



**Kingdom of Morocco**  
**Audit Court**

**Statement by the First President of the Audit Court to the  
Parliament on the activities of the Public Finance Courts**

*October 23, 2018*

**Praise to God alone,**

**Mr. President of the House of Representatives, Mr. President of the House of Councillors, Distinguished Representatives and Councilmen,**

I'm honored to present to your honorable Assembly the outline of the activities of the Audit Court and its Regional Audit Courts, in compliance with article 148 of the Moroccan Constitution.

This presentation, which is the fifth of its kind that I have the honor to present to you, is part of the principle of complementarity between the constitutional institutions established by the Kingdom's Constitution, thus allowing the Supreme Audit Institution to share with you its vision on the management of the public finances by the executive branch. It is also part of the mission of the legislature to fully play its constitutional role in the accountability, evaluation and supervision of government action, which would contribute to enriching the democratic process of our country, through debate and investigation about the efficient implementation of public policies and their evaluation as well as the observation of deficiencies that could tarnish them.

In this context, the Public Finance Courts ensure the exercise of all the powers conferred on them by the Constitution and the law. These powers, which are numerous and diversified, concern jurisdictional competencies in the auditing of public bodies' accounts which could lead to the sanctioning of irregularities found in the exercise of financial operations. They also highlight the non-jurisdictional competencies that focus on ensuring that the execution of public budgets is carried out in accordance with the requirements of efficiency, effectiveness and economy and achieves the objectives of the programs and public policies.

**Ladies and gentlemen, Honorable Representatives and Councillors,**

The Audit Court has released its annual report for the financial years 2016 and 2017, after I had the honor to present it before His Majesty the King, may God assist him, and after presenting it to The Head of the Government and the Presidents of the two Houses of the Parliament.

Without an inventory of various works of financial jurisdictions, the annual report was published and placed on the website of the Court given that the paper version was spread in Parliament and other versions that can be made on demand. Regarding the assessment of the Audit Court for the financial years 2016 and 2017, the Court has made a total of thirty-two (32) audit missions of the management of public bodies, public programs and the evaluation of use of public funds. In addition, the Chambers of the Court delivered 588 judgments on the accounts auditing and judging and 60 judgments on budgetary and financial discipline. Similarly, the Attorney General at the Audit Court has submitted four (04) cases to the Minister of Justice for facts that may justify criminal sanctions.

In terms of the main achievements of the Regional Audit Courts, they carried out one hundred and twenty-eight (128) missions to audit the management of certain local authorities and local public bodies, as well as certain delegated management companies. They also rendered two thousand eighty-nine (2,089) final judgments in the field of audit and judgment and one hundred and fifty-five (155) judgments on budgetary and financial discipline.

Similarly, the Public Finance Courts continued to receive the mandatory asset declarations, which in 2016 and 2017 amounted to a total of 67,552 declarations of which 61,396 were received by the Regional Audit Courts, thus reaching a total of 222,026 declarations received since 2010.

**Ladies and Gentlemen, Honorable Representatives and Councillors,**

In the framework of the constitutional mission entrusted to the Audit Court by the legislator pursuant to Article 148 of the Constitution relating to the assistance provided to Parliament, and in accordance with the provisions of the Constitution and Article 66 of the Organic Law on the Finance Act, the Audit Court prepared and submitted to Parliament, on 25 July 2018, the report on the implementation of the Finance Act for the financial year 2016 and the general declaration of conformity of the accounts of the public accountants to the general account of the Kingdom for the same financial year.

In this regard, the Court wishes to point out that the Government acted in strict compliance with the deadlines prescribed by the Organic Finance Act, since the draft settlement law for the year 2016 was submitted without delay.

While noting the improvement in the timeliness of transmission of the Settlement Bill by the Ministry of Economy and Finance, the Court hopes that this report, together with the documents annexed to it, will pave the way to a concrete and fruitful dialogue with the Government on the various issues of public finances and on the possible solutions to overcome them, within a reasonable time.

**Ladies and Gentlemen, Honorable Representatives and Councilors,**

By virtue of the provisions of Article 147 of the Constitution, which provides that the Audit Court of is responsible for carrying out the supreme audit over the execution of finance laws, allow me to focus on certain essential aspects which have marked **the evolution of public finances in 2017.**

In 2017, the national economy recorded a growth rate of 4.1% compared with 1.1% in the year before, thanks to the substantial increase in agricultural value added and relative improvement in most non-agricultural activities.

On the basis of data provided by the Ministry of Economy and Finance, the implementation of the State budget shows a deficit of 37.8 billion Dirhams, or 3.5% of the total GDP, against 3% provided in the finance bill.

The origin of this deficit can be apprehended through the following elements:

**Regarding the revenues:**

The ordinary revenues reached MAD 229.89 billion in 2017, excluding transfers of tax revenue to local authorities, and an improvement of MAD 11.4 billion compared to 2016, following the mainly increase in tax revenue including the Corporate Tax (plus 7 billion DH), VAT (plus 4 billion DH), and the Domestic Tax on Consumption (plus 1.2 billion DH).

On the other hand, foreign grant income, mainly from the Gulf Cooperation Council countries, reached 9.5 billion DH, or more than 1.5 billion DH in comparison with 2016.

The monopoly revenues from public institutions and companies and state holdings did not exceed the 8 billion DH.

**Regarding ordinary expenses:**

These totaled 205 billion DH, excluding transfers to local authorities, an increase of 2.6 billion DH compared to 2016, following the increase in equipment and services expenses of 1.8 billion DH., and compensation charges of 1.2 billion DH.

Regarding **personnel costs**, their evolution seems almost stable at around 104 billion DH. However, they do not take into account the

salaries of teachers recruited on the basis of contracts by the Regional Academies of Education and Training, amounting to 3.6 billion DH in 2017. Also, they do not include 5 employer-state contributions for pension plans and medical coverage; they also do not include certain pensions charged against common expenses, the share of wages in transfers from the State budget to public administrative and social establishments, and the allowances of staff of certain ministerial departments, charged as expenses of certain special accounts of the Treasury. Taking into account these data, the total actual expenditure of the personnel reaches 136 billion DH, i.e. 12.7% of the GDP instead of 9.7%.

The Court notes that the ordinary income and expenditures do not take into account the transfers to local authorities, since part of the State's tax resources are intended by law for these communities. For instance, in 2017, the resources from VAT registered an overall amount of 81.26 billion DH, of which 24.39 billion DH went to municipalities.

Regarding the **Corporate Tax**, its revenues totaled 51.51 billion DH, at the time the Income Tax generated 40.52 billion DH. Of these last two taxes, the deductions made for the benefit of the regions amounted to 2.77 billion DH. From the foregoing, it appears that the fiscal transfers, in respect of the main state taxes that have benefited local authorities reached, in 2017, nearly 27.15 billion DH.

For this purpose and in order to have accurate and complete data, the Court recommends presenting the full amount recovered for each tax, including the sums deducted under the law for the benefit of local authorities. This is also the case for tax transfers to certain special accounts of the Treasury, for example, the "Special Road Fund" and the "Support Fund for the prices of certain food products", in order to comply with the principle of full recovery of products, without any

contraction between revenue and expenditure, as provided for in Article 8 of the Organic Finance Act.

In terms **of investment**, the volume of public investments amounted to 188.3 billion DH in 2017, of which MAD 66.8 billion was made by the state, 106 billion DH by public institutions and corporations, and 15.5 billion DH by local authorities.

The Audit Court underlines, to this end, the efforts deployed by the State, in all its components, since the year 2000, within the framework of a development model based essentially on public investment and which has allowed a significant increase in the level of infrastructure and basic equipment in the country.

On the other hand, the Court invites the Government to undertake a total overhaul of public investment to review priorities and give greater emphasis to the criteria of efficiency, profitability and good governance, contributing to balanced, equitable and income-generating development. and employment. This recommendation is in line with the High Directions of His Majesty the King, may God glorify Him, aiming at the adoption of a new model of development "**able to reduce existing social disparities and inequalities, to establish social justice**", by ensuring that it has effective mechanisms for its implementation at the local and regional levels. To do this, His Majesty set a deadline of three months for the submission of the relevant contributions and studies and decided to entrust an ad-hoc commission with the responsibility of collecting them.

In the same vein of spending on social issues, His Majesty the King again emphasized in his speech on the 19th anniversary of the Throne Day, on July 28, 2018, the extent of the shortcomings in the social field, while noting the multiplicity of social assistance programs and the dedicated financial resources managed by a multitude of public bodies, "**without responding effectively to the needs of the citizen**".

Furthermore, **"these programs overlap with one another, fail by lack of coherence and failed to target the categories that are actually eligible"**.

In this regard, the Court notes that the State is making considerable efforts to mobilize the necessary financing to cover social expenditure, either through the budgets of several ministerial departments or through special accounts of the Treasury or through various dedicated social programs, for example:

- The National Human Development Initiative,
- Commodity subsidies, through the Welfare office,
- Programs imputed to the Social Cohesion Fund, mainly the Medical Assistance Plan (RAMED) and the social support programs for schooling,
- The aid granted to the Family Mutual Aid Fund,
- Actions of the Solidarity Fund for Housing and Urban Integration,
- Infrastructure programs dedicated to the rural areas,
- Expenditures financed by the special accounts of the Treasury through the:
  - Rural and mountain areas development;
  - Agricultural development;
  - Financing of capital expenditure and the fight against unemployment, that is to say the expenses of the national advancement;
  - Improvement of youth employment;
  - Fight against the effects of drought and natural disasters.



- Added to this are the programs of the National Mutual Aid and the Agency for Social Development.

However, despite the State's financial effort in the social field and the multiplicity of programs and public bodies responsible for their implementation, our country has not yet managed to reduce disparities, poverty, and the precariousness of the population in several areas and regions of the Kingdom.

This being the case, and in close symbiosis with the High Royal Guidelines in the social field, the time has come to put an end to this situation of dispersion in the allocation of public resources to the social sectors, between the different plans, programs and organizations, without ensuring the direct impact on the social conditions of the population.

As a result, the current situation requires, more than ever, a global mobilization and a sound management of these resources, within the framework of an approach aimed at the appropriate targeting of the population and the zones concerned and the prioritization of the programs of social support that have demonstrated, through past experiences, their effectiveness nationally and internationally.

These are measures aimed at supporting schooling, medical assistance and social protection, support for the purchasing power of needy social groups, and therefore the fight against poverty and precariousness in the poor, based on simplified access procedures, on objective and precise eligibility criteria, and on the principles of merit, equal opportunity, and evaluation of the direct impact on the improvement of the conditions and life of the taxpayers.

In this regard, we hope that every effort can be made to implement the Royal Initiative announced in the last Speech of the Throne Day to create the "Unified Social Register" as the national system for identifying families to benefit from social support programs, through

the use of new technologies, to improve the performance of social programs in the short and medium term.

**Ladies and gentlemen, Honorable Representatives and Councillors,**

On another level, the Court notes that the Treasury debt has risen from 657 billion DH at the end of 2016 to 692 billion DH at the end of 2017, thus recording an additional debt of around 35 billion DH, ie more than 5%.

Similarly, the indebtedness of public institutions and corporates consisting of domestic and foreign debt, with its two components, that guaranteed by the State and the unsecured, continued to increase from 261.2 billion dirhams at the end of 2016, 277.7 billion DH in 2017, an increase of 6.3%. The outer component of this debt represents a significant share of the overall amount, having reached 178.3 billion DH in 2017, or 53.9% of the external public debt.

On the basis of these data, the overall volume of public sector debt increased from 918.2 billion DH in 2016 to 970 billion DH at the end of 2017, an increase of 51.8 billion DH in a single year. from 90.6% to 91.2% of GDP.

Similarly, the Treasury debt service, consisting of the principal of the loan, interest and commissions, reached, in 2017, 127.8 billion DH or 11.9% of GDP, continuing its gradual decline after experiencing a peak, in 2013, up to 150 billion DH, or 16.7% of GDP. This improvement is mainly due to the treatment and lengthening of loan delays as well as to the fall in the weighted average rate of debt which, during the 2013-2016 period, increased from 4.50% to 2.82%.

While the cost of the public debt has somewhat improved over the last four years, the debt volume has, on the other hand, continued its upward trend over the period 2010 to 2017, so that the Treasury debt has increased. from 384.6 billion DH to 692.3 billion DH. As for the public

debt, it went from 534.1 billion DH to 970 billion DH, an additional charge of 435.9 billion DH. Public debt continued on this upward trajectory, despite a generally favorable economic situation, marked by the increase in external aid and the fall in the prices of certain commodities on the international markets, as well as the decline in welfare expenditures, whose share in ordinary expenditure declined from 25.4% in 2012 to 5.5% at the end of 2017.

The deterioration of the Treasury's debt, through the increase in the deficit and the use of loans, undermines the Government's objective of reducing the level of debt to 60% of GDP at the end of the year 2021, which will be difficult to achieve.

In this regard, the Court invites the Government to take bold steps to reduce the Treasury deficit, through the broadening of the tax base, the control of expenditure and the development of an economic environment capable of accelerating the pace of growth to reduce debt and ensure the ability to meet the debt burden in the medium and long terms.

In relation to the volume of indebtedness, it should be pointed out that the Treasury debt does not take into account **the amounts owed by the State to companies, as a result of the VAT credit** which accumulated, reaching high levels at the end of 2017, with a total of 32.2 billion DH, plus 4 billion DH, out of a total of 5 billion DH, remaining due by the Treasury following the agreement signed in 2015 with ONEE and ONCF, also involving the banking sector, and by the end of 2017, with the RAM.

In connection with the tax refunds due to the private sector, the Court notes the State's effort to deal with the 14 billion DH debt for VAT and IS, as part of an agreement concluded on this subject with the Professional Group of Banks of Morocco.

On the basis of the aforementioned data, the Audit Court notes that the tax liabilities accumulated by the State vis-à-vis the private and public sectors reached an overall volume of 50 billion DH, at the end of 2017, ie 4.7% of GDP.

In perfect harmony with the high directions of His Majesty The King, in the speech of August 20, 2018, inviting the administrations and public bodies to make the payments due to the companies and to respect their commitments on this subject and following the High Royal instructions, during the Council of Ministers of 10 October, the Audit Court notes the Government's commitment to implement operational measures for the settlement of VAT debts for private and public sector companies, through a partnership with the banking sector, knowing that the financial impact of this operation on the state budget will be spread over the next ten years.

The Court also notes the Government's initiative to support certain public institutions and enterprises so that they can honor their commitments and meet their accumulated debts and arrears, particularly those facing financial difficulties.

With regard to the external trade situation, the trade balance deficit increased from 184.9 billion DH in 2016 to 188.7 billion DH in 2017, a difference of 3.8 billion DH, due to higher imports of 26.6 billion DH, mainly because of the increase in energy prices; while exports recorded an increase of 22.8 billion DH.

In this regard, the Court notes the continuous improvement of the export which achieved in 2017 a record figure reaching 248.5 billion DH, an increase of 10.1%. This improvement comes mainly from the sales of phosphates and its derivatives, which increased by 4.6 billion DH or 11.1%, as the good performance of the automotive sector increased by 4.1 billion DH or 7.5%, of the sectors relating to

Morocco's global businesses, in particular the aerospace and electronics industries, as well as the agricultural and food industries.

At the level of the **external accounts**, the Court notes the improvement in the balance of the current account of the balance of payments, whose deficit went from 42.7 billion DH, or 4.2% of GDP in 2016, to 38 billion DH, equivalent to 3.6% of GDP in 2017 against the record level of 10% of GDP recorded in 2012.

The improvement noted in the last two years is due, mainly, to the increase in exports, in travel revenues, from 64 billion DH to 71 billion DH, and to transfers from Moroccans living abroad who have evolved from 62.5 billion DH to 66 billion DH. Foreign direct investment revenues, for their part, almost stabilized at 34.5 billion DH in 2017, compared to 35.3 billion DH in 2016. On the other hand, they registered a decrease compared to 2015 during which they had reached 39.9 billion DH.

With regard to foreign exchange reserves, they reached, at the end of 2017, an amount of 240.9 billion DH, the equivalent of six months of imports, against 249.2 billion DH in 2016, recording a decrease of 3,3%.

With a view to improving the situation of the external accounts of our country, and taking into account the significant financial means dedicated for years to sectoral strategies (Green Morocco Plan, Halieutis Plan, Industrial Acceleration Plan ...), and while noting the results in a number of sectors, the Court calls on the government to mobilize more effort to take advantage of the opportunities offered by Morocco's opening up to world markets, essentially through diversification and quality improvement of the exportable supply, the strengthening of industrial integration rates, as well as the increase in local value added, while giving a special interest to regional development.

Given the fact that SMEs constitute 95% of the corporate fabric of in our country and, in view of the challenges they address and which have a negative impact on their activities and investments, the Court calls for the strengthening of the incentive measures aimed at SMEs, through the revision of the legal and institutional arsenal that frames investment in our country and in particular the acceleration of the adoption process of the new investment charter.

Similarly, a comprehensive plan, in partnership with the economic and social operators, should be set up to support these SMEs to restructure them, address their difficulties, provide them with advice, assistance and incentives, in order to strengthen their competitiveness and direct them to external markets through the expansion of the exportable supply and support through appropriate bank financing mechanisms.

In this sense, the reforms relating to the advanced regionalization and that of the regional investment centers as well as the administrative decentralization that accompanies them, constitute promising projects that should be exploited to further strengthen SMEs by making them a real lever of regional development.

**Ladies and gentlemen, Honorable Representatives and Councillors,**

Similarly to my previous presentations, I would like to go back, again, to the situation of the **Moroccan Pension Fund**, given the high risk that the indicators of this institution's deficit have on the balance of finances, despite the importance of the reform undertaken by the Government, which came into effect in October 2016.

In this respect, the indicators of the sustainability of the civil pension system for 2017 continued to deteriorate, since the number of assets rose to 2.12 for each retiree in 2017 against 2.24 in 2016. The number of the pensioners rose to 358,000 in 2017 from 337,000 in 2016.

The contributions recovered in 2017 reached 18.6 billion DH for a total of paid pensions of 24.2 billion DH, thus implying a technical deficit of 5.6 billion DH in 2017, against a deficit of 4.76 billion DH in 2016.

In addition, all actuarial projections indicate that the increase in the system's liabilities to pensioners, including those who will subsequently benefit, will remain higher than that of its resources as a result of these factors. I would like to mention in particular the rate of promotion in the public service which leads to the almost automatic reclassification of a part of the civil servants into cadres. As a result, the proportion of executives among new retirees increased from 79.5% in 2016 to 88.6% in 2017, which is reflected in a sharp increase in the amount of pensions.

For instance, the average pension for all the members of the system reached, in 2017, an amount of 7 162 DH, at the moment when it reached, for officials who retired in 2017 alone, an amount of 10,126 DH, a difference of more than 41%.

At the same time, and despite the entry into force of the pension reform in October 2016, the reserves of the civil pension system continue to fall to 79.9 billion DH at the end of 2017, compared to 82.6 billion DH in 2016. This evolution will continue over the next few years to reach the total running down of reserves in 2027.

As I have pointed out on various occasions, the reform of the civil service pension system adopted by the Moroccan Pension Fund remains insufficient. It can only be a first step towards a comprehensive reform designed in the context of dialogue and consensus among the different partners, with the priority of creating a unified public-sector pole to lay the foundations for a pension system that fulfills the conditions of balance, sustainability and good governance.

**Ladies and gentlemen, Honorable Representatives and Councilmen,**

The audit missions recently carried out by the Audit Court of concerned certain large strategic public companies such as the Deposits and Management Fund (CDG).

CDG was created under Dahir No. 074-59-1 of February 10, 1959, as a public institution responsible for mobilizing savings resources, their protection and management and which require because of their nature and origin, special attention and follow-up. CDG is considered, in this regard, as the legal depository of the reserves of the National Social Security Fund (CNSS), the National Savings Bank (CEN), the National Pension and Insurance Fund (CNRA), and the Public System for Retirement Benefits (RCAR).

CDG is investing these reserves in long-term investment projects that contribute to economic and social development.

On this basis, CDG invested, over the period 2011-2017, a total of 63 billion DH in several areas. I would like to mention the financial sector, tourism, industrial development, support for certain external investments, participation in territorial development and urban renewal of certain cities, as well as other medium and long-term investments.

The audit mission of the CDG carried out by the Audit Court of gave rise to a number of observations and to the formulation of a series of recommendations which can be outlined as follows:

**First**, and with regard to **governance**, the legal and institutional framework governing the CDG should be reviewed by adopting best practices in the area of good governance, especially since the Fund is devoid of a deliberative body which is the Board of Directors. Thus, CDG does not have a Board of Directors with wide powers of supervision. Its governance is essentially based on the Supervisory Commission, whose responsibility is limited to an advisory role,



insofar as it has no prior control over the strategies of the General Management or the decisions concerning the activity of the CDG Group. Although the core scope and activities of the Group have broadly diversified, and despite the increasing number of its subsidiaries, the composition of the Supervisory Commission has not changed since the creation of the CDG in 1959.

It should be noted, in connection with governance mechanisms, that CDG has made some reforms, including the establishment of the Audit and Risks Committee in 2005, and the Investment and Strategy Committee in 2013, as well as the adoption in the same year of the pact on governance.

**Second**, with regard to **strategic management**, the Audit Court of recommends support for strategic choices through plans that are achievable within the set deadlines, as the monitoring mission has identified deficiencies, the most important of which concern the lack of assessment of the degree of achievement of the objectives set in the strategic plans and the weakness of the steering and coordination mechanisms despite the diversity of the investment sectors and the multiplicity of subsidiaries and sub-subsidiaries of the group.

Similarly, the Court noted the absence of a body to be entrusted with the fact-finding and decision-making missions prior to the adoption by the Supervisory Commission of the strategic choices of the subsidiaries, which should, in principle, be in line with the Group's strategic orientations.

**Third**, with regard to **the management of the Group's companies and holdings**, the Court recommends that the supervisory authority of CDG ensure that it respects the commitments made and the objectives for which the required authorizations are granted. The Court noted a number of anomalies in this regard, the most important of which are outlined as follows:

- The absence of a distinction between the activities of general interest and those involving competitive activities;
- The lack of consultation of the Supervisory Commission concerning the principles and rules of governance that must form the basis of the relationship between CDG and its subsidiaries as well as for its financial investments;
- The absence of a roadmap setting out the intervention model of the subsidiaries;
- The absence of a multi-year funding plan specifying the resources needed, the appropriate resources of funding and the modalities for mobilizing these resources

**Fourth**, and with regard to **the creation of subsidiaries**, the Court has noted the upward trajectory of these creations in recent years, since the number of subsidiaries went from 80 in 2007 to 146 subsidiaries in 2013, before stabilizing in the limit of 142 subsidiaries currently.

This expansion has had negative consequences, due to CDG's lack of focus on its core missions and core businesses, and its positioning in competitive sectors, mainly through subsidiaries that suffer from difficulties to realize a return on investment and to add value to the group. In this regard, it is noteworthy to mention, in particular, the subsidiaries operating in the tourism, social housing, territorial and local development sectors, services, as well as activities related to the timber industry.

Regarding tourism activities, the Court noted that CDG operated a certain number of hotel units in which it invested, knowing that the operation and management of hotels are businesses that are not part of its operations skills and hamper the optimal organization of its interventions in this sector.

The Court considers that it would be more appropriate for CDG to limit itself to its role as an investor which contributes to improving the level and quality of supply in a sector which is of vital importance to the national economy.

With regard to the housing sector, the Court noted the problems related to the implementation of the projects and the difficulties encountered for their commercialization due to their low competitiveness with the available offers, which forced the CDG to foresee funds, amounting to DH 1.9 billion to cover the probable risks for 2017. The Court therefore considers that the Fund should undertake the necessary studies concerning all possible solutions, including the review of the group's intervention in the social housing sector and the gradual withdrawal from the housing sector in general.

In the same vein, the Court noted that certain territorial development projects, to which the Fund is associated, face many challenges because of the lack of involvement of certain public operators to guarantee the success conditions of these projects.

By way of illustration, it is noteworthy to mention the great urban development project of the New City of Zenata, launched by His Majesty the King, May God assist Him, in 2006, as an ambitious, multidimensional project, designed according to international standards, based on an innovative approach to urban planning, and drawing on the best national and international experiences of sustainable development.

The realization of this project started on the basis of an assembly which entrusted to the CDG the role of the delegated project owner, while waiting to define the public authority which will assume the role of project owner. This has not been done to date, contrary to the provisions of the initial partnership agreement, relating to the project.

The Court considers that the realization of this promising development project, within the set deadlines and within the limit of the predefined costs, requires the intervention of the public authorities in order to define the roles devolved to the different stakeholders and to review the financing plan so as not a burden on the group's own funds and financial results in the medium and long terms.

In the same context, the Court recommends reviewing the position of the CDG in certain trades such as the service sector, the field of computer systems and software. The Court also emphasizes the restructuring of subsidiaries operating in certain sectors and the examination of the advisability of getting rid of some of them that are operating in competitive sectors and still having a negative impact on the group's financial results. In parallel, the CDG should, in accordance with its missions, focus on its core businesses that provide its interventions with added value.

In the coming weeks, the Court plans to publish the report on the CDG, following the usual adversarial procedure and taking into account the fact that the Fund has answered positively to the main recommendations of the Court, and has put in place an action plan on this issue for the period 2017-2022.

**Ladies and gentlemen, Honorable Representatives and Councillors,**

On the basis of the work of the Audit Court on state-owned corporations, and as I indicated in the presentation given to you last year, an audit mission relating to the mining activity of the Cherifien Office of Phosphates (OCP) has been carried out.

As you know, OCP is the first Moroccan corporation with a national and international dimension, and the leading exporter of phosphates and derivatives worldwide. In 2017, the group achieved an overall

turnover of 54 billion DH, thus contributing by 17% to Morocco's exports and 18% to our foreign exchange reserves.

These results can be explained by the significant development of its activities, recorded during the last ten years since the corporation has managed to strengthen its position of international leader in the production of phosphates products, having been able to double its share of fertilizers on the international market, bringing it from 11% to 22%. The group's objectives include also doubling its extraction capacity and tripling its fertilizer production by 2025.

Among the most important projects recently carried out by the Office is the mechanical transport belt of phosphates from the deposits to the chemical treatment and export platforms at Jorf Lasfar over a distance of 187 km.

This project is a qualitative leap to increase the production capacity while reducing costs. The corporation plans to carry out another similar project, over a distance of 142 km, between the mining site of Gantour (Benguerir mines and Youssoufia) and the chemical treatment plants in Safi, towards its exploitation in 2025.

In order to achieve these objectives and projects, the Office invested an overall amount of 76 billion DH during 2008-2016, thus contributing to the creation of employment opportunities and the development of the national industrial fabric. Similarly, the OCP has strengthened its international presence through its representation, in various forms, in 81 countries, and its plans to invest 100 billion DH during the period 2019-2027.

The audit mission carried out by the Audit Court of focused mainly on the activities related to the extraction of phosphate, its treatment through washing and floating and its transport, by train or via the belt, from extraction to the chemical units for recovery or export.

During this mission, the focus was on evaluating the performance of the means and materials used in the production chain and the degree of respect for the environment. The report on this subject containing the conclusions of this mission was sent to the Office to take the necessary measures. The main recommendations of the Court are as follows:

▪ **Concerning the medium and long terms planning of mining activities**

Medium and long term planning of mining activities is necessary to explore the production sites and related mines in order to define those that will replace existing sites, once their deposits are exhausted, and to preserve the level of production and profitability.

In this regard, the audit resulted in two key observations:

- Lack of sufficient planning for this area and rigorous management mechanisms, leading to a frequent shutdown in the implementation of mining projects, and thus to having negative consequences on the execution of production programs.
- Insufficient supervision and documentation of the process of acquiring the land base necessary for the development of mining activities is often due to regulatory obstacles related to the modification of the legal framework of the state-owned corporation to that of a public limited company in 2008, which requires the implementation of appropriate and dedicated regulations to monitor mine extension programs and the programming of the opening of new mines in addition to the acquisition of the land necessary.

- **Regarding the programming of short-term production**

The Court notes with regard to short-term production planning that the preparation of the mining project, which is considered an essential document for ensuring appropriate programming for these activities, does not follow a reference a unified and documented framework. As a result, production programming in different mines is based on disparate means, methods and criteria, which affects the quality of the technical and statistical data used and limits their adaptation to the objectives set. This could lead to significant differences between forecasts and achievements.

For this reason, the Court recommended developing the short-term production planning process through the establishment of uniform procedures covering most of the activities involved in this programming and, in particular, technical and technological watch that allows to develop and accompany extraction methods and improve sales forecasts.

- **Regarding the treatment of phosphates**

This operation essentially concerns the washing of crude phosphate and its floating to improve its quality. Since 2008, the group has increased its washing capacity from 10 million tons to 34 million tons in 2017, enabling it to exploit low quality phosphate strata. The Court noted, in this regard, that the lack of control over the flow of phosphate stocks means that laundries often work in a tense flow, causing disturbances in production programs.

In this regard, the Court recommended improving the operation of washing through the implementation of a suitable process for managing phosphate stock flows and examining the problems linked to the operation of washings to find appropriate solutions.

▪ **Regarding the use and maintenance of phosphate extraction and treatment equipment**

Although the equipment is of major importance in the phosphate extraction activities, its management suffers from major shortcomings mainly due to the lack of clarification and documentation of the data used in the studies concerning the determination of the number of machines required for the exploitation of mines, and the absence of a clear policy of reclassification and renewal of equipment. The Office intends to overcome these difficulties through a major computer system project, currently being tested, aimed at optimizing the use of the various machines.

Concerning equipment maintenance, considered as one of the strategic pillars to guarantee the quality of the extraction activity, the Court noted the following observations:

- Delay in adopting a maintenance policy for equipment and equipment used in the extraction and processing of phosphates;
- Insufficient use of preventive maintenance and failure to perform scheduled maintenance work sufficiently, negatively impacting the efficiency of extraction and processing activities;
- In terms of human resources, lack of them in most units, specialties and skills sufficient for the required maintenance work;
- Negative impact of the lack of homogeneity of the equipment park on maintenance work.

In the light of these observations, the Court recommends that the institution adopt a policy of acquisition and renewal of equipment, towards improving its homogeneity.



- **With respect to the environmental impacts of mining activity,** the key points identified are:
  - The insufficiency of the effort deployed for the treatment of the exploited lands, since the Court has noted the existence of large untreated and not upgraded areas despite the positive evolution recorded, in this respect, during the last years, in the framework of the ecological distinction program launched by the Group since 2013;
  - The persistence of the problem of management of muddy waters resulting from the washing and floating of phosphates, marked by the increase in the number of the basins used for their storage and thus the loss of these lands, as well as the damage caused to the environment.

To overcome this situation, the Court recommended the implementation of a more ambitious plan to deal with the accumulated areas and to search for effective solutions to limit the development of muddy water storage basins.

The Audit Court considers the forthcoming release of the report on this audit mission, while taking into account the nature of the data contained therein, as is the common practice internationally for the audits carried out by the supreme audit institutions, bearing in mind that the company acts in a competitive field that assumes the protection of data relating to its productive capacity and its industrial processes related to the production chain.

The Audit Court of intends to continue in the future its tasks of auditing the management of the OCP, through the programming of other missions relating to industrial activities, distribution and export as well as partnerships of a commercial nature.

**Ladies and gentlemen, Honorable Representatives and Councillors,**

In parallel with the strategic public institutions and enterprises, the Audit Court continued its audit of certain productive sectors.

In the agricultural sector, the Court audited the National Company for Seed Marketing (**SONACOS**), which plays an important role in the framework of the Green Morocco Plan.

In the field of **tourism**, the Ministry of Tourism's audit has focused on its core business, which concerns the preparation and execution of strategies for the development of the tourism sector, and the supervision and support of the professionals of this sector, as well as supervising public authorities involved in the tourism sector.

The monitoring missions also focused on air transport through carrying out an airports management audit mission on the **National Airport Authority (ONDA)**, which resulted in tracking down shortcomings in planning and execution of projects relating to airports, as well as their level of operation and the quality of their services.

On another level, it should be recalled that the Audit Court has released the reports on the audit missions which I have already presented to you, namely the missions relating to the civil service system, the system of economic promotion, the industrial reception areas, as well as the thematic mission on **digital services to users**.

As you know, and in connection with the last mission mentioned above, relating to the Internet, the world is currently experiencing a digital revolution whose main impact relates to changes in the structure and organization of the economy, business and work models. This development also affects the public administrations that are recasting their relations with the taxpayer as the main target of public policies.

Although our country has been, since the late nineties, a forerunner in the reform and development of the telecommunications sector in Africa and the Arab world, it has not been able to maintain its advanced position in this sector.

Indeed, and despite the rate of access of households to the Internet, which increased from 25% to 68%, between 2010 and 2016, according to the statistics of the National Telecommunications Regulatory Agency (ANRT), the positive evolution of the indicator of services on the internet in Morocco does not translate a big change in reality. In fact, and unlike the remarkable progress made in the field of tax and customs services, the e-government projects, set up in 2011 as part of the digital Morocco 2013 plan, have not known significant progress (such as civil status services, business start-ups or car registration via the Internet).

With regard to governance, the Court noted the absence of a formal and detailed strategic plan since the end of the digital Morocco 2013 strategy, as well as the creation of the National Agency for e-Government at the end of 2017.

Regarding the administration's monitoring of the extent of the use of Internet services, the Court noted the scarcity of indicators at the national level for measuring the impact and intensity of recourse by users to these services and their level of satisfaction.

In the field of Open Data, the Court noted that Morocco has not achieved sufficient progress, as shown by its ranking in this field internationally, due to the lack of Open Data policy, and the delay in reforming the related legal framework, the figures likely to strengthen the principles of transparency, accountability and innovative use of digital formats facilitating the exploitation of data, are insufficiently released, as is the case in many developed countries and even in

developing countries, which are beginning to make qualitative progress in this area.

**Ladies and Gentlemen, Honorable Representatives and Councillors,**

The Audit Court of Auditors attaches particular importance, in the programming of its work, to the education sector, in view of its strategic character in the definition of the social project we are calling for, as a matter of priority to the public authorities and the different components of society for the training of future generations and the investment in human capital, and given the amount of financial resources devoted to this sector.

In this context, the Court has carried out, at university level, two evaluation missions concerning basic training and continuing education provided by universities. Primary and secondary education was the subject of an audit, which concerned four regional education and training academies, in collaboration with the regional Audit Courts.

On the basis of these different audit missions, other previous missions, and the preliminary survey carried out on the conditions for the preparation and conduct of the new school year 2016-2017, the Court concluded that there were structural failures in the governance and implementation of the contents of successive reforms as well as the lack of continuity and accumulation of good practices and adequate measures in this area.

Similarly, the Court carried out an **evaluation mission of the Emergency Program for the period 2009-2012**, which suffered from several constraints due to the lack of precise and rigorous data on this program.

**To this end, I would like to focus on the main findings of the Audit Court as regards the evaluation of the Emergency Program.**

As you know, and following the speech of His Majesty the King in Parliament in 2007, and the evaluation by the Higher Council for Education and Training in 2008, of the implementation of the objectives of the national education and training charter, which has noted the existence of a delay in achieving the objectives set, the Emergency Program was launched for the period 2009-2012.

The preparation phase of this program was marked by the lack of the requirements definition and of an overall vision on the implementation of the reform, since the Ministry of National Education has, in a first time, resorted to the services of a design office for a period of execution of the study of 210 days and a cost of 18 M DH. The consulting firm selected, presented a report with four areas of intervention to accelerate the pace of the reform, by specifying the cost of each area and the measures to be taken on this subject and fixed the amount of resources to mobilize up to 33.96 billion DH.

However, and after the official presentation of the program to His Majesty the King on September 11, 2008, and just after the launch of the program, the Ministry of National Education proceeded to the revision of its components and the establishment of a new architecture, by raising the quantitative objectives and the required budgetary envelope up to 45.3 billion DH. This revision took a year and a half to finalize, over the four years originally planned for the implementation of the program.

The programming and implementation phase of projects experienced several setbacks including:

- The haste in the programming of the projects and the insufficiency of the deadlines fixed for their realization;

- The multiplicity of studies that had to be carried out before the launching of projects; 57 studies were planned;
- The non-use, during the preparation, implementation and monitoring phases, of the contractual procedures between the Ministry and the 29 academies, for the implementation of the emergency program at regional level, which has had a negative impact on the distribution roles and the definition of responsibilities;
- The shutdown of several projects after their start. It concerns, in particular, stopping the integration pedagogy project after having been tested, and after having trained all pedagogical executives towards its generalization to the primary and the junior-high levels. This operation cost more than 71 million DH.
- The termination of a set of public contracts for the conduct of studies, after the beginning of their execution, when they have been found to be unsuited to the needs of the educational system. The cost of this operation amounts to 21.96 million DH.
- The mismatch of the management capacities of the parent ministry and academies in relation to the volume of programmed activities, given the short realization periods of time;
- The delay in setting up an integrated monitoring and evaluation system and the difficulty of monitoring a large number of indicators, around 513, as well as the lack of indicators concerning the financial aspects and cost evaluation;
- Lastly, the non-respect of the commitments relating to the emergency program funding, by all the partners including certain public administrations and institutions.

With regard to the cost and financing of the emergency program and the lack of precise financial data from the Ministry of National Education, and the non-individualization of the budget allocated to the emergency program, the actual cost of this program remains an estimate. The Court found out, through the examination of the payment appropriations granted to the Ministry of National Education from 2009 to 2012, that the volume of resources mobilized by the Government during this period reached 43.12 billion DH, excluding expenditures relating to 30 personnel, of which 35.05 billion DH were the subject of commitment on which 25.16 billion DH were actually paid. These payments are distributed between 19.76 billion DH settled, by the regional academies of education and training, and 5.40 billion DH by the Ministry, knowing that the overall level of payments has remained within the limit of 58, 2%.

Regarding the evaluation of achievements, the Ministry of National Education has prepared three reports on this program, the examination of which by the Audit Court of Auditors has revealed several deficiencies in the sincerity of the data recorded in it and at the level of the overall assessment of achievements. As a result, the Audit Court notes the absence of an overall and precise assessment of the financial and quantitative aspects of all the projects and measures of the emergency program, whether at the level of the Ministry of National Education or of academies.

**Therefore, the question that remains raises questions about the developments in the education system after the emergency program phase, which consumed a budget of more than 25 billion DH, excluding staff costs?**

With reference to the Audit Court's preliminary inquiry into the conditions for the preparation and running of the 2016-2017 school year, we observe a positive development of quantitative indicators, as

the number of schools that has increased from 9 400 in 2009 to 10,700 in 2017, and the number of students that has grown from 5,666,000 in 2009 to 6,040,000 in 2017.

On the other hand, the educational situation remains, on the other hand, of great concern in terms of quality, as shown by a set of data indicating that the execution of the emergency program has not reached the expected objectives. Among these data, it is worth mentioning:

- **The non-generalization of pre-school education**, since the emergency program has set the goal of integrating this type of education into 80% of primary schools, with a view to generalizing it in 2015, while the situation observed during the 2016-2017 school year, showed that only 24% of primary schools have pre-school education;
- **Non-coverage of all rural communes by secondary school education**, for until 2017, the coverage rate has not exceeded 66.7%;
- **The multiplication of overstaffed classes**; this situation deteriorated further as the rate of excess classes reached between 2008 and 2017, 21.2% for primary education, 42% for middle school and 22.3% for high school;
- **The high level of school dropout**; if this rate dropped between 2008 and 2012, it remains at high levels because the number of students who left school without completing their education, during the 2016-2017 school year, reached a total of 279,000 students;
- **The exploitation of dilapidated educational institutions**; some are not connected to electricity, drinking water and sanitation network; moreover, other classrooms are being exploited even though they are in an advanced state of degradation;



- **Non-definition of the needs of the school system in human resources;** the emergency program shows that the requirements had been set at 20,441 budget posts, whereas normal effective recruitment had reached 24,272 posts. Likewise, to cover its human resources needs, the Ministry used the contract recruitment of teachers in the period 2016-2018, the number of which reached 54,927 contract workers who were directly assigned to classrooms without having benefited from the training required, which inevitably affects the quality of the educational operation. From these data, it appears that the lack of human resources has become a structural phenomenon that characterizes our educational system;
- **The limited effectiveness of social support** to encourage schooling for children from poor families as well as the lack of an integrated targeting system and insufficient financial resources. Indeed, this system of social support for schooling is malfunctioning, whether it is the "Tayssir" Program, school canteens and boarding schools, or even the "One Million Schoolbag" royal initiative, as well as school transportation. Added to this is the lack of an integrated targeting system and insufficient financial resources;

On this occasion, I would like to underline the primordial interest that attaches to this set of measures, unpublished, set up on the initiative of His Majesty the King, at the beginning of this school year, and which will have, no doubt, positive results for the sector. These measures aim to overcome all the structural weaknesses in the education system and, in particular, to give a strong impetus to social programs aimed at tackling the socio-economic obstacles of schooling through the strengthening of the education system by the like of Tayssir program of conditional monetary support, raising the level of benefits in

boarding schools and canteens, as well as school transportation and improving social benefits for higher education students.

In addition to support programs for schooling, these measures emphasize the generalization of children's schooling, the reduction of school drop-out rates, the gradual introduction of pre-school education towards making it compulsory in medium term. They are also aimed at increasing the financial resources allocated to these objectives, in addition to the programs aimed at improving the quality of training and creating bridges between school and professional paths, in partnership with the operators in various professions.

We hope that all these measures will be implemented in a timely manner, thanks to the efforts of all the parties concerned, in accordance with the high values of the school in terms of equal opportunities, social promotion and contribution to achieving the goals of sustainable economic and social development that we aspire for our country.

**Ladies and Gentlemen, Honorable Representatives and Councillors;**

Like the education and training sector, the Audit Court has audited a social sector of the highest importance, which is the health sector. In this respect, and with the support of the Regional Audit Courts, the Court has accelerated the pace of auditing hospital institutions since the audits covered seven regional and provincial hospitals.

The Court noted, as in previous years, the same observations concerning mainly strategic planning and programming, hospital governance, management of medical services, billing and revenue collection, as well as the management of medicines and medical equipment. These deficiencies constitute a real obstacle to the provision of a quality public medical service.

**In terms of strategic planning and programming**, the mission found that hospital centers do not have a strategic reference in the form of an approved hospital project, contrary to the provisions of Article 8 of Decree 2.06.656 of 24 Rabbi I 1428 (13 April 2007) on hospital organization. This leads hospital institutions to work in the absence of a document that defines the strategic objectives and organizes care services, biomedical equipment and infrastructure, and which gives them a clear vision of their development prospects.

With regard to governance, the Court noted observations concerning the non-setup of consultation and support bodies within the hospital centers, namely the Committee on Establishment, Monitoring and Evaluation, the Commission on Management and that relating to the fight against infections of hospital origin, to which is added the council of doctors, dentists, pharmacists, and the councils of nurses. The operational absence of these bodies has a negative impact on hospital performance.

At the level of the management of medical services, the Court found out that hospitals do not provide all the necessary basic services for the users. By way of illustration, the Court has noted, in certain hospitals in large cities, the absence of specialties such as general surgery, neurosurgery and the treatment of pulmonary diseases.

Similarly, it was noted that some services do not have the means of work such as equipment and human resources in medical and paramedical staff, which sometimes leads to the stopping of services for various more or less long periods.

The management of appointments for consultations and hospitalization is an essential element for the quality of hospital services and a fundamental determinant of the efficiency in the management of patients. In this context, and through the revision of the data of the "MAWIIDI" computer program, long delays have been observed for

certain specialties in particular, cardiovascular diseases (7 months and a half), neurological diseases (7 months), Endocrine diseases (5 months and 20 days), rheumatism (5 months) and pediatric surgery (2 months and 20 days), and for the specialty auto-rhino-laryngology, the delays exceeded 10 months.

With regard to drugs and medical equipment, audit missions have found that the allocations granted by the central pharmacy do not always correspond to the needs of the hospitals, both in terms of the quantities and the nature of the medicines provided. Similarly, the lack of control of the drug supply operation leads to the depletion of the stock of some highly used drugs and the destruction of other drugs that have become obsolete.

With regard to the monitoring and control of the final consumption of drugs and pharmaceutical items supplied to the various services, and although the hospital services have their own pharmaceutical units, most of these services do not keep records or registers to trace and track the quantities of drugs, either at their receipt from the central pharmacy, or during their use.

Similarly, no formal and precise procedure is adopted to monitor the use of these drugs by pharmacies in hospital establishments. As a result, drugs and pharmaceutical items are not included in hospital and treatment bills.

Pharmacies in hospital establishments also have problems with dedicated spaces and their equipment, since the storage of medicines and medical equipment is done in conditions that do not conform to the usual standards in this respect.

With regard to the management of financial resources, hospitals are still experiencing problems related to the billing of their services and the recovery of their revenues; This allows them to benefit only partially from the payments made under the compulsory health insurance by the

National Social Security Fund (CNSS) and the National Fund of Social welfare bodies (CNOPS). Thus, these payments reached, for the 2017 financial year, an overall amount of 8.5 billion DH, over which public hospitals only benefited from 8% (i.e. 680 M DH); in contrast, private sector clinics accounted for 92% (or 7.82 billion DH).

The Audit Court considers that the fight against these dysfunctions, which constitute a real obstacle to access to quality public health services, requires appropriate solutions to the determining factor of hospital management, namely the human element.

As you may know, hospital institutions around the world have become today multi-service and multi-specialty centers with laboratories, specialized equipment, digital equipment and sophisticated technologies, in perpetual development and very expensive. These establishments offer their services to the population without interruption, 7 days a week and 24 hours a day.

As a result, the management and the quality of health service require competent human resources in doctors and paramedical personnel, technicians and administrative staff, in sufficient number and in all the specialties.

To cover the lack of which our health system suffers, the Court recommends giving priority to training programs for medical staff, nurses and technicians in sufficient numbers to support medical supply according to a program and deadlines.

At the same time, particular interest should be given to the professional background and material situation of these staff.

Similarly, care should be taken to ensure that hospital facilities operate according to an institutional plan in the form of an approved strategic reference framework, which sets objectives, organizes health care services, biotechnological health equipment, and infrastructure of the establishment and draws a clear vision of its perspectives of evolution.

In relation to the medical supply, it is also necessary to review the methods adopted for the establishment of the health map, so as to make it more compatible with the real and urgent needs of the population in accordance with objective criteria and reasonable realization deadlines.

Similarly, the Court considers that the current situation of several hospital establishments often requires the provision of necessary human resources and medical equipment in good working order, towards improving the productivity of these units, in terms of the reception of the patients and the offer of care; instead of creating new hospitals that may not work at full capacity.

In the same vein, cooperation and complementarity between the public and private sectors and openness to foreign expertise could help improve the performance of hospital training and the quality of their services.

**Ladies and Gentlemen, Honorable Representatives and Councillors,**

On another level, and as part of the finalization of the audits that the Audit Court carried out at the level of public bodies involved in the field of housing, an evaluation mission set out to examine housing mechanisms with a social value of 140,000 DH and 250,000 DH. These products are considered among the most important means on which public policy is based in order to support the access of the limited and irregular income strata to decent housing.

In this regard, the Court noted the absence of studies prior to the creation of mechanisms for the production of social housing to better define these products, to determine their characteristics and their adaptation to the needs of the targeted layers and to the extent of needs in this area, as well as the nature of the technical characteristics, without forgetting the question of price.

Households affected by the statistics on unhealthy housing, and in particular those living in shanty towns and homes threatening ruin, benefited only partially from these dwellings.

Regarding the housing product whose value is fixed at 140,000 DH, and for the 21,006 units completed at the end of 2016, only 6,020 units were allocated to the program "cities without slums", and 1113 units to the program "threatening ruin" that is ie the equivalent of 29% and 5% respectively. Regarding the product whose price is set at 250,000 DH, its contribution to the two programs mentioned above remains very low since it did not exceed altogether 1.47% of the total production, since only 494 dwellings went to the program "cities without slums", equivalent to 0.17%, and 3,678 units to the "habitat threatening ruin" program, equivalent to 1.03%.

It appears, through the comparison of these two mechanisms of production of social housing, that there are similarities between them, both as regards the nature of products and their technical characteristics.

According to a study by the Ministry of Housing, there is not much difference between the two products, but rather intersections in terms of living space. This explains the differences in the gross profit margin of real estate developers between the two products, excluding the cost of the property tax base.

This situation prompted real estate developers, as part of a rationale of profitability, to move towards housing production of 250,000 DH. Indeed, this mechanism saw the completion of 283,879 units (at the end of 2016), on the basis of agreements concluded on this subject covering more than 1.5 million units, exceeding the target set for this project of 300,000 units by 2020.

On the other hand, at the end of 2016, the production of dwellings with a value of 140,000 DH did not exceed 21,006 units or the equivalent of

only 17% of the targets set in this case to 130,000 housing units during the 2008 – 2012 period.

In addition, and at the level of the production of social housing, the creation of general mechanisms, in the absence of means of regulating the supply taking into account the relation between the nature of the housing needs regionally, on the one hand and the two social housing production mechanisms on the other hand, resulted in a clear differentiation in the production of this type of housing, which experienced significant production in some areas and low production in others.

With regard to the conditions of eligibility for social housing, and if these conditions were sufficiently precise for dwellings worth 140,000 DH to target households with limited or irregular income, the only condition required for dwellings in a value of 250,000 DH is that the buyer does not own any real estate. This made the sale of this product open to all layers of society and made it lose its social nature.

At the urban level, and despite the fact that social housing projects have become an essential component of cities, a good deal has been allowed outside the provisions and guidelines of urban planning documents (40% between January 2010 and June 2015). This has created a certain urban heterogeneity of cities because of the multiplicity of projects in their environment and the concentration of urban clusters in the suburbs.

The latter often lack the necessary infrastructure, connection to the public transport network and experience a rapid increase in social housing projects, in the absence of any clear vision and rational control of their development.

Concerning the real estate holdings, and with a view to encouraging the production of social housing, in 2003 and 2009, the Government proceeded with the sale of public land to the Al Omrane Group under



two agreements of an area equivalent to 7,664 hectares, of which 4,706 hectares were exploited by the Al Omrane Group at the end of September 2015, either in its capacity as project owner or through the signing of agreements with real estate developers.

In this context, the Al Omrane Group proceeded directly and in its capacity as project owner to the construction of 33,469 housing units thus exploiting a public property asset of 3,883 hectares, i.e. 9 housing social units for each hectare.

**Ladies and Gentlemen, Honorable Representatives and Councillors,**

On another level, and like the report prepared by the Audit Court in 2014 on the evaluation of the management of the State **judicial** of litigation system, a similar mission, at the **level of local authorities**, was carried out in 2017. Thus, the Court, with the participation of the Regional Audit Courts, assessed the management of the judicial disputes of the said communities, either legally or organizationally, as well as the results obtained and the proposals made that are likely to improve its management.

On the basis of the questionnaires prepared by the Court and precisely filled in by 75% of the concerned territorial communities, it appears that the number of judgments and final decisions not executed by the local authorities at the end of 2016 reached 2.6 billion DH, in addition to the 7,000 ongoing cases.

Concerning the executory files with the administrative courts against local authorities, they reached, at the end of July 2017, about 1268 executory files for an overall amount of 1.5 billion DH.

On the other hand, the execution of the judgments and the final decisions rendered for the benefit of local authorities remains weak and

do not exceed 24% for the period 2011-2016, since out of a total of 1,823 judgments issued for the benefit of local authorities, only 443 judgments have been executed.

Among the reasons for the increase in territorial disputes, it is worth mentioning in particular:

- The lack of awareness of the preventive role in litigation and the lack of methodological approaches based on the management of legal risks in order to control the causes of litigation to avoid them and the search for appropriate solutions to reduce them. In this regard, it was noted that local authorities do not use case law to alert communal services to draw inspiration from them and to avoid actions that could generate future legal disputes;
- The lack of implementation of the mechanisms of legal consultation;
- Limited recourse to the appeal and cassation of judgments and decisions issued against local authorities. In this regard, it was found through the analysis of data concerning 1189 local authorities that more than 2572 appeals judgments worth 3.56 billion DH and 840 judgments at first instance worth 481 MDH acquired the force of res judicata during the period 2011-2016, without the procedure of appeal or cassation being activated within the legal deadlines, which resulted in the loss for local authorities of opportunities to safeguard their interests and to avoid heavy financial burdens for their budgets.

**In another area, relating to the recovery of judicial fines,** the Court issued a summary judgment on the recovery of fines, pecuniary sentences, costs and legal costs which it had previously transmitted to the Ministers of Justice and Economy and Finance.

This referral was established on the basis of the results of the audit mission carried out by the Audit Court in 2017 to monitor the

implementation of the recommendations contained in the 2013 management audit report.

In this respect, the Audit Court noted that, despite the relative improvement in the revenues from fines, monetary convictions, costs and court costs, which rose from 182 MDH in 2013 to 290 MDH in 2017, an increase of 59%, the recovery rate did not exceed 41%. As for the recording of the receipts during the 2013-2017 period, they reached a total of 2.978 M DH of which only 2.181 M DH was recovered during the same period. This situation is mainly due to the imprecision of the legal and accounting framework governing the recovery operations and the lack of coordination between the Ministry of Justice and the Ministry of the Economy and Finance, for various reasons, including:

- The collection task is entrusted, at the same time, to the registry agents near the courts and to the accountants of the General Treasury of the Kingdom;
- The vagueness of the concept of pecuniary penalties and the contradiction between the statutes governing limitation periods and those relating to pecuniary penalties;
- The simultaneous exercise of the functions of authorizing officer and public accountant by the secretary clerks;
- The non-execution of the decisions and judgments relating to the sentence of confiscation due to a legal vacuum that results in the loss of significant funds for the Treasury;
- Non-application of late penalties.

On the basis of these observations, the Audit Court recommended in particular:

- The clarification of the tasks assigned to public accountants and registrars of the Kingdom Courts;

- The separation of tasks between the public accountant of the Kingdom and the authorizing secretaries-clerks;
- The revision of the legal and regulatory provisions in force regarding recovery, with a view to clarifying the responsibilities in harmony with the limitation periods;
- The necessary coordination between the competent services of the Ministry of Justice and the Ministry of the Economy and Finance for the establishment of a clear procedure to improve the situation of the recovery of fines, financial penalties, confiscated securities as well as late penalties.

In this respect, the Audit Court wishes to underline the positive interaction of the Ministries of Justice and the Ministry of Economy and Finance with these recommendations, by taking steps to take the necessary measures to overcome the aforementioned shortcomings.

**Ladies and Gentlemen, Honorable Representatives and Councillors,**

I would like to inform you that this presentation, in detailed format, accompanied by an outline of the 2016-2017 Annual Report of the Public Finance Courts, in the form of a complementary document, is at your disposal.

Before closing this presentation, I would like to take this opportunity to congratulate myself on the constructive relations of cooperation that exist between the Audit Court and the Parliament, as well as with its various bodies and commissions. These relations, which are constantly strengthening, are essentially aimed at promoting the oversight missions devolved to our two institutions.

I would like also to reiterate my thanks to the Government for its continued support to the Audit Court so that it can best accomplish its tasks and at the same time welcome the effective and pragmatic interaction of most administrations and public institutions with regard to the recommendations and findings of the Audit Court.

Our common goal is to serve the higher interests of the nation and to consolidate the institutional edifice of our country, under the enlightened leadership of His Majesty the King Mohammed VI, may God glorify Him.

May God help us serve our nation. May the peace and blessing of God be upon you.