Kingdom of Morocco
Ministry of Economy and Finance and Administration Reform

# Summary of the Economic and Financial Report accompanying the 2021 Finance Bill (REF 2021)

The 2021 Finance Bill comes into play in a particular international context marked by an unprecedented health crisis generated by the Covid-19 pandemic which has undifferentiated impacted both developed countries and emerging and developing countries, with heavy squeezes on GDP in the first half of 2020.

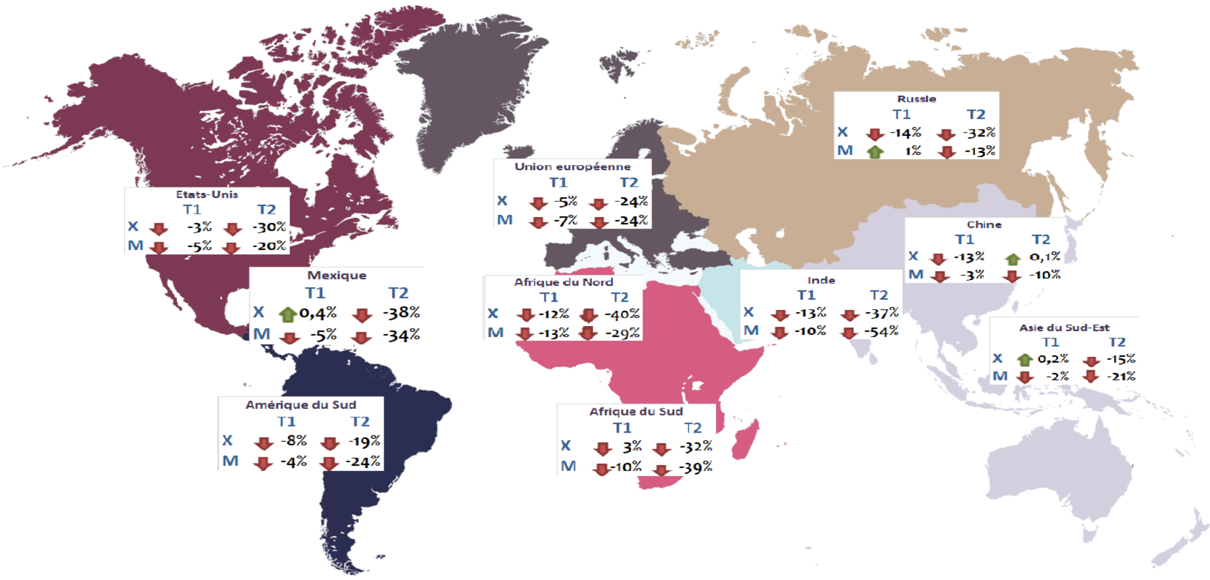
Morocco, like other countries, was strongly affected by the consequences of the said crisis, straining both the capacity of its health system to respond to a strong demand for care and the resilience of its economy to absorb the repercussions of this unprecedented crisis. However, the proactive management of this crisis, thanks to the foresight of His Majesty the King, and through the monitoring mechanism steered by the Economic Monitoring Committee (EMC) and the support measures deployed in a timely manner as well as those initiated in the framework of the 2020 Amending Finance Law have enabled the country to cushion the economic and social shocks it has faced.

Taking this context into account, the Economic and Financial Report accompanying the 2021 Finance Bill (REF 2021) deals, in its first chapter, with the evolution of the situation of the world economy through the prism of Covid-19 and prospects looming in 2021, while highlighting the resulting shock waves on Morocco. The second chapter of the Report is devoted, for its part, to the analysis of the repercussions of the health crisis on the Moroccan economy from a global, sectoral and territorial point of view. As for the third chapter, it explains Morocco's rapid and transverse energetic response to the crisis. Regarding the fourth chapter, it challenges Morocco's ability, in the post-Covid-19 era, to act on the intangible levers of wealth creation and to bet on the challenges of the future. The last chapter of the Report highlights the budgetary choices made under the 2021 PLF, while taking into account the endogenous and exogenous constraints imposed by the context of the Covid-19 crisis.

## 1. *Evolution of Morocco's international environment in the context of the covid-19 crisis*

The Covid-19 health crisis has seriously undermined the growth engines of the world economy, making the exit from the crisis as complex as it is uncertain. The unprecedented shocks having thus affected supply and demand simultaneously, under the effect of disruptions in global value chains, have caused, according to estimates by the World Trade Organization (WTO), a collapse of 17,2% of the volume of trade in the second quarter of 2020 against a contraction of 3% a quarter earlier.

Some developing countries, notably India, Mexico or South Africa have been strongly affected by the disruptions induced by the Covid-19 crisis (with significant contractions in their exports of 37%, 38% and 32% respectively in the 2nd quarter of 2020 and a sharp drop in their imports of 54%, 34% and 39% respectively). The same trend was observed in the United States and the European Union, which saw their foreign trade shrink by almost a quarter. On the other hand, China seems to have better withstood the disruptions caused by the pandemic, with a decrease in its exports of only 13% in the first quarter of 2020 and their stagnation in the second quarter at the same level at the same period in 2019.



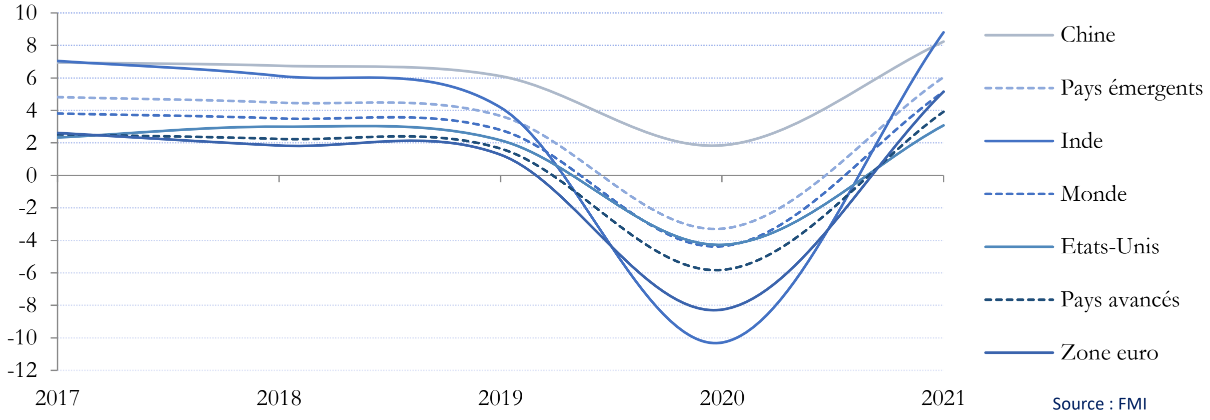

*Graph 1: Regional evolution of merchandise trade in value and year-on-year for the first and second quarters of 2020*

By sector, the shocks induced by the Covid-19 pandemic have not uniformly affected all sectors of activity. The waves of this shock were felt most intensely in industries heavily dependent on social interactions and global supply chains. In this regard, world automobile exports fell by 8% in the first quarter of 2020 before registering a sharp decline of 53% in the second quarter. The same trend was observed for the fuel and mining sector, mainly due to the collapse of prices on the international market. In contrast, the industries related to agrifood and communication equipment have shown a certain resilience in the face of the negative effects induced by the pandemic.

Taking these developments into account and in view of the lingering effects of the pandemic, WTO forecasts point to a drop in the volume of world merchandise trade by 9,2% in 2020, before rebounding by 7,2% in 2021, ie a level which remains significantly lower than the previous trend.

Along this line, global FDI flows contracted by 55%, year-on-year, in the first quarter of 2020, according to the OECD. Over the year 2020 as a whole, UNCTAD predicts a general decline in capital flows of up to 40%, affecting in different ways all regions of the world. These flows should show an additional decrease of 5% to 10% in 2021 before returning to a positive dynamic in 2022.

In view of these developments, the IMF forecasts, dating from October 2020, point to a contraction of world GDP of 4,4% for the year 2020, the deepest recession since the Second World War. The hardest hit countries are those where the Covid-19 pandemic has been the most devastating in terms of health and those whose economic activity is heavily dependent on foreign trade. For the year 2021, the world economy should gradually regain its strength, with an expected growth of 5,2%, under the assumption of the gradual dissipation of the effects of the pandemic.




*Graph 2: Evolution of global economic activity*

Thus, the GDP of advanced economies will experience a significant contraction of 5,8% in 2020 before recovering by 3,9% in 2021. In emerging and developing economies, GDP is expected to decline by 3,3% in 2020, before rebounding by 6% in 2021, particularly driven by China.

In the United States, the GDP contraction is expected to reach 4,3% over the whole of 2020, mainly due to a sharp drop-in economic activity in the second quarter of 2020, or 31,4% after a decline 5% in the first trimester. Nevertheless, after reaching a low in April 2020, GDP recorded a clear recovery, supported by the reopening of the economy, the pursuit of an accommodative monetary policy and the implementation of an unprecedented stimulus plan with budget support of 14% of GDP. The economic recovery is expected to strengthen in 2021, with an expected GDP growth of 3,1%.

Economic activity in the euro zone, for its part, recorded a historic drop in the first half of 2020 of 11,8% after a decline of 3,7% in the first quarter. It is expected to contract by 8,3% in 2020 under the effect of the recessions recorded by Germany (-6%), France (-9,8%), Italy (-10,6%) and 'Spain (-12,8%). Economic activity in the euro zone is expected to resume in 2021, recording growth of 5,2% (+ 4,2% in Germany, + 6% in France, + 5,2% in Italy and + 7,2% in Spain) supported by massive stimulus plans (750 billion euros including 360 billion in loans and 390 billion in subsidies).

As for emerging and developing economies, the Covid-19 pandemic is expected to plunge emerging economies into a deep recession in 2020, the magnitude of which varies by country and region. According to the IMF, the GDP of these economies is expected to contract by 3,3% in 2020, before rebounding by 6% in 2021. The outlook remains, however, marred by great uncertainties, particularly with the hypothesis of a more pandemic. longer than expected and weakening global trade and supply chains.

Emerging Asian economies, for their part, were expected to decline by 1,7% in 2020, before rebounding by 8% in 2021. It should be noted that Chinese economic activity is expected to slow sharply in 2020 for itself. establish at 1,9% and strengthen in 2021 to settle at 8,2%.

In emerging Europe, GDP is expected to contract by 4,6% in 2020, before recovering by 3,9% in 2021. In Latin America and the Caribbean, the economic activity is expected to fall by 8,1% in 2020, before recovering by 3,6% next year. In the Middle East and Central Asia, GDP is expected to contract by 4,1%, before increasing by 3% in 2021. In sub-Saharan Africa. The economic activity was expected to decline by 3% in 2020, before rebounding by 3,1% in 2021.

## *2. Impacts of the Covid-19 crisis on the national economy*

The growth momentum observed in recent years, marked by the achievement of economic growth rates going from 3,1% on average between 1990 and 1999 to 4,1% on average for the period from 1999 to 2019, has been severely impacted by the Covid-19 crisis which induced a double shock affecting both supply and demand.

Given this context, the sector activity has been affected in a different way depending on the nature of the sectors. Thus, the deeply affected sectors include activities dependent on external demand, due to the substantial drop in demand addressed to Morocco and orders from principals, the breakdown of global value and supply chains, to which s 'add the sanitary measures imposed ... This mainly concerns the activities of the hotel and catering industry, the textile-clothing, mechanical-metallurgical and electrical industries (automotive, aeronautics, electronics, etc.). Sectors, for their part, suffered the impacts of the crisis but with relatively moderate intensity, including domestic activities and export sectors (transport, services provided to businesses, trade, etc.). Sectors qualified as resilient, for their part, were able to maintain positive growth although below the trend rate, bringing together domestic activities supporting economic activity (financial services, telecommunications), administered non-market sectors. (health, education, administration), production activities of essential goods in this context of crisis (agrifood industry, pharmaceutical industry) and export activities where Morocco holds a position of major player on the world scene (activities phosphate and derivatives).

Thus, as regards the agricultural sector has been doubly impacted by the health crisis linked to the Covid-19 pandemic as well as by the rainfall deficit. Cereal production was therefore limited to nearly 32 million quintals, a decrease of 38,2% compared to the previous season and 59,6% compared to average production for the period 2008- 2019. As for the effects of the health crisis on the sector, they were noticeably felt mainly at the level of agrifood exports, particularly those relating to flagship agricultural products (citrus fruits, fresh fruits, etc.). Despite this particularly difficult context, Morocco is under the appreciation of the agricultural policies carried out, in particular, within the framework of the Green Morocco Plan (GMP), has nevertheless managed to maintain an appreciable supply of agricultural products and to continue, even during the period of confinement, the agricultural production activity in irrigated perimeters and supplying the national market with agricultural products. In this regard and in order to capitalize on the achievements and encouraging progress re-registered under the GMP in terms of strengthening the resilience of the sector and guaranteeing the country's sovereignty and food security, Morocco has embarked on a new strategy called Generation Green by 2030, which is based on two foundations, namely, the development of human capital and the sustainability of the development dynamics of the agricultural sector.

As for the fishing sector, it is one of the sectors that would be moderately impacted by the Covid-19 crisis, mainly thanks to the strengthening of prevention and protection measures against the pandemic on board boats (disinfection of boats, distribution of masks to sailors, etc.), which enabled sea fishing operators to ensure a normal and continuous supply of seafood to the local market. However, the prices of fishery products at the main fish markets have been recorded. a decrease after the declaration of a state of health emergency. In addition, exports of fishery products fell in value by 4,2% while they showed a slight increase in volume of 0,8%. The health crisis has thus highlighted the achievements of the sector to be consolidated as well as the challenges it has to meet at the upstream and downstream level of the sector's value chain.

For its part, the industrial sector, which alone represents nearly 17% of national added value, seems to have suffered a slowdown under the effect of the deep disruptions induced by the Covid-19 crisis on worldwide value chains of several industrial branches. Indeed, the outbreak of the Covid-19 pandemic and the extent of its spread caused negative effects in several industrial branches during the first half of 2020, as evidenced by the results of the survey by the General Confederation of Moroccan Enterprises which reported a sharp contraction in turnover and employment in the industrial sector (manufacturing and mining) of 56,7% and 32,8% respectively at the end of May 2020 year-on-year.

The automotive sector is one of the first industrial sectors globally to be negatively impacted by the pandemic. Morocco was not left out of these developments, since supplies to its automotive sector contracted year on year by 56% during the period March-May 2020. Likewise, its exports showed a sharp contraction in March, April and May, respectively by 79%, 76%, and 41%, following the collapse of demand in the main export markets. At the end of August, the export turnover reached 39,4 billion dirhams against 51,3 billion dirhams in 2019, a decrease of 23,3%.

In the same context, the aviation industry has suffered deeply from the shock of the health crisis and its corollary the closure of borders between countries, to contain the rapid spread of the pandemic. Due to its inclusion in the global value chain, Morocco has suffered the shock waves of the crisis in the aeronautics sector, as evidenced by the decline in its international supplies of 48% at the end of August 2020, year on year, as well as those of the entire aeronautical ecosystem of 23,8% with a more marked drop in July (-51%).

Likewise, the textile-clothing industry has been severely impacted by the crisis, under the effect of containment measures imposed in several European countries. In response to the lackluster demand and the sharp drop in order books from major contractors, exports from the Moroccan textile ecosystem recorded a cumulative decline during the first eight months of 2020 amounting to at 26,3%, year on year.

Notwithstanding the health crisis, certain industrial branches display a more resilient behavior. Thus, the agrifood sector has been able to compensate for its export losses with dynamic local demand for food products maintained, in particular thanks to the subsidies granted by the public authorities to households affected by the crisis. For the chemical and para-chemical industry, local demand for pharmaceuticals has helped meet the decline in foreign demand. Likewise, exports of phosphate derivatives have shown resilient behavior despite price disturbances on the international market.

Taking this context into account and in order to achieve a profound transformation of Moroccan industry, an industrial recovery plan for the period 2021-2023 has been drawn up aimed at supporting industrial sectors and strengthening their integration, the development of industrial entrepreneurship and support for the emergence of a new generation of industrialists.

Concerning the real estate sector, the Covid-19 pandemic has subjected the sector to the effects of a double shock, on the supply side in relation to the stoppage of construction sites (the stoppage of activity for the confinement period affected 56% of companies in the sector according to the CGEM) and on the demand side following the introduction of confinement for a relatively long period (nearly 40,9% of companies in the sector predict a drop in their turnover of more than 50% at the end of 2020 according to the National Federation of Building and Public Works). The advent of the Covid-19 pandemic has thus revealed the need to accelerate the implementation of a new roadmap to relaunch the sector capable of providing the appropriate responses to classic challenges but also to new ones. requirements dictated by the pandemic in relation to the strengthening of health security, the digitalization of the process of the act of building from design to marketing, including the filing and electronic issuance of building permits, the digital conclusion notarial deeds and bank loans, online sales thanks to innovative marketing procedures, property transfers, etc.

Undoubtedly, the tourism sector remains the sector most affected by the crisis due to the closure of borders, the suspension of inter-city travel and the closure of cafes and restaurants. As a result, tourism activity recorded, at the end of June, the closure of 95% of the Classified Tourist Accommodation Establishments. In addition, arrivals at border posts as well as overnight stays showed, at the end of August 2020 a decrease of 77% and 67% respectively compared to the same period of the year 2019. As for travel receipts, they fell by 55,3% at the end of August 2020 to stand at 23,6 billion dirhams. The pandemic has, in this sense, highlighted the strong dependence of national tourism on source markets as domestic tourism represents only 31% of activity against 64% in the European Union. To remedy this situation and in order to mitigate the negative impacts of the crisis while supporting the resumption of activity, a program contract for the revival of the tourism sector, covering the period 2020-2022 and involving public and private stakeholders' sector, was signed on August 6th 2020. This program contract includes 21 measures which include, in addition to cross-functional measures, others relating to the preservation of employment, economic and financial support for the recovery, the stimulation of investment and transformation of the production tool, and the activation and strengthening of tourism demand.

Likewise, the transport sector has been severely impacted in all of its segments but with differentiated degrees corollary to the total suspension of passenger traffic and partial transport of goods within the Kingdom and with the rest of the world. However, it should be noted that the sector has demonstrated strong resilience manifested by its ability to continue to ensure the country's supply of necessary products while accommodating the health requirements due to the pandemic. To achieve this, stakeholders in the field of transport and logistics, in particular, public enterprises have effected a real change in behavior by making the services provided to professionals and citizens more efficient, by proceeding with the dematerialization of documents. and procedures (calls for tenders, vouchers to be issued, contactless electronic payment, reservations, remote appointments, etc.). These digitization efforts are, in this regard, expected to continue and consolidate.

In addition, the health crisis has had mixed impacts on the retail and distribution sector. The businesses ensuring the supply of basic necessities (food, fuel, semi-finished products, etc.) have been able to maintain the dynamic of their activities, thanks to the increase in household demand for essential products, particularly those of the general food and hygiene products. On the other hand, businesses relating to other goods (household appliances, leisure, furniture, etc.) have seen their activities almost completely stop. Despite these negative effects, the Covid-19 crisis has further raised the potential of e-commerce. Companies that have relied on this niche have been more resilient and have been able to cushion the downside shocks of the pandemic on their businesses better than others. A deep reflection deserves to be carried out to develop this niche, so as to make it widely accessible by taking into account the specificities of the Moroccan population and this, by setting up simple, efficient and accessible payment platforms and products. by both traders and consumers.

The effects of the Covid-19 crisis on all sectoral activity have resulted in job cuts and the postponement of hiring programs previously scheduled by companies, as evidenced by the quarterly results of the 'National Employment Survey carried out by the HCP relating to the second quarter of 2020 and which corresponds to the phase of strict confinement of the population. Thus, the Moroccan economy lost, between the second quarter of 2019 and the same period of the year 2020, nearly 589,000 jobs, resulting in a loss of 520,000 jobs in rural areas and 69,000 in urban areas. As a result, the unemployment volume reached a record 1,477,000 people nationwide. As a result, the unemployment rate shifted upward, from 8,1% to 12,3% nationally, from 11,7% to 15,6% in urban areas and from 3% to 7,2% in rural areas. This situation affects young people aged 15 to 24 more (33,4%), and to a lesser extent graduates (18,2%) and women (15,6%).

At the territorial level, the extent of the effects of the Covid-19 crisis varies from one region to another, depending on the nature of its productive fabric and its diversification. According to the results of the second wave of the CGEM business survey, significant declines in activity were recorded between March and May 2020, ranging between 51,7% for the Béni Mellal Khénifra region and 72,4% % for the region of Darâa Tafilalet. The Kingdom's economic metropolis suffered a drastic drop in business activity reaching 55,7% over the same period. The region of Marrakech Safi, whose economy depends on the hotel and restaurant sector, recorded a decline of 66,8% in the activities of companies in this region. This situation thus underlines the need to strengthen the attractiveness of Moroccan territories and to consolidate the means made available to them in order to ensure a balanced and harmonious development capable of preparing the territories to fit into the new dynamic post-Covid-19.

### *3. Moroccan response to the crisis linked to the Covid-19 pandemic: Proactive management based on an anticipatory approach*

In response to the crisis linked to the Covid-19 pandemic, Morocco is grateful to the foresight of His Majesty The King that has placed the life of the citizen at the top of the priority list, by taking bold measures to stop the spread of the pandemic, and by deploying unprecedented support systems for the benefit of social layers whose vulnerability has been accentuated by the crisis.

In addition to the State of Health Emergency decreed since March 19th 2020 and the establishment of generalized confinement, the Government, under High Royal Instructions, proceeded, on March 15th 2020, to the creation of the Account of Special assignment entitled "Special fund for the management of the Coronavirus pandemic Covid-19" to deal with the economic and social effects induced by the crisis. This Fund was endowed with an envelope of 10 billion dirhams from the General State Budget to which is added the contribution of the regions in the amount of 1,5 billion dirhams. At the end of August 2020, the total revenue of this Fund stood at 33,725 billion dirhams. These resources are reserved, primarily, to cover the costs of upgrading the medical device, in terms of infrastructure and additional resources to be acquired, in an emergency, to treat in good conditions the people affected by the virus. This Fund is also intended to support the national economy to cope with the shocks induced by this pandemic, through the measures decided by the Economic Watch Committee (CVE). The latter chaired by the Ministry of the Economy, Finance and Administration Reform (MEFRA), was set up on March 16th 2020 and is made up of several ministerial departments, the Central Bank and the sector. private. It is responsible, on the one hand, for closely monitoring the development of the economic situation through rigorous monitoring and evaluation mechanisms, and on the other hand, for identifying the appropriate measures in terms of support for the sectors affected by the crisis.

To do this, the CVE has structured its action approach around three guidelines to curb the already felt effects of the crisis and to prepare for the way out of the crisis

- *Resistance :* marked by the operationalization of cross-cutting measures that apply to all sectors, with priority given to vulnerable households, employees and companies that have stopped their activity following compulsory confinement. The measures adopted during this phase were financed directly by the Covid-19 Fund. Essentially the following :
  - ✓ Granting of a net monthly lump sum indemnity of 2,000 dirhams and the maintenance of benefits relating to AMO and family allowances for the benefit of employees affiliated to the CNSS on partial or total work stoppage. The total cost of this operation borne by the Covid-19 Fund is close to 6,3 billion dirhams at the end of June 2020;
  - ✓ The payment of compensation to households operating in the informal sector (whether or not having RAMED), the amount of which varies according to the size of the household (from 800 dirhams to 1,200 dirhams). Nearly 5,5 million households, 45% of which in rural areas, have benefited from this aid;
  - ✓ Reduction of social, financial and fiscal charges for the benefit of companies, through the suspension of the payment of social contributions due to the CNSS for the period from March 1st to June 30th 2020 and a graceful remission of late payment surcharges under of the aforementioned period, the postponement of the maturities of bank loans and Leasing maturities for the benefit of companies SMEs, micro-enterprises and persons exercising a liberal profession in difficulty, until June 30th 2020, without payment of any fees or charges. penalties, the suspension of tax audits and notices to third party holders, the postponement for the benefit of individuals who so wish, of the deadline for the annual declaration of total income, etc.;
  - ✓ Financing and coverage of the working capital needs of companies in difficulty, through the establishment of the financing mechanism "DAMANE OXYGENE" which is a guarantee product set up by the Caisse Centrale de Garantie (CCG) aimed at the coverage of an exceptional overdraft of 95%, for the benefit of small and medium-sized enterprises

and companies with a turnover of between 200 million and 500 million dirhams and whose activity was impacted by the crisis. As of October 16th 2020, nearly 49,360 companies have benefited from this guarantee for a total amount of 17,31 billion dirhams;
- ✓ Establishment of a loan of up to 15,000 dirhams at a zero rate for the benefit of autoentrepreneurs affected by the crisis;
- ✓ Necessary support for companies holding public contracts and reinforcement of flexibility in the operation of companies ...

The undertaken measures, within the framework of the CVE were supported by other monetary and financial order of which the reduction by Bank Al-Maghrib of its key rate, bringing it down to 1,5% as of June 16th 2020, the drawing on the Precautionary and Liquidity Line (LPL), concluded between Morocco and the IMF in 2012, for an amount of 3 billion dollars, the authorization to exceed the ceiling on external borrowing set under the article 43 of the 2020 Finance Law in order to allow Morocco to meet its foreign exchange needs ...

- *Restart :* the measures able of successfully supporting the restart of national economic activity have been set out in the Amending Finance Law relating to the year 2020 articulated around three priorities, namely:
  - ✓ Support for the gradual resumption of economic activity, by strengthening the mechanism for guaranteeing the financing of companies intended for all sizes of VSEs through the product "Relance VSE" to Large Enterprises via the product "Damane Relance" and this, to meet their working capital needs during the second half of 2020. These products benefit from State guarantees which vary from 80% to 95% and whose repayment is spread over 7 years with 2 years of grace period for an interest rate of 3,5%. In addition, some Public Establishments and Enterprises impacted by the pandemic benefit from a new credit mechanism 100% guaranteed by the State, the objective of which is to accelerate the payment of the debts of micro-enterprises.
  - ✓ The preservation of jobs, by conditioning the extension until the end of December 2020 of the support provided to companies operating in certain economic sectors which remain in difficulty by the preservation of at least 80% of their employees declared to the CNSS and by the rapid regularization the situation of undeclared employees.
  - ✓ The acceleration of the implementation of administration reforms through the simplification of administrative procedures and the strengthening of the use of the digitization of the administration ...
- *Recovery and rehabilitation* : to that end, the State, businesses and the banking sector initiated, in response to the High Royal Instructions, the "Pact for economic recovery and employment" signed on August 6th 2020 and includes cross-cutting measures as well as sector specificities concerning in particular the sectors most affected by the crisis, which must be the subject of contracts and agreements concluded with the federations concerned. The first program contract was signed on August 6th 2020 and concerned the revival of the tourism sector in the post-Covid-19 phase, followed by two program contracts signed on October 5th 2020 relating to the relaunch of the events sector and caterers as well as the amusement park and games sector.

  Under this Pact, the State has undertaken to mobilize nearly 120 billion dirhams to support the economic recovery, including 75 billion dirhams of credits guaranteed by the State for the benefit of all business segments and 45 billion allocated to the Mohammed IV Fund for investment (including 15 billion dirhams financed by the State) and will be used to finance investment projects.

To bring together the conditions for the success of this Plan, His Majesty the King reiterated the need to put people at the heart of socio-economic actions, through the reform and generalization of social protection to all citizens, alongside a profound reform of the public sector to correct the structural dysfunctions of public establishments and enterprises and improve their economic and social efficiency.

### *4. La sortie de la crise : une aubaine pour résoudre les problématiques structurelles auxquelles fait face notre pays*

The management of the health crisis has generated an encouraging dynamic which should strengthen the capacity of our country to absorb structural deficits, to open up promising prospects allowing it to gain a favorable position in the post-Covid-19 world and thus to draw the outlines of the new development model desired by His Majesty the King. The strengthening of the intangible springs of the creation of national wealth constitutes, nowadays the key lever able of succeeding in the challenge of inclusive and sustainable development.

In this regard, it should be noted that despite the progress made by Morocco in forging the foundations of a human capital with high potential, several challenges must therefore be met in order to achieve this. This involves, among other things, raising the quality of teaching and its permanent adaptation to the skills required, which presupposes acting as much on the educational content as on the quality of the teaching staff. The use of digital technologies, the importance of which has been highlighted in the context of the Covid-19 crisis, could be a lever for accelerating the modernization of the education system and improving its overall quality. Likewise, the fight against illiteracy, especially among women, deserves crucial importance.

In the same context, the strengthening of vocational training stands out as one of the essential levers of economic and social development. In this sense, the roadmap presented on April 4th 2019, before His Majesty the King, relating to the development of this sector is focused on its profound upgrading, in particular through the implementation of a new generation. multisectoral and multifunctional "cited trades and skills" vocational training establishments in each of the twelve regions of the Kingdom. In order to achieve the ambitions of the said roadmap, particular attention should be given to supporting the transformations of the economy and the needs to be met in terms of skills, to the need to seek a better link between vocational training, general education and with the working environment and to the contribution to the social and professional integration of the different social categories and to the guarantee of equity and equal opportunities.

In addition, the current context marked by the health crisis linked to the Covid-19 pandemic clearly requires a fundamental reform of the health sector, both in terms of the offer with all the infrastructures and it would be advisable to realize and the human resources which it is important to prepare and retain only at the level of the demand and this, by widening the accessibility of the populations to quality care and at affordable costs. Equal importance should be given to the health security of the country, strengthening its resilience to the risks of transmission of pandemics which may become more frequent. Anticipation and early warning capacities should thus be made one of the priorities of the public authorities, especially in view of the harmful economic and social consequences generated by these pandemics.

In addition, the health crisis has also shed light on the fact that the response provided to face it does not depend only on the quality of the health system and the number of safety nets put in place, but also on the health systems. information put in place, the organization of public institutions and the capacity of these institutions to provide services, in particular, to poor and vulnerable populations. Taking into account this unprecedented context and the lessons which flow from it, an in-depth reform of social protection which enshrines universal social coverage is initiated in response to the High Royal Instructions. The said reform calls for profound changes in the management and governance of the social protection system in Morocco and enshrines universal social coverage, through the generalization of Compulsory Health Insurance (AMO) and family allowances from the month of January 2021, the establishment of an indemnity for loss of employment (IPE) for the benefit of Moroccans with a regular job and a pension for the benefit of the working population not covered. The deployment of this reform involves many preliminary measures that have to be operationalized, including the adaptation of the legislative and regulatory framework governing social coverage, the upgrading of hospital structures and the organization of the healthcare sector, the reform of systems and social programs already in place, in particular through the operationalization of the Unified Social Register (RSU), the reform of the governance of the social protection system and the tax reform relating to the establishment of the Unique Professional Contribution (CPU).

The health crisis linked to Covid-19 has also given a boost to digitization, thereby offering our country opportunities to seize to stimulate growth, competitiveness and inclusion. However, certain levers would benefit from being deployed in order to lay the foundations for a successful digital transition in Morocco. Essentially, this involves promoting digital education while promoting training courses in line with the challenges of tomorrow (artificial intelligence, advanced robotics, coding, Big Data analysis, etc.) , to stimulate the digital transformation of companies to succeed in their anchoring in digital culture, to strengthen digital and telecom installations by deploying high-speed infrastructure throughout the territory, to accelerate projects linked to e-gov for the end-to-end digitization of public service journeys, to support the development of start-ups in the sense of the establishment of an ecosystem conducive to innovation and R&D, as well as to ensure good regulation in order to in the face of the changing nature of the digital economy.

Morocco, by the environmental constraints until it is confronted (water stress, soil degradation, energy dependence, risk of climate change, pollution ...), is strongly called upon to include green transition as a pillar to insert green transition as a pillar insert green transition as a pillar insert green transition as a pillar of development rencrile through several levers namely:

- The acceleration of the country's energy transition by taking into account the various economic, financial, social, technological and environmental challenges that this transition implies;
- The proactive taking into account of the major challenges of water constraints linked to the scarcity of water resources due in particular to the intensification of periods of drought, the inefficient use of available resources and their insufficient valuation as well as the dysfunctions affecting governance the water sector;
- The unequivocal alignment of the development of the national productive fabric with the principles of environmental sustainability, with emphasis on issues related to the ecological footprint of the agricultural and industrial sectors.

That said, the consolidation of our country's regional integration in the post-covid-19 world presents unprecedented opportunities to forge its international positioning and establish it on solid and lasting foundations. To do this, Morocco is called upon to optimize its strategy of openness and to maximize its spinoffs in terms of the development of the exportable offer and the attractiveness of foreign investments with a strong impact on the structural transformation of the national economy, with the objective of making Morocco an export platform to third markets, particularly in Africa. This ambition would require a consolidation of Morocco's African strategy by including it in multidimensional cooperation schemes, with more emphasis on forms of trilateral partnerships (Africa-Morocco-Europe; Africa-Morocco-CCG; Africa-Morocco -emerging countries…). In the same context, Morocco is called upon to equip itself with an integrated brand-country strategy (Morocco label) which would serve as a relevant lever for a better repositioning in the Global Value Chains.

Morocco's confirmed rehabilitation to the post-covid-19 world cannot be successful without strengthening and consolidating the foundations of good governance. The health crisis has, in this sense, accelerated decision-making concerning in particular the site of electronic administration and teleworking in order to ensure the continuity of public services, while preserving the health and safety of civil servants and employees. and users against the spread of the Coronavirus pandemic. Likewise, the restructuring of Establishments and Public Enterprises has been made a priority project, in response to the Royal Guidelines, with a view to correcting the structural dysfunctions of the latter, guaranteeing optimal complementarity and consistency between their respective missions and increasing their efficiency. economic and social. In this regard, operations to remove certain EPEs will be carried out diligently and in concert with the Ministries and EPEs concerned. In addition, operations to merge and merge certain EPEs are planned in order to generate strong synergies to free up financing margins and new opportunities capable of optimizing public action as a whole. The operationalization of this project is the responsibility of the National Agency dedicated to the strategic management of State holdings and to monitoring the performance of public establishments whose implementation has been entrusted to the Ministry of the Economy, Finances and the Reform of the Administration.

### *5. Public finance management in the face of the covid-19 crisis*

Public finances have suffered a double shock, induced by the concomitant effect of support measures to stem the consequences of the Covid-19 crisis on the economic and social level and the drastic fall in tax revenues in a context of marked decline in the economy. 'activity. Such a context made it necessary to optimize public spending and prioritize it. The measures introduced by the 2020 Amending Finance Law and those envisaged under the 2021 Finance Law Project are fully in line with this perspective.

Indeed, the provisions previously adopted within the framework of the Finance Law for the year 2020 were confronted with new challenges linked to the imbalances caused by the economic impact of the Covid-19 crisis on the various sectors, accentuated by the negative impact of the drought, thus inducing a gap in the balance of public finances compared to the trajectory initially planned. Taking into account this new context, the LFR 2020 was adopted on the basis of the changes recorded at the end of June 2020, assuming a budget deficit of nearly 7,5% of GDP at the end of 2020 against a preliminary forecast of 3,5%. in accordance with the Federal Act 2020.

Thus, in terms of the evolution of public expenditure and revenue at the end of September 2020, tax revenue was executed at 79,3%, with a decrease of 7,3%, year on year. This decline is attributable to the restrictions imposed on economic activity within the framework of compulsory confinement decreed by the Government, between March 20 and June 10$^{th}$ 2020. Direct tax revenues, for their part, declined by 2,5% due to a moderate increase in corporate tax (CIT) revenue of 1%, decrease in income tax (IR) revenue of 5,3%, the contraction of late payment surcharges by 36,8% and the increase in the social solidarity contribution on profits of 122 million dirhams to reach 2,1 billion dirhams.

Regarding indirect taxes, they experienced a considerable drop of 10,3% at the end of September 2020, due to the 12,8% drop in revenue from internal consumption taxes (TIC), combined with the drop of 9,1% of value added tax (VAT) revenues, in particular those relating to import VAT (-15,7%).

As for registration and stamp duties, they fell by 20,1% during the first nine months of 2020. For their part, revenue from customs duties fell by 6,1%.

Regarding budgetary expenditure, they fell slightly by 0,5% at the end of September 2020, to reach 209 billion dirhams, incorporating a significant increase in ordinary expenditure, thus offsetting the decline in investment expenditure and the increase in surplus from Special Treasury Accounts (STA).

As for ordinary expenses, they amounted, at the end of September 2020, to nearly 175,6 billion dirhams, an increase of 5,6% year-on-year. This development is the result of a combined effect of the increase in expenditure on goods and services (a 6,5% increase in personnel costs and a 9,5% increase in expenditure on other goods and services) and debt charges (+0,7%), as well as the decline in compensation expenses (-5,8%).

In addition, investment spending contracted by 6,7% to stand at nearly 43,9 billion dirhams against 47 billion dirhams at the end of September 2019. It should be noted that the operations of CST generated, at the end of September 2020, a positive balance of 10,4 billion dirhams against 3,2 billion dirhams a year earlier, taking into account a balance of 8 billion dirhams under the Covid Special Management Fund account -19.

In line with the High Royal Instructions contained, in particular, in the Speech from the Throne of July 29th, the 2021 Finance Bill has for priority objectives the implementation of the plan to revive the national economy, the generalization social coverage and the institution of the exemplary nature of the State and the operationalization of the rationalization of its management.

In terms of prospects, the forecasting exercise for the year 2021 is based on an improvement in the health situation in Morocco and around the world, promoting the opening of international borders and a gradual increase in household and investor confidence. In this regard, economic projections for the year 2021 are based on an average Brent price of around $ 50 per barrel and a euro-dollar parity of 1,13 in 2021. They are also based on cereal production. of 70 million quintals in 2021, combined with a consolidation of the performance of other crops and livestock and a gradual recovery in sectoral activity but differentiated by sector. On the basis of these assumptions, the national economy should register a rebound in GDP, in volume, of 4,8% in 2021, taking into account, in particular, the base effect and the increase in agricultural value added. and non-agricultural by 11% and 3,8% respectively.

The state revenue and expenditure forecasts for the year 2021 should therefore result in a budget deficit of 6,5% of GDP excluding privatization, reducing nearly 1 percentage point of GDP per compared to the LFR 2020.