

Summary of the report on the sector of Public Establishments and Enterprises (PEE) accompanying the Finance Bill 2019

Public Establishments and Enterprises (PEE) are at the core of discussions on **Morocco's new development model**, given their strong involvement in the process of development, planning and execution of public policies, as well as their commitment in terms of strengthening the governance and transparency of their actions.

In this context, the Royal Speeches, on the occasion of the Throne Day of July 30, 2018 and the 65th anniversary of the Revolution of the King and the People of August 20, 2018, recalled the instructions of His Majesty the King on the need for a **global and profound overhaul of programs in terms of support and social protection**; the obligation to act quickly in order to ratify the **new Investment Charter** and to activate the reform of the **Regional Investment Centers**. The expected **acceleration of private investment is accompanied by a qualitative reorientation of the investment of Public Establishments and Enterprises (PEE)**.

Thus, priority will be given to **social policies in the sectors of education, health and employment** as well as **social protection** programs, in addition to the acceleration of **social dialogue** and **support of the purchasing power of citizens**. Similarly, **substantive work is underway on the economic model of some PEE**, at the institutional level and in their investment policy and business plan.

Within this framework, the improvement of the **strategic integration of PEE** continues with the implementation of the **active management of the public portfolio**. In this spirit, **establishing relations through a formal contract** between the State and the PEE is the ideal support for strategic management. Similarly, and in order to consolidate the momentum generated, the process of improving **PEE governance** will continue through the continued roll-out of the PEE Code of Good Governance Practices; as well as the effective launch of the process of its updating on the one hand, and on the other hand through **the draft law on the system of governance and financial control of the State on PEE**. In addition, the control of **PEE debt** along with, the development of **complementarity between the public and private sectors** is part of the aim of ensuring the optimization of the State's asset management intervention. In this regard, the revival of the program of **transfers of public companies to the private sector** is likely to contribute to the effort of optimizing the public portfolio and refocusing the State on its sovereign missions, revitalizing the capital market and strengthening the governance of privatized entities. Moreover, and in order to strengthen the contribution of the private sector to the public investment effort, the PEE will have to privilege the use of **Public-Private Partnership (PPP)** contracts as a new mode of management of the public order.

I - Public portfolio composition and performance

The PEE sector is characterized by the consistency and diversity of the organizations that make it up, thus strengthening its role as a player and supporter of the State's structural programs. It is the bearer of economic and financial stakes in terms of profitability, indebtedness of financial relations with the State.

1.1. Composition and evolution of the public portfolio

The public portfolio is experiencing a continuous momentum following the creation, sale, transformation and merger or liquidation operations in relation to sectorial development needs, the support of public strategies and the reforms undertaken.

The PEE inventory at the end of September 2018 shows the existence of 209 Public Establishments (PE) and 44 Public Interest limited Companies. Moreover, some PEE hold 466 Subsidiaries or Public affiliates, which are dominated by 55% of direct and indirect State holdings, compared to 45% of minority holdings. In addition, it should be pointed out that 21 Public Companies fall under regional authorities.

At the end of 2017, the public portfolio in the process of liquidation had been delisted by five public subsidiaries, reducing the number of PEE in liquidation to 74 entities.

At the sectorial level, PEE are present in most of the key sectors of the economy: energy, infrastructure, agriculture, maritime fishing, tourism, industry, education, health, logistics, vocational training ...

The portfolio has strong roots at the local and regional levels as 62.8% of the PEE have a territorial base, thus contributing to the strengthening of regionalization. At the national level, the PEE are concentrated at 54% in two major Regions (Rabat-Salé-Kenitra and Casablanca-Settat), given that most of these PEE have national expertise (OCP, RAM, ONEE, ADM, ONCF, CDG ...) and their activities and contributions also benefit other regions of the Kingdom.

1.2. Investments

In 2017, investments made by PEE totaled 61,286 million dirhams, a relatively limited achievement rate of 60%, marking a decline of 5 points compared to 2016.

The **distribution of PEE investments by similar category** in terms of achievements is 37,615 million dirhams or 61% for commercial PEE, 18,850 million dirhams for non-commercial PEE (31%), 4,786 million dirhams for Public Financial Institutions (8%) and 34 million dirhams for Social Organizations (0.1%)

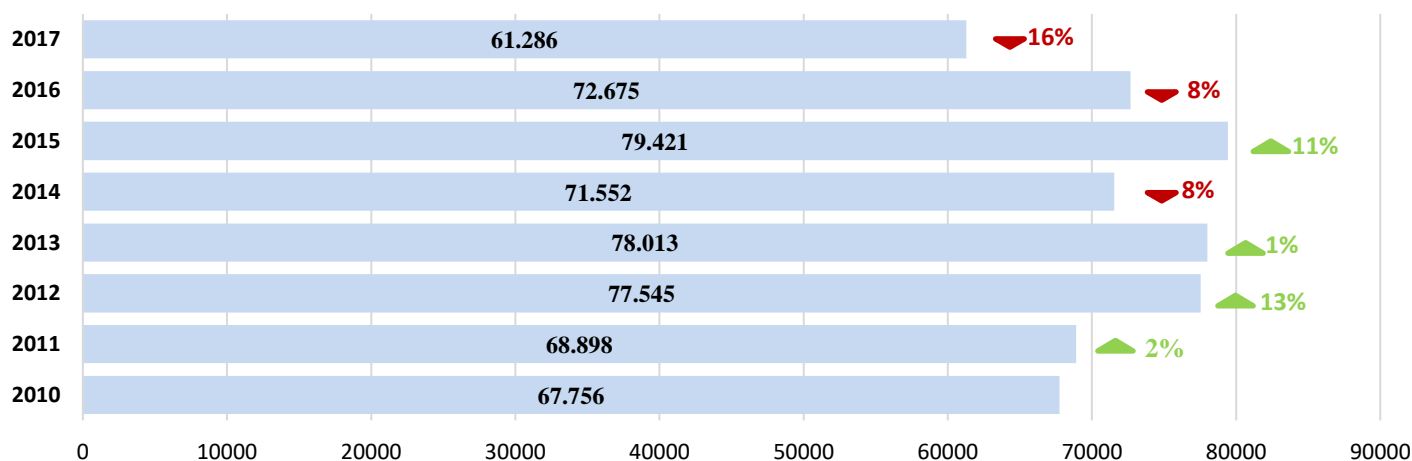
In terms of changes compared to 2016, the PEE sector's investment in 2017 decreased by 15.7% after a decrease of 8% in 2016 compared to 2015.

The closing forecasts for the 2018 financial year exceed 60,000 million dirhams; a projected rate of achievement of 65%, thus maintaining investments, in terms of achievement, at the same level.

For the 2019 financial year, the projected investment volume of the PEE amounts to nearly 99,011 million dirhams, a decrease of 8% compared to the initial forecasts of 2018 and reflecting the desire to further improve the prioritization and planning of PEE investments.

As for the financial years 2020 and 2021, the projected investment volumes of the PEE would be 86,000 million dirhams and 92,000 million dirhams, respectively.

EVOLUTION OF THE INVESTMENTS MADE BY PEE 2010-2017 (Millions of dirhams)



As for the regional distribution of PEE's projected investments for 2019, it will improve, going from an overall forecast of 97,050 million dirhams in 2018, to a projected amount of 99,011 million dirhams in 2019.

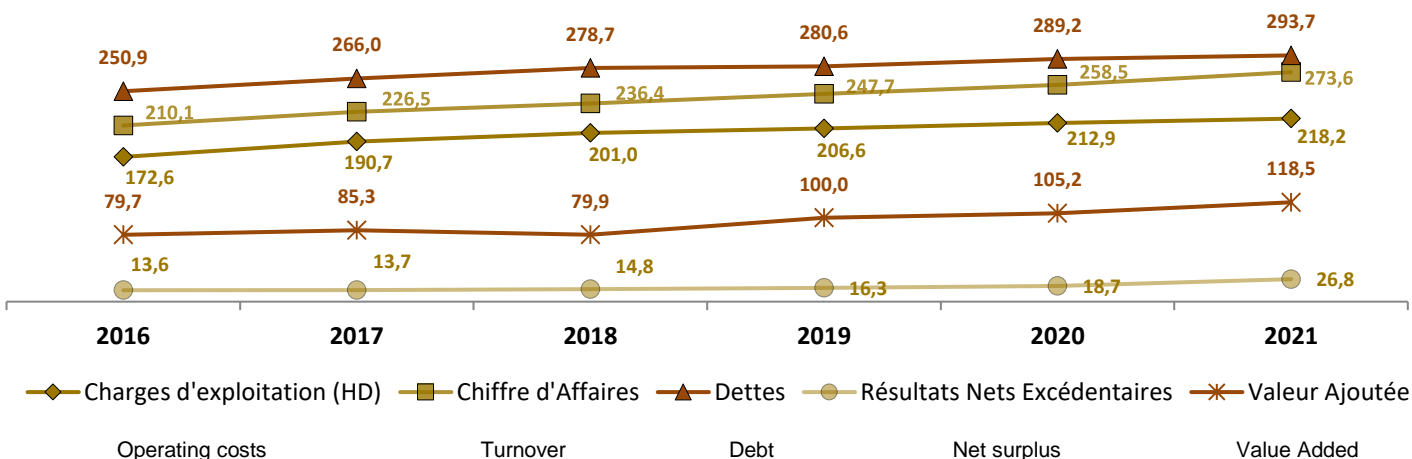
REGIONAL DISTRIBUTION OF PROJECTED INVESTMENTS OF PEE 2019

Regions	Amount (Millions of dirhams)	Share	Investment per capita in Dirhams / resident
Casablanca - Settat	35 357	36%	5 153
Rabat - Salé - Kenitra	16 773	17%	3 662
Marrakech - Safi	9 891	10%	2 188
Oriental	7 809	8%	3 374
Tanger - Tetouan - Al Hoceima	7 409	7%	2 083
Beni Mellal - Khenifra	5 819	6%	2 308
Fez - Meknes	4 564	5%	1 077
Souss - Massa	3 901	4%	1 457
Laâyoune - Sakia El Hamra	3 422	3%	9 306
Darâa - Tafilalet	2 418	2%	1 479
Guelmim - Oued Noun	993	1%	2 289
Dakhla - Oued Eddahab	655	1%	4 578
TOTAL	99 011	100%	2 925

1.3. Financial performance

An examination of the main economic and financial aggregates of PEE, for the 2017-2021 period, shows that overall favorable trends will be recorded.

EVOLUTION OF THE MAIN INDICATORS OF THE PEE SECTOR 2016-2021 (BILLIONS OF DIRHAMS)



Turnover and **value added (VA)** in the PEE sector increased by 8% and 7% respectively in 2017, from 210,130 million dirhams and 79,740 million dirhams in 2016 to 226,523 million dirhams and 85,303 million dirhams. **Net profit** rose by 1% (13,694 million dirhams) in 2017. As for PEE's **own funds**, they reached 541,031 million dirhams in 2017, remaining almost at the same level as in 2016 (536,242 million dirhams). At the end of 2017, the **total assets** of PEE amounted to 1,432,767 million dirhams, recording an appreciation of 5% compared to 2016. With regard to the **financing debts** of the sector, excluding social debts, they reached 265,962 million dirhams, thus recording a 6% increase over 2016.

1.4. Financial relations between the State and the PEE

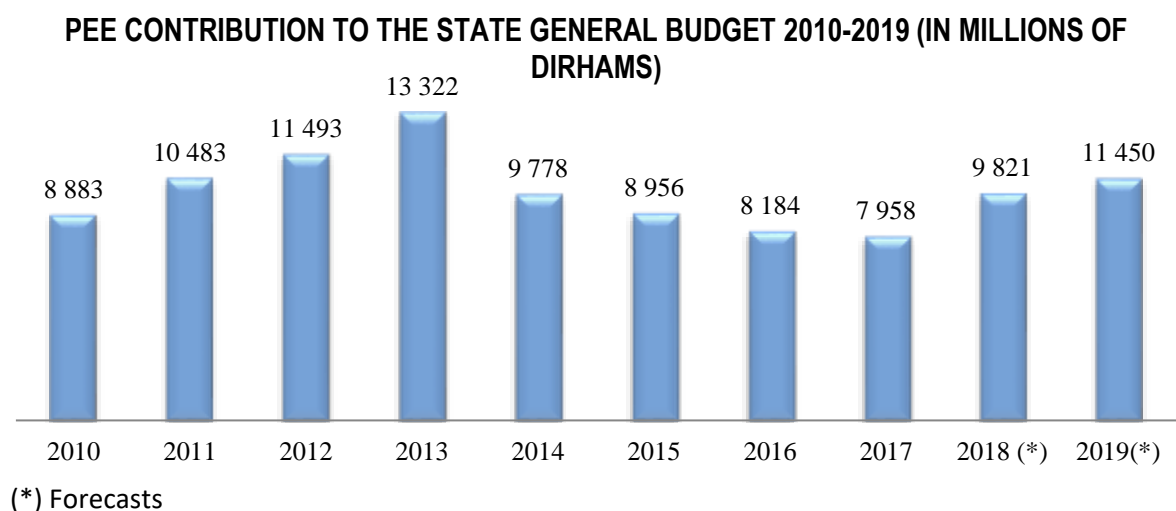
The total **subsidies paid to PEE** in 2017 reached 28,781 million dirhams, thus recording an increase of 8.7% compared to 2016 (26,476 million dirhams), and an achievement rate of 97% against 95% in 2016. The budgetary transfers from the State to the PEE are, mainly for the priority sectors, namely the social sector (17.005 million dirhams), agriculture (4.453 million dirhams), transport (2.413 million dirhams) and energy and mining (1.014 million dirhams).

Under the 2018 Finance Act, subsidies paid to PEE reached 24.913 million dirhams at the end of October 2018, representing an achievement rate of 74% compared to the forecasts for the year 2018 (33,575 million dirhams).

In addition to the budget subsidies granted directly by the State General Budget (SGB), some PEE benefit from **parafiscal taxes** instituted for their benefit. These taxes showed an upward trend during the period 2004-2017 going from 1773.5 million dirhams to 4435.1 million dirhams, thus recording an average annual growth rate of nearly 7%.

With regard to the **contributions coming from the PEE**, the achievements of the Finance Act for the 2017 budget year are 7,958 million dirhams (compared to 8,184 million dirhams cumulated at the end of December 2016), representing a realization rate of 88% of the initial forecasts (9,067 million dirhams), against a rate of 98% recorded at the end of 2016. The cumulative achievements as of end of November 16, 2018 are 8,124.5 million dirhams (against 6,795 million dirhams at the end of October 2017), an achievement rate of 83% of forecasts initials. These contributions are paid, mainly by the ANCFCC (2,500 million dirhams), the OCP (2,000 million dirhams), by IAM and SODEP (1,853 million dirhams).

Under the 2019 Finance Bill, the forecasts amount to 11,450 million dirhams (excluding proceeds from the sale of State holdings) and are 17% higher than the forecasts of the 2018 Finance Act (9,821 million dirhams).



II - PEE, major players in economic and social policy

PEE operating in the **social sector** are called upon to mobilize means likely to improve social and territorial cohesion. Public **Education and Training** Establishments are expected to contribute to the roll-out of the new school support program to reduce the dropout rate at primary and secondary school. Likewise, these organizations should deploy their efforts to institutionalize and consolidate **dual training, the creation of a new generation of vocational training centers** that also meet the needs of economic players, reviewing mechanisms and programs to support youth employment and the establishment of an efficient and active system of educational, vocational and university guidance. To this end, the Hassan II Fund for Economic and Social Development, as a supporter for the country's development **in terms of investment and employment**, is committed to contributing to the construction and to the equipment of these new **vocational training centers**.

In this regard, His Majesty the King gave His High Directives on October 2, 2018 for the **development of new training courses in the promising sectors and occupations** while upgrading training in the so-called traditional occupations, which remain the main providers of jobs for young people, such as those related to the industry, services, construction, agriculture, fishing, water, energy and crafts sectors.

The contribution of PEE in the **rural world** is not gone away since it should continue in 2019 as part of the acceleration of the implementation of the national program for the reduction of social and territorial disparities.

For example, Rural PEE will consolidate their contributions to improve rural road programs (**NRRP II**), rural electrification (**PERG**), and widespread access to safe drinking water in rural areas (**PAGER**); as well as the national program for liquid sanitation and wastewater treatment (**PNA**) which concerns both urban areas and small centers. The same can be said about water with the **urgent and accelerated investment program in the water sector** dedicated to strengthening supply; the development of water management and valorization and the strengthening of the rural drinking water supply.

Along with these actions and in the framework of the efforts for the continuous improvement of the competitiveness and the connectivity of the national economy, the PEE have made a sustained effort for the development of motorway, rail and air transport networks as well as for reinforcement of port and airport networks. The completion of the national **highway** program has achieved a total of nearly 1,800 km, also an investment in **rail** infrastructure with the first high-speed rail link on the African continent.

Similarly, efforts are being made to strengthen network capacity, develop maintenance and develop a new operating model for **ONCF**. In fact, and given the limitations of the current model, which no longer meet the challenges of the substantial investments needed for rail extensions, assessments are underway for institutional reform to align with best practices advocating the separation between the operation and the development of the railway infrastructure on the basis of long-term financing, and refocusing the Office's interventions on their basic missions.

For its part, **RAM** is continuing its efforts to support sectorial strategies, particularly the tourism sector. With a view to a long-term consolidation of its financial position, the Company is currently finalizing a development plan to significantly develop its fleet by 2030. This plan is also part of an approach based on extensive coordination between stakeholders to ensure consistency of sectoral strategies and action plans of the various stakeholders (Department of Tourism and Air Transport, Regions, ONMT, ONDA ...). The financing of this development plan should be based on innovative solutions through quasi-equity resources and strategic partnerships, according to an action plan to be defined under a new State-RAM contract-program.

With regard to **ONDA** and in order to contribute to the success of the RAM development plan by strengthening the synergies between the two entities, it is called upon to carry out, in particular, a regional hub to be planned, especially within the framework of the Draft State-ONDA contract to be concluded upon completion of ongoing studies on the new institutional and economic model of the Office on the one hand and the introduction of PPPs in the airport sector on the other hand.

At the **port** level, the port of Tanger Med, opened in 2007, is attracting increasing traffic and is today one of the main gateways to the Mediterranean, knowing that the **TMSA** Group has entrusted the subsidiary TM2, created in April 2010, the realization, in two phases, of the Port Tanger Med 2 project. Similarly, the company **NWM** carries out the project of the Nador West Med port to be completed in 2022, which will constitute a platform to support the development strategies of the Oriental region. For their part, the **ANP** and **Marsa Maroc** are working to achieve the objectives set in their action plan, which will be formalized in a program-contract with the State, for the first and in the development plan presented at the time of its Initial Public Offering (IPO) for the second.

When it comes to **agriculture** and since the launch of the Plan Maroc Vert (PMV) in April 2008, many PEE (**ORMVA**, **ADA**, **SONACOS**, **ONSSA**, **ANDZOA** ...) actively contribute to the momentum triggered by this plan which has allowed an overall investment in the agricultural sector (excluding PPPs) of 55 billion dirhams at the end of June 2018. For its part, the roll-out of the "Halieutis" strategy for the development of the **maritime fishing** sector has continued since 2009, with the major objective of boosting Morocco's fisheries wealth and tripling the sector's GDP. Thus, the year 2018 witnessed the termination of the fishing port concession agreement which stipulates the abandonment by the ONP of the management activity of the said ports and their return to the ANP, which will allow the refocusing of the Office on its basic missions related to the promotion of fishery products, while the Agency will ensure the improvement of the quality of service and performance of the ports.

Regarding the State policy on **housing and urban development**, the PEE responsible for the implementation of this policy work to strengthen their actions, particularly in terms of land development and land equipment, production of social housing, slum eradication and urban upgrading as well as the renovation of buildings in

danger of collapse, rehabilitation of ancient sites and creation of new urban centers and new cities. In this respect, the overcoming of the shortcomings suffered by this sector requires, among other things, a revision of the legal and urbanistic texts relating to housing, the establishment of an urban planning framework, the revision of the current contractual framework and the introduction of social support mechanisms but also the revision of the economic model of public stakeholders in the sector, including the **HAO**.

The country is going through with the implementation of the **national energy strategy** aimed at reducing energy dependence, developing renewable energies (REN) and enhancing energy efficiency (EE). As such, **MASEN**, now managing all the REN (solar, wind, hydraulic...), continues to achieve, at a steady pace, its development program aimed at achieving a share of the REN in the electric power mix of 52% in 2030 (10,000 MW).

Likewise, **ONEE** is called upon to pursue its action plan for the development of new production capacities, particularly in the context of the "Gas to Power" project, which offers more flexibility in the management of supply in relation to the effects of the intermittent nature of REN. ONEE's development plan for the period 2019-2023 should focus on consolidating the balance of the Office, controlling energy losses, strengthening the quality of service and institutional restructuring of the sector by the separation of the production, transportation and distribution functions, in relation to the structuring project of the regional multiservice distribution model. The entry into practice of the National Electricity Regulatory Agency (**NERA**) is likely to favor the emergence of a new, more efficient economic model based on the refocusing of ONEE on its main missions and recourse to other modes of financing (PPP...).

With regard to the mining sector, **OCP** continues to implement its industrial development program as part of an integrated strategy aimed at consolidating the Group's leadership in the global phosphate market; and building resilience and adapting to changes and market requirements. Thus, preparations are under way for the launch of the second wave of its investment program which will be dedicated to strengthening the mining and chemical production capacities of the South and Central regions as well as in Africa by strengthening its previous operations related to the establishment of several subsidiaries and joint ventures in African countries, particularly Ethiopia, Nigeria and Rwanda for the development of integrated fertilizer production platforms. As for the issue of the VAT credit that the Office has experienced, the meetings between the Ministry of the Economy and Finance and OCP led to the signature on October 10, 2018, of an arrangement between the two parties for the refund of the VAT credit held by the OCP for an amount of 20,500 million dirhams, under a factoring contract.

Regarding the **tourism sector**, the focus is on the need to implement an acceleration plan, drawing lessons from the pitfalls encountered during the implementation of Vision 2020. Priority is given, in particular to the revitalization of tourism investment, the acceleration of the diversification policy and the realization of the repositioning studies of certain tourist resorts, in order to reinforce the resilience and attractiveness of Morocco in this area and this, in consultation with all stakeholders, including professionals and regional players. In terms of prospects, the implementation of institutional and operational restructuring is urgent to realize the potential of developing the necessary synergies between all the public operators (RAM, ONDA, ONMT, Ithmar Capital, SMIT, Maison de l'Artisan...), on the one hand, and between the latter and the private sector, on the other hand.

In addition, and within the framework of the development of the national productive system, **the industry sector and that of the economic development** are expected to experience changes that will contribute to shaping Morocco's new development model.

In this context and in accordance with the Royal Instructions, the **draft framework law establishing an investment charter** aims at reforming the legal framework governing investments and improving the business climate in order to make it more competitive and efficient, and this, through the simplification of procedures and the acceleration of domestic and foreign investment flows. Similarly, the **reform project of the Regional Investment Centers (RIC)** is part of the implementation of the Royal Guidelines regarding investments. This project aims at transforming IRCs into Public Establishments with rights enabling them to fully play their roles of facilitator and catalyst for investment at the territorial level.

In terms of **economic development**, the rise of the **AMDIE** in 2017 puts an end to the dispersion of the efforts of the former CMPE, OFEC and AMDI merged within it, reinforcing the action of the new Agency for the implementation of the State's strategy for the development, encouragement and promotion of domestic and foreign investment as well as exports. Similarly, the **EACCE** (Morocco Foodex) initiated the implementation of a new strategy for the promotion of exports of agricultural, agri-food and fishery products aimed at consolidating markets and the opening of new markets for exports of these products which constitute more than 21% of national exports.

At the regional level, **Regional Project Execution Agencies (RPEA)** are called upon to modernize their regional intervention mechanisms, by the development of new approaches of governance of their investment projects and their mode of intervention. This governance should thus ensure a better allocation of financial resources, the reduction of territorial inequalities and the improvement of the regions' competitiveness.

Within this same framework, and in order to take into account the new context born of the creation of RPEA, the future of the three **Regional Development Agencies** will have to be decided; knowing that the latter have been called upon to ensure the completion of their programs launched before the creation of the RPEA and to no longer initiate new programs, in order to avoid any overlap at the level of interventions by public players at regional level.

Moreover, and in order to support public policies in improving access to financing and support for financial inclusion, **public financial institutions**, such as CDG, CAM, CCG and FEC continue to intervene, each in its area of expertise.

CDG, a public financial institution with strong socio-economic stakes, has put in place a new strategic plan for 2022, favoring new positioning in line with the new economic challenges of Morocco's growth model. This plan aims, on the one hand, to consolidate the Group's growth model as a co-financer, particularly of SMEs and Investors in strategic sectors, and, on the other hand, participation in advanced regionalization, through its contribution to the financing of Territorial Communities and its participation in the financing of territorial PPP projects. This plan also aims to support the energy transition towards the development of a green economy through the mobilization of green financing in renewable energies and green PPPs.

For its part, the CAM continues the implementation of its AFAK 2021 strategy, which targets objectives in line with the "Plan Maroc Vert" strategy, including the development of the rural banking system and the strengthening of support for agriculture and agribusiness. Moreover, the CAM is thinking about migration towards a model of regionalization of its organization by the creation of regional banks cooperatives, having to adapt their interventions to the specificities and the needs of each Region and to contribute more effectively to the socio-economic development of the rural world.

III - Strengthening the governance and transparency of the public portfolio

The projects and actions carried out in the framework of the reinforcement of the governance and the transparency of the PEE continue with the finalization of the draft law on the governance and the financial control of the State on the PEE and the update of the Moroccan code of good governance practices of these entities.

At the same time, several actions are being carried out to increase the transparency of PEE and the continuous improvement of the operational efficiency of these entities and the quality of their management, by constantly ensuring that these entities are equipped with management tools and financial requirements, to clarify roles and responsibilities in the management of human, budgetary and accounting resources, to encourage free competition, enhancing transparency in corporate procurement and promoting digitalization and the dematerialization of the internal and external procedures of these entities.

3.1. Strengthening of the strategic anchors

The strengthening of the strategic anchors of PEE is sought through the conduct of strategic dialogues with these entities within the framework of an active management of the public portfolio as well as through the

reinforcement of the contractual approach between the State and the PEE especially those carrying out projects with major socio-economic stakes.

After a preparation and foreshadowing phase starting in 2016, the implementation of **Active Public Portfolio Management (APPM)** will be strengthened through the conduct of strategic dialogues for a perimeter of PEE with high socio-economic stakes; and this, with a view to initiating the necessary reforms to better regulate the role of the State as shareholder.

The aim of these dialogues is to reach a concerted vision between the PEE, the Ministry of Economy and Finance and the line ministries and other potential partners on the strategy of the PEE and this, through the examination of the relevance of their business model, the assessment of their governance and performance and the prospects for their development, as well as the possibilities of optimizing their portfolios through, in particular, the identification of certain merger, recapitalization, opening of capital, or transfer...

These dialogues have shown that the porting of structuring projects by some PEE (RAM, ONDA, CAM, Barid Al-Maghrib, ONCF and ONEE) shows, sometimes, as the case may be, signs of slowing down of their current model, in terms of investment plans to prioritize, aggravation of their indebtedness, shortage of funds and lengthening their payment terms, which may sometimes lead to situations where the revision of their development model and their institutional framework becomes a necessary prerequisite for the success of their growth strategies.

The discussion under way on setting up a APPM, has also demonstrated the need to define a **public shareholding strategy** outlined in a charter, specifying the guidelines of the public shareholding and the perimeter of PEE requiring the adoption of this management mode. Similarly, the establishment of a simple and adapted **legal and regulatory framework** has today become an essential prerequisite for strengthening the supervision of the State's shareholding function.

For its part, **establishing relations in the form of a contract between the State and PEE**, especially those carrying out projects with major socio-economic stakes, is the ideal support for strategic management for the realization of their restructuring or for implementing measures of streamlining and optimization of their actions.

Thus, the work on the conclusion of new program contracts and the evaluation of signed contracts is continuing, particularly with iconic PEE: ONCF, ONEE, RAM, ONDA, CMR, CNSS, ANP...

3.2. Projects aiming at improving the governance of the PEEs and the efficiency of the financial control of the State on these entities

The draft law on the governance and financial control of the State on PEE aims to strengthen the effectiveness of state financial control over EEP; and to make this system evolve towards the concerns of risk management and safeguarding of the assets, on the basis of segmentation for determining the type of control to apply to each EEP based on three fundamental criteria: level of public participation, financial assistance and risks of the State and quality of governance and management of EEP.

Moreover, efforts to **implement the Moroccan Code of Good Governance Practices for PEE**, launched in 2012, have led to definite progress in holding regular meetings of the legislative bodies (LB) and in terms of setting up specialized committees from these bodies (audit, strategy and investment, appointment and remuneration...). These efforts are also continuing with the adoption by the LB of around 40 PEE of governance improvement plans and charters and other governance instruments. These entities are also experiencing continuous improvement in their governance practices in terms of the dissemination of financial and extra-financial information, the introduction of risk management instruments and the strengthening of the dematerialization of their procedures. Thus and in order to consolidate the achievements and to overcome the aforementioned shortcomings, the process of improving the governance of PEE will continue; through the strengthening of the momentum initiated by expanding the list of PEE developing their assessment of governance and the improvement plans that result. These efforts will also be strengthened and sustained by introducing new provisions on governance at the level of the draft law on the system of governance and financial control of the State on PEE, currently being finalized. As such, the process of **updating the**

provisions of the Code of good governance practices of the PEE is under way, and this, within the framework of the National Commission of Corporate Governance.

Furthermore, the **external audit operations of PEE** carried out by the DEPP are ongoing, following the approval of the Head of Government, in consultation with the departments concerned. Similarly, the DEPP is responsible for monitoring and ensuring the implementation of the recommendations and decisions made. The audit operations carried out affected virtually all business sectors, namely energy, mining, transportation, electricity, water and liquid sanitation and housing, agriculture, health, higher education, education and training. In addition, an **PEE risk** monitoring project was launched in February 2018 in collaboration with the IMF. The purpose of this project is to first assess the current PEE risk monitoring and evaluation system, to benchmark best practices, and to put in place a new and better structured framework for PEE risk management with a dedicated organization and a clear and shared governance model.

In the same context, PEE are guided through the update and **improvement of their management tools**, particularly with a view to standardizing their market regulations, with the regulation of the public markets and the update of their staff regulations and organization charts. This support is also ensured through the **updating of the financial and accounting organization by-laws** of the Public Entities subject to prior checking as well as **the amendment of the nomenclatures of the supporting documents involving the commitment and the payment of their expenses**, given that all these actions are aimed at standardizing working methods, simplifying procedures and facilitating acts.

In addition, the key actions to achieve **the digital transformation of the MEF**, have to do with the development of the dematerialization of the PEE markets, the roll out of the computerization of the payment offices of Public Entities subject to prior control and specific control, the generalization, starting 2019, of computerized data exchanges with both internal and external partners via the DEPP's "MASSAR" information system.

Similarly, the improvement of **the financial transparency of the PEE** is sought through the convergence project of the General Code of Accounting Standardization (GCAS) towards IAS / IFRS international accounting standards which aims to provide Morocco with an accounting framework and financial standards, in line with the best international standards in this area and guaranteeing reliable and better quality accounting and financial information, as well as through the draft law on the consolidated accounts which aims at setting up a unified accounting reference system for the consolidation of the accounts and the standardization of the accounting practices at the national level.

3.3. Interactions with Audit Institutions

The PEE sector, given its presence in many industries, is the subject of many questions from members of both Houses of Parliament. Likewise, the **Parliament** has dedicated special sessions to certain PEE or themes related to the public portfolio. In addition, the report of the **Court of Audit** on the " Public Entities and Enterprises sector: strategic anchors and governance" was the subject of a presentation by the Minister of the Economy and Finance to the Committee of control of public finance in June 2018, in order to provide the necessary answers and clarifications regarding the recommendations of the said report.

Moreover, the reports related to the management control of PEE established by the Court of Audit are transmitted to the Minister of the Economy and Finance who systematically communicates to the Court his opinions, comments and answers within the deadlines provided by the aforementioned code. With regard to thematic and evaluation studies, the Court has carried out several missions in relation to the PEE sector. These include missions related to compensation, retirement and delegated management.

IV- OPENING UP TO THE PRIVATE SECTOR AND IMPROVING THE BUSINESS CLIMATE

As part of the strengthening of the partnership between the public and the private sector, it is planned to revive the **privatization** and capital opening program; as it has a track record of successful privatization operations that has led to positive macro and micro economic impacts.

At the same time and in order to promote investment and improve the business climate, reform actions are continuing through, notably the strengthening of the Public-Private Partnership to be the subject of a project to overhaul their legal framework. In addition, payment delays are expected to improve.

4.1. Privatization and synergies with the private sector

The **privatization** program in Morocco is showcased as an example of success, due to a legal and institutional framework that ensures total transparency. In the current context, it is necessary to include privatization in an integrated approach of active management of the public portfolio. The ultimate objective of this approach is to put in place a system enabling timely transfer operations to be carried out in a short period of time in line with the possibilities offered by the market in accordance with procedures adapted to the context of each operation.

Also, the goal today is to revive the privatization program by focusing mainly on the capital opening of some public entities, having reached a stage of maturity, operating in sectors open to competition and presenting the necessary prerequisites, in particular, the strategic or non-strategic nature of the entity and its role in the fulfillment of public policies or exercising public service missions, the level of maturity of the target entity's business sector.

Thus, studies and strategic analyzes are underway to identify, among PEEs as well as public subsidiaries, entities that can enrich the privatization potential. Projects to transform some public entities into public limited companies have also been launched.

In the case of non-strategic minority holdings, discussions are under way to assess the appropriateness of the State's withdrawal from such holdings as well as the appropriate methods of managing or even disposing of them.

The year 2019 is set to witness the revival of the privatization process with the sale of certain State holdings to the private sector (5,000 million dirhams). In this regard, it is planned to review the distribution of privatization revenues as established by the Finance Act No. 38-07 for the 2008 budget year. It is also necessary to amend the list of companies that can be privatized in Article 1 of Law No. 39-89 authorizing the transfer of public entities to the private sector.

The government supports the investment programs of the PEE ahead of time by authorizing the creation of subsidiaries and equity investments based on due diligence and strategic studies in accordance with the legislation and regulations in force.

4.2. Development of the public-private partnership

The main contributions of the legal framework put in place in 2015 involve the carrying out of the preliminary assessment studies to ensure the relevance of the PPP mode on the basis of a comparative analysis with the other modes, the optimized sharing of risks, the performance-based payment and the setting of procedures for monitoring and auditing contracts.

Identification and support work for PPP projects is ongoing, as well as training, cooperation and communication actions.

After a progress review that assessed the legal framework put in place and highlighted the main issues raised, a draft amendment was prepared and is waiting to be adopted following extensive consultation with public and private partners. This project was conducted with the support of the Head of Government.

The amendment work was initiated under the chairmanship of the Head of Government in May 2018 with a wide participation of Ministers in charge of sectorial departments and the concerned PEE. Bill No. 46-18 amending and supplementing Act No. 86-12 makes the following main amendments:

- Widening the scope to other public entities;
- The establishment of a "National Committee for Public-Private Partnership" with the Head of Government empowered to adopt, inter alia, a national annual and / or multi-year PPP program and to set the conditions and modalities for possible exemption from the law, particularly in the case of the prior assessment procedure and the negotiated procedure;

- Simplification of the process of spontaneous offer and clarification of the conditions for using the negotiated procedure;
- The standardization of the provisions of the law with those of sectorial laws that provide for the use of PPP contracts.

The draft law was published on the website of the General Secretariat of the Government on July 27, 2018 to gather the opinion of the different stakeholders for a period of 20 days. At the end of the public debate, the project is being finalized in collaboration with the GSG for its presentation to the Government Council.

4.2. Actions to improve the business climate

The draft framework law establishing an **investment charter** is part of the Royal Guidelines for the overhaul of the legal framework governing investment and the improvement of the business climate. This project enacts incentives such as subsidies and direct aid, tax and customs exemptions, administrative facilitation, and other specific support in matters such as land and human capital.

In the same framework, and while following the Royal Instructions, the bill n° 47.18, **reforming the Regional Investment Centers** through their transformation into public institutions and creation of the Unified Regional Investment Commissions, was prepared. This project aims at reforming and upgrading the Regional Investment Centers so that they fulfill their missions of encouraging new investment, promotion of development, exploitation of the great potential of investment offered by the national economy and involvement in the development that Morocco knows. It introduces new provisions relating, in particular, to the missions of the said Centers and to the simplification of investment procedures at the regional level.

In addition, **the Observatory of payment deadlines** has strengthened the existing legal and institutional arsenal and represents a forum for exchange, reflection and consultation among stakeholders. By its broad membership, it will be a force proposing concrete measures proposed in its annual report or in the framework of the work that will be entrusted to it by the governmental authorities. The actions undertaken by the Ministry, with a view to providing concrete solutions to the problem of payment delays, include, in particular, the regular monitoring of payment deadlines and the ongoing monitoring of this issue, as well as the targeted support of certain PEE, mainly through the acceleration of the release of the State Budget and the refunding of the VAT credit with a view to improving the treasury of the PEE.

To succeed in this project, the roadmap of the Ministry of the Economy and Finance in this regard includes a range of actions including the review of the procedures of the PEE in terms of payment of suppliers in the sense of further simplification and delimitation of the players' responsibilities, setting up a computerized system, at the level of the PEE, to ensure the follow-up of the debts due and the delays of payment, the publication of regular reports in the matter, monitoring the processing of the claims of the PEE suppliers as part of the related e-platform that went live on the 4th October 2018 (<https://ajal.finances.gov.ma>).

The roadmap emphasizes the need for the involvement of governance bodies and monitoring agents to ensure the speed required to address this issue and to implement the necessary measures to this end.

On another level, and while following the Royal Guidelines, the Ministry of Economy and Finance is working towards implementing and applying an action plan for the restructuring of some PEE, particularly through the review of the status of subsidiaries and assets that are not directly related to the main purpose of the said PEE, and through the rationalization of their expenses, and this, within the framework of program-contracts with the State.