Royaume du Maroc
Ministère de l'Economie et des Finances
Direction des Etudes et des Prévisions Financières

المملكة المغربية
وزارة الاقتصاد والمالية
مديرية الدراسات والتوقعات المالية

Summary of the Economic and Financial Report accompanying the 2024 Finance Bill -REF 2024-

The Finance Bill for 2024 comes at a time of particular economic and financial uncertainty. Internationally, the global economy is caught between persistent geopolitical tensions, an upsurge in extreme weather events and a marked tightening of financial conditions, generating downside risks for global economic growth.

As a result, the national economy is facing a number of successive and concomitant shocks (health, climate, etc.), as well as the most powerful earthquake in our country's recent history. Despite this context, economic activity is expected to pick up again in 2023, reaching around its average pre-pandemic level, with growth of 3.4% in 2023, corresponding to an increase of 2 percentage points compared with 2022. These developments reflect the proven resilience of the national economy and its great capacity to bounce back, thanks to the ongoing process of structural and sectoral reforms undertaken over the past two decades. This resilience has been further strengthened over the past three years thanks to the effective and targeted deployment of appropriate support measures to contain and mitigate the scale of the socio-economic impacts of the pandemic, drought and soaring commodity prices.

Faced with the current and future challenges facing our country, it is imperative to pursue and improve gains in human capital in order to unleash its full potential and ensure sustainable, inclusive growth. Moreover, guaranteeing food, water and energy security remains a fundamental pillar of national sovereignty and crisis resilience. Similarly, mobilizing the full potential of our territories is a top priority, with a view to strengthening their resilience and consolidating their role as engines of growth and wealth creation.

Against a complex and uncertain backdrop, the first part of the 2024 edition of the Economic and Financial Report (EFR) explored recent trends in the international environment, highlighting the main challenges and risks on the horizon. The second part analysed the resilience factors of the Moroccan economy, highlighting our country's progress in implementing major sectoral, social and spatial reforms. The third part of the Report dealt with the profile of public finances, highlighting the efforts made and reforms undertaken by Morocco to preserve the sustainability and efficiency of its public finances, as well as the macroeconomic framework and the broad guidelines underlying the 2024 Finance Bill.

I. The global economy in a context of persistent uncertainty

In an international context marked by a succession of intertwined crises (health, climate, geopolitics, etc.), ***global economic growth*** is set to slow to 2.9% in 2024, compared with 3% in 2023 and 3.5% in 2022, according to the IMF. Global growth will continue to be impacted by persistently high inflation and tighter monetary and financial conditions.

In the United States, the IMF forecasts GDP growth of 2.1% in 2023. This growth is expected to slow to 1.5% in 2024 due to a more pronounced credit crunch.

According to the IMF, growth in the Eurozone is set to slow markedly in 2023, from 3.3% in 2022 to 0.7%, held back by a moderation in demand and a recession in Germany. The German economy is affected by a number of factors, including high inflation and interest rates, weak foreign demand, and disruptions to the natural gas supply chain from Russia. In terms of outlook, economic activity in the Eurozone is set to recover in 2024 to 1.2%. It should recover in Germany (0.9% after -0.5% in 2023), consolidate in France (1.3% after 1%) and continue at the same pace in Italy (0.7% after 0.7%), but slow in Spain (1.7% after 2.5%).

In the UK, economic recovery, disrupted by the inflation shock and tighter monetary policy, is projected at 0.5% in 2023 after growth of 4.1% in 2022. A weak recovery of 0.6% is expected in 2024, according to the IMF.

Meanwhile, Japan's economy is set to rebound by 2% in 2023, after slowing to 1% in 2022. According to the IMF, It should return to trend in 2024, with growth of 1%, supported by rising wages and corporate profits.

As for growth in emerging and developing countries, it remains solid overall, as evidenced by the IMF's statistics, which point to economic activity growth in these countries of 4% in 2023 and 2024, a pace comparable to that of 2022 (4.1%). The Chinese economy should rebound in 2023 (5% after 3% in 2022), following the lifting of the zero-covid policy, paving the way for a recovery in consumption and services. However, Chinese GDP growth should slow to 4.2% in 2024. In India, the outlook for economic growth remains robust (6.3% in 2023 and 2024), due to the expansion of domestic demand stimulated by high public spending and substantial inflows of foreign investment.

Meanwhile, growth prospects in Latin America and the Caribbean are expected to be moderate (2.3% in 2023 and 2024, after 4.1% in 2022), as the effects of the economic recovery from the Covid-19 pandemic and the moderation in commodity prices fade.

The Central and Eastern European region, for its part, should see a clear upturn in 2023 (2.4% after 0.8% in 2022). In 2024, economic growth in the region is expected to slow to 2.2%, reflecting a weak recovery in Russia (1.1%) and Turkey (3%).

In Sub-Saharan Africa, growth should continue at a moderate pace in 2023 (3.3% after 4% in 2022), particularly in Nigeria (2.9% after 3.3%) and South Africa (0.9% after 1.9%). In the MENA region, growth prospects weakened (2% after 5.6%), impacted by weak activity in Egypt (4.2% after 6.7%) and, above all, in oil-producing countries, notably Saudi Arabia (0.8% after 8.7%). For 2024, economic growth is expected to strengthen in sub-Saharan Africa to 4%, and in the MENA region to around 3.4%.

In terms of international trade, world merchandise trade was resilient in 2022, growing by 3% in volume terms, compared with 13% under the impact of an almost generalized rise in prices. Looking ahead to 2023, the WTO's latest forecasts point to a 0.8% increase in world merchandise trade volume, affected by the effects of persistent inflation and tighter monetary policy, particularly in the United States and the European Union, the consequences of the conflict in Ukraine, and the slowdown in Chinese growth as a result of difficulties in its property market.

According to the latest edition of UNCTAD's "World Investment Report 2023", ***global foreign direct investment*** (FDI) flows will fall by 12% in 2022, to $1,300 billion, after a sharp rebound in 2021, which followed the sharp fall triggered by the health crisis in 2020. As for the outlook for 2023, UNCTAD predicts continued downward pressure on global FDI, due in particular to persistent geopolitical tensions and turbulence in the financial sector.

Recent developments in the international economy have implications for the national economy, particularly in terms of foreign trade and other financial flows, as well as the exchange rate and the general level of domestic prices.

Up to the end of August 2023, ***Moroccan exports*** showed a slight increase of 0.2% compared with the same period in 2022, driven by a rise in automotive exports, electronics and electrical products, and textiles and leather, combined with lower foreign sales in the aeronautical sector and phosphates and derivatives.

At the same time, ***imports*** fell by 3.9%, mainly because of a 22.6% drop in imports of energy products, following a 28% decline in supplies of gas oil and fuel oil, due to the combined effect of lower prices and lower quantities. Similarly, imports of food products, semi-finished products and raw materials fell by 1.3%, 13.5% and 25.4% respectively. Nevertheless, foreign purchases of capital goods rose by 16.6%.

At the end of the first eight months of 2023, these trends in exports and imports resulted in a 9.4% reduction in the trade deficit compared with the same period in 2022, and a slight improvement in the coverage rate of 2.4 percentage points, to 59.3% compared with 56.9% a year earlier.

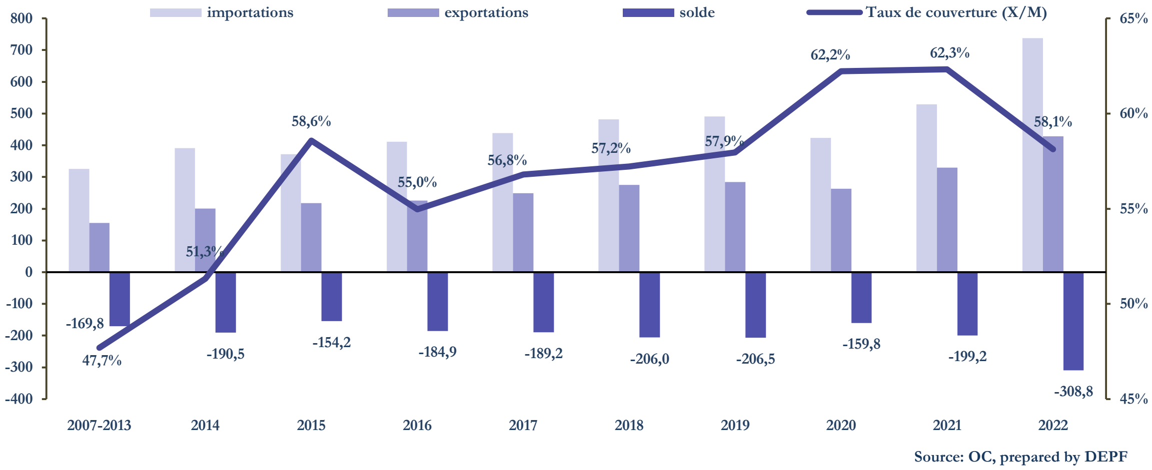

Figure 1: Morocco's trade balance

The net ***flow of FDI into Morocco*** will increase by 6.8% in 2022, to 21.7 billion dirhams, compared with 20.4 billion dirhams in 2021, driven by a 21.6% rise in FDI receipts, to 39.5 billion dirhams, and a 46.3% increase in expenditure, to 17.8 billion dirhams. France remains the leading investor country in Morocco, accounting for 29% of total foreign investment in 2022. As for the sectoral breakdown of FDI to Morocco, industry and real estate were the most attractive sectors in 2022, with respective shares of 37% and 20% of total FDI received. By the end of August 2023, net FDI flows had fallen by 49.6% to 10.1 billion dirhams due to a 23.4% drop in revenues to around 21.2 billion dirhams and a 44% increase in expenditure to 11.2 billion dirhams.

In terms of ***exchange rate*** trends, between January and September 2023, the dirham depreciated against both the euro and the dollar, by 3.7% and 2.2% respectively compared with the same period last year, reaching exchange rates of 10.97 dh/€ and 10.12 dh/$. After approaching the upper limit of the fluctuation band (+5%) at the end of 2022, the dirham gradually moved away from it, remaining overall above the middle of the band.

As for changes in the general price level, the year 2023 is marked by inflation levels that are firmly on a downward trajectory.

Against the backdrop of a global environment fraught with uncertainty, three major risks loom large, and it's worth keeping a close eye on them. Firstly, the prospect of prolonged high interest rates worldwide, making it increasingly difficult for central banks to be sufficiently restrictive to bring inflation back on target, without triggering a recession or turbulence in the financial sector. Secondly, the over-indebtedness of the world's economies, with global public debt peaking at $91 trillion in 2022, which could accentuate the vulnerability of the global economic recovery. Thirdly, the challenges inherent in climate change highlight the urgent need to adapt production and consumption models towards sustainable and inclusive practices.

II. The Moroccan economy in the face of exogenous shocks: resilience factors, challenges and key issues

Over the past few years, Morocco has had to cope with a succession of complex exogenous shocks of various kinds, highlighting the proven resilience of its economy and its great capacity to react. The choice of economic diversification made by our country, both sectorally and geographically, has played a decisive role in reducing the vulnerability of our productive fabric, as demonstrated by the upturn in growth in 2023, which is expected to reach 3.4%, or more than 2 percentage points higher than in 2022, thus approaching its pre-pandemic average level.

The expected recovery in 2023 is attributed to a return to growth in agricultural value added, thanks to a cereal harvest for the 2022-2023 crop year estimated at 55.1 million quintals, up 65% on the previous year. In addition, the dynamics of national economic activity should benefit from a return to growth in the secondary sector, after the slight contraction in 2022, and from the consolidation of growth in the tertiary sector.

On the demand side, household consumption in 2023 would have benefited from the overall positive behavior of income indicators, including consumer credit (+1% to end-August 2023) and transfers from MREs (+7.2% to end-August 2023).

Household consumption would also benefit from the gradual easing of price rises recorded since March 2023. Indeed, after a monthly inflation peak of 10.1% in February 2023 (start of the crisis in Ukraine), this rate decelerated from March onwards, reaching 4.9% in July 2023 and stagnating at around 5% in August. By inflation component, the food component has slowed progressively since March 2023, from +20.1% year-on-year to +10.4% in August 2023. As for the non-food component of inflation, transport prices, the sector directly impacted by fuel prices, have fallen sharply, from an increase of 5.1% in March to a decline of 1.8% in August 2023. Underlying inflation, which excludes products with volatile prices and regulated products, also fell, from 8.1% in March to 4.9% in August 2023.

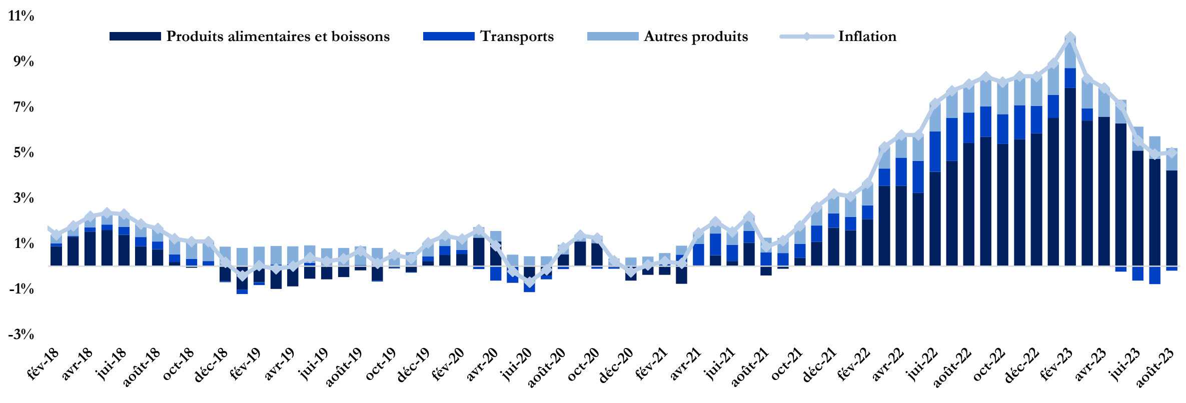

Figure 2: Contribution of Consumer Price Index (CPI) components to the inflation rate

The following box highlights the main measures introduced by the public authorities to support household purchasing power and business activity, and thus counteract the effects of inflation.

Government measures to limit the impact of inflation

Morocco has implemented a number of budgetary and fiscal measures designed to support households and businesses against a backdrop of high inflation. It has also mobilized over 40 billion dirhams in additional spending for 2022, and has programmed nearly 17 billion dirhams in additional extra-budgetary spending for 2023, to limit the impact of inflation and support businesses and household purchasing power. The main measures adopted in this respect are as follows:

• An exceptional subsidy for road haulage professionals;

• The launch of an exceptional program to support farmers and livestock breeders, aimed at reducing the impact of the drought and the effects of the economic situation, and restoring balance to production chains. This program has a budget of 10 billion dirhams, of which 5 billion dirhams are earmarked for the protection of animal capital, in particular through the subsidy of barley and imported feed for livestock and poultry. In addition, 4 billion dirhams have been earmarked for the protection of plant capital and the support of sectors, as well as 1 billion dirhams to strengthen the financial capacities of the Crédit Agricole bank in order to support farmers;

• Adaptation of tariff policy to the requirements imposed by the sharp rise in international food prices and the domestic supply situation for these products. This is through : i) the abolition of customs duties on soft wheat and the introduction of a flat-rate premium for imported bread-making soft wheat; ii) the suspension of customs duties on imports of crude oils and oleaginous plants; iii) the assumption, since November 17, 2022, by the State budget of customs duties on milk powder set at 50% and customs duties on butter imports; iv) the suspension of import duties set at 100% on imports of 200. 000 calves destined for slaughter, and the State budget to pay the 20% VAT on these imports from February 3, 2023; v) the abolition, from the end of January 2023, of the minimum weight for imported domestic cattle destined for slaughter and, from October 2022, of the import duty on domestic cattle weighing over 550 kg); vi) the introduction of an exceptional program to supply the domestic market with imported sheep for the El Aid Adha 1444 (2023) festival;

• Maintain state subsidies on electricity prices, given their importance and impact on household purchasing power;

• Strengthening market controls in terms of supplying essential products and combating speculation;

• The legal inter-professional guaranteed minimum wage (SMIG) and the guaranteed minimum agricultural wage (SMAG) will be increased from September 2022. For the liberal professions, industry and commerce, the SMIG was raised to 2,970 dirhams per month in September 2022, rising to 3,119 dirhams in September 2023. The SMAG was raised by 10% in September 2022, then by 5% in September 2023, to reach 2,303 dirhams per month;

• The 5% increase in retirement pensions paid by the National Social Security Fund will come into effect on December 1, 2022.

At the same time, the positive trend in capital goods imports and equipment loans (+16.6% and +9.3% respectively to end-August 2023) points to an improvement in investment momentum. This improvement is also justified by the trend in capital expenditures under the General State Budget, which rose by 25.4% to end-September.

Considering these factors, it is clear that our country has been able to consolidate its resilience and ability to prosper despite a constantly changing global economic environment, by taking advantage of its commitment to winning sectoral and structural reforms capable of guaranteeing the development of a more diversified, competitive economy capable of coping with various shocks.

On the agricultural front, Moroccan agriculture is currently facing major constraints caused by the increasing effects of climate change in recent years, which is having a negative impact on the availability of water for agriculture, placing the issues of sustainability and value enhancement at the heart of the agricultural development model.

Aware of these constraints and challenges, a new agricultural strategy called "Generation Green 2030" has been adopted, capitalizing on the achievements of the Green Morocco Plan (PMV) deployed over the past decade. The new strategy aims to meet the major challenges facing the Moroccan agricultural sector, in particular the need to promote agricultural human capital, the imperative of better adaptation to the increasingly restrictive climate, the requirement for greater integration of the sector into its downstream industry, and the need to accelerate the transition to a more sustainable agricultural development model.

In terms of industrialization, Moroccan industry has demonstrated its resilience in the face of the various shocks it has suffered in recent years. In this respect, the year 2022 marks a strong revitalization, as shown by the positive trend in the main barometers affecting both traditional industrial sectors and Morocco's new industrial trades. This dynamism is the result of a series of proactive strategies, in particular the 2014-2020 Industrial Acceleration Plan, which has paved the way for a revitalized national industry. In the same vein, and with a view to meeting the new imperatives of industrial sovereignty, measures have been put in place to attract domestic investors to the industrial sector (establishment of an Industrial Projects Bank, acceleration of the development of renewable energies, entry into force of the Investment Charter, operationalization of the Mohammed VI Fund for Investment, etc.).

Continuing along the path of progress, Morocco has embarked on a dynamic aimed at consolidating its position in the upper links of the value chain of its global businesses and ensuring its industrial sovereignty, by moving towards the development of cutting-edge industries capable of countering the various risks associated with guaranteeing a continuous supply of its industrial input requirements. However, a number of trends are emerging in the global industrial sector, presenting major challenges and opportunities for Moroccan industry. These include the greening of industry, which is a major challenge that will bring new competitive advantages for our country, the shortening of global value chains, the digitization of the industrial fabric, which is an essential path for the development of national industry, and the training of specialized profiles...

After being severely tested since 2020, the **tourism sector** is showing a significant rebound in 2023, as evidenced by the 10% increase in tourist arrivals in Morocco (10.2 million) at the end of August 2023 compared with the same period in 2019, and the 35% increase in tourism revenues (71.4 billion dirhams) over the same period. This post-pandemic rebound in national tourism and its resilience in these times of crisis are the fruit of a multiplicity of measures undertaken by the State to support the sector's recovery. This includes the implementation of an emergency plan with a budget of 2 billion dirhams, the upscaling of the Marhaba operation, the strengthening of tourism promotion, the consolidation of air and sea connectivity, the adoption of e-visas, etc.

While capitalizing on the achievements of previous strategies (Visions 2010 and 2020) and taking into account the changes underway in the sector, a new roadmap for the revitalization of tourism by 2026 has been adopted. It focused on four strategic areas: (i) restructuring of the tourism offering around 14 integrated sectors (9 thematic and 5 focusing on intangible heritage); (ii) simultaneous reinforcement of the prerequisites needed to improve the destination's competitiveness (doubling of air capacity, marketing and promotion plan, 16 pilot animation projects, upgrading of the hotel offering, etc.); (iii) a review of the sector's governance, with implementation of the new roadmap by a National Interministerial Tourism Commission headed by the Head of Government and supported by thematic national commissions; and (iv) the mobilization of an overall budget of 6.14 billion dirhams to implement the roadmap over the 2023-2026 period.

In the same vein, in July 2023, the government signed a program contract with RAM covering the period from 2023 to 2037, in view of the crucial role of air travel in achieving the objectives of the new roadmap for revitalizing the tourism sector.

At a territorial level, Morocco's efforts to develop the potential of its territories have to some extent eased the constraints weighing on their development. The reforms undertaken to this end have given additional impetus to territorial dynamics, with a view to achieving a balanced distribution of the wealth creation process between the various regions, which continues to be driven by the provinces of the Tangier-El Jadida backbone.

In terms of nominal growth rates, the regions with the lowest contribution to GDP show the most dynamic trajectories, with growth rates above the national average (3.7%). These include Laâyoune Sakia Al Hamra (10.4%), Dakhla Oued Ed Dahab (7.1%), Guelmim Oued Noun (5.8%), Oriental (4.6%) and Drâa Tafilalt (4%).

These regional configurations could help to attenuate inequalities in wealth creation on a territorial scale. Over the analysis period, five regions had a nominal GDP per capita higher than the national average (31,630 dh/capita): Dakhla Oued Ed Dahab (72. 342 dh/capita), Casablanca Settat (50,545 dh/capita), Laâyoune Sakia Al Hamra (45,698 dh/capita), Rabat Salé Kenitra (36,956 dh/capita) and Guelmim Oued Noun (33,943 dh/capita).

Despite these undeniable advances, there are still ***major challenges to be met***, in terms of developing human capital and better preparing it for current and future challenges, to consolidate the foundations for inclusive development. With this in mind, the public authorities are continuing to complete the major structuring projects currently underway and to accelerate their pace of progress, including the Royal Project for the generalization of social protection and the comprehensive overhaul of the education and training system, as well as the health sector....

Over the past two decades, remarkable progress has been made in terms of **access to education**, notably through the universalization of primary education (specific enrolment rate between 2000-2001 and 2022-2023, rising from 84.6% to 100% nationwide). This in addition to an increasing access to college and secondary education (specific enrolment rates for children aged 12-14 and 15-17 will be 100% and 76.9% respectively by 2022-2023, compared with 60.3% and 37.2% in 2000-2001), and reducing enrolment gaps between urban and rural areas and between boys and girls. It should be noted in this context that social support programs for schooling (Tayssir program, one million schoolbags, boarding school and school canteen grants, etc.) have made a major contribution to achieving these results.

However, the national education system continues to face a range of challenges, including the relatively low quality of learning and the *overall performance of the education system*. To meet these challenges, a roadmap for the reform of the national education system covering the period from 2022 to 2026 has been adopted and its operationalization launched. It is based, among other facts, on the orientations of the strategic vision of national education reform (2015-2030), on the recommendations of the Report on the New Development Model, and on the government program. It is articulated around three major axes: the teacher, the student and the educational establishments.

With regard to ***vocational training***, the roadmap for its development has been put into practice, with the inauguration in 2023 of the fourth Cité des Métiers et des Compétences (CMC) in the Rabat-Salé-Kénitra region (offering training in 8 trades, 4 of which are new, chosen to reflect the specific features of the regional economic fabric), following the launch of three other CMCs in the Souss-Massa, Oriental and Laâyoune-Sakia El Hamra regions. These four CMCs have thus enabled us to expand our initial training offering, which for the 2023-2024 academic year has reached a capacity of around 410,000 teaching places provided by 18 establishments.

In ***higher education and scientific research***, progress has been made in implementing the National Plan to Accelerate the Transformation of the Higher Education, Scientific Research and Innovation Ecosystem (PACTE ESRI 2030). Within this framework, the 2023-2024 academic year marks the implementation by the Government of measures aimed at anchoring a new model for the Moroccan university, academic and scientific excellence, and supporting economic and social inclusion. In this respect, the Government Council of July 24, 2023 adopted the new provisions set out in Decree no. 2.23.668 (subsequently published in the Official Bulletin of August 21, 2023), which defines the vocation of university establishments, the cycles of higher education, and the corresponding national diplomas.

In the ***healthcare sector***, the generalization of medical coverage has enabled all Ramedistes (including their beneficiaries) to join the AMO-TADAMON[1] scheme from December 1, 2022, thus prompting the launch of an in-depth reform of the national healthcare system. As part of the implementation of this reform, which is governed by the framework law n°06-22, several legislative texts have been adopted by Parliament or are in the process of being adopted, in particular those concerning the sector's governance bodies and the development of human resources.

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[1] In accordance with Law 09.21 on the generalization of social protection, the population benefiting from RAMED was integrated into AMO in December 2022 under the AMO-TADAMON solidarity mechanism.

These include Law no. 09.22, promulgated by Dahir no. 1.23.51 of June 28, 2023, on healthcare professions, which sets out provisions for a motivating remuneration system for healthcare professionals; Law no. 08. 22 on the creation of Groupements Sanitaires Territoriaux, the promulgation of law no. 07-22 on the creation of the Haute Autorité de la Santé (through Dahir no. 1-23-84 published in the Bulletin officiel of December 04, 2023)...Concerning the Agence des médicaments et des produits de santé and the Agence marocaine du sang et de ses dérivés, the laws relating to their establishment were promulgated respectively by Dahir no. 1. 23.54 of July 12, 2023 and Dahir n° 1.23.55 of July 12, 2023 respectively.

As for the operationalization of the ***generalization of social protection***, and in particular its component linked to the generalization of medical coverage, within one year the overall number of AMO-CNSS beneficiaries has been multiplied by 3. It increased from 7, 8 million in 2020 to over 23.2 million by the end of June 2023, thanks to the inclusion of 3.6 million non-salaried workers and their dependents, and 9.7 million beneficiaries (insured and dependents) under AMO-TADAMON. On the legislative and regulatory front, numerous measures have been taken in this respect, principally the amendment of Law 65-00 on basic medical coverage to take account of the provisions of Law 09-22 on social protection reform in its AMO component, as well as the relevant implementing Decrees (Decree 2.22.797 of November 29, 2022 for the application of Law 65-00 concerning AMO dedicated to people unable to pay contributions).

In addition, and in application of the High Royal Instructions, the Government has put in place the *necessary prerequisites for the operationalization of the direct social assistance program*. This program, which represents the second stage in the generalization of social protection and is scheduled for implementation by the end of 2023, is intended for families who do not currently benefit from family allowances.

In terms of ***access to employment***, Morocco's national labor market continues to suffer the negative effects of the Covid-19 pandemic and a particularly unfavorable agricultural campaign, as evidenced by the loss of 24,000 jobs by 2022. Against this backdrop, the government is continuing to implement active employment[2] programs at both national and regional level, with the main aim of supporting job seekers and project initiators, thereby facilitating their integration into the job market. In addition, new initiatives have been put in place to promote the inclusion of the working-age population in the labor market, namely the "Awrach[3]", "Intelaka[4]" and "FORSA" programs:

- ➔ With regard to the «Awrach»[1], The results of its first edition, for the year 2022, show the registration of nearly 104,000 beneficiaries, 30% of whom are women;
- ➔ With regard to the « Intelaka » [2] Launched in accordance with Royal Instructions, it mainly targets young graduates, self-entrepreneurs, micro-enterprises, exporting companies and very small businesses. This program has enabled the distribution of 44,700 loans to 28,700 beneficiaries, worth over 6 billion dirhams;
- ➔ As for the "FORSA" program, which aims to support and encourage entrepreneurship in all its forms, by offering an equitable opportunity to all citizens interested in setting up businesses and developing innovative projects, young people aged 18 to 35 and women represent 65% and 20% of its beneficiary population respectively.

Similarly, in April 2022, *the Government, the CGEM and the most representative trade unions signed a social agreement and ratified a national charter on social dialogue to strengthen trade union action in Morocco*, in line with the Royal Vision on the institutionalization of social dialogue. To this end, in early September

[2]Up to July 2023, the "Idmaj" programme has enabled nearly 72,319 beneficiaries to be included. Similarly, the “Tahfiz” programme enabled 4,095 enterprises to benefit from this programme with 10,474 people employed, an increase of 3% compared with the same period in 2022. As for the “Taehil” program, it allowed 10,548 job seekers to follow a training course, an increase of 28% compared to the same period in 2022.

[3]It should be noted that the Government, through the Finance Act for the year 2023, has mobilized 2.25 billion dirhams for the "Awrach" program, with a view to achieving the overall objective of creating 250,000 jobs by the end of 2023.

[4] This program offers financing of up to 1.2 million dirhams at a rate of 2% for Damane Intelak and 1.75% ex-VAT for Damane Intelak Al Moustatmir Al Qarawi.

2022, the Government approved two important measures arising from this agreement: raising the SMIG and SMAG, and increasing the promotion quota for civil servants from 33% to 36%. In addition, the draft decree concerning the 5% increase in the SMIG and SMAG was approved by the Government on September 21, 2023, in order to raise the SMIG from 2,970 dirhams to 3,120 dirhams with effect from September 1st 2023.

As well as stepping up the pace of implementation of projects to consolidate human capital, Morocco is facing other equally important challenges, such as water management and the energy transition, which are now at the heart of the country's strategic projects.

On the energy front, and in view of the priority accorded to the national energy paradigm shift, His Majesty King Mohammed VI issued His High Directives, at the working meeting held on November 22, 2022, for *the acceleration of projects to develop renewable energies, particularly solar and wind power. The aim is to strengthen the country's energy sovereignty*, reduce energy costs and position itself as a decarbonized economy in the decades to come. To achieve this, a dynamic process of legal, regulatory and institutional reform has been launched between 2022 and 2023, marked by the adoption of several laws, decrees and ministerial orders. This concerns, among other things, access to the medium-voltage electricity grid, the quantities of electrical energy produced from renewable energy sources that can be integrated into the medium-voltage electricity grid, self-generation of electrical energy, regulation of the electricity sector and the creation of the Autorité Nationale de Régulation de l'Electricité.... In this context, it should be noted that the green hydrogen sector has become one of the country's strategic priorities for the development of clean energy and the decarbonization of the economy. His Majesty King Mohammed VI gave His High Instructions during the meeting to draw up, as soon as possible, an operational and incentive "Morocco Offer" covering the entire value chain of the green hydrogen industry in Morocco.

In terms of water security and access to water, Morocco is increasingly suffering the effects of climate change, resulting in structural water stress. While our country's efforts to remedy this situation have helped to strengthen the foundations of water security, notably by improving access to drinking water for the population, with a rate of 100% in urban areas and almost 98.5% in rural areas by 2022, increasingly frequent and intense periods of drought are leading to a gradual depletion of water resources. Faced with this situation, the country has taken strategic measures to adapt to the new climatic conditions. These measures include actions to increase dam capacity, invest massively in desalination, promote water-saving techniques for irrigation and develop structuring projects to interconnect surplus and deficit water basins. These actions are part of the implementation of the National Drinking Water Supply and Irrigation Program (PNAEPI 2020-2027), which aims to ensure water supply and water security in the medium and long term. At the same time, the country is adjusting its draft National Water Plan to take account of the future evolution of water resources, taking climate trends into account. At the same time, efforts are being made to improve governance of the water sector, which is of strategic importance to the sector.

This context, marked by a multiplicity of challenges, also offers opportunities to be seized in order to realize our country's ambitions in terms of development and shared prosperity. To this end, the **digital transition** that our country has embarked upon will bring inescapable benefits in terms of stimulating economic growth, creating jobs, promoting innovation and improving the country's overall competitiveness. Morocco's marine potential is reflected in its 3,500 km coastline, its 1.2 million km^2 Exclusive Economic Zone, and its strategic geographical position opening onto the Mediterranean and the Atlantic. Morocco's marine and coastal areas are set to play a crucial role in food security and socio-economic development at national and regional level. Aware of this potential, the Moroccan government plans to implement a National Blue Economy Strategy (SNEB) focused on national food security; economic development and job creation; and the protection and sustainable use of natural resources. In this respect, it is important to note the creation of the Interministerial Commission for the Development of the Blue Economy (CIDEB), which testifies to Morocco's active commitment to the transition to a Blue Economy, involving all relevant stakeholders in a collaborative and consultative process.

III. Continued recovery of public finances in a difficult national and international context

Despite a restrictive international and national context exerting strong pressure on public finances, due to the measures taken to limit its repercussions, Morocco has been able to reconcile its commitment to tackling inflationary pressures with the continued deployment of the various reforms underway, while taking care to restore financial margins and ensure the sustainability of public finances.

Analysis of the **evolution** of the country's **public finance profile** in the light of developments in this unprecedented context reveals a number of findings. In terms of monitoring the evolution of public revenues, for example, ordinary revenues grew by an average of 3.3% between 2010 and 2021, representing 20.4% of GDP. By 2022, ordinary revenues will have grown by an exceptional 18.8% (with the mobilization of substantial financial resources under innovative financing mechanisms), representing almost 22.9% of GDP. Indeed, despite a difficult international environment and low cereal production, tax revenues nevertheless rose by 17.4% (excluding VAT for local authorities), despite the efforts made in terms of tax refunds, rebates and restitutions, which amounted to a total of MAD 17.7 billion, compared with MAD 13.5 billion in the previous year of 2021[3].

In terms of overall expenditure, analysis revealed an average annual increase of 4.3% over the period 2010 to 2021. By 2022, this rate had risen to 14.4%, essentially due to the cumulative effects of the health crisis and rising raw material prices. By component, current expenditure accounted for 75.5% of public spending in 2022 versus 76.4% in 2021, and 24.5% and 23.6% of capital expenditure respectively.

A detailed analysis of changes in ordinary expenditure for the year 2022 reveals a number of key trends:

- ➔ Expenditure on goods and services rose by 7.2%, due to the implementation of the social protection reform and the commitments contained in the social dialogue. Over the same period, personnel costs rose by 5.2%;
- ➔ Increase in compensation expenses of 92.8% compared with 2022, due to higher butane gas prices, which reached $688 per tonne in 2022, compared with $587 per tonne in 2021;
- ➔ Achieve a ratio of Treasury debt interest charges to GDP of around 2.2%, 82.6% of which is generated by domestic debt. It is important to mention that this ratio has been on a downward trend in recent years, averaging 2.3% between 2010 and 2021, in line with falling interest rates.

As a result, the rate of coverage of ordinary expenditure by tax revenues has improved over the last three years, reaching 87.3% in 2022, after 85.7% in 2020 and an average level of 89.3% over the 2010-2021 period.

In addition, capital expenditure financed by the General State Budget has risen to 7.1% of GDP and 24.5% of total expenditure by 2022, compared with 5.8% and 22.7% respectively between 2010 and 2021, in view of the measures adopted by the Government over the past decade to support economic activity and implement infrastructure projects and sectoral strategies.

In the light of these trends, the budget deficit is set to improve from 2021 onwards, falling to 5.2% of GDP in 2022, compared with 5.5% in 2021 and 7.1% of GDP in 2020. This reduction in the budget deficit was achieved despite the budgetary effort made to cope with the repercussions of the health crisis, to alleviate the effect of the rise in raw material prices, to support household purchasing power and certain specific sectors of the economy (transport, tourism, agriculture), to boost the economy and businesses, and to launch structural social reforms (social protection, health and education). In this context, it should be noted that additional expenditure in excess of 40 billion dirhams was mobilized for the year 2022, in particular to preserve the purchasing power of citizens in the face of the global inflationary wave and the effects of drought.

[3] DGI activity report, 2022.

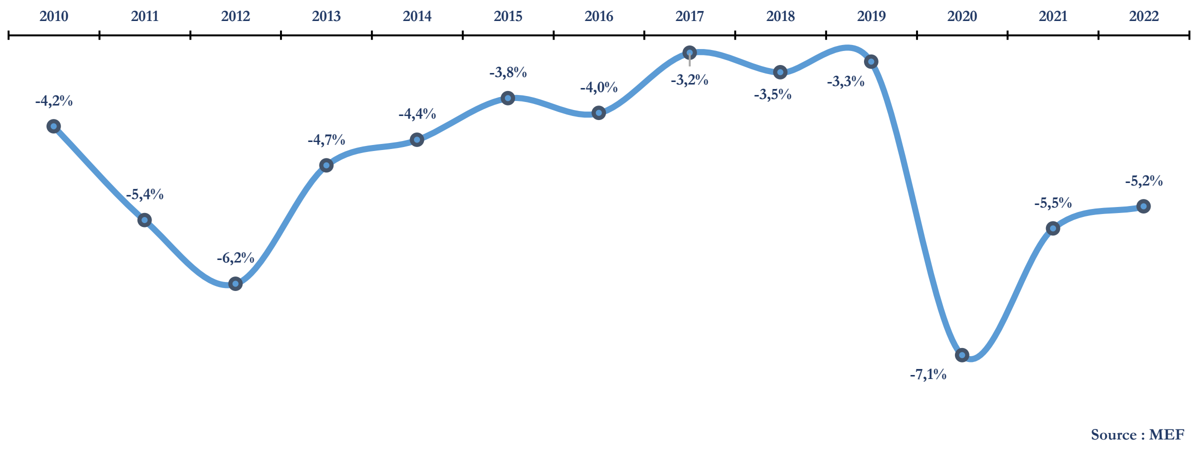

Figure 3: Budget balance as a percentage of GDP

In the same vein, and with a view to strengthening the efficiency and sustainability of its public finances and fostering stronger, more inclusive growth, Morocco is continuing to roll out a set of ambitious reforms enabling it to reach a new level of development. These include the continued implementation of the framework law on tax reform, the acceleration of the reform of Public Enterprises and Establishments, the pursuit of reforms to boost public and private investment through the operationalization of the Investment Charter and the Mohammed VI Fund for Investment, and the launch of consultations to amend the organic budget law...

In line with the Royal High Directions and the Government's commitments, and while taking into account changes in the national and international contexts, the PLF 2024 has set itself four priority objectives, namely:

- ➔ Implementing the general reconstruction and upgrading program for the regions affected by the Al Haouz earthquake, as well as reinforcing measures to combat the economic impact of the earthquake;
- ➔ Further consolidation of the foundations of the social State;
- ➔ Continued implementation of structural reforms;
- ➔ Strengthening the sustainability of public finances.

General reconstruction and rehabilitation program for areas affected by the Al-Haouz earthquake

The program has four main components:

- Relocating people affected by the earthquake, rebuilding housing and rehabilitating infrastructure;
- Opening up and upgrading territories;
- Accelerating the reduction of social deficits, particularly in the mountainous areas affected by the earthquake;
- Encouraging economic activity and employment, and promoting local initiatives.

In addition, a storage platform for emergency reserves (tents, blankets, beds, medicines, food supplies, etc.) will be set up in each region, for immediate response to natural disasters.

Under the first pillar, a budget of 22 billion dirhams will be mobilized, including:

- 8 billion dirhams for emergency aid to families and aid for the reconstruction and upgrading of totally or partially damaged housing. These include:
  - An allowance of 30,000 DH spread over 12 months (2,500 dirhams) for each family affected;
  - an allowance of 140,000 DH per family for families whose homes have completely collapsed;
  - An allowance of 80.000 DH per family to cover the cost of restoring partially collapsed homes..
- 14 billion dirhams to open up earthquake-affected areas rehabilitate earthquake-damaged dams and water stations, as well as health centers and educational establishments, revive the local economic fabric and preserve cultural heritage and religious buildings.

Under the second pillar, a budget of 98 billion dirhams will be mobilized to develop infrastructure and promote agricultural and tourism activities in the provinces in question, support the emergence of integrated rural centers and the rehabilitation of urban areas and old towns, and enhance the quality of public services, notably markets, bus stations and abattoirs.

Funding for the program to rebuild and rehabilitate the regions affected by the Al-Haouz earthquake comes from a variety of sources, including the Special Fund for the Management of the Effects of the Earthquake Affecting the Kingdom of Morocco, the General State Budget, contributions from local authorities, the Hassan II Fund and international aid.

To ensure effective governance of this program, a dedicated agency will be set up for the entire period required to complete the program. Its main missions include monitoring the distribution of financial aid, implementing reconstruction and rehabilitation projects, drawing up socio-economic development plans, and coordinating the various sectors and stakeholders involved.

In terms of outlook, and taking into account the assumptions made for 2024, based on cereal production of 75 million quintals, an average Brent crude oil price of $80 per barrel, a euro-dollar parity of 1.08 and a 2.9% increase in foreign demand for Morocco (excluding phosphate products and derivatives), the national economy should grow by 3.7%, with a budget deficit target of 4% of GDP.