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December 16, 2020

**Statement by Mr. Jin and Mr. Law on Morocco
(Preliminary)
Executive Board Meeting
December 18, 2020**

We thank staff for the informative set of reports and Mr. El Qorchi for his helpful Buff statement. We broadly agree with the thrust of staff's appraisal and would limit our comments to the following for emphasis.

We welcome the authorities' swift response to the COVID-19 pandemic. The authorities' prompt response has helped contain the social and economic damage from the shocks, but could not avoid a severe contraction, with GDP expected to fall by about 7 percent in 2020. The loss of tax revenues had deteriorated the fiscal position, while the fall in tourism receipts widened the current account deficit. Despite the recent optimistic news on a vaccine, it takes time for tourism to return to its pre-pandemic position. We welcome the authorities' plan to support the recovery in 2021, mainly through investment and the reform of the social protection and education systems.

We take note that Morocco had four successive PLL arrangements since 2012, which have supported reforms that strengthened Morocco's macroeconomic resilience and built the buffers that have been utilized in response to the pandemic crisis. As the pandemic crisis is ongoing, we wonder if a successor Fund arrangement should be considered by the authorities. *Staff's comments are welcome.* In the absence of a successor Fund arrangement and with Morocco's outstanding credit to the Fund expected to remain above the SDR 1.5 billion threshold until early 2024, **we support the Managing Director's recommendation for the initiation of post-program monitoring (PPM), in line with Fund policy.** Nevertheless, *would staff elaborate on how the PMM would be conducted, and what are the areas of focus?* In the future, it would be useful if staff can provide in the report some high-level information of the proposed PPM.

Morocco is one of the only two countries that have used PLL since its introduction a decade ago. With the expiration of the PLL arrangement for Morocco, no country is currently making use of PLL. While the PLL is scheduled to be reviewed in 2022, alongside with the Flexible Credit Line and the Short-Term Liquidity Line, there would be a more thorough discussion of the roles of different Fund lending instructions by then. *Could staff shed some light on their early thoughts of the future role of PLL?*

We underscore the necessity for Morocco to continue structural reforms to sustain the recovery and achieve higher, more resilient, and more inclusive growth. We concur with staff that reforming SOEs could be a catalyst for a more efficient use of public resources and private sector development. The reform effort should strengthen corporate governance and efficiency of SOEs, as well as improve the business environment of the country by leveling the playing field for all market participants.

With these remarks, we wish the authorities every success in their policy endeavors.