacts of the global financial and economic crisis, it revealed certain structural fragilities resulting from limited diversification of export engines and insufficient productivity and competitiveness in some exporting sectors, which are fully open to competition. Morocco's export offerings are poorly diversified, geographically highly concentrated, and specialized in the least dynamic segments of global trade.

As a consequence, the National Industrial Emergence Pact, signed in 2009, was designed to promote industrial sectors with a high export potential (e.g. textile-clothing, automotive and aeronautical subcontracting, and electricity-electronics). The main measures contained in this pact are aimed at developing Morocco's supply-side capacity, training its human resources, creating dedicated infrastructure, promoting investment and seeking new export outlets.

Regarding the agrifood sector, a vital component of the national industry, the Program-Contract signed between public authorities and operators is intended to improve its contribution to domestic exports by tapping the country's potential in agriculture and fisheries, and leveraging a rising world demand. This development strategy is based to a large extent on the "*Green Morocco Plan*", which seeks to improve, both in quantitative and qualitative terms, the supply of agricultural products to be processed, and to establish industrial areas dedicated to agribusiness.

The fisheries sector, accounting for approximately 10% of overall exports, is another growth lever that is vital to Morocco's economic and social development. In this respect, the "*Halieutis*" strategy for comprehensive development, currently in progress, aims to secure the sustainability of resource exploitation, and enhance the performance and competitiveness of the sector.

The phosphate sector is of paramount importance to the national economy, as it contributes to macroeconomic balances and to regional and rural development. Consequently, to strengthen its leader position on the international market, OCP adopted a strategy based on four pillars: pursuing industrial development, fostering FDIs, reshaping trade policy and upgrading financial and organizational tools. In this context, an investment program amounting to MAD 37 billion was launched for the period 2008-2012.

Off-shoring activities provide a high potential for exports owing to the assets that Morocco has to offer, notably its geographical proximity with Europe and its advanced telecommunications infrastructure. Call centers represent the largest potential for Morocco by 2013, with an estimated turnover of MAD 12.6 billion and approximately 70,000 jobs, followed by off-shoring activities, human resources and accountancy-finance. Off-shoring of financial activities is still very limited due to the low demand from our traditional partners. By strengthening its human skills, Morocco would be able to penetrate English-speaking markets, which resort more frequently to off-shoring.

With a 7.1% contribution to GDP, tourism is a key sector for Morocco. The first sector development strategy, launched in 2001, achieved 95% of its targets, as a result of cyclical factors (e.g. the 2008 financial and economic crisis) and structural factors (e.g. poor diversification of tourism offerings and strong concentration on the European market). The current tourism strategy will be readjusted as part of the "2020 Vision" availing the lessons learnt from the previous strategy, among which are three major guidelines: developing a balanced and diversified supply, introducing a qualitative approach in designing tourism offerings, and promoting a sustainable and accountable tourism industry.

Structural revitalization of domestic sectors

In addition to repositioning the national productive fabric to seize the opportunities provided externally, public authorities also gave priority to enhancing the development of domestically oriented sectors, notably agriculture, real estate and domestic trade. These sectors contributed efficiently to enhancing the resilience of the Moroccan economy to the recent economic crisis. To further the role performed by these sectors, strategic actions were taken to remedy their deficiencies, tackle the fragilities hampering their growth and unleash their full potential.

In the agricultural sector, public authorities implemented the "*Green Morocco Plan*" in 2008 based on novel approaches to public intervention in the sector. The strategic actions contained in this ambitious plan are deployed at national and regional levels, and seek to aggregate farmers, promote contract-based relations between operators, encourage added-value output, adapt the financing system and advance integration in the international market, in particular via a new agreement to be signed between Morocco and the European Union, giving Moroccan flagship agricultural products privileged access to the European market.

The reforms undertaken in the real estate sector since 2003 have generated dynamism by lowering the housing deficit and reducing the share of unhealthy housing using various incentives and facilitations supply and demand wise. This renewed dynamism was disrupted in 2009 by the impact of the crisis, and also because of the structural constraints proper to the sector. To redress the situation, a new strategy for 2010-2020 was adopted as part of the 2010 Budget law, with a view to improving visibility for operators in the sector, by launching new social housing projects, facilitating procedures, and setting up new urban areas.

Unlike foreign trade, whose commercial deficit worsened in 2009, domestic trade, fueled by improved domestic demand, contributed significantly to the resilience of the national economy to the financial and economic crisis. Domestic trade showed sustained growth with an average yearly rate in constant prices of 3.8% over the period 2005-2009. To strengthen this sector and remove its constraints, the development and modernization plan "Rawaj 2008-2012" was designed to modernize small traders, coach national businesses in their development, organize distribution networks, especially for the wholesale of fruit and vegetables, and enhance commercial planning by establishing dedicated areas.

Other strategic thrusts need to be explored if we are to take advantage of all our national assets for development. Social and solidarity-based economy offers a genuine opportunity with good prospects of growth in a favorable context for the development of fair trade, community-based products, organic farming, etc. These sectors generate jobs, and their products account for a substantial part of our national exports. Therefore, solidarity-based economy may prove to be a solution to the new challenges stemming from globalization and the free-market economy, on account of the new consumption trends in these sectors, thus boosting opportunity in Morocco.

Renewed Development of support sectors

Enhancing the competitiveness of our national economy, besides giving impetus to export engines and domestic sectors, calls for upgraded supporting sectors, notably logistics, energy and water.

With regard to logistics, a new strategy was adopted in April 2010 with a view to lowering costs from 20% to 15% by 2015, which would generate gain opportunities for all economic players concerned, as well as an increase of 3 to 5 points of GDP, improved competitiveness and additional FDI inflows. This strategy is also aimed at developing logistical areas, optimizing movements of goods, organizing the sector, providing training and regulating the sector.

Energy wise, Morocco depends on imports for almost all its energy supplies, and remains highly dependent on fossil energy, which affects not only sectoral competitiveness, but also budgetary and financial balances. What is more, big-ticket projects and change in consumption habits are expected to multiply national energetic demand by three.

These prospects spurred the Department of Energy into launching, in 2009, a new energy strategy geared toward sustaining security of supply, reducing energy dependence, promoting renewable energy sources, improving energy efficiency, and advancing integration in the regional energy market by means of improved cooperation and exchange with other countries from the Maghreb and Europe.

On the water front, scarcity of resource at national level is compounded by the impact of climate change and weak management practices. To promote management of water resources in a streamlined and sustainable way, public authorities plan to establish a new strategy designed to upgrade the governance system by enforcing the provisions of the 10/95 law and extending it to non covered aspects, and by managing demand and supply, especially in the fields of irrigation, water resource mobilization, and water quality preservation.

Improved budgetary position

The acceleration of structural economic reforms and revitalization of promising sectors have led to rapid growth of tax revenues, and helped improve the budgetary position, notwithstanding a constrained global situation marked by financial difficulties, sovereign debt market instability, disruptions in commodity prices and exchange rates, and the adoption of austerity policies by our major partners.

Budgetary consolidation stimulates revenue generation, and helps bring expenditure under control. Changes in the tax system, combined with the effects of the economic crisis, induced a fall in tax revenues of 9.1% in 2009 compared to 2008, but non tax revenues went up by 12.5% from 2008 to 2009, not to mention a positive balance of the Treasury special accounts amounting to 1.2% of GDP in 2009. For 2010, revenues are expected to rise based on the positive performance of VAT on imports, customs duties and DCT on petroleum products.

The general budget expenditure went down by 3.2% in 2009 compared to 2008, due mainly to the fall in world prices of energy products. The impact of streamlining policies can only be measured in the medium and long run, but overall, the expenditure structure shows a relative decrease in personnel expenditure and debt interests.

Budgetary indicators pointed to a budget deficit of 2.2% in 2009, after showing a slight surplus of 0.4% in 2008. However, this deficit remains contained compared to forecasts (2.9%) and to the situation of our major partners, who have experienced huge imbalances. This performance not only was accompanied by a reduced debt ratio and renewed momentum in public investment activities, but it also secured the necessary funding for the financial and economic reforms initiated by our country, including the anti-crisis measures adopted by the Strategic Monitoring Committee.

In terms of indebtedness, consolidating the fundamental balances helped maintain Treasury funding requirements in proportions that are in line with the government‘s objectives, which led to a significant reduction in the debt ratio and improved debt profile. The overall debt ratio of the Treasury declined from 63.8% in 2002 to 46.9% in 2009, due to the active management of external debt, and better management of domestic debt, which, given the positive trend of economic fundamentals, has had no eviction effect.

Streamlining the tax system and upgrading public expenditure management

The main tax measures taken in recent years highlight the willingness to develop an indicative tax system, particularly by reducing tax pressure and expanding the tax base. Major measures taken in this regard were aimed at decreasing CT and IT rates, and doubling the deduction for family care burden, hence strengthening the purchasing power of citizens. Other measures were also designed to enhance the funding capacity of businesses, such as tax allowances for businesses wishing to raise their capital, or provision of support to restructurings and concentrations.

TO BOOST INVESTMENT FLOWS, INCENTIVE ARRANGEMENTS WERE ADOPTED TO LOWER THE STATUTORY THRESHOLD FOR SIGNING CONVENTIONS WITH THE STATE FROM MAD 500 MILLION TO MAD 200 MILLION, PROVIDE TAX ALLOWANCES TO BUSINESSES OPERATING IN FREE TRADE ZONES, REDUCE CT FOR BUSINESS ENTITIES IN THE PROCESS OF BECOMING PUBLIC LISTED COMPANIES, AND GRANT TOTAL AND PERMANENT CT EXEMPTION TO UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS), COLLECTIVE SECURITIZATION INVESTMENT SCHEMES, VENTURE CAPITAL INVESTMENT ENTITIES, AND NON-RESIDING FIRMS FOR GAINS ACCRUING FROM THE SALE OF SECURITIES LISTED ON THE CASABLANCA STOCK EXCHANGE.

THE TAX SYSTEM WAS ALSO SIMPLIFIED AND HARMONIZED: REFORMED TAXATION FOR LOCAL COLLECTIVITIES, IMPLEMENTING ON-LINE TAX DECLARATION FOR MAJOR FIRMS, AND SIMPLIFIED TAX ARRANGEMENTS.

UNDER THE CUSTOMS REGIME, PUBLIC AUTHORITIES INTRODUCED REFORM MEASURES TO IMPROVE ECONOMIC CUSTOMS ARRANGEMENTS, DEVELOP WAREHOUSING AND CUSTOMS CLEARANCE AREAS, CATEGORIZE BUSINESSES, REDUCE THE MAXIMUM PERIOD DURING WHICH GOODS MAY REMAIN WITHIN THE PORT AREA, DEVELOP SUPPLY PLATFORMS, DEMATERIALIZE PROCEDURES ("BADR" SYSTEM), IMPLEMENT PARTNERSHIPS WITH THE BUSINESS WORLD, AND STREAMLINE AND ENHANCE CONTROLS.

The aim of the budgetary reform initiated in 2001 is to enhance effectiveness and efficiency of public expenditure by alleviating administrative structures, simplifying procedures, improving performance and quality of service, while ensuring medium-term viability for its macroeconomic framework. This reform involves three main thrusts, i.e. public action performance, financial transparency and enhanced control by the parliament.

In addition to the reform of State expenditure control, the gradual implementation a medium-term expenditure framework, and globalization of credit - which calls for the definition and follow-up of performance indicators-, public authorities deployed the integrated Expenditure Management System in January 2010. This unified budgetary and accounting information system is designed to help simplify expenditure execution channels and procedures, and to offer quality services to public expenditure stakeholders.

The 2011 Draft Budget Law

Prospects for 2011 are brisk in terms of growth for the Moroccan economy, based on its solid starting position, which is attributable, to a large extent, to the spectrum of macroeconomic and structural reforms conducted during the last decade, as well as the resumption of non agricultural activities and increased global demand in favor of Morocco.

A favorable external context

The world economy is expected to grow by 4.2% in 2011, against 4.8% in 2010. Growth in the Euro Zone is estimated at 1.5% in 2011, compared to 1.7% in 2010. International trade would experience a progression of 6.3% in 2011, instead of 9% in 2010. In the light of these developments, external demand for Moroccan trade is expected to grow positively in volume, reaching 4.6% in 2011, after a rise of 6.7% in 2010.

Regarding primary products, particularly oil, for which Morocco is entirely dependent, the International Energy Agency predicts stable prices for 2011, at 75 dollars/barrel, based on moderate demand, abundant supply and historically high stock levels. As for the Euro-dollar parity, it is expected to remain unchanged in 2011, with the euro trading for 1.3 dollars, if the threat of a "war" of exchange rates does not materialize.

Prospects for the national economy in 2011

Combined with continued dynamism in the different branches of activity and ambitious sectoral plans, the continued recovery of economic activity worldwide and its positive incidence on foreign demand addressed to Morocco should continue to nurture a growing national economy, which is projected to stand at 5% in 2011. According to estimates, non agricultural activities are to improve by 5.4% in terms of added value in 2011.

Household consumption at cost is expected to continue boosting economic growth, up to 7.9%, as a result of a vibrant job market, resumed remittances by Moroccans living abroad, and controlled inflation at around 2%.

Investment, on the other hand, should benefit from the continued dynamism of private investors and the on-going effort towards more public investment in support of various development projects. Gross fixed capital formation would be up 10.3%, against 9.5% in 2010. The gross investment rate, comprised of GFCF and change in stocks, is expected to reach 34.5%, against 34% the previous year.

As a result of the rising global demand addressed to Morocco and the consolidation of productive activities, an improvement of 11.8% of overall goods exports is predicted for 2011, compared to 19.2% in 2010. Imports of goods would also go up to 11.4%, compared to an increase of 12.1% in 2010.

These developments would generate a trade deficit of around 21.8% of GDP, against 21% of GDP in 2010. Moreover, travel revenues and remittances by Moroccans living abroad would increase by 11.7% and 11.5% respectively. The balance of external trade in goods and services would also undergo a deficit of 11.1% of GDP under the combined effect of rising imports of goods and services at 11.3%, against 10.4% in 2010, and the increase of 11.4% in exports of goods and services, compared to 12.9% in 2010.

Gross national savings would stand at 30.6% of GDP in 2011, which is below the level of gross investment estimated at 34.5% of GDP. This would lower funding requirements to 3.9% of GDP.

Tax, customs and budgetary policy measures

The purpose of the 2011 Budget Law is to sustain reform continuity in order to maintain the momentum of modernization of the national economy, and strengthen the country's attractiveness, while enhancing public expenditure efficiency.

On the tax front, the main tax measures proposed provide for CT reductions for very small enterprises (VSE), and aim to revitalize Casablanca's financial center through tax allowances for eligible businesses, and boost savings by granting exemptions to income and profit on portfolio capital derived from Equity Savings Plans, house purchase savings interests, and interests accrued to educational savings schemes.

To encourage informal businesses to go formal, the measures proposed are mainly geared toward non taxation of income and operations taking place before tax identification, simplification of procedures, and IT exemptions on income derived from zoning and export activities. In addition, self-entrepreneurs are entitled to further reductions on their income tax.

With regard to the customs regime, the proposed effort is to maintain reform implementation until a maximum rate of 25% is eventually reached. This rate is expected to stand at 30% in 2011.

Budgetary measures

In addition to pursuing reform and scaling up on-going sectoral development plans, the

2011 draft Budget Law is designed, among other objectives, to provide support to needy populations, enhance educational and vocational policies, ensure progressive dissemination of "RAMED", support social housing, streamline expenditure, and promote public investment.

Given the share of the Value Added Tax paid to local collectivities, ordinary income, net of privatization and net of CST revenues, should grow by 5.9% compared to 2010, due to the expected development of economic activity and the positive contribution of non tax revenues.

Efforts to streamline and improve efficiency by gradually adopting result-oriented budgetary management and establishing the medium term expenditure framework should help bring down expenditure to 1.3% of GDP in 2011 compared to 2010, notwithstanding an increase of 0.5%.

Expenditure in goods and services would increase by 6.2% compared to 2010. The wage burden would rise by 7% with the creation of 16,000 budgetary posts and the impact of within-grade increments and grade promotions. Expenditure relating to other goods and services is expected to grow by 4.7% in 2011. The debt interest burden would increase by 6.9% compared to 2010, due to the combined effect of increased domestic debt servicing, 1.3%, and foreign debt interests, 42.8%. As for compensation expenditure, which supports citizens' purchasing power, it should stand at MAD 17 billion.

To support structural reforms and sectoral policies while giving priority to high economic and social return projects, the 2011 draft Budget Law provides for a rise of 21.4% in investments under the State general budget.

According to estimates, the budget deficit resulting from predictable developments in income and expenditure for the year 2011 will stand at 3.5% of GDP. This deficit would be financed up to 84% by domestic resources, compared to 16.4% in 2010, a year marked by favorable funding terms for Morocco on the international market.

Conclusion

After conducting, for several years, structural, sectoral and institutional reforms, and having benefited from the proactive development measures and reactivity of the Strategic Monitoring Committee, Morocco managed to consolidate its potential of economic growth and achieve genuine breakthroughs in terms of human development, notwithstanding the impacts of the global financial and economic crisis.

However, *being sensitive to the risks associated with the economic developments* affecting its European partners, who are deeply hit by the crisis and must cope with structural fragilities, the Moroccan economy requires an accelerated pace of reform, and the adoption of sector development strategies based on integrated and positive interaction between their components for the sake of sustained growth. The implementation of the regionalization project is yet another effort towards a larger contribution by regions to wealth creation, based on their generic purposes or potential. The promotion of such policies calls for improved mobilization of national savings, with a view to securing a sound financing framework and preserving a sustainable debt situation.