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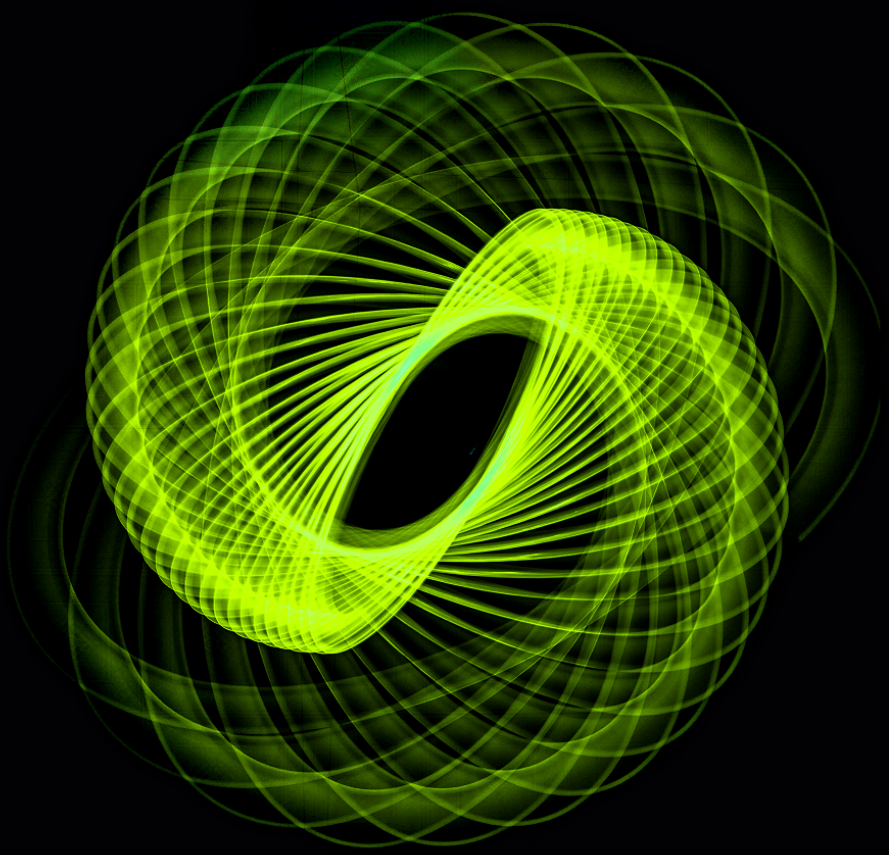


Deloitte Policy Paper

"Morocco, from resilience to emergence?"

July 2021

MAKING AN IMPACT THAT MATTERS since 1845

Introduction

In the context of the Covid-19 global crisis, the Kingdom of Morocco demonstrated remarkable responsiveness on both the health front and at an economic and financial level. The Kingdom successfully reorganized the productive system to stop the wave of contaminations, while rolling-out major measures to provide an economic buffer to the significant social distress generated by lockdown measures. The country has also capitalized on this crisis to undertake fundamental reforms, such as the generalization of social protection measures launched in the spring of 2021 and the gradual digitization of public services.

In this context, and in the opinion of a vast majority of experts, Morocco has "more than resisted" the pandemic. The World Bank, for example, considered in its 2020 annual report on economic developments in the Kingdom that Morocco's response to the brutality of the pandemic was both proportionate and appropriate: "The government's response to date has been swift and decisive. The government's proactive response enabled the country to avoid a massive outbreak, thus saving lives. In addition to rapidly closing borders and strengthening the health system, the State established a special fund to mitigate economic impacts. Response measures include compensation to households affected by the epidemic, including those in the informal sector (a real innovation), and the preparation of an amending Finance Act, the first in 30 years."

A year later, when it came time to take stock, the multilateral institution went further in its analysis, estimating that "Morocco stands out as a country that has seized the COVID-19 crisis as an opportunity to launch an ambitious program of transformative reforms", adding that "if successfully implemented, these reforms could lead to a stronger and more equitable growth path." .

The International Monetary Fund (IMF) also praised Morocco's response to the crisis: "In terms of Morocco's monetary policy and fiscal positioning, the country has made the right choices for its citizens," said IMF Managing Director, Kristalina Georgieva. " Morocco economy was one of the most dynamic and was able to adapt and adjust facing constraints and opportunities", according to Jihad Azour, Director of the International Monetary Fund's Middle East and Central Asia Department.

However, while the short-term response and the new structural reforms are credible drivers of medium- and long-term performance and appeal, the country has experienced, like a large number of other emerging economies. an economic and financial shock that may weigh heavily on future development prospects.

So what are the strengths on which the country can capitalize, the unfinished reform projects, and the disruptions that must be undertaken to achieve the stated ambition of stronger economic growth and more inclusive and less unequal development?

Can Morocco transform itself from a key regional economic power to a more global player?

Content

List of acronyms

AFCTA	**African Continental Free Trade Area**
AMDL	Agence Marocaine pour le Développement de la Logistique (Moroccan Agency for the Development of Logistics)
APEBI	Fédération Marocaine des technologies de l'information et de l'offshoring (Moroccan Federation for Information Technologies and offshoring)
BPO	Business Process Outsourcing
CCG	Caisse centrale de garantie (Central Guarantee Agency)
CGEM	Confédération Générale des Entreprises du Maroc (General Confederation of Moroccan companies)
CNSS	Caisse Nationale de Sécurité Sociale (National Social Security Fund)
CRM	Customer Relationship Management
CVE	Comité de veille économique (Economic Watch Committee)
EGP	Egyptian Pound
EU	European Union
Excl. taxes	Excluding taxes
FDI	Foreign Direct Investment
FMIIP	Fédération Marocaine de l'Industrie et de l'Innovation Pharmaceutiques (Moroccan Federation of Pharmaceutical Industry and Innovation)
GDP	Gross Domestic Product
HCP	Haut Commissariat au Plan (Office of the High Commissioner for Planning)
IMF	International Monetary Fund
IMIS	Institut Marocain d'Intelligence Stratégique (Moroccan Institute of Strategic Intelligence)
KPO	Knowledge Process Outsourcing
MAD	Moroccan Dirham
MASEN	Moroccan Agency for Sustainable Energy
MCA	Millennium Challenge Account
MICEVN	Ministère de l'Industrie, du Commerce, de l'Économie verte et numérique (Ministry of Industry, Trade and the Green and Digital Economy)
OECD	Organization for Economic Co-operation and Development
OFPPT	Office de la formation professionnelle et de la promotion du travail (Office for Vocational Training and Labor Promotion)
ONDA	Office National des Aéroports (National Airports Authority)
PPP	Public-Private Partnership
PSA	Peugeot Société Anonyme
RAMED	Régime d'assistance médicale (Medical Assistance Plan)
SME	Small and Medium Enterprises
SOCI	State-Owned Companies and Institutions
TGV	Train grande vitesse (High speed train)
TND	Tunisian Dinar
TRY	Turkish lira
VSE	Very Small Enterprises
WTO	World Trade Organization

I. Morocco and the COVID-19 crisis: between resilience and transformation

I.1. Achievements and challenges: Two decades of transformation (1999-2019)

I.1.1.Unquestionable achievements: economic modernization, institutional reform, and human development

After two decades of reform and transformation, the Kingdom of Morocco has changed profoundly. On a political level, it has embarked on a process of institutional reform, recognition of cultural and political pluralism and strengthening of the rule of law. The culmination of this transformation was the promulgation of a new Constitution in 2011 and the implementation of advanced regionalization, crystalizing the desire for decentralization and better support for regional development plans and providing a new perspective for the decentralization project. On a societal level, bold reforms (Personal Status Code or "Mudawana", reform of the Nationality Code, specific Moroccan Islam doctrine, etc.) have enshrined gender equality and the plurality of Moroccan identity (consecration of the Amazigh language and culture, recognition of the Hebrew population).

On an economic level, the creation of new motorway, rail, port and airport infrastructures, coupled with the modernization of existing infrastructures, have been accompanied by the liberalization and privatization of state-owned commercial companies (Morocco Telecom, Régie des Tabacs), the opening up of international trade, consolidated by the signing of numerous trade agreements (EU, US, Egypt, Turkey, AfCTA), and the launch of several sector-based strategies in manufacturing, agriculture, tourism, fisheries and renewable energy, as well as cross-cutting strategies in the digital economy and logistics. The port of Tanger-Med and industrial complex, the Tangier-Agadir high-speed rail line and the Noor solar power plant in Ouarzazate are among the most emblematic achievements of this modernizing momentum.

On a social level, ambitious reforms have also been implemented (National Initiative for Human Development, mandatory health insurance) with targeted social transfer schemes (RAMED , Tayssir). These have significantly reduced monetary and non-monetary poverty (i.e. living conditions), generalized primary and secondary education, and opened up the rural world, including universal electrification (Comprehensive Rural Electrification Program) and the construction of numerous roads (National Rural Roads program I and II).

Moreover, Morocco is firmly committed to green transition and sustainable development, with the launch of several programs to develop renewable energy (solar thermal and photovoltaic power plants, wind power fields), to preserve biodiversity and water resources and to the fight against pollution and climate change.

I.1.2. Challenges to be addressed: structural transformation, absorption of social and regional polarization, enhancement of human capital and liberation of initiatives

Although Morocco experienced a period of strong economic growth in the early 2000's, the pace of economic growth lost momentum in the 2010's for reasons that were both exogenous (slowdown at global and regional level) and endogenous (weak productivity gains, reduced budgetary margins and stable FDI). The slow structural transformation of Morocco's economy – both the cause and result of slowing growth – led to the persistence of a high informal economy, high unemployment among young graduates, and low female participation in employment. The employment component of growth declined sharply, from 0.31 to 0.16 between the periods 2000-2009 and 2010-2019.

Moreover, despite the roll-out of efforts and strategies in the social sector, a large number of Moroccans still do not have a real social protection. The launch of the project to extend social protection to all Moroccans by 2025 is therefore of crucial importance.

Among the challenges that remain, many experts continue to emphasize the prevalence of established positions in sectors not subject to international competition, and the unequal access of entrepreneurs to tangible and intangible resources, depending on their "social capital."

Extent of social polarization in Morocco

The "symptoms" of the dysfunctions in the current development model result, in particular, in strong social and regional polarization. This polarization can be seen at several levels and is an obstacle to the socio-economic development of Morocco. The HCP therefore reports that 66.1% of households have a living standard below the national average (monthly consumer expenditure of MAD7,125), with 59.9% living in urban areas and 79.6% living in rural areas.

According to a consultation launched by the Economic, Social and Environmental Council, the education sector is the main area where inequalities are considered the most evident (26% of citizens questioned), followed by income distribution (23%), inequalities between urban and rural areas (15%), health (12%) and justice (11%).

Areas of inequality differ across regions. For example, in the Casablanca-Settat region, education is considered to be the most unequal area, with a rate of 33%, compared with 30% for the Rabat-Salé-Kenitra region and 20% for other regions.

Social and regional inequalities also remain significant, particularly in terms of income, access to key infrastructure and services, and with respect to social risks (disease, unemployment, disability).

Morocco is preparing to take a new course in its development path and is fully aware that while the challenge is considerable, reducing social and regional polarization is necessary and must be undertaken immediately.

Business climate: Remarkable progress and ongoing reforms

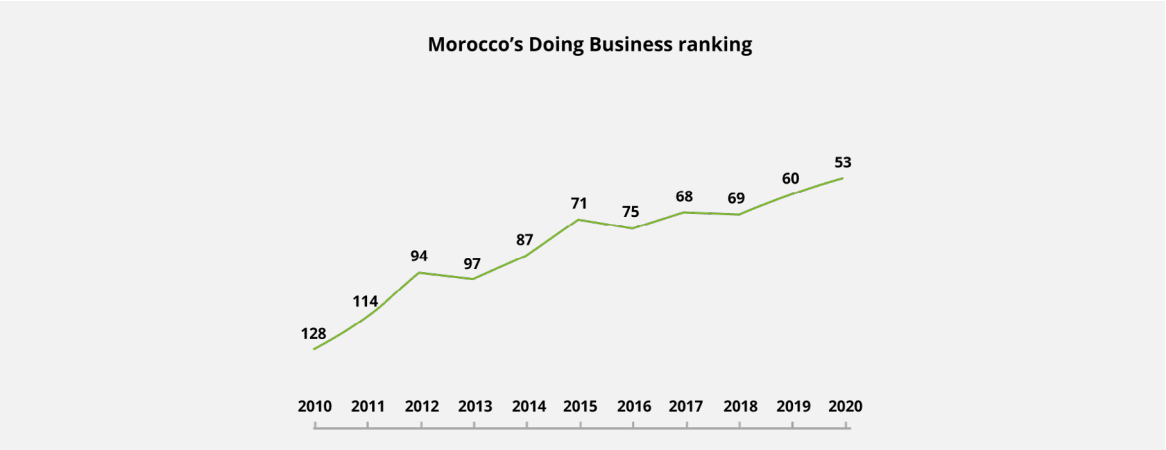
Aware of the need to support the development of private companies and provide solutions to entrepreneurs and investors, Morocco has implemented major projects over the past two decades to improve the business climate.

A range of mechanisms and institutions to enhance competition, transparency and economic freedom have been put in place. These include the establishment of the one-stop shop and the creation of the National Business Environment Committee (CNEA, Comité National de l'Environnement des Affaires) and Regional Business Environment Committees (CREA, Comités Régionaux de l'Environnement des Affaires), the National Body of Probity, Prevention and the Fight against Corruption, the Anti-trust Council and the Payment Period Observatory.

The sustained efforts to reform and improve over the past decade were rewarded with a 75-place gain in the "Doing business" ranking to 53rd place in 2020. Morocco's performance is remarkable at global level in certain fields (16th in dealing with construction permits), but remains inadequate for getting credit, registering property and resolving insolvency.

For registering property, Morocco was able to speed up the registration time by reducing the time period for obtaining a certificate of non-pledge. Nevertheless, the country lost points for transparency due to failure to publish statistics on the number of real estate transactions and land disputes. The getting credit indicator remains penalized by the late reform of property security laws. Nonetheless, the reform project reported a number of notable advances in the past two years with the adoption of the new Law no. 21-18 on property securities in 2019 and the publication of the decree on the electronic register of property securities and the launch of the related platform in 2020. With regard to resolving insolvency and as reported in the 2020 Doing Business report, despite the efforts begun, restructuring procedures for companies in difficulty remain hampered by the legal and tax framework and the practices of the stakeholders involved.

These continuing difficulties do not remove anything from the remarkable nature of the Kingdom's progress. Morocco's ranking enables it to rise to 3rd place in Africa, behind Mauritius and Rwanda, and also 3rd place in the MENA region, behind the United Arab Emirates and Bahrain. The Kingdom offers a more favorable environment than Saudi Arabia (62nd), Oman (68th), Jordan (75th), Qatar (77th), Tunisia (78th), Kuwait (83rd) and Egypt (114th).



Judicial reform: a major project still being implemented

The 2011 Constitution made judicial power an independent authority of the executive and set up the High Council for Judicial Power to oversee the application of guarantees granted to magistrates. Less than one year after its entry into effect, a consultation body was created and its work led to the adoption of a "charter for judicial system reform".

This charter sets out six strategic objectives broken down into 353 application measures covering all aspects of the judicial system. These strategic objectives include increasing the effectiveness and efficiency of the judicial system and modernizing judicial administration.

To this end, in 2020 the government prepared a roadmap for the digital transformation of the judicial system in Morocco. This notably includes the creation of an integrated platform to access the judicial system, the generalization of electronic exchanges of documents, the electronic management of legal cases and the adoption of digital techniques for the management of court hearings. The government also plans to complete in 2021 the draft reform of procedures for dealing with corporate difficulties through legal texts relating to the digitization of procedures.

I.1.3. Need for a new development model

At the turn of the century and following the coronation of King Mohammed VI in 1999, the Kingdom of Morocco implemented a series of major reforms, which will later be described as "forward-looking" by observers and experts, and which contributed, they believe, to Morocco's resilience to exogenous and endogenous shocks.

Among these reforms were the overhaul of the personal status code – the "Moudawana" – in 2004, which paved the way for gender equality, and the establishment of the Equity and Reconciliation Commission (IER, Instance Équité et Réconciliation) the same year. A range of social and regional reforms followed, such as the National Initiative for Human Development (INDH, Initiative Nationale pour le Développement Humain) in 2005, the medical assistance plan (Ramed) in 2008 and the advanced regionalization project from mid-2010 onwards.

At the same time, awareness of the limitations of the development model adopted by Morocco since the early 2000s is not a recent concern. By the mid-2000s, following a series of massive infrastructure investments that led to the emergence of a major network of highways (1,800 kilometers), airports (19 airports), ports and rail projects – including a high-speed line –. The inevitable economic distortions generated by this forced march to growth emerged. As a result, new regional, industrial, social, and ecological fault lines gradually emerged, leading the Jacques Berque Institute to comment in 2015 that "the development model that Morocco wishes and is trying to implement, like other countries, adopts a regional approach by placing it in a sustainable development context".

Morocco's central bank, Bank Al-Maghrib, made roughly the same observation a year later, pointing to weak growth, endemic youth unemployment, significant structural debt, and a trade imbalance. "Our economy remains in search of a real direction and a development model that would place it on a sustainable path of higher growth", Bank Al-Maghrib stresses in its 2016 annual report.

In 2017, the need to review the "development model" was acknowledged, as highlighted by Morocco's sovereign, Mohammed VI, in his speech to the opening of parliament on the need to review the Kingdom of Morocco's trajectory. He noted, in particular, that "while Morocco has made clear and globally recognized progress, the national development model, by contrast, is now inadequate to meet the pressing demands and growing needs of citizens, reduce inter-category disparities and regional differences, and achieve social justice." In this regard, the Moroccan sovereign wanted to see "a pause, giving time to collectively address the issues and problems that concern Moroccans."

Two years later, King Mohammed VI announced the set-up of the Special Commission for the New Development Model (CSMD), headed by Morocco's ambassador to Paris, Chakib Benmoussa, former Minister of the Interior and former Chairman of the Economic, Social and Environmental Council (EESC).

This Commission, composed of 35 members with diverse profiles, most of them from civil society, offers a wide range of expertise in health, education, economics, trade, industry, innovation and social development. Their task is clear: identify the ways and means to make Moroccan growth more inclusive, higher and sustainable.

This Commission delivered its report to King Mohammed VI on May 25, 2021 . The report found four blocks that impinge the momentum of the development model pursued so far:

1.A "lack of vertical consistency between the vision and the public policies announced and a lack of horizontal convergence between these policies".

2. The "slow pace of structural transformation of the economy."

3. The "limited ability of the public sector to shape and implement policies and quality public services".

4. A "sense of legal and moral insecurity restricting initiative."

In order for the Kingdom to overcome these weaknesses, the Special Commission recommended a roadmap that would reconsider fundamental issues ranging from regional organization, upgrading education and judicial reform, accompanied by "levers of change," including digital, the reorganization of the administrative apparatus for greater agility, the use of innovative financing and the capacity to mobilize Moroccans living abroad. All of this would be part of a National Development Pact, steered by a monitoring and evaluation body under the authority of the Head of State.

I.2. Morocco and the Covid-19 crisis (2021-2021)

The Covid-19 pandemic was an economic shock unprecedented in its magnitude and abruptness. In Morocco, as elsewhere in the world, the health risk and public authority responses to contain the spread of the virus simultaneously affected supply and demand. In addition to this exogenous shock, the sharp 30% decline in rainfall compared to the average for the last 30 years negatively impacted the agricultural sector. This sector currently accounts for nearly 13% of GDP and employs one-third of the labor force.

Between drought and pandemic, these two crises had a very significant impact on growth. " Our projections for 2020 point to a 7% recession, but forecast a return to 4.5% growth in 2021" according to Jihad Azour , director of the IMF's MENA and Central Asia Department.

In the face of a crisis of unprecedented nature and magnitude, Morocco therefore implemented a multidimensional response involving the combination of different levels of responsibility, dialog between different types of actor and the interlinking of different timeframes.

Morocco's response to the crisis was to combine short-term stabilization and support measures to compensate for falling activity, employment, and income levels (2020-2021) with a medium-term recovery plan (2025) and a new development model for 2035 . **The State's multi-dimensional response to the crisis was thus presented under the triptych (I) resistance; (ii) restart; and (iii) recovery and adaptation.**

This response was placed in a new context and perspective by King Mohammed VI, who emphasized in his July 2020 Speech from the Throne the opportunity this crisis offered to overcome the shortcomings of the prevailing model and the obstacles to development and to instill a new, inclusive transformational momentum that could ensure social cohesion and enable every Moroccan to realize their full potential.

Major role and involvement of the private sector and civil society in the country's efforts

The rapid development of the coronavirus pandemic required the gradual activation of various crisis governance mechanisms and instruments, in which the private sector and civil society actively participated, in a concerted and inclusive approach with the public authorities.

Despite the breakdown of global supply chains, the textile industry converted, in the midst of the pandemic, to mask production, following King Mohammed VI's instructions and with the support of the relevant ministry. Thus, 32 textile companies launched the production of masks, which are sold in packs of 10 at a unit price of MAD0.80 (€0.07 euros) thanks to subsidies from the Covid-19 special fund. Masks are produced only under license, after verification of the quality of the fabric and the manufacturing company.

This local mobilization of industrial capacity enabled Morocco to achieve a daily production rate of 10 million masks a month after production launch, covering not only local demand, but also enabling export, notably to Europe. The same is true for hand sanitizer, with the restart of a plant in eight weeks in the spring of 2020.

Structurally, it should be emphasized that the health crisis coincided with a second consecutive year of drought in Morocco. As a result, the country faced two far-reaching constraints. However, despite the scale of the crisis, domestic market supply was maintained at normal levels, thanks to the exceptional mobilization of food and beverage facilities, cold stores, packaging and processing units, logistics platforms and farms to ensure the safety of employees and agricultural workers.

A committee was set up to monitor the market daily (availability and prices) and ensure the availability of agricultural and food products and maintain seasonal prices in all regions of the Kingdom. To avoid panic, regular official public communications were issued by the Ministry of Agriculture (MAPMDREF) to reassure consumers about the availability of agricultural and agri-food products.

In a spirit of mutual assistance and solidarity and to help families in difficulty, a collective of companies decided to make available to the authorities, free of charge, several million food products (UHT milk, oil, bottled water, sugar, tea, juice, couscous, etc.).

At the request of the authorities, many tourist operators also made their hotels available to hospital staff and to patients requiring monitoring or in recovery. All voluntarily adhered to this operation. In numbers, nearly 8,000 hotel rooms were made available to medical staff, who worked day and night to save lives. This was not the only act of solidarity toward these "front-liners." Restaurants and volunteers offered to prepare and deliver meals to physicians.

In addition, some civil-society players helped poor families by distributing thousands of baskets of basic food products, while others organized public awareness campaigns about the importance of preventive measures.

Morocco's solidarity with African countries during the crisis

Since the beginning of the Covid-19 crisis, Morocco has been at the forefront of South-South partnerships, as evidenced by Mohammed VI's initiative with the Senegalese and Ivorian presidents to create a common operational framework for managing the crisis in Africa.

This initiative has led to the provision of assistance to some 15 countries in Sub-Saharan Africa. On June 14, 2020, Morocco began sending 8 million masks, 30,000 liters of hand sanitizer and 75,000 boxes of chloroquine. Moroccan aid also included 900,000 visors, 600,000 bouffant caps and 60,000 gowns for hospital staff, as well as 15,000 boxes of Azithromycin, an antibiotic associated with chloroquine. Among the 15 countries benefiting from this medical assistance are Burkina Faso, Cameroon, Congo, Mauritania, Niger, the Democratic Republic of Congo, Senegal and Chad.

Finally, through the vaccine manufacturing mega-project launched on July 5, 2021 with the signing of three agreements with the Chinese group Sinopharm, the Swedish company Recipharm and the Moroccan company Sothema, Morocco asserted its ambition to achieve vaccine autonomy while making its pharmaceutical industry a pivotal sector for the continent. With Africa currently accounting for roughly 1% of doses administered worldwide, the Kingdom plans to produce 5 million doses of the Covid-19 vaccine per month in the short term, before reaching cruise-speed in the medium term.

The triptych resistance, restart, recovery and adaptation

1-Resistance

Resistance measures supported by the CVE and monetary and financial organizations

- Monthly fixed payment of MAD2,000
- Continuation of AMO services and family allowances
- Payments to households working in the informal sector (irrespective of whether they receive the RAMED)
- Reduction in social security, financial and taxation charges for companies
- Deferral of bank loan payments and lease payments
- Financing and coverage of company working capital requirements (Damane Oxygène)
- Introduction of an interest-free loan of up to MAD15,000 for self-employed entrepreneurs
- Support for companies holding public contracts

2. Restart

Restart Priorities

- Gradual restart of economic activity through the strengthening of the company loan guarantee scheme for all sizes of company: from SMEs with "TPE relance" to major companies with "Damane Relance"
- Preserving employment and supporting companies retaining at least 80% of their employees declared to CNSS by regularizing the situation of undeclared employees
- Accelerating the implementation of public authority reforms by simplifying administrative procedures and strengthening digitization of public authorities

3. Recovery and Adaptation

Implementation of an ambitious recovery plan

- Implementation of a "Pact for Economic Recovery and Employment"
- Injection of MAD120 billion in the economy

MAD75 billion of loans guaranteed by the State

MAD45 billion allocated to the Mohammed VI strategic investment fund

- Contracts and agreements signed with the relevant federations for the sectors most affected by the crisis
- Reform and generalization of social protection to all citizens
- In-depth reform of the public sector to correct structural dysfunctions of State-owned institutions and companies and improve their economic and social efficiency

Vaccine manufacturing project in Morocco

Morocco signed three agreements before King Mohammed VI in July 2021 for the development of vaccine manufacturing through comprehensive and integrated industrial and biotechnology capabilities. This five-year plan aims to position Morocco as a continental hub for vaccines and biotherapies in the short and long term, able to serve the needs of the continent. The project also includes pharmaceutical research, clinical development and the manufacturing and marketing of essential biopharmaceuticals on the continent.

The project requires an overall investment of US$500 million, or more than MAD4.4 billion, financed in part by the Mohammed VI Investment Fund and a consortium of three Moroccan banks (Attijariwafa Bank, BOA Capital and Group Banques Populaires).

This MAD 4.4 billion PPP, financed in part by the Mohammed VI Fund, will be deployed in 3 phases. The first phase will seek to address the current health emergency by developing bottle filling capacity for the Covid-19 vaccine through an agreement between the State and the Chinese pharmaceutical group Sinopharm, as well as an agreement between the Ministry of Health and the Moroccan pharmaceutical laboratory Sothema.

The second phase in this initiative is to develop a new aseptic filling production facility. This requires an investment of US$100 million and is embodied in a memorandum signed between the State and the Swedish pharmaceutical group Recipharm. This group will provide assistance in steering and managing the plant, as well as training and transfer of know-how.

The final phase of the project aims to develop an African center for biopharmaceutical and vaccine innovation capable of producing biotherapies, mRNA active ingredients and biosimilar ingredients. This will require creating a favorable environment to attract multinational pharmaceutical R&D facilities and encourage investment in biotechnology projects.

This strategic project for Morocco is based on the recipe for success that previously enabled the development of the automobile and aeronautics industry, with the aim of creating an ecosystem of pharmaceutical and biotechnology industries, attracting investors, multinational companies and high expertise profiles.

I.2.1 Immediate responses to the economic and social consequences of the pandemic: resistance and restart

In terms of the immediate response to the spread of the pandemic and its economic and social impact, authorities quickly understood the need to compensate for the loss of income and activity due to the consequences of the pandemic, specifically targeting businesses and the most vulnerable households.

State bodies therefore mobilized their full potential for action and organization, with a view to containing the scourge and reducing its potential impacts and consequences at a health, economic and social level.

As such, on March 20, when the number of people declared infected by Covid-19 was under 90, Morocco chose to restrict its economy to preserve the lives of its citizens. A state of emergency was therefore declared and 35 million Moroccans were placed in lockdown.

"Fast, powerful and multiform" is how the Economic, Social and Environmental Council (EESC) described the reaction of the Moroccan authorities.

Faced with an economic machine partly at a standstill, the obvious effects of the health lockdown plunged Morocco's economy, like the global economy, into a deep recession, the most severe in more than two decades.

Morocco then launched a race against time to mitigate the social and economic impacts of the health crisis. "Strict measures, extensive financial compensation efforts and the continuous demonstration of solidarity and hope to support communities and individuals enabled, to some extent, the effects of the crisis to be mitigated" the HCP notes in a strategic memorandum .

To deal with the crisis, the Moroccan government created a "Special Fund for the Management of the Covid-19 Pandemic" on March 15, 2020, with resources of MAD34.5 billion . This Fund was used to respond to the health emergency but also to support businesses and households in difficulty, through the measures taken by the Economic Watch Committee (CVE) created for this purpose.

Chaired by the Ministry of the Economy, Finance and Administrative Reform (MEFRA), the Committee was set up on March 16, 2020. The CVE comprises several ministerial departments, the Central Bank and the private sector and is responsible for closely monitoring economic developments through rigorous monitoring and assessment mechanisms, as well as identifying appropriate measures to support sectors affected by the crisis.

From mid-March to June 2020, cross-cutting measures applicable to all sectors were implemented, giving priority to vulnerable households operating in the informal sector, employees and businesses that shut-down due to the mandatory lockdown.

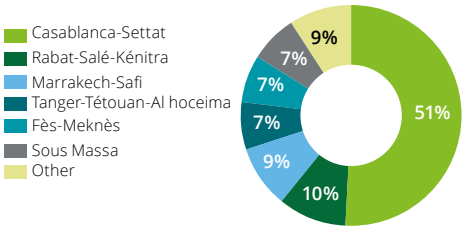
Specifically, the measures taken to safeguard the purchasing power of households consisted mainly in the grant of a monthly flat-rate allowance to employees on furlough and workers in the informal sector. In the latter sector nearly 5.5 million households, 45% of them in the rural sector, benefited from this assistance.

Measures in favor of businesses impacted by the crisis included immediate actions involving the grant of tax and social security relief and exemptions, the postponement of bank credit maturities, and the financing of business' working capital requirements by granting loan guarantees under the "Damane Oxygen" "Damane Stimulus" and "SME Stimulus" measures deployed by the Central Guarantee Agency (CCG) from April 2020. These measures benefited nearly 90,000 businesses, with a particular focus on the sectors most affected by the crisis and SMEs.

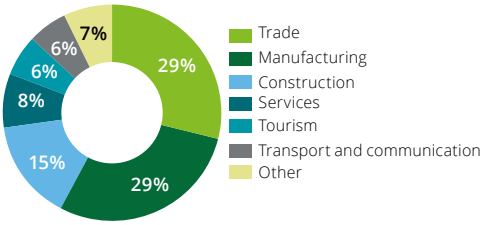
Product	Number 2020	Financing amount in MAD billion – 2020	Commitment in MAD billion - 2020
Oxygen scheme	**49,489**	**17.8**	**16.8**
• Damane Oxygene	49,366	17.3	16.4
• Damane Oxygen Real Estate Development	123	0.5	0.4
Stimulus scheme	**36,518**	**35.3**	**31.1**
• Damane Relance	6,532	28.5	24.9
• Damane Relance Hospitality	89	1.5	1.3
• Damane Relance Real Estate Development	19	0.1	0.1
• TPE Relance	29,878	5.2	4.8
COVID-19 self-employed entrepreneur guarantee	**3,566**	**0.04**	**0.03**
FGEEP*	**1**	**2**	**2**
Total	**89,574**	**55**	**49.4**

(*): State-owned institution and company guarantee fund (Fonds de Garantie des Etablissements & Entreprises Publics)

Breakdown by region of Covid-19 guarantee mechanisms



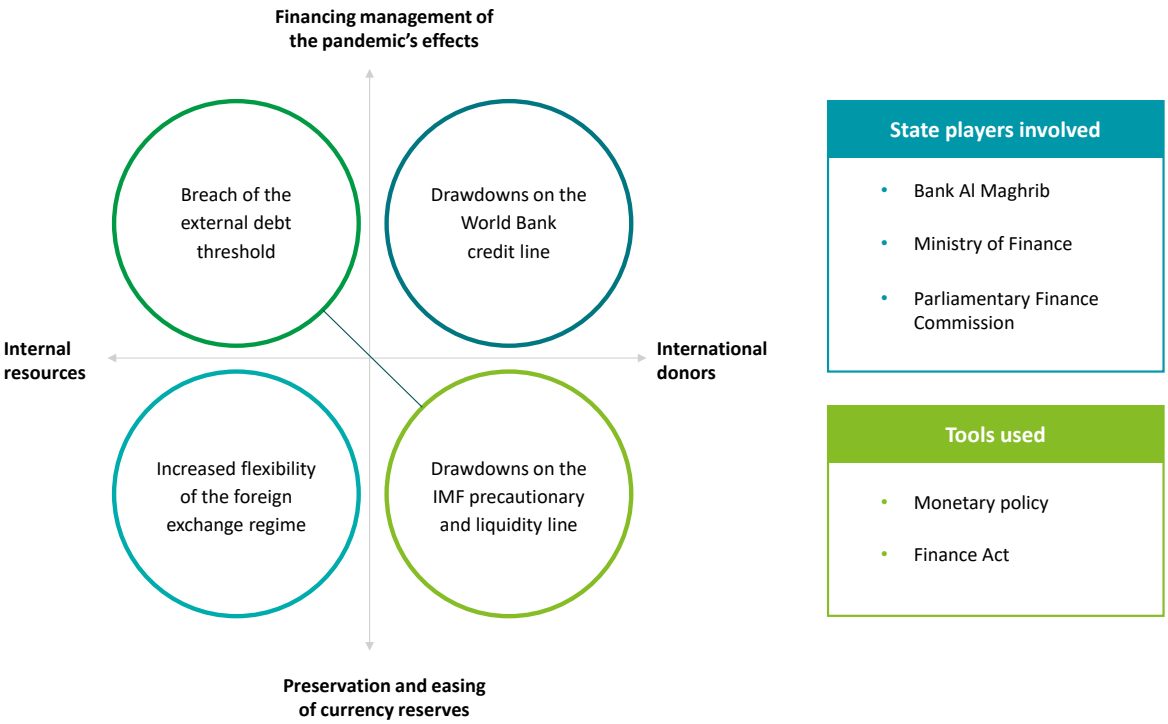
Breakdown by beneficiary sector of Covid-19 guarantee mechanisms



Overall, 958,000 employees reported that they were on furlough in the formal sector, thus benefiting from the Covid allowance, nearly 134,000 businesses out of the 216,000 CNSS affiliates reported being affected by the Covid-19 crisis and 5.5 million households both recipients and non-recipients of mandatory health insurance working in the informal sector, received assistance under operation "Tadamoun", financed by the Covid Special Fund, demonstrating the impact of the crisis on employment in this sector.

"All of these measures have drip fed thousands of companies, some of which would not have survived without State aid," notes a study by the firm, Inforisk, that predicts a very difficult year in 2021, marked by the cessation of aid and an economy that remains slow.

I.2.2. A policy mix that takes into account and transcends Morocco's macroeconomic constraints



In order to respond to external shocks and contribute to the balance-of-payments, the Kingdom mobilized all the external financing instruments at its disposal. Drawdowns on the precautionary and liquidity line made available to Morocco by the IMF (3% of GDP), issuances of treasury bonds and loans secured with multinational institutions (African Development Bank (ADB), World Bank (WB) and Arab Monetary Fund-FMA) more than offset the fall in foreign currencies from export earnings, in a context where imports also contracted sharply, mainly due to the slump in oil prices.

This policy-mix was favored by transfers from MLAs which remained at a comfortable level and ended 2020 up a surprising 5% at MAD68 billion and a smaller than expected increase in the twin deficits in 2020, due to the contraction of imports and the decision to use non-budgetary resources as much as possible to respond to the health emergency and its economic and social consequences.

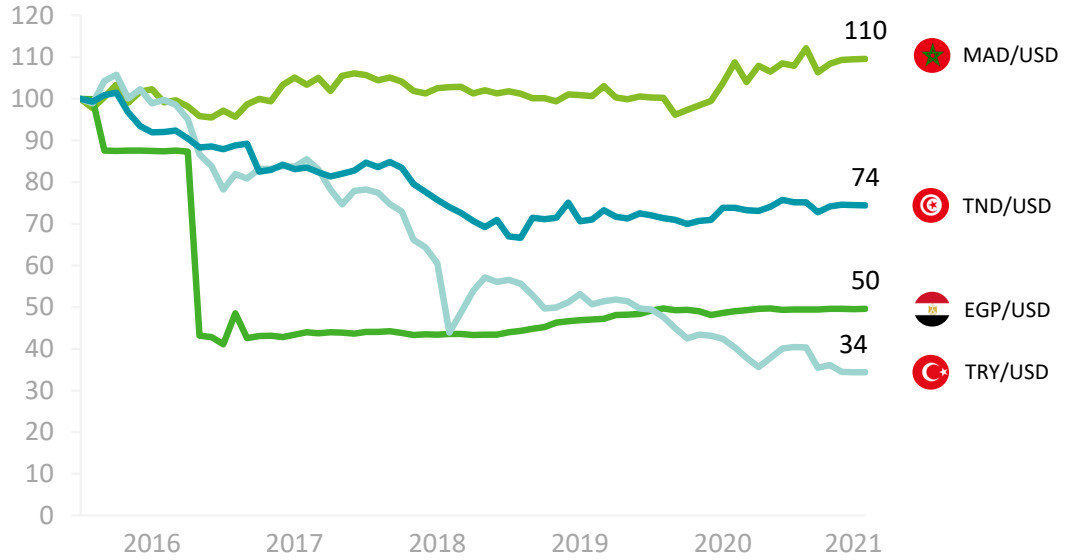
This combination of factors enabled Bank Al-Maghrib to guarantee the stability of the banking and financial system and its access to liquidity throughout the health crisis, by lowering its benchmark rate and temporarily relaxing certain prudential limits. This policy mix also helped stabilize the dirham exchange rate and counter any possible speculative attacks on the national currency, notwithstanding the downgrading in October 2020 of Morocco's sovereign rating by Fitch Ratings .

However, according to the World Bank, and despite the severity of the crisis, Morocco remains "in a better position than other emerging economies to weather the storm, thanks to the credibility of its macro-budget framework, its relatively large external buffers and its easy access to international financial markets."

The Dirham: A stable currency despite economic shocks and the increased flexibility of the foreign exchange regime

Morocco successfully maintained its currency's resilience in the past few years, as confirmed after the outbreak of the health crisis. The stability of the country's currency compared to those of its neighbors and competitors (Tunisia, Egypt, Turkey) provides assurance to foreign investors who wish to minimize their exposure to foreign exchange risk.

Currency trends against the US dollar of the Moroccan, Tunisian, Egyptian and Turkish currencies, 2016- 2021* (base 100 as of January 1, 2016)



I.2.3. Strengthening short- and medium-term economic resilience in the face of potential future shocks (2021- 2022):

The Ministry of the Economy and Finance has drawn up a comprehensive and integrated recovery plan, as part of the operationalization of the roadmap set out in the Speech from the Throne of July 29, 2020, to support the gradual recovery of national economic activity. This plan, based on a mix of public and private financing, relies on the involvement of public and private authorities and particularly Bank Al-Maghrib, the CCG, and the banking sector.

Dubbed the "Pact for Economic Recovery and Employment" it plans **to inject MAD120 billion into the economy,** including **MAD75 billion in the form of State-guaranteed loans**, based on a guarantee mechanism managed by CCG with funds distributed to private and State-owned companies and MAD45 billion allocated to the Mohammed VI Investment Fund, provided by the State, institutional investors, and international financial institutions.

The injection of this liquidity is intended both to finance sector strategies and regional development plans and to support the recovery of the private sector, particularly by financing working capital and investment. It represents a guarantee of shared responsibility for effective, sustainable, and inclusive economic recovery.

Much of this far-reaching agenda relies on monetary stimulus. This is a substantial response in terms of Moroccan GDP compared to some countries in the region and other emerging countries. In figures, Morocco has implemented a major stimulus program, with 13.8% expected to be injected into GDP, compared to only 1.7% for Egypt, 2.2% for Jordan, 2.3% for Tunisia, 1.1% for Mexico, and 7% for India.

I.2.4. Structural reforms aimed at reviving the economy and strengthening its resilience to shocks: recovery and adaptation

In terms of structural reforms, corresponding to the "recovery" component, several priorities and drivers emerge at the cross-roads between the various measures already taken and the roadmap of future measures:

- A new social contract underpinned by the universalization of social protection
- Digitization as a response to the crisis and catalyst for post-crisis transformation
- A shock of simplification and modernization of the State

A) A new social contract underpinned by universal social protection

The Covid-19 crisis confirmed, if that was necessary, the high level of vulnerability of large segments of the population working in poorly organized or informal sectors. It is urgent to address this structural shortcoming which has been amplified by the pandemic. This situation requires a number of actions and reforms to strengthen and extend both social protection and health coverage, in a move towards the universalization of the systems.

In response to this structural shortcoming, Morocco wishes to implement a "new social contract" through universal social protection that benefits all individuals fairly and sustainably.

In this way, on April 14, 2021, Morocco launched measures to make the national social protection system universal, benefiting all Moroccans by 2025.

To achieve this within the deadline, two phases have been planned to implement this social reform. The first phase (2021-2023) will be devoted to rolling out mandatory health insurance (AMO, Assurance Maladie Obligatoire) and family allowances to all households. The second phase (2024-2025) will be devoted to generalizing retirement benefits and compensation for loss of employment for the labor force.

This project, which gives priority first to farmers, tradesmen and craftsmen, traders, professionals and independent service providers covered by the single professional contribution (CPU) scheme, the self-employed entrepreneur scheme or the accounting scheme, will be extended, in the second phase, to other categories with a view to the effective generalization of social protection for all citizens.

This reform is unprecedented, with an annual cost of MAD51 billion. A significant part of this budget, MAD23 billion, will come from the State budget.

B) Digitization as a response to the crisis and catalyst for post-crisis transformation

The use of digital technologies grew remarkably during the Covid-19 crisis on several levels. The functioning of public authority services has profoundly changed in line with new consumer and user constraints, removing a number of persistent administrative barriers. According to the Digital Development Agency, the number of public authorities with "digital offices" and "e-mail signature systems" has risen from 30 to nearly 1,000 in the space of 7 months. (Territorial authorities, ministries, certain municipalities and public institutions).

Private companies have also made significant changes by introducing digital into the production process, distribution and human resources promotion and management, including the use of remote working.

While remote working and education by video-conferencing have proven to be highly effective in some areas, digital integration in Morocco remains unequal, and threatens to widen the digital divide between rich and poor and urban and rural areas.

In its report on the New Development Model, the Special Commission addressed this issue, proposing to view digital as a driver of cross-cutting change, with the potential to accelerate the implementation of many transformational projects.

Specifically, Morocco hopes to join the Top 50 Digital Infrastructure rankings and the Top 30 Global Open Data Index by 2030. The CSMD's report predicts that digital could become "a vector of Morocco's international reach, particularly within its continent and in the context of South-South cooperation."

However, in order to make digital a driver that accelerates change and digital transformation, Morocco must meet the following 5 challenges:

1. Adopt a digital transformation strategy;
2. Strengthen the institutional and regulatory framework for its realization;

3. Upgrade the digital infrastructure for universal connectivity;

4. Develop use by public authorities, businesses and citizens through a service platform approach.

5. Develop digital training and research.

The implementation of the necessary strategies, reforms and measures to position Morocco as a regional digital reference must be carried out by "a team supported at the highest level", according to the CSMD. This team should be backed by a dedicated agency benefiting from cross-cutting support in line with the transformational issues associated with this challenge, in partnership with Ministries (in particular MI, MICEVN, MEFRA), universities and training institutions and the private sector (APEBI professionals, startup associations).

C) A shock of simplification and modernization of the State, backed by an overhauled approach to public action

The pandemic highlighted the ability to transcend existing technostructure routines and overcome bureaucratic red tape that would normally impede public authority actions. As the Policy Center for the New South Think Tank noted in a policy paper published in December 2020, "The use, for the first time in the country's history, of a direct transfer system of this scale in favor of vulnerable households in the informal sector is a challenge that has been met by the authorities in tight deadlines."
The creation of the Strategic Investment Fund and the State Investment Agency, and the emphasis on Public-Private Partnerships, reflect this desire to create a "simplification and modernization shock."
The implementation of these two measures is part of the deployment of the royal roadmap which calls for deep and multidimensional reform of the public sector. The aim is to correct the structural dysfunctions of State-owned institutions and companies, to ensure complementarity and coherence between their respective tasks and to enhance the economic and social efficiency of their activities.
The National agency for the strategic management of State investments will be a public limited company and will be the first measure in the reform of State-owned institutions and companies. The draft law on this reform will enable the Agency to initiate and implement all the necessary tasks and actions to achieve its objectives and to fulfill fully its role as an investment company.

Tactic

Special fund for the management of the Coronavirus pandemic

Objectives : Cover the cost of upgrading the medical system, support the national economy to deal with the shock, preserve employment and mitigate the social repercussions of the pandemic

Budget : Funds collected by the Special fund for the management of the new coronavirus pandemic (Covid-19) totaled **MAD33.7 billion** at the end of July 2020, according to the Kingdom's Treasury Department (TGR)

Budget breakdown

- MAD23 billion Assistance to households
- MAD16.2 billion For the informal sector
- MAD5.2 million households supported
- MAD6.8 billion Assistance to employees of the formal sector declared to CNSS

Strategic

Mohammed VI Investment Fund

Objectives : Accelerate the post-Covid-19 recovery and contribute through sector or theme-based funds to the share capital of SMEs. The fund will also invest directly in the share capital of major State-owned and private companies in priority sectors.

Budget : Initial scheduled amount of **MAD45 billion**, including MAD15 billion from the State's 2021 budget

Priority areas

- Industrial restructuring
- Infrastructure
- Innovation and new technologies
- Agriculture, tourism, financing and support to SMEs

Using PPP to finance infrastructure and loosen budget constraints

Sector	Example projects that could be performed as PPP
Hydraulic resources	• Construction of major dams with a view to reaching a total capacity of 27 million m3 • Development of seawater desalination units • Irrigation infrastructure (Lgharb, Loukous, Dar Khroufa, etc.)
Energie	• Solar and wind power plants carried by MASEN (Noor Laayoune 2, Boujdour, taroudant, etc.) • New gas strategy to replace the "Gas to power" project
Transport and logistics	• Motorways: 8 projects in the study phase covering 618 km • Rail infrastructure: Casablanca-Agadir TGV and container train link between Tangiers and Marrakech • Airports: Privatization of ONDA, new Marrakech and Agadir airports and extension of the Casablanca and Agadir ports • Kénitra Atlantic Port
Other sectors	• Economic acceleration zone dedicated to the cinema, audiovisual and video game industries • Development of a major nursery network using the PPP model • Industrial activity zone

In addition, it soon became clear that a **purely technocratic "top-down" approach to public action should be abandoned by recognizing the value of experience on the ground**, in a partnership and inclusive approach, broken down at regional and local levels, in consultation with all development stakeholders. **This is one of the Commission's major recommendations in its report on the New Development Model.** This report also emphasizes the importance of **the green transition**, through the need to preserve the country's natural ecosystem and water resources, and the ambition to make Morocco a regional leader in low-carbon energy.

The structuring pillars of the New Development Model

Priority cross-cutting economic pillars	Establish a macro economic framework to guarantee growth	Provoke a competitiveness shock	Direct the economic fabric towards productive activities	Encourage and secure entrepreneurship
Priority cross-cutting social pillars	Ensure access to quality health services	Strengthen human capital	Improve social ties and inclusion	
Priority projects	Social protection and universal health coverage	"The morocco of regions", to go further in advanced regionalization		
Priority sectors	"A new era for the tourism sector"	An agricultural sector able to guarantee food sovereignty	Cultural and creative industries as a driver of dialogue	The third sector or the third way
Strategic industrial hubs	Morocco, a digital haven	Morocco, a leader in low carbon and low cost energy	Morocco, a vital financial sector in Africa	
Priority industrial partnerships	Africa - AFCTA Co-development	European Union green deal and relocation	The United States Free Trade Agreement	China The new Silk Road

Morocco, a digital haven	Morocco, a leader in low-carbon and low-cost energy	Morocco, a vital financial hub in africa
Become a digitized nation, where the transformational potential of digital technologies is fully mobilized	Become the regional champion of low-carbon energy	Obtain the status of Regional reference financial sector
Use digital as a cross-cutting driver of transformation in favor of fair access to basic services: education, health, access to information, economic and financial inclusion	Reduce energy costs by reforming the sector and using renewable and low-carbon energies	Establish Morocco as a regional platform for commodity trading, in cooperation with certain international reference centers in this field.
Adapt to the new ways of marketing the tourist offer by supporting the digital transformation of the sector	Develop a market open to national and foreign investment	Capture market share in Africa (beyond the banking sector), particularly in financial arrangements for major projects

II. Overhauling the competitiveness of the "Morocco offer" in the new post-COVID world

II.1. New regional and global post-COVID situation: "slowbalization" and the new green deal

The COVID-19 pandemic has highlighted the need to reduce the external dependency of nations on products of critical use in crisis periods. The concept of "strategic sovereignty" has emerged in public debates and has been much more widely accepted than before the crisis when it was seen to represent protectionism. The changes in the regional and global environment have implications for the "Morocco offer", and create new opportunities to be explored.

II.1.1. Slowbalization and reconfiguration of global value chains

Following the 2008 financial crisis, several economic analysts and political leaders adopted the idea of a reversal of the globalization process that began several decades ago. The debate on production chain relocation emerged in a context of economic slowdown and corporate crisis, promoting the ramp-up of protectionism in western countries. It was exacerbated by President Trump's war on trade and technology. In January 2017, The Economist popularized the term "slowbalization", coined by a Dutch futurist a few years previously. According to the British magazine, the globalization period that began in the 1980s was coming to an end, as demonstrated by the sharp slowdown in global trade following the 2008 financial crisis. Indeed, the "Trade to GDP" ratio stabilized in the 2010s whereas it rose considerably in the decades prior to this crisis. "Slowbalization" has therefore become a reality from a statistical viewpoint, even though, according to professor Pol Antras of Harvard University, we should be talking about the end of the hyper-globalization of the 2000s rather than the transition to "slowbalization".

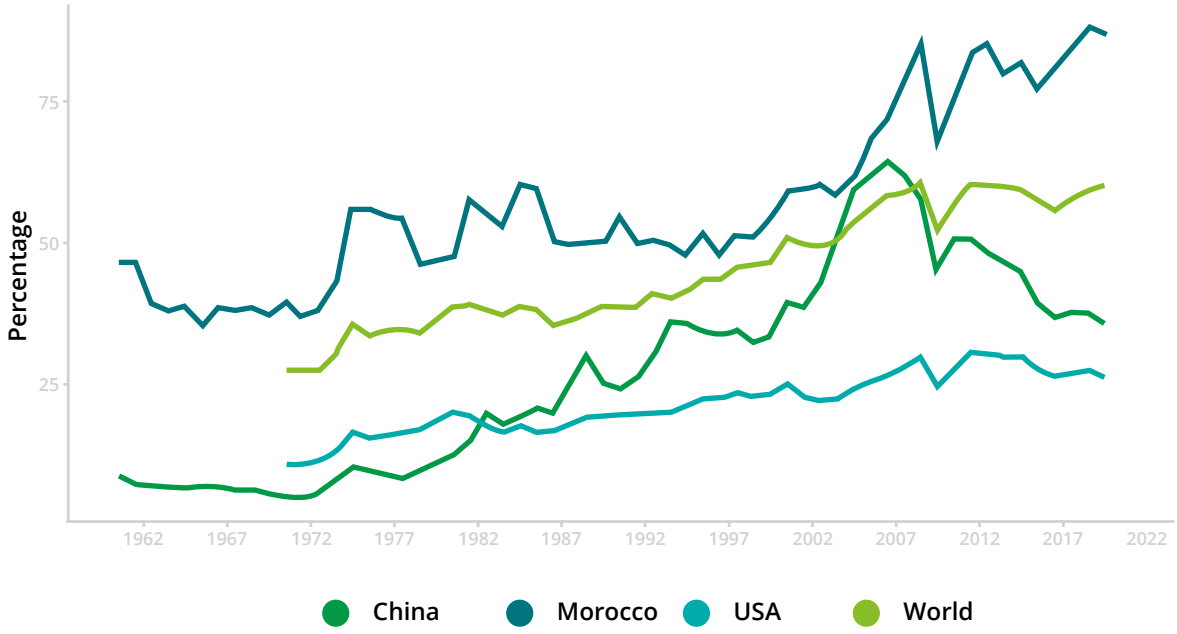
Beyond the semantic debate, it is important to understand the structural changes that have occurred in the global economy and reduced the strong growth in international trade. These changes can be associated with three main factors:

1. **Change in the status of China.** The 2008 financial crisis coincided with the end of an era during which China had become the "global factory", drawing in a significant portion of globally traded raw materials and semi-finished goods and then reexporting them as manufactured goods to the rest of the world. **China changed its economic status and model.** Within half a century, it has gone from being a "giant with feet of clay" to an "emerging power" in 1990s and then a "superpower" challenging the United States for world leadership. Although it continues to manufacture and produce on a large scale, the Chinese economy is now much less export-driven. China is the only G20 country to have reported growth this year, at 2.3%. According to the World Bank, China could become the leading world economic power overtaking the United States by 2030.

2. **The growing tertiarization of the industrial sector and the ramp-up of the service trade – including virtual services** which are difficult to quantify and therefore skew official global trade statistics. It should be noted that **the health crisis and the measures adopted to curb the spread of the pandemic boosted the digitalization of sectors such as trade, education or even healthcare.**

3. **The geopolitical factor and the return of competition between major powers** for world leadership, following a brief "unipolar moment". In a time of multipolarity, political, economic and trade, technological, environmental and security issues can no longer be addressed separately. The "frictions" generated by this global geopolitical competition have certain impacts on the decisions of multinationals.

Trade (exports+imports) / GDP ratio (%)



Source: World Bank

The pandemic indicative of the vulnerability faced with the risks of global supply chain disruptions

The COVID-19 pandemic reignited the debate on the relocation of production chains. **The health crisis highlighted the vulnerabilities of certain asymmetrical production chains, and the overdependency of the global economy on production facilities concentrated in a limited number of countries**, particularly for certain raw materials such as rare earths, certain semi-finished goods such as pharmaceutical active ingredients, and certain manufactured components and goods such as micro-processors, electric batteries and medical consumables.

For example, in a report published in May 2021, the European Commission ("Strategic dependencies and capacities") identified 137 products for which the EU depended heavily on non-EU suppliers. Among those countries with the highest dependency risk in this report were China (52%), Vietnam (11%) and Brazil (5%). Dependency concerns both raw materials such as fossil resources and industrial metals and critical components and technologies such as data servers.

The concept of "strategic autonomy" developed by the EU faced with its two systemic rivals, the United States and China, also calls for a greater control over supply chains and a reduction in dependency on non-EU countries. In concrete terms, the reduction in vulnerability faced with supply chain concentration and disruption risks could be a decisive factor for the relocation of production facilities, by encouraging several types of operational responses from the United States and multinationals:

1. **Creation of precautionary stocks :** According to former WTO Director-General Pascal Lamy, the pandemic has caused a shift towards "precautionism". The 1973 oil crisis led OECD countries to build strategic stocks of petroleum products. The COVID-19 pandemic could have a similar impact on a broader set of products.

2. **Redundant productive capacities and supplier diversification :** production units must be duplicated internally for certain critical components in order to prevent production disruptions and reduce dependency on a limited number of suppliers and/or production platforms

3. **Modularity and standardization of production platforms :** The standardization and modularity of assembly platforms – already effective in certain highly integrated global industries such as the automotive sector – can reduce supplier dependency for specific models

An opportunity for Morocco :

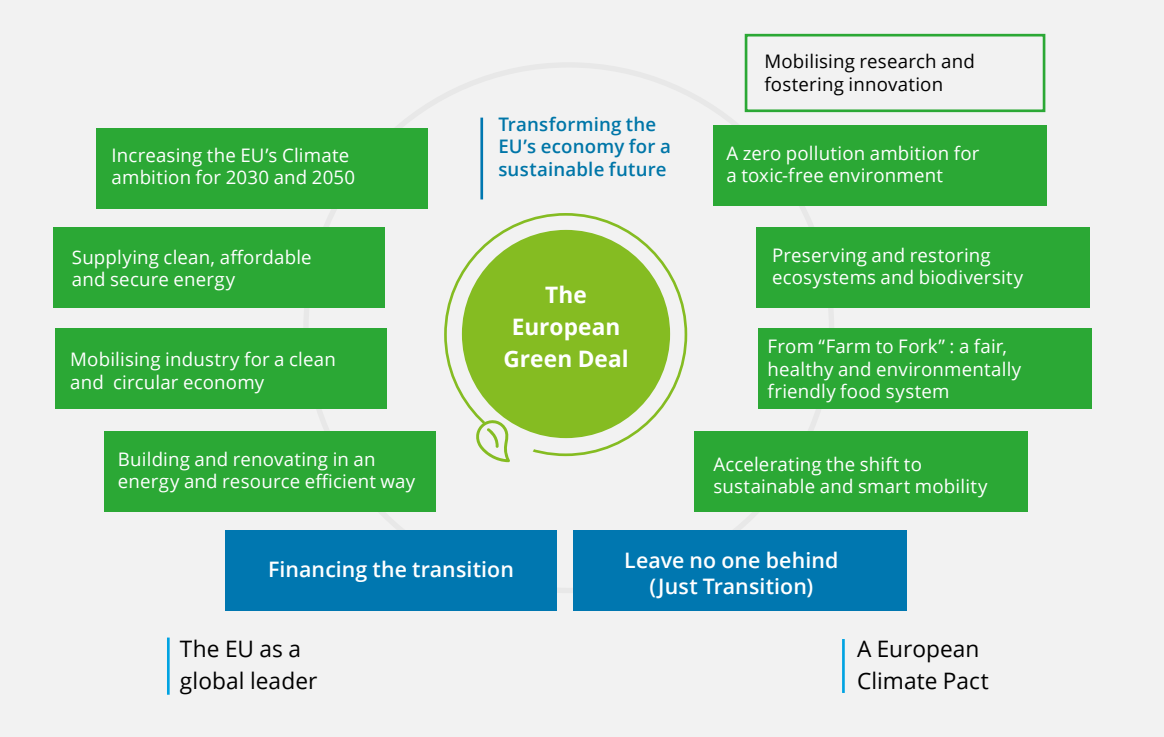
As reflected in a policy paper published by the IMIS in January 2021, regional relocation – particularly in the Euro-Mediterranean-Africa area – may be "an opportunity for Morocco to increase and diversify demand. integrate production lines and develop innovation capacities, particularly in the renewable energy and industry 4.0. sectors. " In the automotive, aerospace, textile and electronic components sectors, for example, Morocco could benefit from the repatriation to a Euro-Mediterranean area of certain goods production currently based in Asia. The move could be accompanied by FDI from Asian companies seeking to retain their European customers by setting up in Morocco.

Nevertheless, **there is a need to weigh the political and media discourse** of European institutions and their representatives in the various EU member states **against regional and global geo-economic realities.** Global industrial organization and production sharing systems have been built over decades, through major investment by multinational corporations dominating world trade.

In certain high capital-intensive sectors, such as the aerospace and automotive industries, the cost of a relocation or proximity location is prohibitive. It cannot merely be dependent on cyclical political pressures, driven by health conditions or geopolitical rivalries. It is therefore more likely that this phenomenon of proximity location/re-regionalization for the global economy, should it continue, will take years and affect industries differently according to several decision-making criteria. Indeed, beyond production cost considerations, **the main reason for investment decisions by multinational firms remains market access.**

In this context, Morocco's positioning as a regional hub at the intersection of three major continents (Europe, Africa, and the Americas), backed by "world class" infrastructures and a booming human capital, is a major asset that must be exploited.

II.1.2. A new green deal: carbon neutrality and the circular economy



To achieve carbon neutrality by 2050, the European Union revised its climate change goals upwards, with the launch of the European Green Deal in December 2019. These new goals were validated by Member States at the December 2020 European Council. The EU now seeks to reduce net greenhouse gas emissions by 55% (40% previously) in 2030 compared to 1990.

- **Developing a circular approach to industrial production**

Due to the pressure on natural resources and the need to combat climate change – as reflected in the 2050 carbon neutrality goal –, a circular approach to industrial production is required. Disruptive technologies such as 3D printing are forcing Europe to make the best use of geographical localization and so bring more industrial production back into the EU for certain sectors.

- **Steering industry towards climate neutrality**

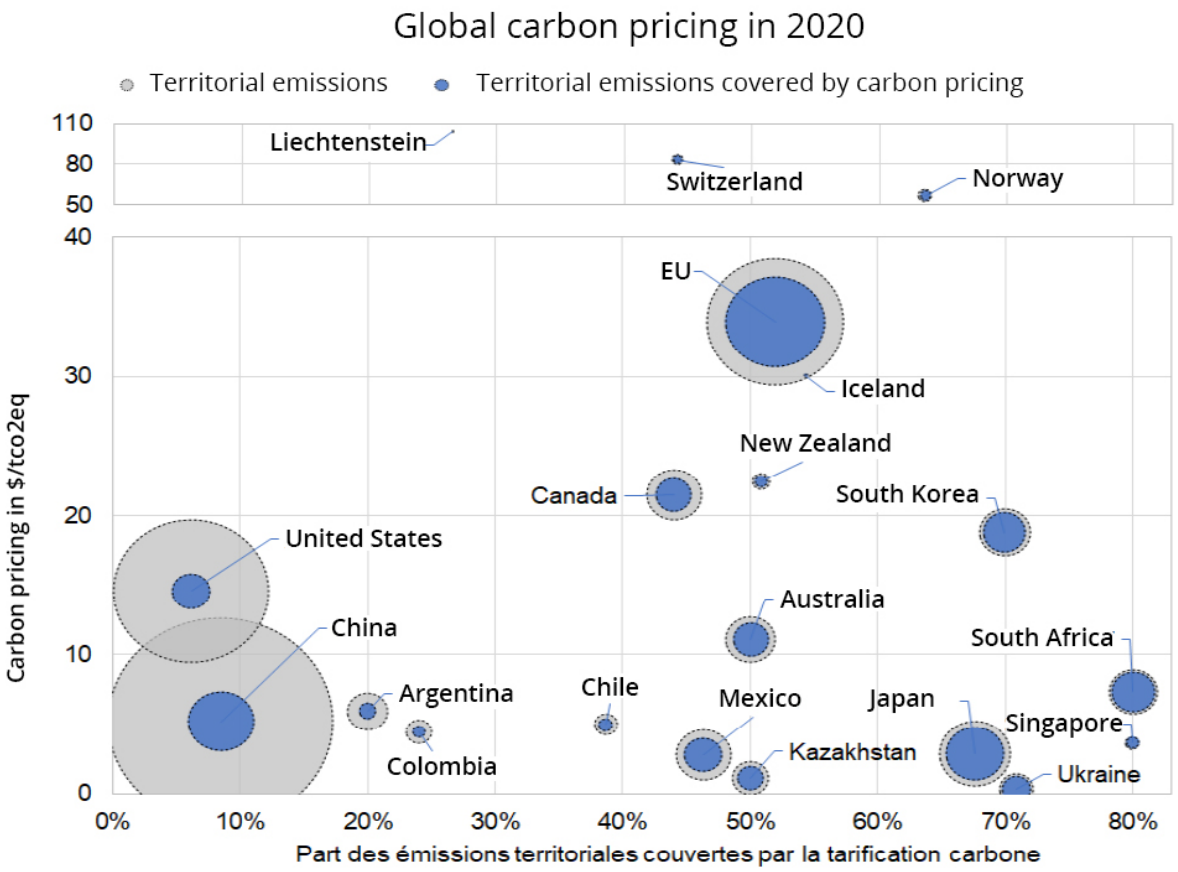
Certain sectors will have to make more profound and far-reaching changes. **Modernizing high energy-intensive industries** is a **top priority for reducing carbon emissions.**

The European Green Deal has therefore set the goal of "greening" products such as steel, cement, and basic chemicals, through the use of circular processes with a climate neutral balance. This development is in line with the overhaul of the European industrial strategy (see box below).

Towards a new European industrial strategy

In a report from the spring of 2020, the Commission laid the foundations for a new European industrial strategy. The focus is now on **industrial ecosystems** and the launch of large-scale **industrial alliances.** Such an approach has proven successful in the battery, plastics and micro-electronics industries. The clean hydrogen sector is an example of how this approach works. This disruptive technology requires closer coordination throughout the value chain. **The new European Clean Hydrogen Alliance,** bringing together investors and government, institutional and industrial partners, builds on existing achievements to identify technological needs, investment opportunities and regulatory barriers and facilitators. **Other alliances may soon be formed in low carbon-intensive industries, industrial platforms and clouds, and for certain critical raw materials.**

Rebalancing the conditions of international competition by integrating the carbon content of imports



Source: DG Trésor processing based on World Bank data (2020), Carbon Pricing Dashboard

In this context, there are plans to strengthen the binding nature and extend the scope of the European Emissions Trading System (EETS). To avoid carbon leakage arising from carbon pricing differences in other parts of the world and rebalance the conditions for international competition, the EU is planning to introduce a Carbon Border Adjustment Mechanism (CBAM) by 2023, taking into account climate policies and the development of partner countries, within a framework compatible with WTO rules.

Specifically, **it is about making importers pay the same carbon price as that paid by European producers.** Initially, the scheme will cover electricity generation and high carbon-intensive industries, and then gradually expand to other sectors such as agriculture, construction and transport .

Risks and opportunities for Morocco :

Morocco is the EU's leading partner in industrial cooperation and R&D in the Southern Mediterranean through its participation in major trans-European R&D programs ("Horizon Europe"). **In the post-COVID context, Morocco could engage in certain European industrial alliances,** particularly for clean hydrogen and electric batteries.

The European Union's focus on the circular economy and reducing external dependency on critical raw materials could spur the development of a nearshore recycling system, which could, for example, treat used manufactured goods coming from Europe. This activity could be financed through joint financing deployed by the EU under its international cooperation strategy (External Investment Program).

Development of the circular economy in Morocco and the decarbonized industry

The Moroccan government has already taken steps to develop the circular economy by setting up sector-based plans, such as the National Waste Recovery Program launched by the Ministry of Energy, which aims to promote integrated and sustainable waste management, and the organization of recycling channels.

The coronavirus crisis and the disruption of supply chains have strengthened the Kingdom's resolve to develop an alternative economy limiting external dependency on raw materials. The circular economy is now central to the New Development Model, and by promoting its recycling channels, Morocco can integrate new relocated European value chains.

Moreover, through a series of industrial recovery projects for the period 2021-2023, the Ministry of Industry, Trade and the Green and Digital Economy aims to position the country as a decarbonized and circular industrial base, leveraging some of its renewable energy resources for industry. In particular, this will require opening up the medium-voltage market to independent green-power generation. Finally, the "Tatwir Green Growth" program is designed to support SMEs seeking to reduce their carbon footprint, launch green industrial channels or develop clean products or technologies.

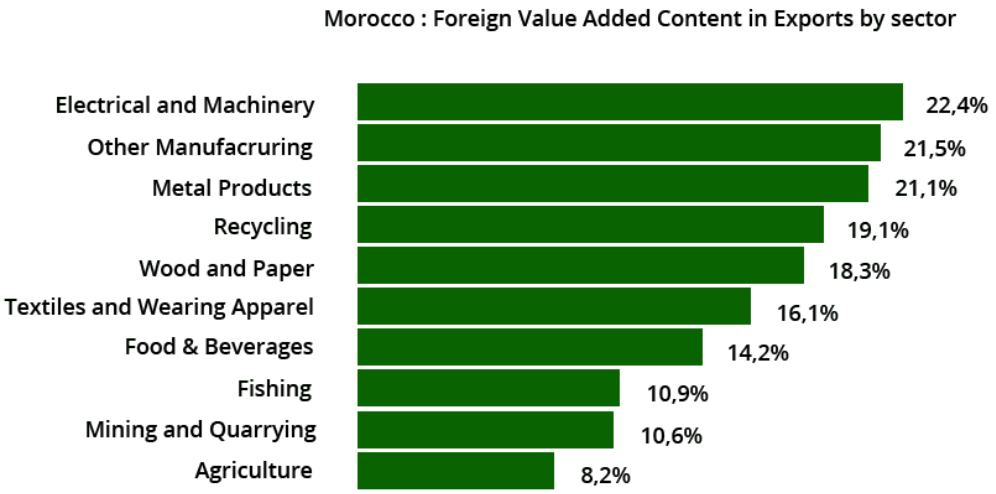
By contrast, some exporting sectors in Morocco could be negatively affected by a European Carbon Border Adjustment Mechanism. This is the case for the building materials industry and phosphate by-products such as fertilizers with high energy consumption and related CO2 emissions. In the longer term, this could also affect agricultural products. This change must therefore be anticipated by accelerating the decarbonization of Morocco's economy.

II.2. Positioning of the "Morocco offer" and opportunities in the new post-COVID worldd

II.2.1. Current positioning of the "Morocco offer"

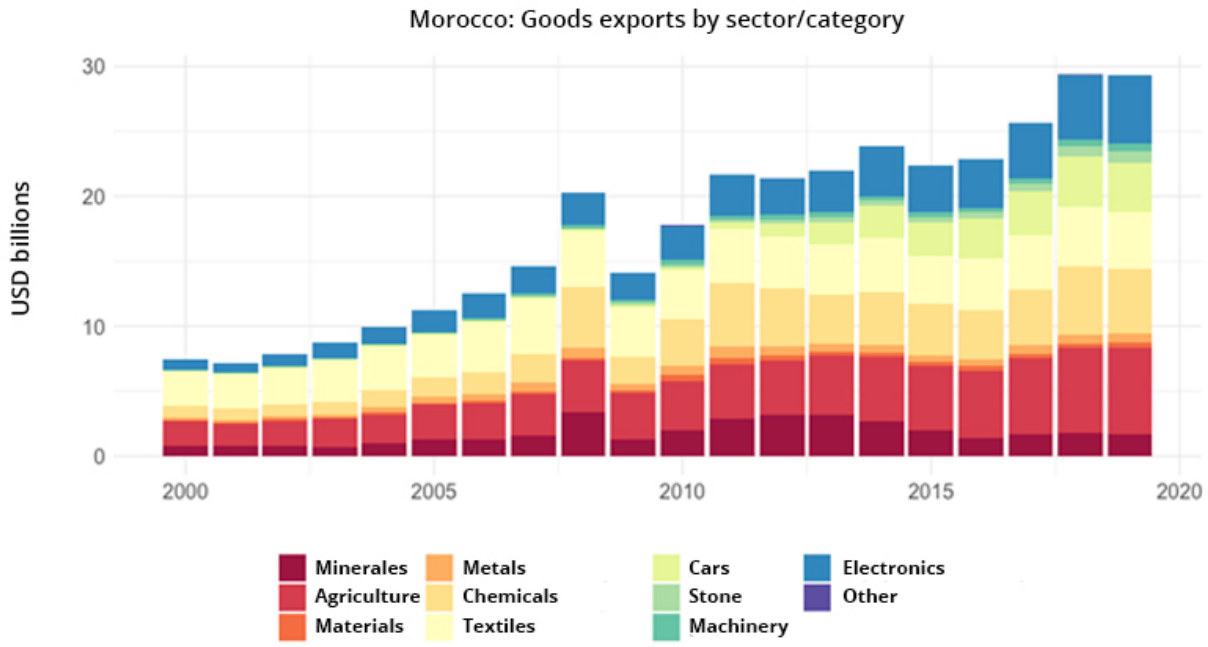
Morocco's integration into global value chains

Having very quickly chosen openness and international integration, as evidenced by its position as founding member of the WTO , Morocco has succeeded in expanding its exports and integrating regional and global value chains, while absorbing a large number of external shocks. An analysis of Moroccan exports reveals a high foreign added value content (see chart below).



Data source: UNCTAD. Note: Data for 2018 (last year available)

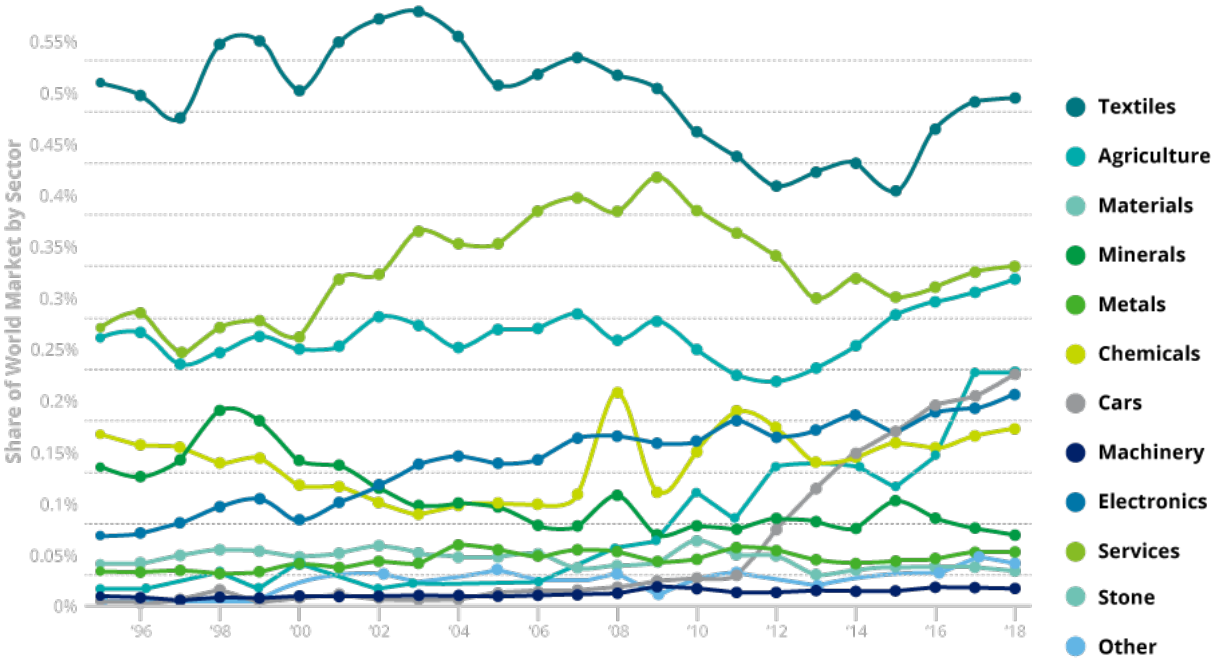
The past two decades have seen the emergence of the automotive and aerospace industries, and the accelerated development of the mechanical, electrical, and electronic sectors, whose exports have been added to Morocco's traditional exports, such as phosphates and by-products, agro-food products, textiles and clothing. Exports of transport equipment, including automobiles and aircraft, have made a remarkable breakthrough, soaring from less than $100 million in the early 2000s to around $4-5 billion in the late 2010s. Exports of mechanical, electrical, and electronic goods have increased fivefold in twenty years, exceeding $5 billion in the late 2010s, compared to less than $1 billion in the early 2000s.



Source: COMTRADE. Note: Sector categories taken from the HS-92 nomenclature

Morocco Exports in Millions USD			
Section	**2000 - 2002**	**2017 - 2019**	**Growth**
Agriculture	1861.5	6362.4	241.8
Chemicals	909.6	4836.8	431.7
Electronics	783.5	4817.6	514.9
Cars	55,7	4462,5	7918,3
Textiles	2700.9	4365.9	61.6
Minerals	781.9	1727.3	120.9
Metals	165,2	692	319
Machinery	90,8	493,3	443,2
Stone	126,4	322	1154,8
Other	1.6	25	1476.3
Total	**7477.1**	**28104.7**	**275.9**

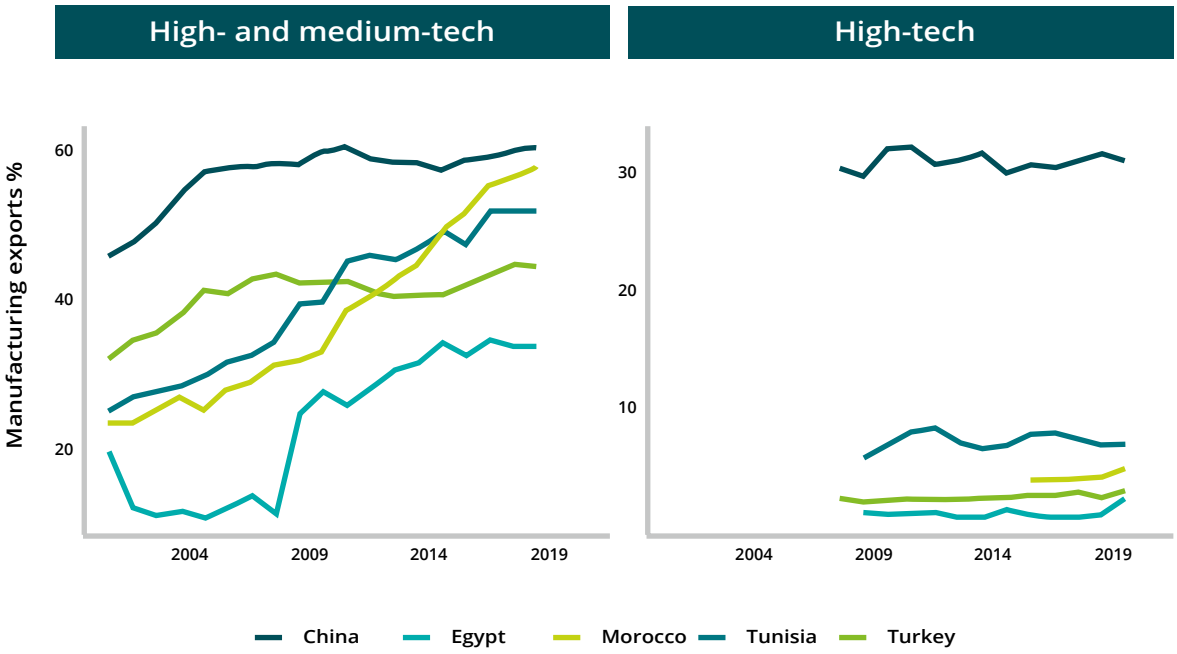
The global "made in Morocco" market share has increased in emerging sectors – especially electronics and transport vehicles – while sustaining its position overall in traditional export sectors. After a period of crisis and declining competitiveness between 2007 and 2014, and following the end of the multifiber agreement and tighter regional and global competition, the Moroccan textile sector is now undergoing a turnaround by drawing on the specific sector strategy rolled out in connection with the industrial recovery projects.



Data source: COMTRADE, Harvard Dataverse.

Technological upscaling of Moroccan exports

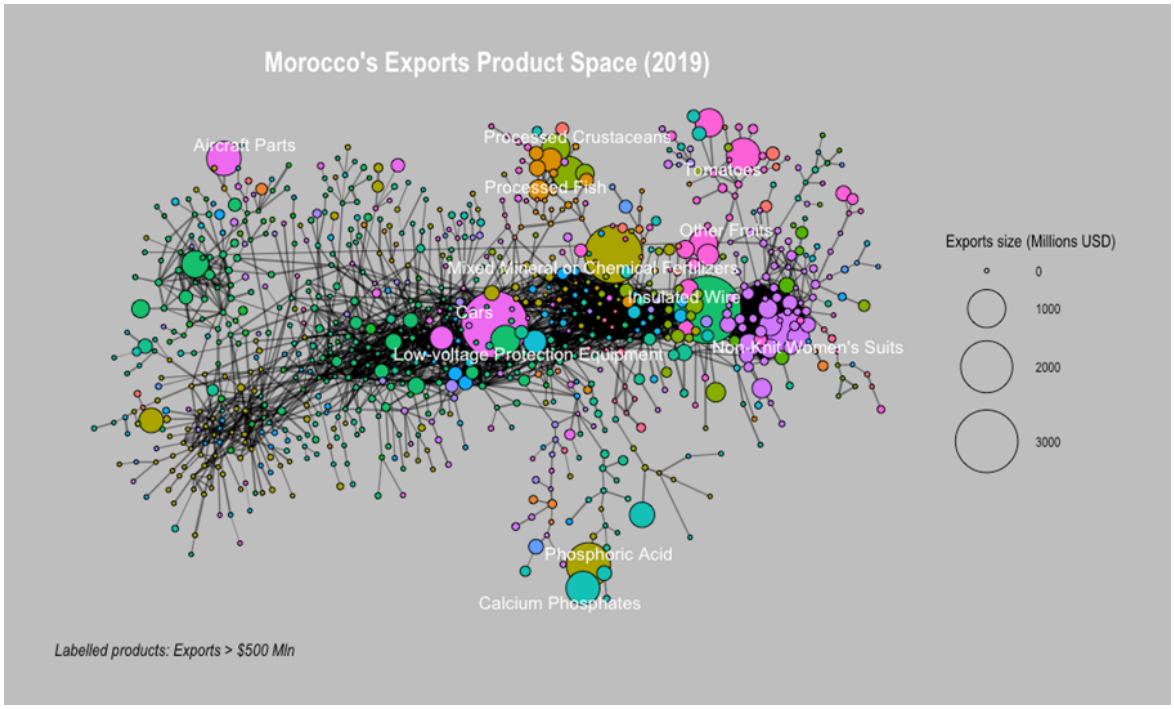
With the emergence of new industrial channels, Morocco has achieved a regional and global breakthrough, significantly increasing the proportion of medium- and high-tech exports in its total manufactured goods exports. Based on this indicator, Morocco has reached the level attained by China and surpassed regional competitors such as Egypt, Turkey and Tunisia (see chart below). Nonetheless, this gain in "technological intensity" was mostly achieved in the medium-tech goods category through strong growth in automotive exports. As Morocco prepares to enter a new phase in its economic emergence, the challenge is now to boost the share of high-tech exports in its manufacturing exports.



Source: World Bank

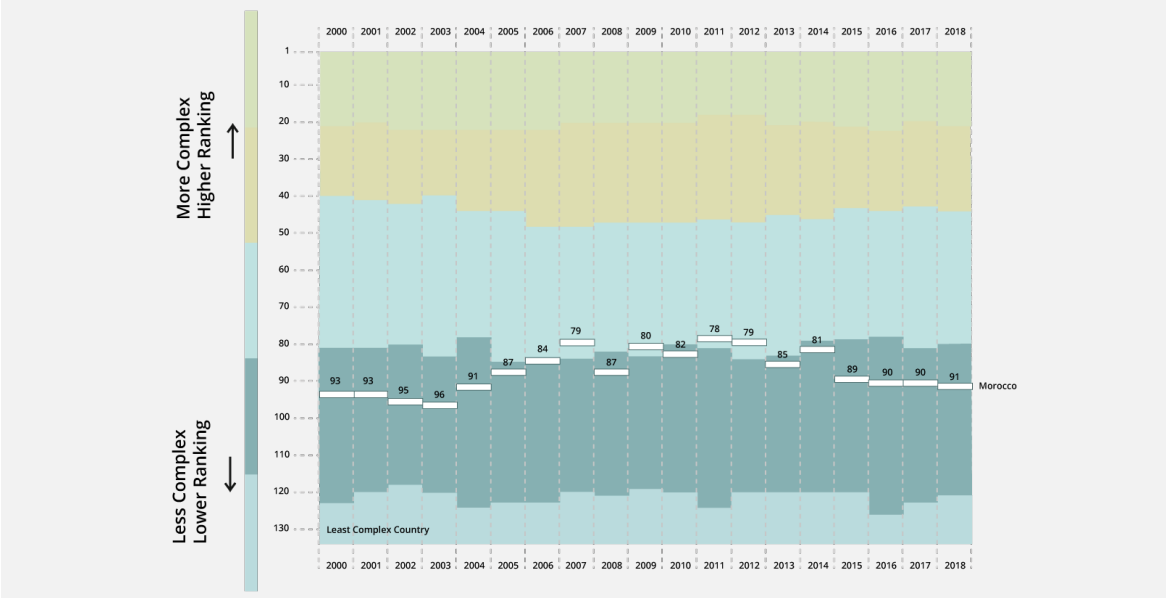
Morocco's position in terms of economic complexity

Analyzing exports in terms of economic complexity is an innovative methodology developed by researchers at Harvard University and MIT in 2000, under the supervision of Professor Ricardo Haussmann. It is based on identifying the know-how needed to expand exports and generate a positive momentum to increase productivity growth and technological upscaling so that a country can accelerate growth and exit the "middle-income trap." The basic premise underlying this methodology is the existence of a continuity, even a one-way relationship, between a country's general productive capabilities and its export competitiveness, reflected in a revealed comparative advantage (RCA) for different exported products. On this basis, the authors build a "product space" in which the different exported products are positioned according to their "proximity" in terms of the required know-how. This product space, which can be extended to services, subsumes the traditional logic of "value chains" and "industrial chains," by bringing about empirically established "know-how clusters" through analysis of global trade and individual dynamics in different exporting countries. Similarly, the methodology is used to draw up an economic complexity index, which measures the general know-how acquired by a country for exporting, based on the diversification of its exports and their ubiquity, i.e. the number of countries exporting the same products.



Data: Observatory of Economic Complexity, Harvard Dataverse, COMTRADE. Analysis and visualization: Alexander Kateb

An analysis of Morocco's export basket shows 138 products for which the country has a revealed comparative advantage (RCA>1). Morocco has improved its economic complexity index, reflecting the greatest diversification and sophistication of Moroccan exports. Nevertheless, the country's 92nd world ranking by this indicator shows that there is still substantial room for improvement, for both the intensive margin, i.e. based on existing country-product pairings, and the extensive margin, i.e. by exporting new products and/or expanding its geographical coverage. **According to the Geneva International Trade Center, Morocco could achieve an additional $15 billion in annual exports**, based solely on its existing exports. Moreover, according to the Observatory of Economic Complexity, expanding the export basket would enable the country to climb to 65th place on the Complexity Outlook Index.



Source : https://atlas.cid.harvard.edu/rankings

To achieve this, three criteria must be considered to assess the additional potential of a new product. First, the proximity of the product to the existing export basket must be taken into account. Second, the economic complexity directly associated with this product (new know-how acquired) must be measured. Finally, account must be taken of the opportunity for gain in complexity generated by the new product, through its proximity to other products that can be targeted in the future, resulting in a multiplier effect on national production capacities . We calculated these measurements for different double-digit products in the HS92 nomenclature, excluding raw materials and agricultural products (see detailed table in the appendix). As a result, Morocco could boost its complexity index by increasing the production and exporting of certain products and services which have a good "proximity – complexity – opportunity" mix. This is the case, for example, for specialty chemicals, natural and synthetic fibers and fabrics, and financial and insurance services which have a very high complexity index.

The opportunity for new strategic risk-taking in the period 2021-2025

In addition to so-called cross-cutting or horizontal policies – which aim to remedy negative externalities or market failures and which concern all sectors (i.e. training, R&D, infrastructure, business climate, etc.) –, **two types of vertical ("sectoral") industrial policies can be implemented** to increase economic complexity and enable Morocco to boost its growth potential and overcome the "middle-income trap":

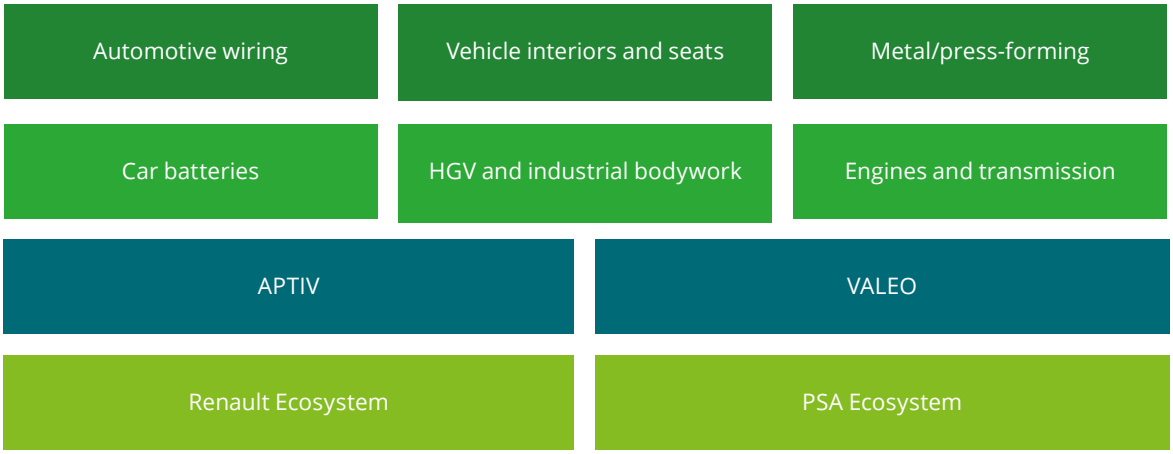
- **A frugal or incremental policy,** aimed at ensuring a diversification of exports in correlation with the basket of existing products
- **A more disruptive policy based on strategic risk-taking,** requiring the acquisition of new know-how and increased coordination between all relevant public and private players.

In the 2000s, Morocco took strategic risks on wide-scale, high-powered industries such as the automotive and aerospace sectors with a relatively old but narrow industrial base in both sectors. The transformation of the industrial landscape was encouraged and supported by the State through a succession of proactive industrial policies: Emergence Plan, Global Businesses and Industrial Acceleration Plan. The latter marked a shift towards a collaborative industrial policy aimed at promoting Morocco's Global Businesses while enhancing them through the creation of sector-based ecosystems (see box below).

From global businesses to industrial ecosystems

The ecosystems, the cornerstone of the industrial recovery project, were designed to reduce segment fragmentation and promote an integrated development of the industrial sectors developed in connection with Morocco's Global Businesses, particularly for the automotive, aerospace and textile industries. **The purpose of the ecosystems is to integrate the industrial base locally around leading companies by encouraging mutually beneficial partnerships with SMEs, with the former acting as the driving force** and giving perspective and visibility to the latter, which in turn provide creativity, innovation and dynamism. The ecosystem businesses receive tailored assistance and specific support in terms of financing, industrial property and training. This approach has helped highlight the challenges common to all of the relevant sectors, while identifying the issues specific to each sector. One of the most important common challenges facing Morocco's Global Businesses today is investment in human capital. The management of environmental issues and the need to accelerate the decarbonization of the Moroccan industry are also at the forefront of these challenges. The State can accelerate this process by facilitating access for manufacturers to renewable energies and encouraging investment in energy-efficient and raw material-efficient industrial processes through various incentives (see the box on the circular economy). Illustration: The logic of ecosystems deployed in the automotive sector

Illustration : The logic of ecosystems deployed in the automotive sector



Focus on the aerospace industry

Morocco has taken around twenty years to build a diversified and competitive aerospace sector. The model of the Higher Education Institutes, which are directly governed by sector operators, was transposed to the aerospace industry with the creation of ISMALA (Specialized Institute of Aeronautics and Airport Logistics), which annually trains senior technicians with globally recognized qualifications. To ensure the ramp-up of a highly knowledge-intensive sector, it is also important to expand the aeronautical engineering training offer.

Moreover, like the automotive sector, the aerospace sector is highly capital-intensive. It is an export-driven industry, built around a few major international groups (Boeing, Airbus, Bombardier, AVIC, Embraer, etc.) that can ensure aggregation and momentum across the sector value chain. The presence of these major contractors attracts Tier 1, 2 and 3 suppliers who need to secure a permanent order book to justify setting up a local office. In addition to access to a skilled labor pool, specific public subsidies for land access and investments in equipment can boost the appeal of the local ecosystem.

On the environmental front, decarbonization has become a key focus of the sector's development strategy following the pact signed by the members of the Moroccan Space and Aeronautical Industries Group (GIMAS).

Focus on the textile, leather and clothing sector

The textile industry remains Morocco's leading industrial sector, generating between 20%-25% of total industrial employment and a significant share of the total added value created by processing industries. For decades, this export-oriented sector, which contributes positively to the trade balance, acted as subcontractor for major international contractors, mainly based in Europe. The intensification of international competition combined with the expiry of the multi-fiber agreements at the end of 2005 and the opening of the European market to Asian products – from China but also other countries in South and South-East Asia – prompted the Moroccan textile industry to reinvent itself and upscale. This radical change was driven by innovation – technical textiles had major potential, as demonstrated by the COVID-19 pandemic – and the roll-out of a branding strategy linking the country brand with product brands. This strategy enhances national production, while organizing its development based on the aforementioned ecosystem logic. Optimizing the sector supply chain by leveraging the infrastructure built over the past two decades (Port of Tangier Med, intermodal platforms) will also significantly reduce costs and leadtimes, especially in segments such as "fast fashion."

In general, the COVID-19 crisis has demonstrated the resilience and creativity of sector operators. However, certain challenges need to be addressed. These include the consolidation of production capacity, investment in innovation and the absorption of new technologies (automation, digitalization), the expansion of human capital – both for actual production functions and related departments (design, marketing/branding, distribution) – and the integration of the new global environmental landscape – by incorporating circular economy and carbon neutrality principles. Beyond traditional export markets, the development of domestic and African demand for textile products and the interest of Asian operators targeting European and African markets provide the sector with new growth levers on which to build.

The industrial recovery project also provided an opportunity to rebalance by upgrading traditional export industries such as textiles, leather, and clothing. Finally, ideas of a new growth model and the coronavirus pandemic highlighted the importance of the domestic market and the need to develop a replacement targeted import strategy.

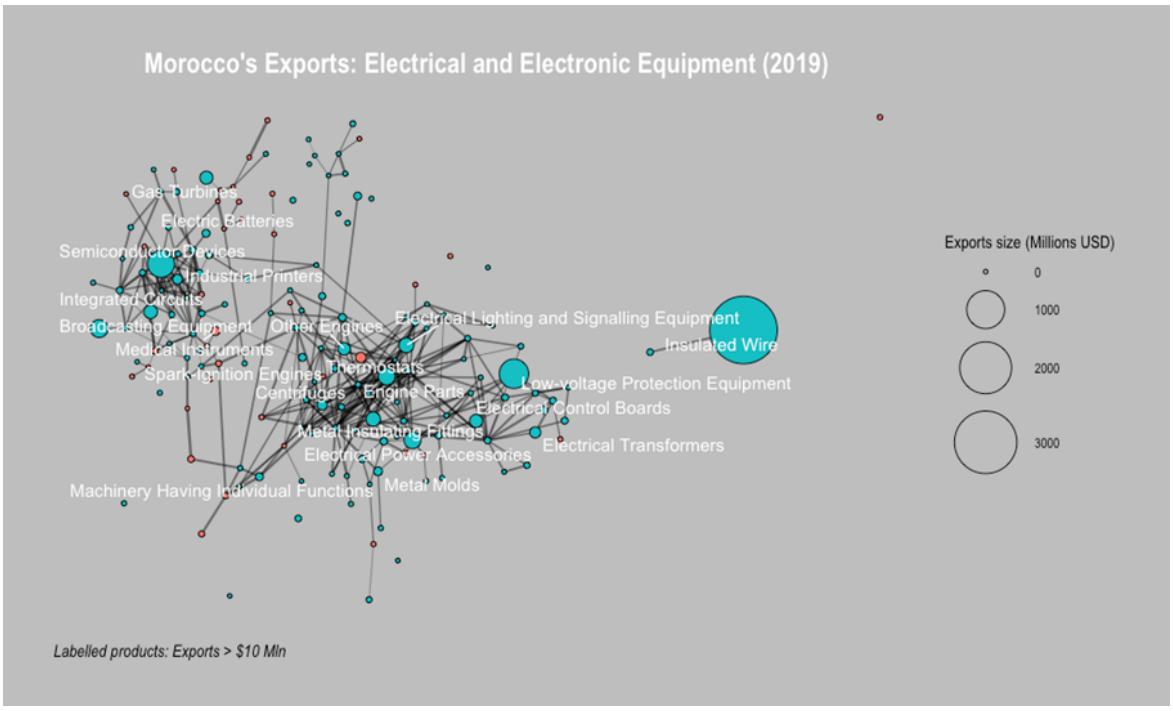
Moreover, one of the industrial recovery projects seeks to develop industrial entrepreneurship. It provides for support measures to promote the emergence of a new generation of manufacturers. It also aims to boost the integration of industrial sectors, position Morocco as a strategic international partner in the context of shortened value chains, and finally leverage the steady development of renewable energies to make Morocco a decarbonized and competitive industrial base.

Morocco could, pragmatically, pursue a strategic risk-taking policy focusing on certain high-potential sectors, while supporting the growth of sectors in which it already has proven know-how. Examples include certain low-to-medium tech industries such as building materials, home furnishings, DIY and home decor, packaging, and paper, plastic, or metal items (hardware and plumbing). These industries are often driven by SMEs – sometimes referred to as "cottage industries" – with relatively low capital and technological intensity, high job-creation potential, and growth potential in both export and domestic markets. The positive impact of these industries on employment and their growth potential in the domestic market dovetail perfectly with the priorities of the New Development Model.

Moreover, it may be appropriate to add "cross-functional" ecosystems, such as advanced materials (polymers, fiberglass, etc.) and industrial automation/machinery, to existing sector-based ecosystems, which represent industrial know-how and components used by many other industries. Morocco must also "blacken" the input-output matrix – highlighted by the Russian-American economist Wassily Leontief – to boost its competitiveness in each industry taken separately and reduce its dependency on imported inputs and components .

Example of strategic risk-taking: electronics, microelectronics and mechatronics

Morocco already exports electric motors for industrial use. It therefore has a production base in this field. In addition, **a cluster of companies already operate in the electronics, microelectronics and mechatronics (CE3M)** sectors. Exports of electronic components and integrated circuits have increased over the past ten years and are now far from negligible (see chart below). As the large-scale adoption of electric mobility draws closer , it may be worthwhile boosting this cluster and organizing its development around high-growth themes such as **electricity storage, electric mobility, and embedded electronics.** Indeed, the shift towards electric mobility and autonomous vehicles already implies that the proportion of electronic components in vehicles should increase significantly. The PSA and Renault groups could actively participate in the development of this cluster.



Data: Observatory of Economic Complexity, Harvard Dataverse, COMTRADE. Analysis and visualization: Alexander Kateb

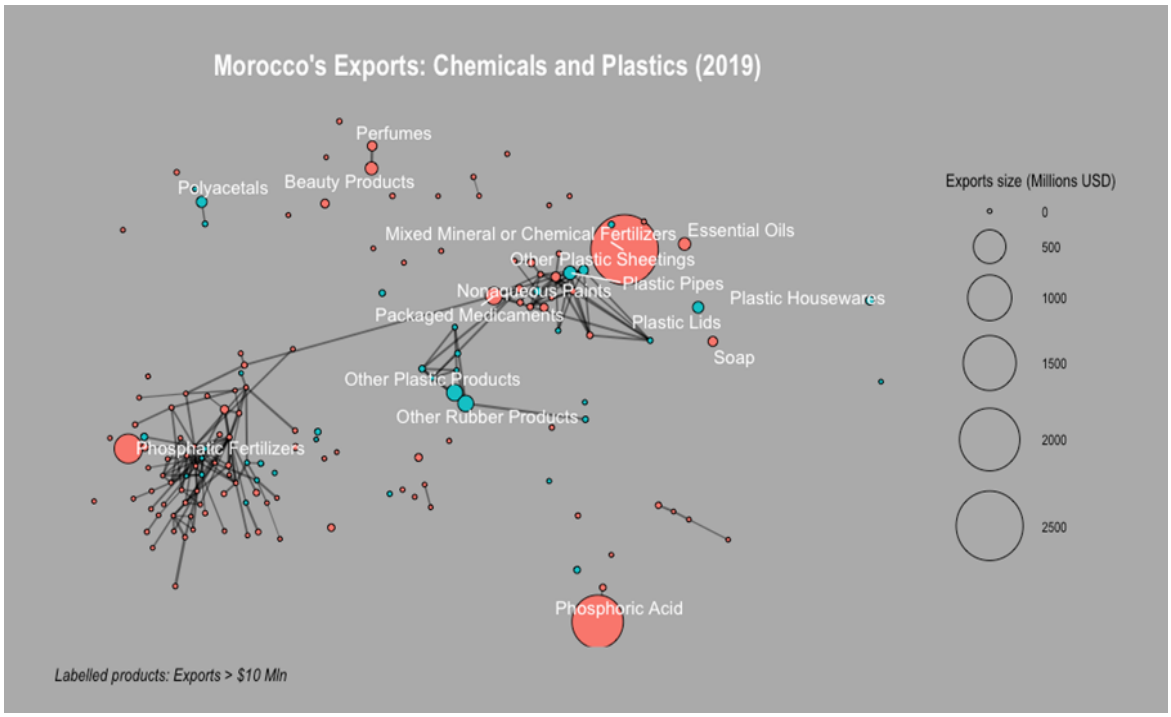
An example of strategic risk-taking: the pharmaceutical industry

According to the FMIIP (Moroccan Federation of Pharmaceutical Industry and Innovation), recent developments observed worldwide following the COVID-19 health crisis have raised key questions about the future of the pharmaceutical sector and call for a paradigm shift.

Estimated at more than MAD15 billion in 2018, Morocco's pharmaceutical industry accounts for 1.5% of GDP. Local production accounts for more than 50% of Morocco's needs and generates around 55,000 direct and indirect jobs. **In addition**, one-sixth of domestic production is exported.

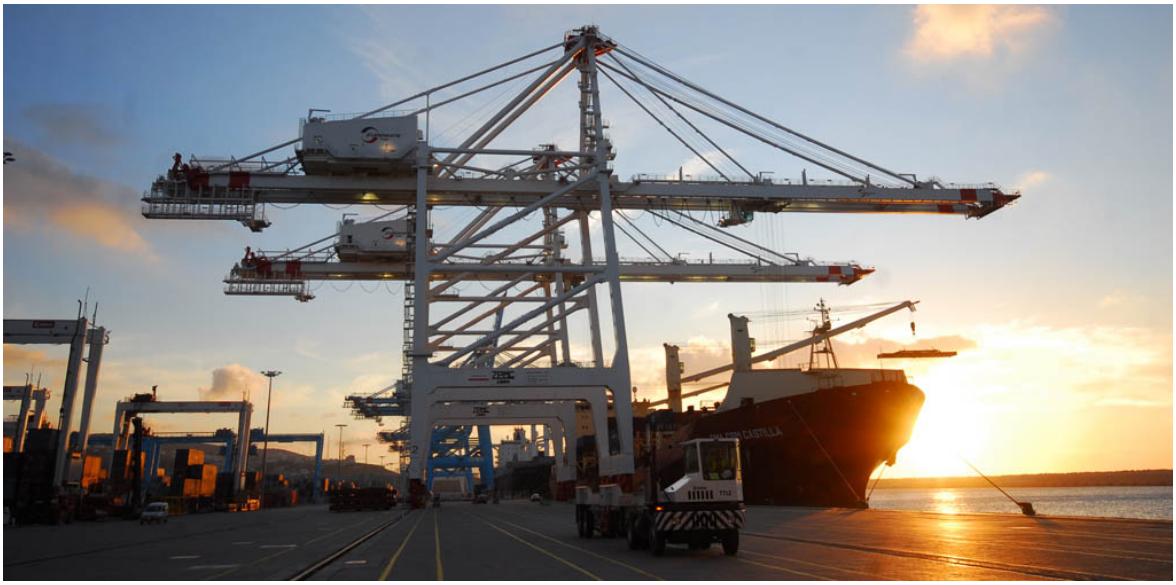
The sector is experiencing strong momentum, primarily through the launch of large-scale projects in the local production of biosimilar and generic drugs, and the creation of vaccine and serum production units for the local market.

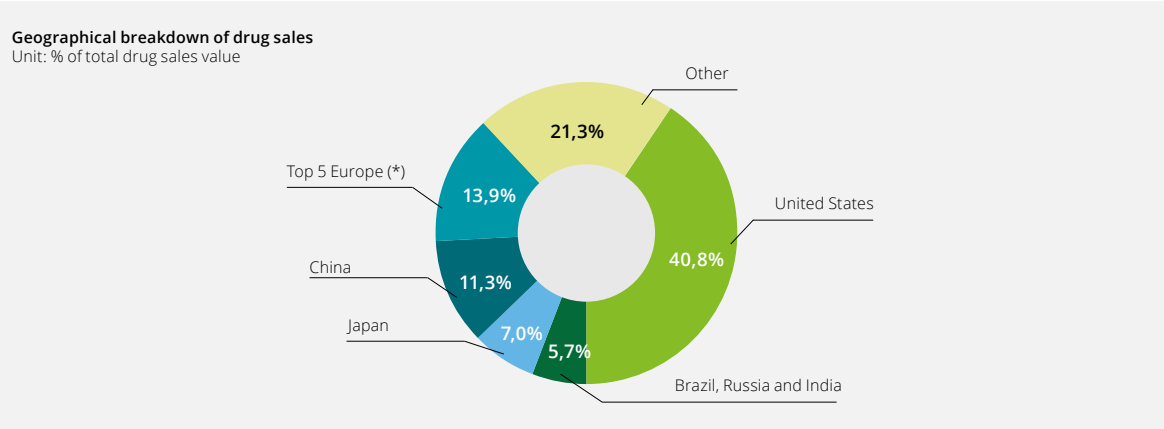
Employment protection for all workers in Morocco should support the development of this sector, which depends on public health policies and payment of the costs of treatment by the community. This is also a sector that requires major investment in human capital. It should be noted that a framework agreement on the creation of a vocational training institute for pharmaceutical industry professions was signed on April 16, 2021 in Casablanca.



Data: Observatory of Economic Complexity, Harvard Dataverse, COMTRADE. Analysis and visualization: Alexander Kateb

The prospects of exporting and co-manufacturing generic and biosimilar drugs, particularly for the African market with regard to the deployment of AfCFTA (African Continental Free Trade Area), could support the development of this sector. While Africa's share of pharmaceutical production and consumption remains limited – **Africa produces less than 3% of the drugs it consumes!** - demographic growth, urbanization, and rising living standards should ensure strong growth in the African market in the coming decades. This is especially true as **the pandemic crisis has revealed the importance of allocating more resources to public health and health security.** In addition, urbanization and changing ways of life (sedentary lifestyle, a diet richer in carbohydrates and lipids) result in a higher prevalence of chronic diseases such as diabetes, hypertension and cardiovascular disorders.

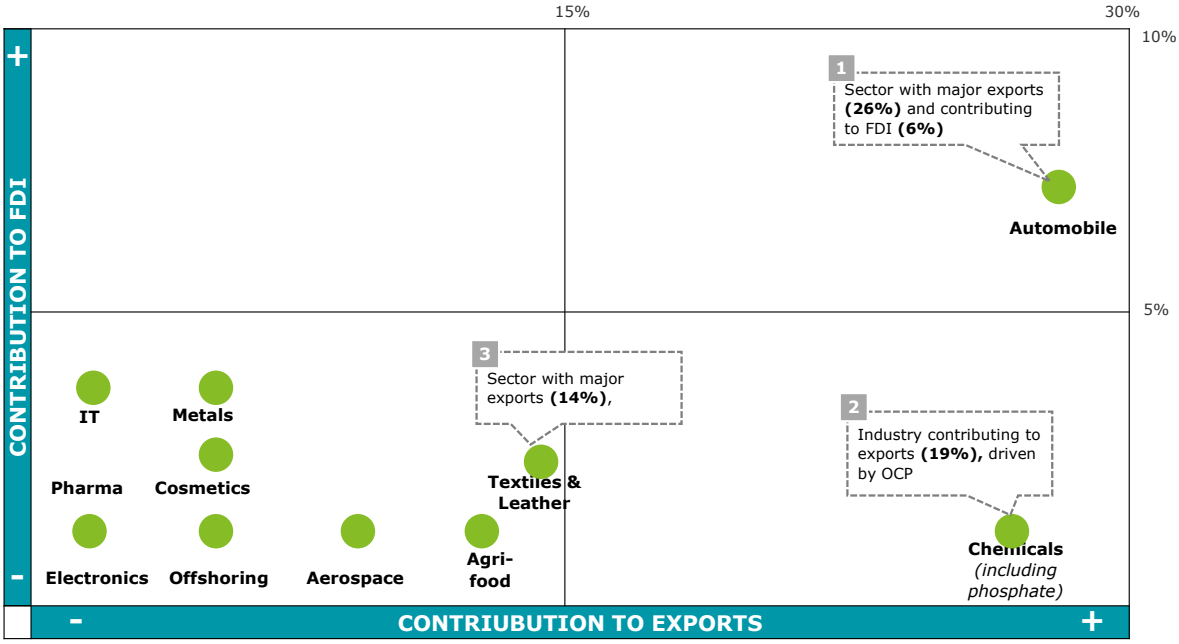




(*) Germany, France, Italy and Spain /Xerfi treatment / Source: IQVIA, 2019 data

II.2.2 Flash review of sector opportunities in the new post-COVID world

A "flash" review identified the relative weight of 11 iconic sectors in Moroccan FDIs and exports. The top exporting sectors are automotive, chemicals (phosphates and by-products), textile goods and agri-food. The automotive sector has received a predominant share of FDIs over the past decade. This mapping of the relative contributions and weights of each sector in the dynamics of export, job creation and investment could change significantly in the coming years.



**Metals, IT, Textiles, Agri-food, aerospace, electronics and offshoring each represent less than 1% of FDI*

By comparing this data with economic complexity analyses, it is possible to identify two "multi-sector clusters" that have significant growth potential in the coming years:

1. **Emerging export champions: Specialty chemicals (pharmaceuticals, lacquers and paints, perfumes and cosmetics), electronic goods and components (integrated circuits, electronic devices), textiles (synthetic fibers)**

2. **Import replacement champions:** Clothing and furnishings, personal care products, metal goods, mechanical parts (plumbing, hardware, etc.).

II.2.3. Innovation and anticipation

From technological innovation to organizational innovation

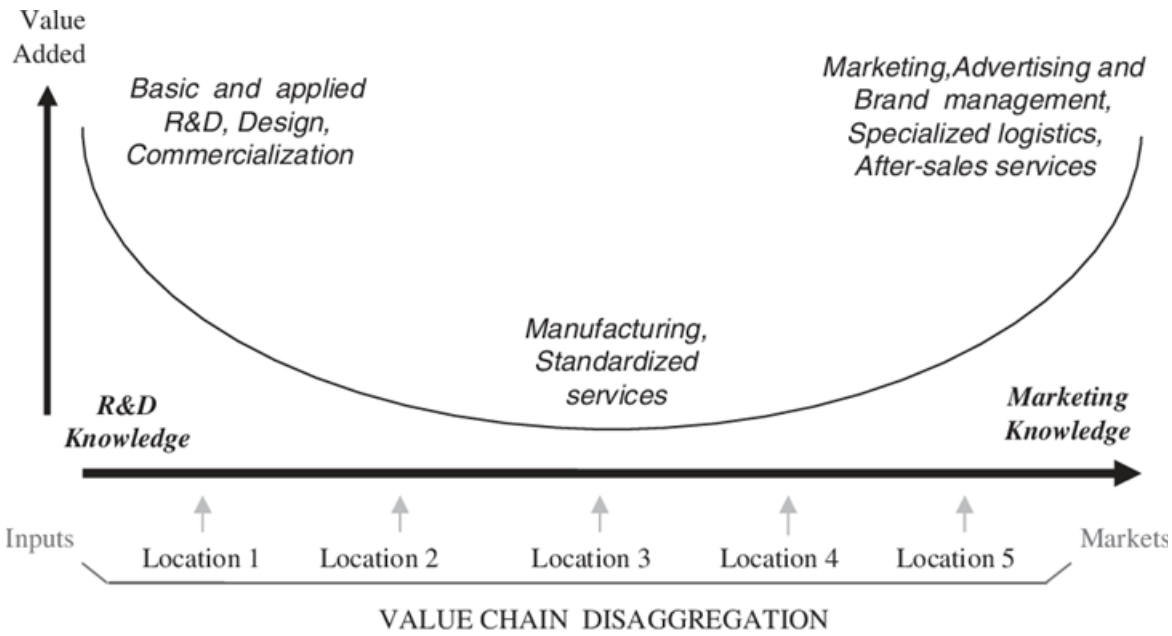
Automation and robotization are initially factors that encourage the relocation of production chains and could accelerate deglobalization, reducing the comparative advantage of lower labor costs. Nevertheless, studies of global value chains and the location of productive investment have shown that the positive externalities between firms, linked to the **"cluster effect"** (Marshall, Baumol, etc.) and the resulting productivity gains at sector level were considerable, if not greater, than the intra-firm "productivity shocks" arising from investment in robotization and production process automation.

In any case, innovation focuses as much on production organizational methods as on the actual technologies.

Therefore, to stay competitive, production facilities must be upgraded and agile organizational and production methods adopted, such as the RenDanHeYi method developed by the Chinese group Haier .

Development of human capital and integration of services with industrial added value

As we have pointed out, industry tends to outsource services to companies. In the era of Internet of things (IOT), Artificial Intelligence and Big Data, the added value generated by manufacturing is, strictly speaking, only a fraction of the cost structure for a manufactured good, as illustrated by the value creation "smiling curve".



Source: Mudambi R. (2007), "Offshoring: economic geography and the multinational firm. Journal of International Business Studies, 38(1): 206.

Value creation resources are still relatively untapped in Morocco. The supply of available skills is set to expand and upscale with the increase in the country's human capital resources through planned investments in the education sector and the rise in the number of graduates in secondary and higher education. In this context, the development of business services such as finance, IT services, marketing, and logistics provides opportunities to enhance the perceived value of the "Morocco offer" and promote the upscaling of "Made in Morocco."

Offshoring : The Morocco offer is in continuous development

Morocco has become the leading offshoring destination in Africa, thanks to its government's proactive policy and the launch of industrial recovery projects.

The Kingdom has comparative advantages enabling it to attract foreign investment in this sector: a diversity of services (CRM, BPO, ITO, ESO, KPO); a young and skilled French-speaking workforce; infrastructures developed to international standards (Casanearshore, being North Africa's largest business park); experience of international companies (Capgemini, Ubisoft, IBM, etc.); and the geographical and cultural proximity of contractors.

The health crisis has therefore opened up new opportunities for the sector: the relocation of Backshoring and Nearshoring by European firms (previously based in Asia), particularly in the banking sector; the rise of outsourcing due to the crisis and the need for cost reduction; expansion of offshoring with the new remote working methods; and the development of automation/robotization, which are the new future trends to which Morocco will have to adapt its offer.

Morocco, the new continental financial hub

Morocco has set its sights on becoming the leading continental and regional financial and economic hub by offering the full range of services that can entice local and international companies to finance and invest.

The creation in 2010 of Casablanca Finance City (CFC) initiated this process by introducing tax benefits and a favorable business environment, which helped attract a strong community of multinationals and financial firms (+200).

To further and accelerate this momentum, extensive reforms were launched in parallel to stimulate capital markets and diversify financing mechanisms and systems. These reforms will eventually increase market capitalization and liquidity, diversify issuers, and accelerate the creation of a futures market, especially for commodities.

Support for industrial investment

The Ministry of Industry, Trade and the Green and Digital Economy is continuing its efforts to strengthen the industrial base and support investors. For example, the Industrial Development and Investment Fund provides grants for up to 30% of the amount invested. There are other mechanisms to provide financial support to industrial investors, such as the Investment Promotion Fund, the Hassan II Fund for Economic and Social Development and support programs for SMEs.

The Ministry also launched a bank of industrial investment projects to support Moroccan and foreign investors. As of June 1, 2021, less than a year after the program was launched, a total of 523 industrial investment projects were validated, representing an import replacement potential of MAD35.5 billion and an export potential of MAD50 billion, i.e. an overall trade balance impact estimated at more than MAD85 billion.

The 2020 Finance Act also introduced a new tax regime for industrial acceleration zones. New businesses established in these zones will be subject to a corporate income tax rate of 15%, with no distinction between local and export revenue. These businesses remain fully exempt from corporate income tax for 5 years following the start of their operations.

Employability and professional training

Under royal directives, the OFPPT (Office of Vocational Training and Labor Promotion) launched a major project to promote vocational training. It involves the creation of 12 vocational training clusters (cités des métiers et des compétences) by 2023-2024 with a budget of around MAD3.4 billion. These clusters aim to guarantee a training offer adapted to the current and projected specificities of Morocco's different regions.

In addition, the Millennium Challenge Account-Morocco Agency (MCA-Morocco) has set up the 'Charaka' fund to develop a vocational training offer focused on employer needs. This scheme has been set up to finance projects for the creation or extension of vocational training centers managed under public-private partnerships (PPP). The 'Charaka' initiative also plans to shift existing public vocational training centers from a traditional public-sector-driven management model to one driven by private-sector demand.

The Ministry of Economy and Finance has reported that 6 vocational training centers supported by the 'Charaka' Fund are now under construction.

Logistics in Morocco: A strategic sector starting to take off

In 2010, a State-CGEM (General Confederation of Moroccan Companies) Program Contract was adopted to support and guide the development of the country's logistical competitiveness. As part of the roll-out of the national logistics strategy, the Ministry of Equipment, through the Moroccan Agency for the Development of Logistics , launched several projects, including: updating of the logistics hub master plans for twelve regions in Morocco, discussions on the definition of an institutional framework for the development and management of transport center projects and creation of a logistics hub development and management company.

- The development of the logistics infrastructure is a strategic lever to support the country's growth and satisfy the needs of industry which is undergoing strong growth. The progress of this project depends, however, on the following variables:
- Regulation through the structuring of the logistics and transport market and the gradual reduction of the informal sector as well as the alignment between the logistics master plan and town planning and land development guidelines;
- Efficient allocation of financial resources for all project stakeholders: Ministry of Equipment, Moroccan Agency for the Development of Logistics, users and other stakeholders. With major investments, it is essential to optimize the number of projects, and make gradual progress based on requests identified by feasibility studies;
- Necessary support for stakeholders that is not limited to the use of land. Stakeholders also expect support to obtain specific authorizations (bonded warehouses) or other electronic administrative services within the future logistics infrastructures.

Conclusion

All of the items analyzed in drafting this Policy Paper highlight three key factors that characterize Morocco's initiatives over the past 500 days.
Firstly, with regard to the tactical strategy of containing the effects of the pandemic, the Kingdom has adopted the "principle of maximum precaution," establishing one of the world's longest strict lockdowns, closing its borders and, despite the prevalence of the informal sector, setting up an unprecedented social safety net to distribute aid directly to the Moroccan people. Morocco implemented a multidimensional response involving the combination of different levels of responsibility, dialog between different types of actors and the interlinking of different timeframes.

In macro-economic terms, the Kingdom mobilized all the external financing instruments at its disposal to respond to external shocks and contribute to the balance-of-payments.

In addition to drawdowns on the precautionary and liquidity line made available to Morocco by the IMF, issuances of treasury bonds and loans secured with multinational institutions - African Development Bank , World Bank and Arab Monetary Fund - absorbed the impact of the fall in foreign currencies due to the decline in goods export earnings (-7.5%), and the slump in tourist revenue (-54%) in a context where imports also contracted sharply, mainly due to the fall in oil prices.
Secondly, and almost paradoxically, the COVID-19 crisis probably helped accelerate certain long-standing and administratively slow corrective reforms that structurally hindered Doing Business in Morocco, although this has greatly improved over the past decade. It has led to the creation of a public-private "accountability pact," coordinated by the Finance Ministry, that relies heavily on a well-reasoned monetary stimulus.

The "Pact for Economic Recovery and Employment" plans to inject MAD120 billion into the economy, including MAD75 billion in the form of State-guaranteed loans, based on a guarantee mechanism managed by CCG with funds distributed to private and State-owned companies and MAD45 billion allocated to the Mohammed VI Investment Fund, provided by the State, institutional investors, and international financial institutions.

Finally, the pandemic also paved the way for structural reforms, under the royal impetus ahead of the submission of the results of the Special Commission for the New Development Model, but without undermining them. Three key priorities form the backbone of this new reform strategy : A new social contract underpinned by the universalization of social protection, digitalization as a response to the crisis and catalyst for post-crisis transformation, and a shock of simplification and modernization of the State.

Therefore, based on this solidarity-digitalization-simplification strategy, Morocco aims to intersect with economic dynamics when regional and global economic recovery is confirmed, by relying on Africa's largest vaccination campaign, which will enable the Kingdom to vaccinate (2 doses) around ten million people in early July 2021.

Morocco now needs to add vital justice and education reform projects to those already underway so that it can go a step further and move from being a "champion of resilience" to a new regional economic power.

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Appendices

Top 20 products most exported by Morocco in 2000 and 2019

Morocco: Top 20 Exports in 2000 (in Millions USD)

product	value
Articles of apparel, accessories, not knit or crochet	1666.2
Fish, crustaceans, molluscs, aquatic invertebrates ne	766.2
Electrical, electronic equipment	760.8
Articles of apparel, accessories, knit or crochet	710.9
Inorganic chemicals, precious metal compound, isotope	507.7
Salt, sulphur, earth, stone, plaster, lime and cement	435.7
Fertilizers	323.3
Mineral fuels, oils, distillation products, etc	271.8
Edible fruit, nuts, peel of citrus fruit, melons	246.6
Meat, fish and seafood food preparations nes	202.1
Edible vegetables and certain roots and tubers	162.9
Footwear, gaiters and the like, parts thereof	148.7
Vegetable, fruit, nut, etc food preparations	110.1
Ores, slag and ash	75.6
Pulp of wood, fibrous cellulosic material, waste etc	58.9
Pearls, precious stones, metals, coins, etc	48.5
Raw hides and skins (other than furskins) and leather	47.5
Iron and steel	47
Optical, photo, technical, medical, etc apparatus	46.5
Articles of leather, animal gut, harness, travel good	40.4

Morocco: Top 20 Exports in 2019 (in Millions USD)

product	value
Electrical, electronic equipment	5298.3
Vehicles other than railway, tramway	3826.2
Fertilizers	2913.9
Articles of apparel, accessories, not knit or crochet	2423.4
Inorganic chemicals, precious metal compound, isotope	1433
Edible vegetables and certain roots and tubers	1350.6
Edible fruit, nuts, peel of citrus fruit, melons	1342.6
Meat, fish and seafood food preparations nes	1254.6
Salt, sulphur, earth, stone, plaster, lime and cement	1004
Aircraft, spacecraft, and parts thereof	863.4
Articles of apparel, accessories, knit or crochet	779.7
Fish, crustaceans, molluscs, aquatic invertebrates ne	778.1
Nuclear reactors, boilers, machinery, etc	464.7
Mineral fuels, oils, distillation products, etc	446.3
Furniture, lighting, signs, prefabricated buildings	408.2
Footwear, gaiters and the like, parts thereof	300.1
Other made textile articles, sets, worn clothing etc	278.3
Ores, slag and ash	258.9
Plastics and articles thereof	241.9
Vegetable, fruit, nut, etc food preparations	238

Source : données COMTRADE/WTO

Morocco: potential for export diversification

	Complexity Ranking (HS92, 2digits)			
Product	**Section**	**Proximity**	**Complexity (PCI)**	**Outlook (COG)**
Apparel, knit	Textiles	8.8	0.5	0.0
Apparel, not knit	Textiles	8.7	0.5	0.0
ICT	Services	8.3	0.1	0.0
Transport	Services	7.8	0.1	0.0
Other made up textile articles	Textiles	7.3	0.4	0.0
Footwear	Textiles	7.0	0.8	0.0
Fertilisers	Chemicals	6.8	0.2	0.0
Inorganic chemicals	Chemicals	6.7	0.3	0.0
Travel and tourism	Services	6.6	0.2	0.0
Soaps, waxes, and paints	Chemicals	6.4	0.5	1.0
Articles of stone, plaster, cement, etc.	Stone	6.3	0.9	1.1
Glass and glassware	Stone	6.1	1.0	1.3
Explosives	Chemicals	6.0	0.6	0.8
Plastics	Chemicals	6.0	0.7	1.3
Furniture	Textiles	5.8	1.1	1.0
Wadding, felt and nonwovens	Textiles	5.7	0.5	1.1
Rubber	Chemicals	5.4	0.7	1.2
Precious metals and stones	Stone	5.4	0.0	0.4
Cotton	Textiles	5.4	0.2	0.6
Vehicles	Vehicles	5.3	1.1	0.0
Man-made staple fibres	Textiles	5.0	1.9	1.4
Wool	Textiles	4.9	0.7	0.8
Essential oils	Chemicals	4.9	0.6	1.0
Carpets	Textiles	4.9	1.4	0.9
Electrical machinery and equipment	Electronics	4.5	1.0	0.0
Dyes, paints, inks, etc.	Chemicals	4.5	1.3	1.2
Special woven fabrics	Textiles	4.4	1.3	1.2
Headgear	Textiles	4.2	1.3	0.9
Ships	Vehicles	4.2	0.1	0.6
Insurance and finance	Services	4.1	18.6	1.0
Ceramic products	Stone	4.1	2.0	1.1
Trains	Vehicles	4.0	0.6	1.0
Miscellaneous manufactured articles	Machinery	4.0	1.4	1.1
Other vegetable textile fibres	Textiles	3.9	1.4	1.0
Aircraft	Vehicles	3.8	0.9	0.0
Miscellaneous chemical products	Chemicals	3.8	1.0	1.2
Pharmaceutical products	Chemicals	3.5	1.1	1.1
Apparatuses (optical, medical, etc.)	Machinery	3.5	0.7	1.1
Man-made filaments	Textiles	3.4	1.4	1.2
Toys	Machinery	3.3	1.1	1.0
Impregnated, coated or laminated textile fabrics	Textiles	3.2	2.6	1.5
Feathers and down	Textiles	3.1	0.8	0.6
Albuminoidals; modified starches; glues; enzymes	Chemicals	3.1	1.7	1.5
Knitted fabrics	Textiles	3.1	1.8	1.1
Arms and ammunition	Machinery	3.0	1.1	1.0
Industrial Machinery	Machinery	2.9	1.2	1.2
Musical instruments	Machinery	2.8	1.9	1.4
Clocks	Machinery	2.8	1.0	0.8
Art	Textiles	2.7	0.3	0.5
Silk	Textiles	2.3	1.5	0.8
Organic chemicals	Chemicals	1.9	0.2	1.1
Umbrellas and walking-sticks	Textiles	1.7	3.8	0.8
Photographic or cinematographic goods	Chemicals	0.9	7.5	2.2

Source: COMTRADE and Harvard Dataverse data. Calculations by Alexandre Kateb based on the methodology of the Observatory of Economic Complexity.

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