

Summary of the report on Public Institutions and Businesses (EEP) accompanying the Finance Bill 2018

The reform of the public sector in its generality (administrations, local authorities and public and private institutions) and its governance and management model, as well as the promotion of investment which is the source of growth and of improvement of the life conditions of the citizens in all the regions of the Kingdom, constitute fundamental priorities of the public policy.

Thus, the government program for the 2016-2021 period concerns, in particular, developing the economic model, promoting employment and strengthening sustainable development to benefit humanity and the social and spatial cohesion, while focusing on strengthening the international influence of Morocco in the service of its fair causes. These all are big projects in which the public and private businesses (EEP) are of key importance.

I - Public portfolio composition and performances

The role of the EEP sector is called to become stronger in 2018, in line with the strategic development guidelines aimed at implementing reforms that foster the business climate, accelerating the national economy transformation and promoting sustainable growth. This ambition is corroborated both by consolidating the consistency of the public portfolio and by improving the sustained operational and financial performance of its components.

1.1- Overview of the public portfolio

The **composition of the public portfolio** is as follows:

- **210 public institutions¹** operating in key areas of the national economy, namely, agriculture, health, education, urban planning and development, infrastructure, energy, tourism and the financial sector.

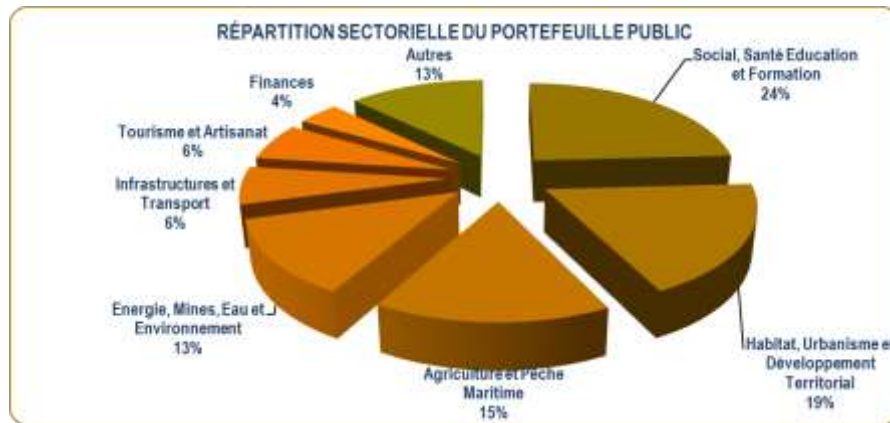
During 2016, the portfolio witnessed the creation of the "Drâa Oued Noun Watershed Agency", the "Millennium Challenge Account Morocco" Agency and the "National Agency for Urban Upgrading and Rehabilitation of Houses threatening Collapse".

Will also be mentioned the creation of two new public institutions whose creation texts were published on the National Gazette dated September 14, 2017. These are the Moroccan Agency for Development of Investments and Exports (AMDIE) and the Agency fo Digital Development.

¹ These are legal entities of the public law enjoying the legal personality and financial autonomy qualified as public institutions by their creation texts.

- **43 public businesses with direct share of the Treasury²** mainly dominated (37 units, i.e. 86%) by companies having a significant economic weight, including OCP SA, ADM, CAM, MASEN, RAM, Barid Al-Maghrib and HAO.

The sectoral distribution of these 253 EEP is shown in the following graph:



By order of relative importance, the number of EEP of socio-educational sectors represent 24% of the public portfolio, followed by those acting in the sector of housing, urban planning and territorial development with 19%. The EEP of the sector of agriculture and maritime fisheries represent 15%, while the natural resources component (water, energy and mines) represent 13%.

In addition, some EEP hold subsidiaries or shares of a total number of 472 units of which 266 are held in majority (direct and indirect public share more than or equal to 50%) and 206 are held in minority (direct and indirect public share less than 50%).

The public portfolio is also marked by a strong **presence at the regional and local levels with the creation of 173 EEP** (142 Public Institutions, 10 businesses with direct share of the Treasury and 21 businesses of the Local Authorities) thus contributing substantially to the territorial development.

Besides, the years 2016 and 2017 were particularly distinguished by the strengthening of the implementation of the advanced regionalization through the creation of **twelve (12) Projects Execution Regional Agencies (AREP)**, in charge, particularly, of managing the follow-up of the Regions' projects and action plans.

1.2 - Privatization

Since the launch of the privatization program in 1993 and until December 31, 2017, a total of **51 companies** and **26 hotel institutions** have been transferred to the private sector, as part of **120 operations of privatization**.

The total amount of the revenues of privatization operations amounts to **MAD 102.900 million**.

The following graph traces the evolution of privatization revenues since 2010:

² These are companies of the private law whose capital is directly held by the State totally or partially.



The year 2016 was mainly marked by carrying out the **stock exchange listing operation of the Ports Operation Company (Marsa Maroc)** in application of the article 49 of the act No. 15-02 relating to ports and creating the Ports National Agency and SODEP which sets forth the opening of this company's capital for the public sector in accordance with the provisions of the act No. 39-89 authorizing the transfer of public institutions to the private sector

This operation has been carried out with the support of financial and legal consultants of the field selected within the framework of a call for competition. The Assessment Body fixed the minimum offer at MAD 68,5 per share (stripped coupon) and the discounts and premiums per subscribers category

Concurrently, the Transfer Committee fixed the transfer scheme relating the assignment of 40% of the capital based on the following structure : (i) 2.3% reserved for employees and retirees, (ii) 12.6% for natural persons or legal entities, (iii) 6.7% for OPCVM, (iv) 8.4% for domestic and foreign institutional investors and finally (v) 10% dedicated to a qualitative investment with institutional investors linked by a shareholders' pact.

At the level of results, the stock exchange listing of Marsa Maroc was significantly successful at all levels, with figures beyond expectations:

- Global amount of the operation: MAD 1,929,835,017.50 ;
- Number of transferred shares: 29,358,240 shares ;
- More than 18,343 subscribers, with a subscription rate exceeding 6 times ;
- Number of Regions having subscribed: 12 ;
- Number of different nationalities of subscribers: 23.

1.3 - Investments

In **2016**, the **investments** carried out by EEP totaled an amount of **MAD 72,675 million**, thus registering an average annual growth rate of 1% over the period 2010-2016 and a decrease of 8.5% compared to 2015 (MAD 79,421 million). This observation is mainly linked to the achievement of a new level of investments since 2012 (MAD 77,545 million) as well as to the maturity of certain structuring projects: highway program, rail transport, port and airport infrastructures ...

The **forecasts** of achievement, at the end of 2017, are of **MAD 80,000 million**.

EEP expected investment volume for the fiscal year **2018** amounts to **MAD 107,579** thus marking an increase of 1% compared to the updated forecasts of the fiscal year 2017 (MAD 106,359 million) in relation, particularly, to the investment of the OCP Group, ONEE, CFR, ONCF, HAO group, ADM and SRRA.

The 2018 detailed expected investments of the main EEPs is as follows:

Investments of the main EEPs (Forecasts of 2018)

EEP	Montant (MDH)
Groupe OCP	15 000
ONEE	13 075
Groupe CDG	10 000
CFR	7 000
ONCF	6 828
Groupe HAO	6 191
ADM	3 430
SRRA	2 000
Autres EEP	44 055
TOTAL SECTEUR	107 579

In addition, the **regional distribution** of expected investments for 2018 shows a readjustment in favor of some regions, particularly those of Casablanca-Settat, Rabat-Salé-Kenitra, Marrakech-Safi, Souss-Massa and Darâa-Tafilalet whose share will increase respectively by 27%, 22%, 9%, 3% and 1% in 2016 by 28%, 23%, 10%, 5% and 3% in 2018.

Regional distribution of EEP investments (Forecasts of 2018)

Marrakech -Safi	10 995	10%	2 432
Tanger - Tétouan - Al Hoceima	10 081	9%	2 839
Oriental	8 495	8%	3 670
Fes - Meknès	5 695	5%	1 344
Beni Mellal - Khénifra	5 126	5%	2 033
Souss - Massa	4 935	5%	1 844
Laâyoune- Sakia El Hamra	3 232	3%	8 788
Darâa - Tafilalet	2 758	3%	1 687
Guelmim - Oued Noun	1 281	1%	2 954
Dakhla - Oued Eddahab	725	1%	5 068
TOTAL	107 579	100%	3 178

1.4. Public-Private Partnership (PPP): Indispensable alliance to beef up public investments

Morocco has launched an important project of invigorating the use of PPP contracts to accelerate the rhythm of public investments, diversify the sources of their financing and enrich the offer of services. The act relating to PPP contracts No. 86-12 as well as its enforcement decree No. 2-15-45 were adopted in 2015. Accordingly, the 2016-2021 government program highlighted the acceleration of the implementation of the PPP legal framework as a significant step to improve the governance and financing of EEP investments.

Identifying and accompanying PPP projects is given great importance in the process of implementing the act No. 86-12 relating to PPP contracts. In this regard, and in order to ensure an efficient operationalization of PPP investment projects, consultations and examination works among some concerned ministries and EEP allowed identifying a potential of about **sixty projects** in different activity sectors (health, irrigation, highways, airports, logistics...).

At the same time, **two strategic studies** for introducing the PPP mode are being carried out:

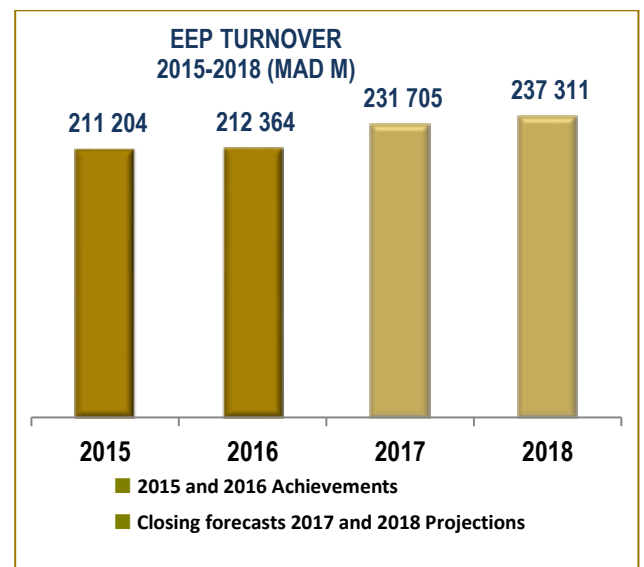
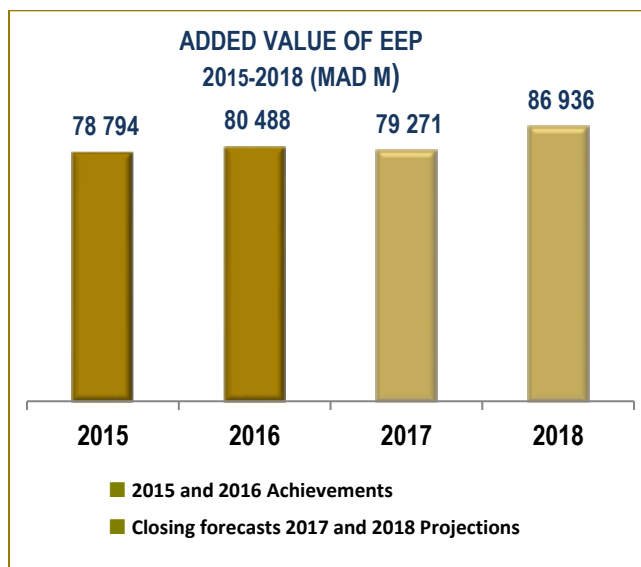
- the first study is launched by ONDA and it relates to developing a strategy to introduce PPP in the airports sector in Morocco;
- the second study has been launched by the Secretary of State in charge of Water and relates to developing and evaluating the projects that are likely to be funded in PPP in this sector as part of the National Water Plan.

The 2016-2021 government program also highlighted the acceleration of the implementation of the **PPP** legal framework as a significant step to improve the governance and the financing of EEP investments. In this way, the PPP Inter-ministerial Commission started functioning since December 2016 and has already made a statement regarding the opportunity of carrying out two PPP projects following the study of the evaluation reports thereto related. It is about a project of building a dam at Bab Ouender in Taounate province and the project of delegated management of the service of desalination irrigation water in Dakhla area.

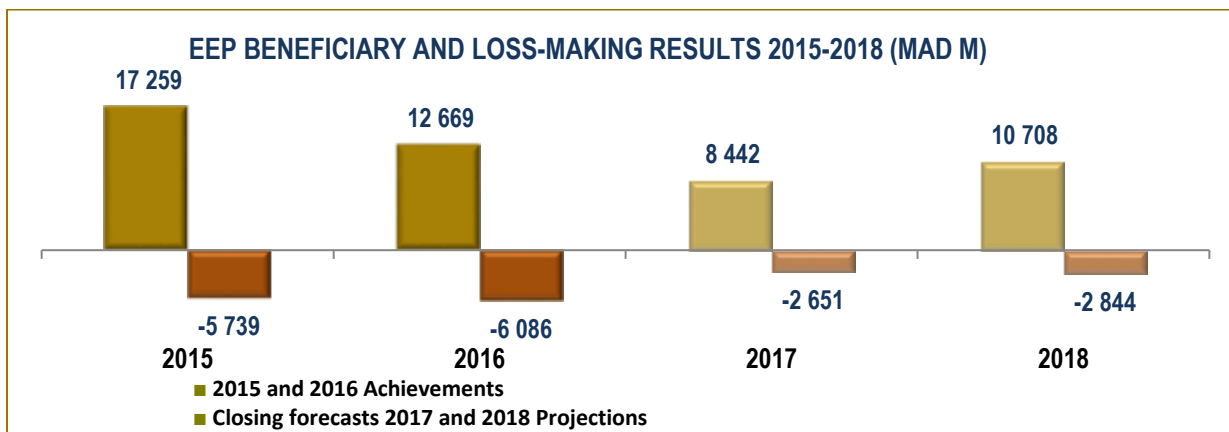
1.5 - Activity and results indexes

In **2018**, the estimated **Turnover** of EEP is expected to register an increase of 2% compared to 2017 fiscal year to reach **MAD 237,311 million**. This increase is related to the improvement of the turnover of ONEE, RAM, Distribution Public Companies, ANCFCC, HAO Group, ONCF, ONDA, ADM and TMSA group.

In **2018**, the expected **Added Value (AV)** will be **MAD 86,936 million**, i.e. an increase of 10% compared to 2017 in relation to the improvement of the expected AV of ONEE, ADM, Distribution Public Companies, ONDA and ANP.



Regarding **beneficiary net results**, the decreasing global trend in 2016-2017 is called to end in 2018 with the increase of the EEP net results, especially with the consolidation of the profits of ONEE, TMSA group, ONDA and HAO group.

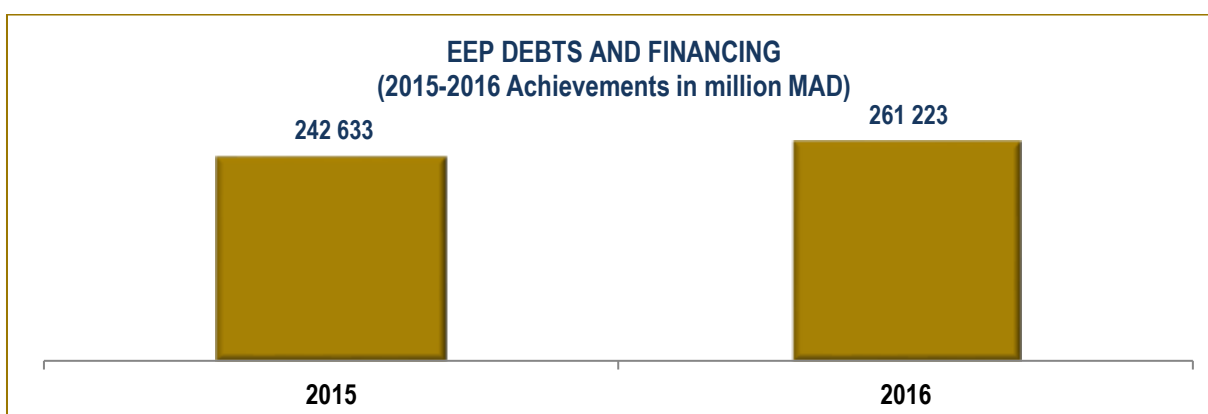


1.6 - Financial structure

In 2016, the **EEP financing debts**, excluding social debts, reached **MAD 261,223 million**, i.e. an increase of 7,6% compared to 2015. More than 80% of these debts are related to six (6) entities that carry out important investment programs, namely OCP Group, ONEE, ADM, ONCF, MASEN and TMSA Group.

Financing debts variations registered in 2016 can be mainly explained by:

- The upward movements of the OCP Group (+12% with MAD 61,483 million), ONEE (+3% with MAD 57,534 million), ADM (+3% with MAD 41,018 million), ONCF (+10% with MAD 26,473 million) and of MASEN (+61% with 15,631 million);
- The downward movements related, in particular, to TMSA Group (-1% with MAD 11,291 million), CAM (-20% with MAD 6,429 million), Distribution Public Companies (-8% with MAD 5,578 million), HAO Group (-2% with MAD 3,325 million) and to (STRS -3% with MAD 1,597 million).



1.7- Contribution per homogeneous groups

The main EEP indexes, classified based on **the main four (4) homogeneous groups** (Merchant EEP, Non Merchant EEP, Social Bodies and Public Financial Institutions), progressed as follows between 2014 and 2016:

- **Investments:** Merchant EEP contribute with 66% of the total with a slight decrease of 1% between 2015 and 2016 and an average achievement rate of 78% for 2016;
- **Turnover:** Merchant EEP occupy 61% of the total with a slight decrease of 2% between 2015 and 2016;

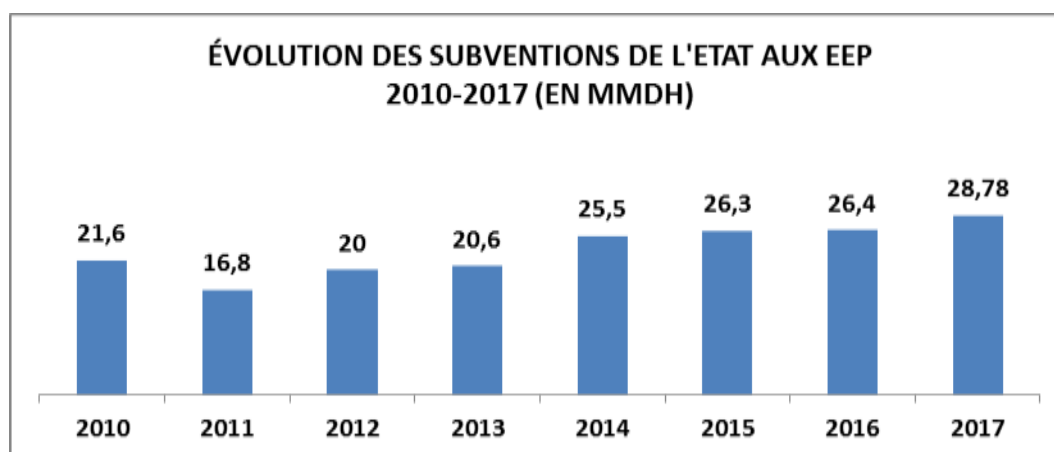
- **Added value:** The added value of Non Merchant EEP increased between 2015 and 2016 by 30% while that of Merchant EEP registered a slight decrease of 1%, with the respective weights of 11% and 68% in the sector of EEP;
- **Surplus and loss-making net results:** Merchant and Non Merchant EEP registered a decrease at the level of their results. On the contrary, loss-making net results of Non Merchant EEP worsened and those of Merchant EEP remained quasi-stable;
- **Financing debts:** almost the whole financing debts are borne by Merchant EEP (91%) and these debts increased by 5% between 2015 and 2016.

INDICATEURS	Investissement		Chiffre d'affaires		Charges d'exploitation		Valeur ajoutée		Dettes de financement	
	MDH	%	MDH	%	MDH	%	MDH	%	MDH	%
EEP Marchands	47 607	66%	130 097	61%	99 763	57%	54 887	68%	236 516	91%
EEP Non marchands	19 365	27%	15 772	7%	18 464	10%	8 984	11%	12 696	5%
Institutions financières publiques	5 638	8%	14 391	7%	5 811	3%	13 040	16%	12 011	5%
Organismes Sociaux	66	0%	52 103	25%	51 995	30%	3 577	4%	0	0%
Total	72 675	100%	212 364	100%	176 033	100%	80 488	100%	261 223	100%

1.8 - Financial relations between the State and EEP

In terms of **budgetary subsidies** in support of EEP, the forecasts under the draft finance act of **2018** are **MAD 30.000 million**. The mobilization of these subsidies is essentially linked to the support given by the State to the EEPs for carrying out the investments of EEPs involved in strategic projects and structuring projects, to the importance of programs intended for the socio-educational sectors.

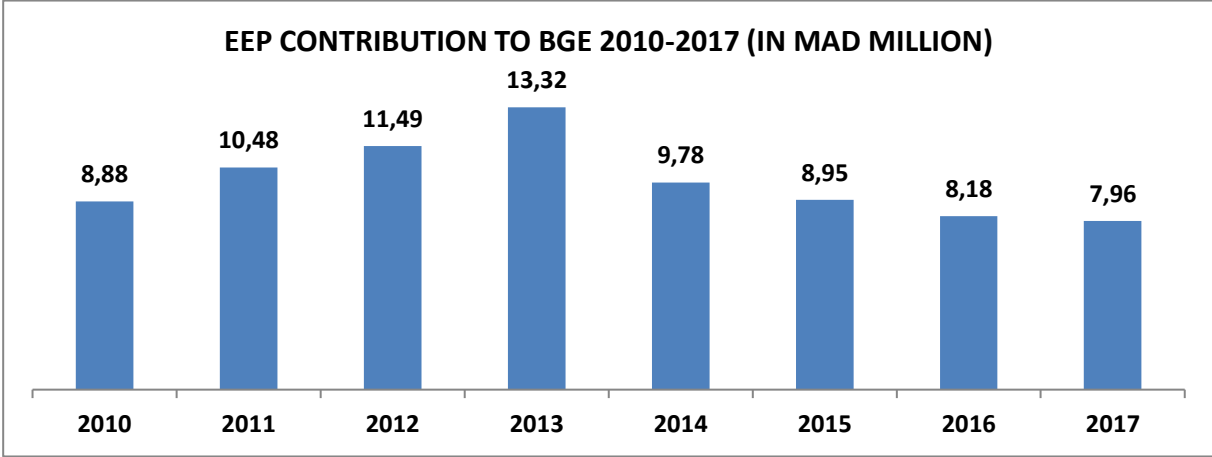
In accordance with the 2017 finance act, budgetary subsidies released to EEPs reached MAD 28,781 million at the end of December 2017 (against MAD 26,406 million at the end of December 2016), i.e. an achievement rate of 97% compared to the updated forecasts of the year 2017 (MAD 29,547 million).



Other **financial support** allocated to EEP comprises mainly parafiscal taxes. The collected revenues, in this regard, have increased by more than MAD 1,700 million between 2008 and 2016, moving from MAD 2,359.7 million in 2008 to more than MAD 4,155.5 million at the end of 2016.

The main beneficiary EEP of these parafiscal taxes are OFPPT, ONMT, ONP, SNRT, EACCE, CNPAC, ANPME, CMPE, MDA, ONICL and National Mutual Aid.

Forecasts of **products coming from EEPs** under the Finance Bill **2018** are estimated at **MAD 10.000 million**, an increase of 10.3% compared to the forecasts of the Finance Act 2017 (MAD 9.067,3 million). This increase is mainly related to the expected improvement of the contribution of ANCFCC in relation to the expected positive evolution of its revenues as a result of rates increase.



In accordance with the Finance Act **2017** and at the end of December 2017, payments amounted to **MAD 7,958 million**, representing an achievement rate of 88% compared to the forecast of MAD 9,067.3 million and the main payments were made by the OCP Group, ANCFCC, Bank Al-Maghrib and ONDA.

II - EEPs, major players of the economic and social policy

In order to go hand in hand with the development of a competitive national economy that creates wealth and jobs on the one hand, and the restoration of social, territorial and macroeconomic balances on the other, a strong impetus has been given to the policy of major projects and structuring projects.

In this context, and alongside with the use of public-private partnerships, which is to be increasingly privileged, EEPs, taking into account their missions, play a role in most of these sectoral strategies and action plans.

In this way, Morocco keeps improving **infrastructures** through developing the network of highway, railway and air transports, as well as strengthening port and airport networks. Thus, 2018 will witness the carrying out of Tit Mellil-Berrechid highway project, the Casablanca-Berrechid tripling project and the Casablanca bypass, while at the same time leading the financial restructuring of ADM and modernizing its network operating model that has reached the scheduled linear of 1,800 Km. Likewise, the completion of the High Speed Line project, which is expected to become operational in 2018, the modernization of the stations and the strengthening of existing infrastructure are among the main projects, before starting a new phase in the development of ONCF as part of a new contract program that will define new perspectives in connectivity, logistics and quality of service.

The strengthening of the national port infrastructures is marked by the launching of the III phase works in Tanger Med port II which includes the realization of 4.6 Km of dykes, 2.8 Km of quays and two terminals with TC3 containers (Marsa Maroc) and TC4 (APM Terminals) scheduled for commissioning in January and November 2019 respectively. Similarly, the construction of the first phase of the Nador West Med port, which was launched in 2016, will continue with the start of the firm tranche in May 2021.

Regarding air transport, RAM, thanks to the respect of the contractual commitments of the 2011-2016 program contract, has been able to improve its financial situation and consolidate its position in Africa in terms of turnover and transported passengers, thus reinforcing its African and regional ambitions. In order to consolidate these achievements and face the challenges of the sector, RAM is in the process of drafting a new development plan that aims to accelerate the profitability of the lines and will be the subject of the future contract program State-RAM.

At the level of agriculture and since the launch of the **Morocco Green Plan (MGP)** in April 2008, the agricultural sector witnesses a continuous development by realizing 48% of the investment planned for agriculture with high added value (pillar I) and 82% in terms of investment for solidarity agriculture (Pillar II). The target is to double the agricultural added value to reach MAD 140,000 million by 2020.

Concerning « **Halieutis** » strategy for developing maritime fisheries sector, ONP, ANDA and INRH continue their contribution as key players in implementing this strategy that is mainly aimed at enhancing the Moroccan fishery wealth through creating three competitiveness poles in Tangiers, Agadir and Laayoune and Dakhla that will mobilize investments of MAD 9,300 million and triple the GDP of the sector by 2020 to bring it to nearly MAD 22,000 million.

In the field of **mines**, the consolidation of OCP's leadership continues thanks to deploying its development strategy in Africa that aims to stimulate, structure and capture the growth of the African market, which shows promising prospects. In this way, with a global phosphate market marked by a persistent situation of oversupply and price decline, OCP is pursuing the implementation of its investment program aimed at strengthening its production capacity and consolidating its competitiveness in order to guarantee the Group flexibility in maximizing value through appropriate arbitrage between segments (rock, acid and fertilizer) and markets.

The **energy strategy** relates to securing the country's energy supply, reducing energy dependence from 97% in 2008 to 82% in 2030 and strengthening the competitiveness of the economy by reducing factor costs. Likewise, renewable energies are expected to represent 52% of the installed capacity of electricity generation by 2030. In this way, the years 2016 and 2017 were marked by the implementation of the new institutional and organizational configuration of the EEP operating in the energy sector (ONEE, MASEN, AMEE and SIE), and this, in application of the **High Royal Orientations** which aim to reinforce Morocco's position as a leader in this field. In this regard, the missions of MASEN have been widened to include all renewable energies (solar, wind, hydraulic...)

As part of the new strategy, MASEN is expected to implement an additional capacity of 10,000 MW by 2030. Concerning ONEE, the assessment of the Program Contract entered into with the State for the period 2014-2017 shows a significant improvement in the financial situation of the Office, allowing in particular a significant reduction in the treasury deficit which moved from MAD 7,290 million in 2013 to MAD 1,741 million in 2016 as well as a positive net result, for the first time over the period of the Contract, of MAD 790 million at the end of 2016. This improvement is the result of the combined effect of State support, measures concerning the Office's internal economies, the impact of tariff revisions and favorable exogenous factors, particularly the fall in fuel prices and the slowing demand for electricity.

Concerning the State policy on **housing and urban development**, the EEPs in charge of implementing this policy work to reinforce their interventions particularly in the field of land management and equipment, production of social housing, slum eradication, production of housing intended for middle classes, and urban upgrading as well as the treatment of run-down buildings, rehabilitation of ancient tissues and creation of new urban poles and new cities.

Besides, the EEPs involved in **the education and teaching sector** are strongly committed to the implementation of the priority measures related to the period 2015-2018 of the new strategic vision for the reform of the Moroccan school (2015-2030). In this regard, the first results show, for the school years 2015-2016 and 2016-2017, the opening of 200 new school institutions, 54% of which in rural communes.

In addition, the gains achieved in **the health sector** will be consolidated as part of the implementation of the new 2017-2021 health strategy which aims to improve access to health care based on equity, the reduction of inequalities between urban and rural areas and the introduction of universal health coverage. Efforts aiming to strengthen the supply of care will be pursued for the completion of the construction of new University Hospital Centers (UHC) in the cities of Agadir and Tangier, whose entry into service is planned for 2018 and 2019 respectively.

The interest given to **the rural world** is not to be outdone since the efforts made to provide basic infrastructure and social services in the fields of water, electricity and rural roads will have to be intensified to enable widespread access to electricity services through the completion of the Global Rural Electrification Program (**PERG**) through which the rural electrification rate increased from 98.1% at the end of 2012 to 99,43% at the end of 2016 and will reach 99.57% at the end of 2017 and 99.93% in 2019. The acceleration of the Grouped Drinking Water Supply Program for Rural Populations (**PAGER**) will raise the drinking water access rate in rural areas to 97% in 2018 against 93% in 2012 and open up isolated areas in remote areas as part of the 2nd National Program of Rural Roads (**PNRR 2**) relating to the construction and development of rural roads with an access rate which reached 79.3% at the end of 2016 against the initial target of 80% for the completion of the NRRP 2. Likewise, some rural roads, of a total length of 15,028 km have been launched at the end of 2016 as part of this program for a cumulative cost of MAD 14,840 million.

Regarding the 2020 Vision for Tourism, and in spite of a difficult international situation, the public sector players, led by ONMT, continue to contribute to the increase and diversification of accommodation capacities, to the promotion and marketing adapted in order to develop the attractiveness of the tourist territories, while improving the quality of services, to the sustainability of the sector and to the development of the training of the necessary human resources. Thus, the World Tourism Organization 2016 report, published on August 15, 2017, classified Morocco as the first African tourist attraction.

Regarding **the promotion of investments and exports**, the Act No. 60-16 creating the Moroccan Agency for Development of Investments and Exports (AMDIE) through the merger of AMDI, CMPE and OFEC into only one public institution, was published on September 13, 2017 and entered into effect on December 14, 2017. This new institution has the mission, in particular, of supervising the development and investment promotion strategies, proposing a communication strategy on investment opportunities in Morocco and promoting and communicating around the Moroccan export offer.

On another level and with respect to **the advanced regionalization project**, improving the quality of the interventions of EEP operating at the regional or local level, representing about two thirds of the public portfolio, offers a real opportunity to improve the contribution of these entities to the provision of basic services (water and electricity supply, sanitation, urban transport, medical care, education ...), services of harmonious development of regional areas (territorial development agencies ...) and of carrying out major projects in specific regions (Bou Regreg, Marchica Med ...).

In the same context, Regional Projects Execution Agencies (AREP) were created under the Organic Law No. 111-14 on the regions, with the aim of enabling regional councils to manage

their business by providing all forms of legal assistance and technical-financial engineering during the study, development and execution of development projects and programs.

Regarding **Public Financial Institutions (IFP)**, particularly CDG, CAM, CCG, FEC and the Exchange Office, they are currently strengthening their performances and continuing their interventions in favor of the national economy through the economic impact of their projects, the financing mobilized in favor of economic players and their contribution to the strengthening of financial inclusion and territorial development. Many IFP have developed ambitious strategic visions, such as the new 2022 strategic plan of CDG, the strategic plan Afak 2020 of CAM and the institutional reorganization project of FEC.

III - Improvement of the governance and efficiency of EEP management

EEP are called to multiply their efforts in order to cope with the dynamics of the reforms increasingly asserted by our country. In this context, many projects have been launched in order to improve the efficiency of the State's financial control over EEP, ensure a better supervision of the role of the State shareholder, diversify the investment projects financing sources and ensure the support of EEP in both the strategic level and operational terms and management tools and instruments, given that the whole reforms and measures made or undertaken have the ultimate target of consolidating EEP operational and financial performances.

3.1 Projects aiming to improve EEP governance and the efficiency of the State's financial control over EEP

The **bill related to the governance and State's financial control** over EEP, included in the government programme, on the one hand, aims to strengthen the good practices of EEP governance by taking them towards a new level in terms of accountability and transparency, on the one hand, and strive to improve the efficiency of the State's financial control over these bodies by focusing on appraising performance and preventing risks on the other, and this through clarifying the control targets and the responsibilities of the players and introducing a better adapted new type of control. This bill has been finalized with SGG services in 2016-2017 in its last draft after public consultation and its new version has been studied during the meeting of the Government Council dated October 19, 2017.

At the same time, the dynamics of implementing the **Code of good practices of EEP** will be launched in 2018 through updating it in accordance with the government programme, and this in order to take into account the balance sheet of more than five years of application of said code and the national and international innovations in this field and, in particular, the bill relating to the governance and financial control and the new guidelines 2015 of OCDE on the governance of public institutions.

In order to improve the positioning of the EEP and strengthen their contribution to the country's economic and social development dynamics, efforts are continuing to progressively extend the **multi-annual contractual relationship between the EEP and the State** and strengthen the quality of EEP management and transparency.

Particular contractual relations between the State and certain entities are to be highlighted, taking into account the financial, economic and social issues that characterize them. These are Agreements State-ONEE and State-RAM which are examined on a regular quarterly basis by external Firms. Besides, some projects are being launched and/or finalized and relate namely to ADM, ANAPEC, ANP, CMR, CNESTEN, CNSS, HAO, OFPPT, ONCF, ONDA, ONP, RAM, SNRT, SNTL, SONACOS, SOREAD 2M...

3.2- Strengthening EEP transparency

In order to contribute to the improvement of our country's business climate, many measures will be pursued in 2018 for the purpose of improving the management quality and the consolidation of EEP transparency.

In this way, and in order to strengthen the operational efficiency of EEP and improve their management and performance in compliance with the principles of transparency and of respecting competition, efforts will be continued to ensure the continuous development and permanent updating of **EEP management instruments** (organizational charts, staff bylaws, accounting and financial organization...).

In this way, as part of continuing the **harmonization of the regulations on Public Institutions (PI) deals** with the decree on government contracts, the total number of deals of PI approved during the period 2012-2016 amounts to 113 regulations, given that the other PI apply said decree.

In addition, and following the improvement of the legal arsenal in force in the field by the decree No. 2-16-344 dated July 22, 2016 determining the payment deadlines and interests on unpaid amounts relating to the public purchasing and the act No. 49-15 amending and completing the act No. 15-95 as Code of Commerce, an **electronic platform (<https://delai-paiement-eep.finances.gov.ma>)** intended for receiving and handling complaints of suppliers regarding EEP payment deadlines will be launched. In this way, as part of the efforts aiming to improving the business climate, especially through reducing payment deadlines among the different players (State, Local Authorities, EEP and private businesses), the decree No. 2-17-696 relating to **the functioning and composition of payment deadlines Observatory** which creation is set forth in article 5 of the act No. 49-15 amending and completing the act No. 15-95 as code of commerce was published in the national Gazette dated December 18, 2017. Said decree sets forth that the Observatory has the mission of making analyses and studies on the practices of businesses in terms of payment deadlines and will publish, on an annual basis, a report about the balance sheet of the evolution of the behavior of businesses in terms of payment deadlines.

Regarding **EEP external audits** operations carried out by the Ministry of Economy and Finance, they concerned the quasi-totality of activity sectors, in this case energy, mines, transport, electricity and water as well as housing, agriculture, health, higher education, education and training. Accordingly, 71 audit operations of 79 EEP have been carried out during the period 2000-2016.

Moreover, in order to **consolidate the transparency and improve the legibility of the accounts of Moroccan businesses** and following the adoption and publication of the act No. 127-12 regulating the profession of chartered accountant and creating the **Organization of Chartered Accountants (OPCA)**, the decree implementing said act was published on April 14, 2016. This decree concerns the organization of the professional aptitude examination for practicing professionals who do not fulfill the criteria required to integrate OPCA and the entrance examination for new OPCA candidates. Self-employed and independent candidates, who do not fulfill the required conditions and have submitted an application before the commission, before August 20, 2016, were put on a list fixed by the abovementioned commission during the first quarter of the year 2017.

Likewise, activities of **accounting standardization**, were marked by holding the **XIIIth Plenary Meeting of the Accounting National Council (CNC)** on July 17, 2017 during which it was agreed to make the institutional and operational reform of this Council part of a pragmatic and progressive approach and to take concrete measures to even enable its implementation effective, by choosing the evolution scenario that confirms the maintenance of the current status of the CNC with institutional and operational adjustments intended for improving its efficiency and governance.

On the other hand, the project of the convergence of the General Code of the Accounting Standardization (CGNC) towards the international accounting standards, is a priority project, in order to modernize our accounting and financial system and to bring it in line with the international standards, thus contributing to the improvement of the business climate in our country and meeting the needs of domestic and foreign operators in better quality accounting standards.

Likewise, bills and draft methodologies related to consolidated accounts, prepared by an ad-hoc working group will be presented to the CNC bodies and will be followed by the elaboration of accounts consolidation methodology, replacing the one adopted by CNC. Thus, the study project related to the design, creation and deployment of system of EEP accounts consolidation. The launch of the call for bids and the adjudication of the market related to this study will take place no later than the beginning of 2018.

3.3 – Towards a better supervision of the role of the State shareholder

The creation of an **active management of the public portfolio (GAP)** aimed at better governing the role of the shareholder State is now a major project with the target of strengthening the leadership of EEP through creating value, improving competitiveness, developing investment, improving the yield of their equity, optimizing earnings and controlling risk.

For this purpose, the creation of active management requires the shareholder State to clearly determine its targets through controlling or detaining the different entities of its portfolio, and this to better clarify its own orientations, better formulate its requirements regarding the concerned entities and identify, if necessary, a relevant share of its portfolio to be under a more attentive management by public authorities.

In this context, the MEF, in its capacity as representative of the shareholder State, conducted a survey supported by a study, to identify and create an active management of the public portfolio. The adopted approach aims to create GAP progressively through launching a strategic dialogue with some EEP in order to share the orientations of the State shareholder, handle, if necessary, within a contractual framework, the problems requiring mutual commitments and create a system for supervising their evaluation of their performances through innovative tools.

Structuring this strategic dialogue is already underway with certain entities, either as part of a program contract, as part of exchanges organized around specific themes, as part of the preparatory work for their development plans or specific thematic discussions (debt, dividend policy, creation of subsidiaries, etc.), or as part of strategic studies concerning certain PEE.

Pending the presentation of a draft legal framework in this area and in the wake of the recommendations of the Supreme Audit Institution in its report on the strategic anchoring of EEP³, 2016 witnesses the launch of a prefiguration of Active Portfolio Management (GAP). Besides, the prefiguration of the GAP implied the creation of a new organizational model through establishing, in July 2016, a new specialized division within the MEF /DEPP, also in charge of privatization operations and Public-Private Partnerships.

³Report of the Supreme Audit Institution. "The Sector of Public Institutions and Businesses in Morocco: strategic anchoring and governance" published on June 22, 2016.