

CABRI - VIRTUAL NETWORK ENGAGEMENT WITH PUBLIC DEBT MANAGERS IN AFRICA

Kingdom of Morocco

Ministry of Economy and Finance

DIRECTORATE OF TREASURY
AND EXTERNAL FINANCE



How will debt managers adjust their borrowing strategies to help achieve post-pandemic recovery and debt sustainability?

Using Morocco as an example

07 April 2022



THE TREASURY ADOPTS A FINANCING STRATEGY INTENDED TO ENSURE THAT:

1. The State has the capacity to honour all its commitments.
2. The cost of financing is ultimately reduced, by limiting the exposure of the debt portfolio to financial risks (rollover risk, interest rate risk and exchange risk).
3. Contribute to the development of the Treasury securities market.



SOURCES OF FINANCING FOR THE TREASURY

1. EXTERNAL FINANCING

- Mobilizing bilateral and multilateral concessional external financing
- Recourse to the international financial market (IFM) only when conditions are favourable.

2. DOMESTIC FINANCING

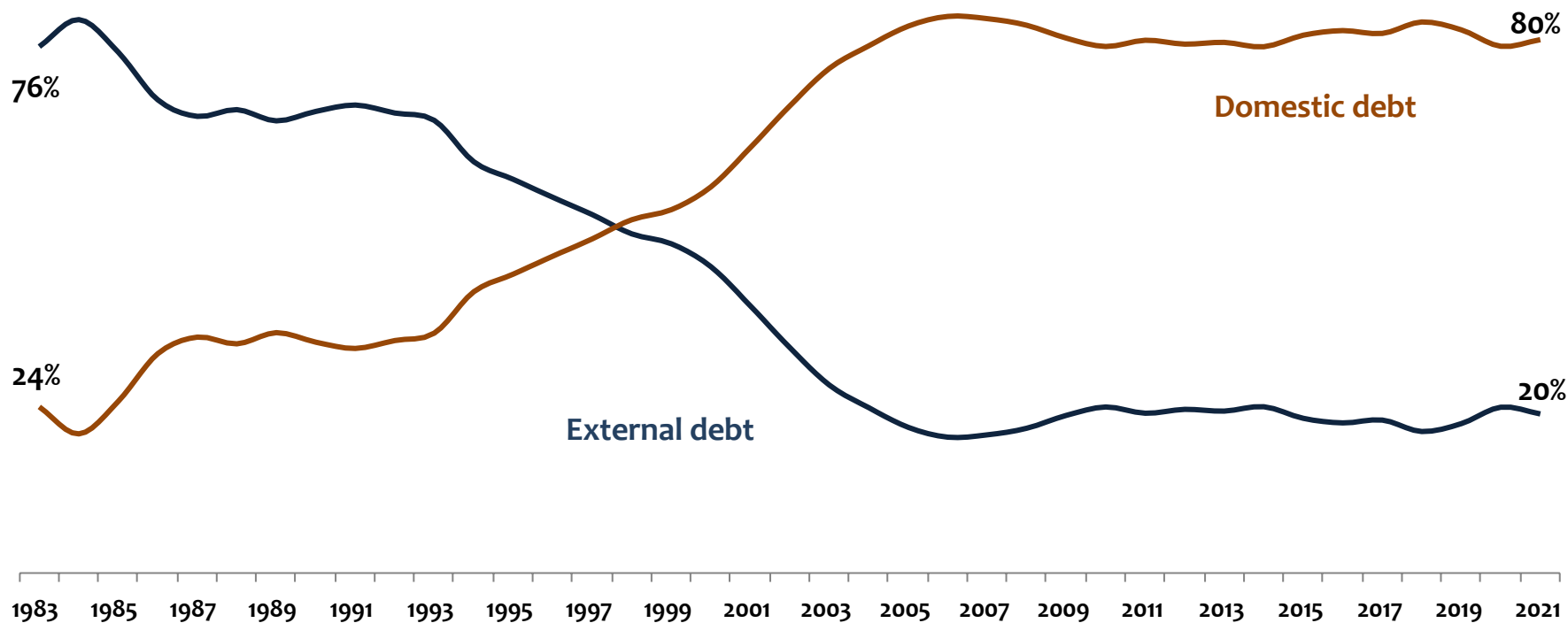
- Treasury Bill auction market (domestic market): primary source of funding

SOURCE OF FINANCING FOR THE TREASURY



Ministry of Economy and Finance

Structure of the Treasury debt by source of financing





ADJUSTEMENT OF THE FINANCING STRATEGY IN 2020

- **Increased contribution of external financing to strengthen the level of our external (foreign) assets.**
- **Avoid excessive recourse to domestic resources to prevent a possible crowding-out effect on the private sector.**
- **Enhanced consultation with Bank Al-Maghrib and the market.**



NEW CHALLENGES IN 2022

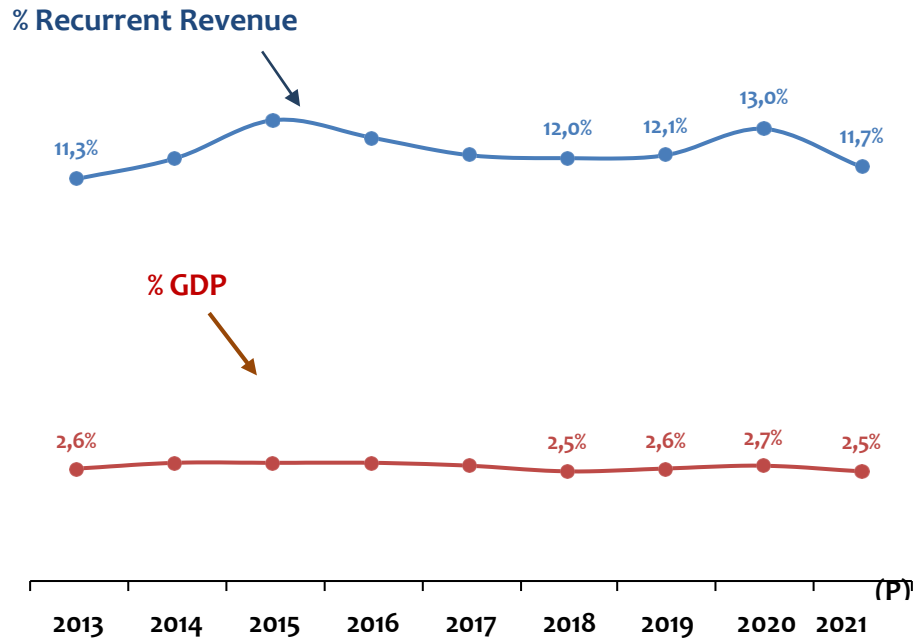
- **Disrupted international context with challenges ahead:**
 - ✓ **Rising commodity prices, continued disruptions in global production and supply chains and strong inflationary pressures → sharp acceleration of inflation in Morocco which should jump to 4.7% vs. a target of 2%**
- **Monetary tightening → Deterioration in financing conditions on the IFM**

FINANCING STRATEGY FLEXIBILITY

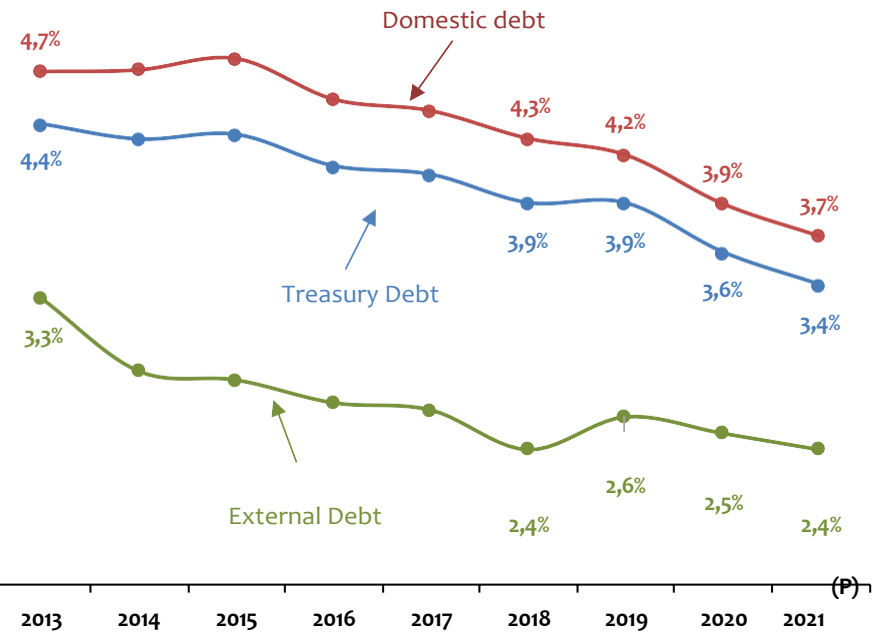


THERE IS ROOM FOR MANOEUVRE (FISCAL SPACE)

Interest expenses (burden)



Average Debt Cost





CONTROLLED RISKS:

77% of Treasury debt is a domestic debt

87,3% of Treasury debt is a medium- and long-term debt

7 years and **2** months: the average maturity of Treasury debt

IMPROVEMENT OF OFFICIAL RESERVE ASSETS:

342,8 billion DH (dirhams) at the end of 2022, i.e., to cover 6 and a half months of imports of goods and services



NORMALISATION OF THE STATE FINANCING STRATEGY:

- **Domestic market, the primary source of financing for the year 2022, with a mobilization of external financing from bilateral and multilateral donors**
- **There is no pressure to mobilize more external resources**
- **Recourse to the IFM if financial conditions improve**