

Kingdom of Morocco
Cour des Comptes



The privatization process in Morocco

1993 - 2004

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ON THE AUDIT OF THE PRIVATISATION

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Summary

Context

I- Legal framework for the privatization in Morocco

II- Privatization process: achievements and impacts

III- Evaluation of the privatization programs by the Cour des comptes

Conclusion



Context

- 1993 : start of the privatization process in Morocco
- New role of the State :
 - entrepreneur → facilitator & regulator
- In late 2004: 67 firms from the 114 entities registered on the initial list were transferred, generating takings of about \$ 6.3 billion
- Privatization allowed the liberalization of key sectors (telecommunications, agribusiness, cement, steel, hotels...) and attracted substantial private investments along with the other positive impacts on the national economy



I- Legal framework for the privatization in Morocco

- Royal Speech of April 8th 1988 that gave the political signal of the start of the privatization process
- Adoption in 1989 by the Parliament of the law n° 39-89 and its supporting regulations authorizing the transfer of public businesses to the private sector.
- A regulation draws up the list of public entities to be privatized



Main objectives of the privatization

- To modernize the national economy and to favor its opening to the international exchanges;
- To reduce the burden on the State's budget especially the subsidies to the public businesses;
- To enhance the competitiveness and productivity of privatized entities;
- To support local development (*regionalisation*) by strengthening the role of the Hassan II Fund for national development;
- To promote the creation of new jobs;
- To attract private foreign and local investments.



Bodies intervening in the privatization process

- *The Minister in charge of privatization* : prepares the privatization operations
- *The Commission of the Transfers* : 5 members named by Royal Decree and chosen for their great competence, it assists the minister in the transfer operation
- *The Evaluation Body* : Composed of 7 members named by Royal Decree, it sets up the minimum price offer for the participation or public firm to be sold.



Privatization procedure

- **The pre-transfer phase :**
 - Missions of audit, evaluation and placement.
- **The transfer phase :**
 - *The Invitation to Bid : 77%*
 - *The Direct Granting : 17%*
 - *The Financial Market (stock exchange) : 6%*
- **The post-transfer phase :**
 - Respect of the book of specifications by the buyer
 - Audit mission of the Cour des comptes



II- Privatization process: achievements and impacts

- 11 years after the first privatization operation in 1993, 67 firms from the 114 entities registered on the initial list were transferred, generating takings of about \$ 6.3 billion.
- Liberalization of key sectors of the Moroccan economy (telecommunications, agribusiness, tourism...)



Case of *Maroc Telecom*

- 2000: transfer of 35% of the capital of *Maroc Telecom* (ex- monopoly) to *Vivendi Universal* (\$ 2.3 billion);
- 2004: opening of 14.9% of the capital of *Maroc Telecom* to the public subscription in the Stock Market (\$ 800 million);
- 2005: transfer of 16% of the capital of *Maroc Telecom* to *Vivendi Universal* (\$ 1.2 billion);
- Remainder to be transferred: 34.1% of capital.



Case of *Régie des Tabacs*

- 2003: Transfer of 80% of the capital of *Régie des Tabacs*, once holding the monopoly of the sector, to the Franco-Spanish group *Altadis* for the price of \$1.2 billion



Impacts of the privatizations

- **1- Stimulation of the Foreign Direct Investment (FDI):** \$2.4 billion in 2003 allowing Morocco to be one of the most attractive countries for foreign investment in the Arab world and Africa;
- **2- Reinforcement of key economic sectors:** telecoms, industry (steel, cement...), energy, finance (banks, insurances...), services (hotels) etc...
- **3- Stimulation of the financial market:**
 - Since the adoption of the law on privatization, Stock Market capitalization was multiplied by 23, passing from \$500 million to \$11.5 billion in December 2003.
 - The capitalization of the privatized corporations, at the end of December 2003, represents 26% of the whole capitalization of the Stock Market and 6.6% of the takings of privatization were realized by transfer operations in the Stock Market.



III- Evaluation of the privatization programs by the Cour des comptes

- The Cour des comptes can carry out evaluation missions of the privatized entities to see to what extent the assigned objectives have been reached with regard to the implemented means
- The Cour can register to its programs, upon a request of the Prime Minister, missions of evaluation of public programs and projects or management audits of any body subject to its control



Conclusion

- The process of privatization in Morocco has reached an advanced level
 - A real need to reinforce the audit
- The integration of the Cour des comptes of Morocco within the INTOSAI WGAP will strengthen its capacity of intervention and enable it to share knowledge on the audit and evaluation of the operations of privatization



Thank you for your attention