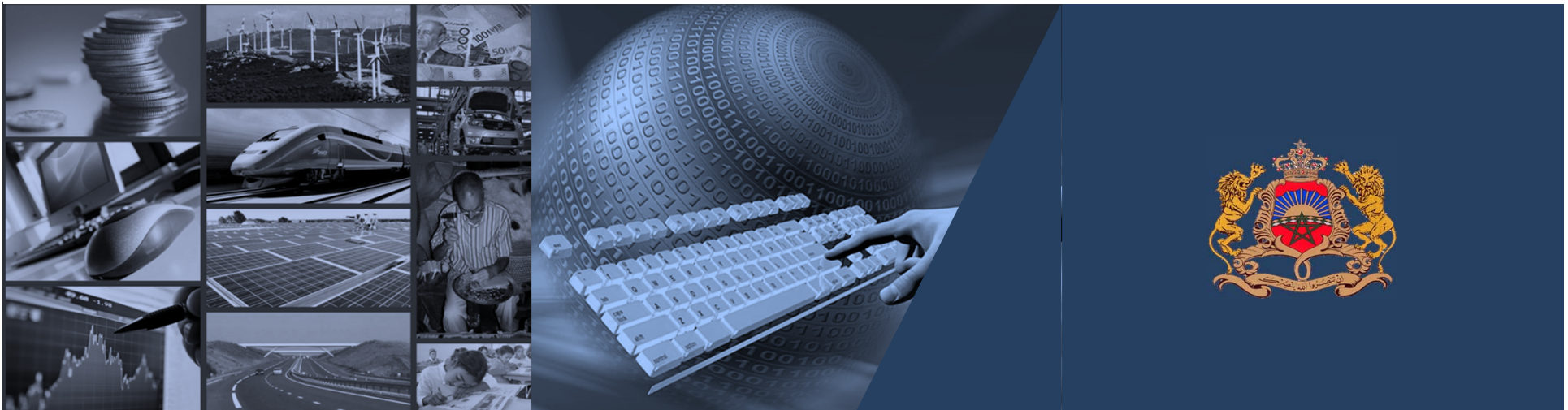


ROYAUME DU MAROC



# MOROCCO INVESTMENT COMPACT - STATE OF PROGRESS -



MINISTRY OF ECONOMY AND FINANCE

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# OUTLINE



Ministère de l'Économie et des Finances

- I. Objectives of Morocco's economic strategy**
- II. Morocco's projects and reforms to be included in the Compact With Africa:**
  - ✓ **Macroeconomic environment**
  - ✓ **Business climate**
  - ✓ **Financing framework**
- III. Potential investment sectors and projects**
- IV. Expectations from bilateral and multilateral partners**

# INTRODUCTION



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- Over the past decades, the Moroccan economy has undergone major structural changes which have resulted in improved performance and increased resilience to exogenous shocks;
- These developments have been achieved through extensive structural and sectoral reforms aimed at strengthening the overall competitiveness of the economy and ensuring its better integration into the world economy;
- Morocco is among the few countries that have been able to maintain their sovereign rating "Investment Grade" despite a difficult international environment, particularly in the Euro zone, our main economic partner;
- Morocco deployed political and social reforms that culminated in 2011 with the adoption of a new constitution and consolidated our country's democratic transition;
- However, despite the progress made, our economy continues to face major challenges, including insufficient growth to reduce youth unemployment, an exportable supply below potential, and moderate structural transformation.

# I. OBJECTIVES OF MOROCCO'S ECONOMIC STRATEGY



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## Over the medium term, Morocco aims at:

- Achieving strong, sustainable, inclusive and job-rich growth with better regional balance ;
- Strengthening the competitiveness of the economy and its integration into global value chains;
- Accelerating the structural transformation of the economy by focusing on high-productivity sectors;
- Accelerating economic convergence to emerging countries' status.

## II. COMMITMENTS UNDER THE « COMPACT WITH AFRICA »



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### MACROECONOMIC ENVIRONMENT:

- Morocco has managed to cope with the global economic crisis while preserving its macroeconomic stability;
- The Moroccan economy has been resilient throughout the global economic crisis, thanks to sound macroeconomic policies and the diversification of the productive base;
- Our country has implemented measures and reforms aimed at reducing the risks of fiscal and external vulnerabilities and gradually strengthening macroeconomic buffers;
- Those reforms include, in particular, the reform of the subsidies system, the tax reform, the New Organic budget law and pension system;
- In the medium term, this process is bound to consolidate in parallel with the improvement of the international environment, the ongoing reforms and the launch of new projects.

## II. COMMITMENTS UNDER THE « COMPACT WITH AFRICA »



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### MACROECONOMIC ENVIRONMENT : PLANNED REFORMS...

- Continued fiscal consolidation with the objective of reducing the Treasury debt ratio to 60% of GDP by 2020;
- Continued reform of the subsidies system and improving the effectiveness of social spending through better targeting of current programs for the most vulnerable groups;
- Continued implementation of tax reforms to improve the efficiency of the tax administration, improve the efficiency and equity of the tax system and make it more investment-friendly;
- Implementation of the advanced regionalization system with the main objective of reducing regional disparities;
- Continued implementation of the pension system reform with the eventual creation of two pension pillars (public and private);

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### MACROECONOMIC ENVIRONMENT : PLANNED REFORMS...

- Implementation of a new public investment project management (PIMA) approach to better prioritize projects and improve their effectiveness in terms of impact on growth and employment;
- Strengthening the budgetary framework through the continued implementation of the reform of the Organic budget law, in particular by reinforcing budgetary discipline, introducing multiannual budgetary programming and strengthening results-based management and public finance governance;
- Improving public enterprises governance and performance;
- Development of Public-Private Partnerships as a lever to strengthen the supply of infrastructure and improve the quality of public services;
- Implementation of the transition to a more flexible exchange rate regime in order to strengthen the economy's resilience to exogenous shocks and to preserve the competitiveness of the national productive base.

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### **BUSINESS CLIMATE:**

- Notable performances in terms of improving the business climate ("Doing business" ranking: from 130th in the world in 2009 to 68th in 2017);
- Establishment of the National Committee for the Business Environment (CNEA) and launching of several strategic projects, in particular:
  - ✓ Streamlining procedures;
  - ✓ Strengthening good governance and transparency in business;
  - ✓ Modernization of the legal environment of business;
  - ✓ Improved access to land and urban planning; and
  - ✓ Facilitating access to finance.
- Establishment of sector strategies that ensure better visibility for potential investors as part of a partnership approach integrating financial, land and training aspects related to the implementation of sectoral projects.



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### **BUSINESS CLIMATE : PLANNED REFORMS...**

- **Development of a National Business Environment Strategy based on 4 main projects:**
  - Evaluation of the main constraints to the private sector development in Morocco;
  - Establishment of a Business Barometer;
  - Establishment of a public-private dialogue platform;
  - Monitoring Morocco's ranking in international reports.
- **Duplicating and generalizing the successful experience of Casablanca Regional Business Environment Committee to other regions.**
- **Strengthening dematerialization and creating one-stop shops:**
  - Foreign Trade (Portnet)
  - Ownership transfer
  - Building permits and continued operationalization of one-stop town planning centers
  - Online business creation.
- **Simplifying business related administrative procedures through the publication platform (E-REGULATIONS).**
- **Continued automation of trade tribunals and Electronic business management.**

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### BUSINESS CLIMATE : PLANNED REFORMS...

- **Modernization of the legal and regulatory framework for business:**
  - Reform of Book V of the Commercial Code on the Regulation of corporate insolvency
  - secured transactions system
  - Investment Charter (Incentive tax system for new industrial enterprises, Indirect exporter status, Creation of regional free zones, Granting "free zone" advantages to major export industries, Operational deployment of differentiated public support in favor of the less-favored regions).
- Establishment of a single agency dedicated to investment development and export promotion with the aim of strengthening public-private synergies and further promoting private and foreign investment.
- Establishment of a legal incentive framework setting out the conditions for planning, creating and managing reception areas for industrial activities.
- Implementation of the public procurement reform, including the establishment of the National Commission on Public Procurement.

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### **BUSINESS CLIMATE : PLANNED REFORMS...**

- Establishment of the Competition Council and strengthening of its institutional capacities.
- Creation of regulatory authorities: electricity, postal services...
- Implementation of the reform on payment deadlines;
- Implementation of the National anti-corruption Strategy.
- Development of a National Regulatory Convergence Program with the European Union and implementation of Sectoral Indicative Action Plans.
- Technical assistance to sectors in the area of convergence.
- Improving financial information quality and transparency.
- Implementation of a new, more balanced Investment Promotion and protection agreement (IPPA) model aimed at improving the investor-state dispute settlement procedure and favoring mediation.

## II. COMMITMENTS UNDER THE « COMPACT WITH AFRICA »



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### FINANCING FRAMEWORK:

- Strong and sustainable growth can not be achieved without a competitive and robust financial system.
- The Moroccan financial system has undergone continuous development in recent decades, which has resulted in a significant increase in financial intermediation, a diversification of financial instruments and a relatively deep Treasury bills market.
- Efforts to modernize the financial sector continue to deepen capital markets, including hedging instruments, and improved access to financing for SMEs and the poorest segments of the population.

## II. COMMITMENTS UNDER THE « COMPACT WITH AFRICA »



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### FINANCING FRAMEWORK : PLANNED REFORMS...

- Development of a national strategy for financial inclusion (access to finance, banking, mobile banking, financial education, etc.).
- Strengthening and diversifying the financing instruments for SMEs (guarantee system, Islamic finance, green projects financing , etc.).
- Promoting financing for start-ups and innovative companies (public / private seed funds, business angels, crowdfunding ...).
- Financing income-generating activities, notably through the development of microfinance.
- Deepening the financial market and developing market institutions:
  - ✓ Consolidation of the legal framework for financial instruments: Sukuk certificates, assets securitization, secured bonds, etc.
  - ✓ Operationalization of the legal framework governing PPPs, undertakings for collective investment in real estate or in capital
  - ✓ Implementation of the law on the futures market and supervision of OTC derivatives
  - ✓ Establishment of a secured transactions system

## II. COMMITMENTS UNDER THE « COMPACT WITH AFRICA »



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### FINANCING FRAMEWORK : PLANNED REFORMS...

- Strengthening the attractiveness of the Casablanca Financial Center (CFC), which is bound to play a key role in Africa's financial and economic integration and contribute to the strengthening of South-South cooperation on the continent.
- CFC has been hosting the Africa 50 Fund since 2015 and could be a real channel for investment financing in Africa, including infrastructure.
- Reinforcement of the macro-prudential supervision mechanisms and deployment of various market control authorities (AMMC, ACAPS ...).

# III. POTENTIAL INVESTMENT SECTORS AND PROJECTS



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## MAIN PROMISING ECONOMIC SECTORS:

- Automotive
- Aeronautics
- Electronic
- Agro industry
- Off-shoring...

## INFRASTRUCTURE AND PPPs:

- Renewable energies
- Development of industrial zones / special economic zones
- Transport: urban, ports, airports, railway, highways ...
- Agriculture
- Logistics
- Health
- Education

## IV. EXPECTATIONS FROM BILATERAL AND MULTILATERAL PARTNERS



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**Bilateral and multilateral partners are constantly supporting the reforms through the mobilization of financing, technical assistance and the sharing of their expertise. In order to succeed in the investment compact, partners are called upon to strengthen their support for:**

- **Stronger commitment of partners in terms of private financing (private equity, financing lines, co-financing, etc.).**
- **Developing innovative instruments for infrastructure and SMEs financing;**
- **Capacity building for the public sector and local and regional authorities in the design and installation of PPPs in such areas as urban infrastructure, transport and water and sanitation projects;**
- **Strengthening the support of the private sector in vocational training, engineering for skills development and research and development;**
- **Promoting investment guarantee instruments;**
- **Supporting the mobilization of resources / donations from global or regional funds (climate, ...).**
- **Support and technical assistance in the implementation of the reforms included in the compact;**
- **Encouraging private investors to seize the opportunities offered, in particular through the removal of obstacles in investment home countries.**



# CONCLUSION



**Morocco reiterates its commitment to:**

- **Actively participate in the CWA initiative, and**
- **Fully cooperate with partner countries and international financial organizations**

**in order to set up an investment compact setting out the respective commitments of the parties involved in the promotion of private investment in Morocco.**

**We stand ready to integrate other suggested reforms from our partners to remove investment constraints in our country.**