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SELECTED ISSUES

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March 5, 2026

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MACROECONOMIC IMPACT OF ACCELERATING PUBLIC INFRASTRUCTURE INVESTMENTS¹

Morocco is scaling up investment infrastructure spending in 2024-2030 for an estimated 11.9 percent of 2024 GDP. Empirical results show that improvements in infrastructure quantity and quality have been important contributors to Morocco's productivity growth in recent decades and underscores the potential gains from further investment. Model simulations suggest that the planned investment spending would raise productivity and long-run real GDP, though dampened by high import leakages and private investment crowding-out. Higher investment efficiency would raise growth without increasing debt, while cost overruns would worsen debt dynamics with no additional output gains. Model analysis illustrates the importance of efficient public investment management and careful management of fiscal risks.

A. Introduction

1. Infrastructure has been central to Morocco's development strategy, anchoring gains in productivity, competitiveness, and integration. Since the mid-2000s, sustained public investment has expanded transport, energy, and digital infrastructure, supporting economic diversification and improved productivity. The 2021 New Development Model emphasizes high-quality infrastructure to continue strengthening competitiveness and regional integration. At the same time, structural pressures—including rapid urbanization, demographic growth, and rising demand for services—underscore the need for further investment to upgrade capacity, close access gaps, and enhance resilience.

2. This paper examines Morocco's infrastructure strategy through the lens of growth payoffs and fiscal risks. It begins by quantifying the historical contribution of infrastructure to productivity growth using cross-country panel regressions, identifying which sectors have delivered the strongest returns. It then evaluates the macroeconomic implications of Morocco's current investment plans using the IMF's Flexible System of Global Models (FSGM)—a multi-region general equilibrium model calibrated for Morocco. The model captures short-term demand effects, long-run productivity gains, and interactions between fiscal policy and private sector behavior, making it very suitable for this type of scenario analysis.

B. Past Contributions of Infrastructure to Morocco's Productivity Growth

3. Closing infrastructure gaps can play a pivotal role in fostering growth and development. Beyond its function as a complement to labor and non-infrastructure capital in the

¹ This note was prepared by Marzie Taheri Sanjani, Kassia Antoine (both MCD) and Pedro Rodriguez (RES). The team gratefully acknowledges Jiae Yoo (EUR) for generously sharing the original dataset and analysis which provided an essential foundation for the empirical work. The team thanks Hannah Brown (AFR) for the incredible research assistance. The authors would like to thank the Moroccan authorities for helpful exchanges, comments and suggestions.

production process, infrastructure constitutes a distinctive form of capital. Infrastructure has the potential to generate network effects (e.g., roads) and crowd in additional investment by enhancing productivity (e.g., telecommunications), thereby boosting output both in the short term and over time (Calderón and Servén 2018).

4. A large body of literature emphasizes the role of public investment as a driver of productivity and long-term development. This relationship is at times summarized by its high fiscal multiplier compared to other types of expenditure (Abiad et al. 2016; Miyamoto et al. 2020). The 2025 IMF Fiscal Monitor estimates that increasing infrastructure investment by 1 percent of GDP can raise output by about 2 percent in advanced economies and 4 percent in emerging market and developing economies over the long term. Cross-country evidence also points to a positive and significant correlation between infrastructure quantity and quality and economic growth (Calderón and Servén 2004; Bizimana et al. 2021). For North African countries, including Morocco, recent empirical analysis indicates that better logistics performance and trade infrastructure are associated with large increases in trade volumes and meaningful gains in GDP, through stronger productivity, deeper value-chain participation, and higher investment inflows (Rayner et al. 2026).

5. Morocco has made notable progress in upgrading its infrastructure over recent decades, with room for further improvements. Infrastructure outcomes have improved across numerous dimensions over the past decade, as compared to 1991–2010. These advances have supported higher living standards and greater economic diversification, reinforced by complementary reforms in governance, trade, and investment (Cardarelli and Koranchelian 2023). While Morocco has made significant strides in catching up with peers, important gaps remain where both the quantity and quality of infrastructure could be further strengthened.

- **Electricity:** Generation capacity has expanded significantly, with a growing share of coal and gas, yet Morocco continues to import fuel and energy to meet rising demand. Generation capacity per 1,000 workers was about half of the average for middle income countries in the period 2011–2023, and about a third of the average for the MENAP countries. Moreover, electricity quality, measured by the share of output transmitted and distributed, has not kept pace with gains in generation capacity and access to electricity.
- **Roads:** Infrastructure quantity, measured by road density, has remained relatively low and broadly stable, reflecting the concentration of population and economic activity in the northern regions. By contrast, quality, measured by the share of paved roads, has continued to improve and is now broadly comparable with MENAP and investment-grade peers.
- **Telecommunications:** Internet access expanded rapidly in the late 2010s, supported by digital-transformation policies, and now exceeds comparator averages. However, telecommunications quality, measured by internet speed, continues to lag, with 5G services becoming operational only in late 2025.
- **Ports:** Port infrastructure stands out as an area of particularly strong progress. The launch of Tanger Med Terminal 1 in 2007 and Terminal 2 in 2019 significantly expanded capacity, enabling

manufacturing growth, particularly in automotive. While container handling per 1,000 workers remains below regional averages, Tanger Med is now the largest port by container capacity in the Mediterranean and Africa. Importantly, gains have also been achieved in port quality, as measured by the Liner Shipping Connectivity Index, reflecting Morocco's improved integration into global shipping networks, including a broader range of liner services, operators, and vessel sizes.

6. Beyond infrastructure outcomes, the efficiency with which investment translates into results is a key dimension of Morocco's infrastructure performance. Public spending efficiency refers to how effectively governments convert a given level of expenditure into maximum possible outcomes (Figure 1). The public spending efficiency gap reflects the difference between actual results and those achievable under optimal management, technology, and institutional practices. Estimates in the [2025 IMF Fiscal Monitor](#) show that Morocco's infrastructure spending efficiency gap narrowed substantially between 1980 and 2010. Morocco's infrastructure spending efficiency compares favorably to emerging markets, with scope to further improve performance and move closer to the global efficiency frontier.

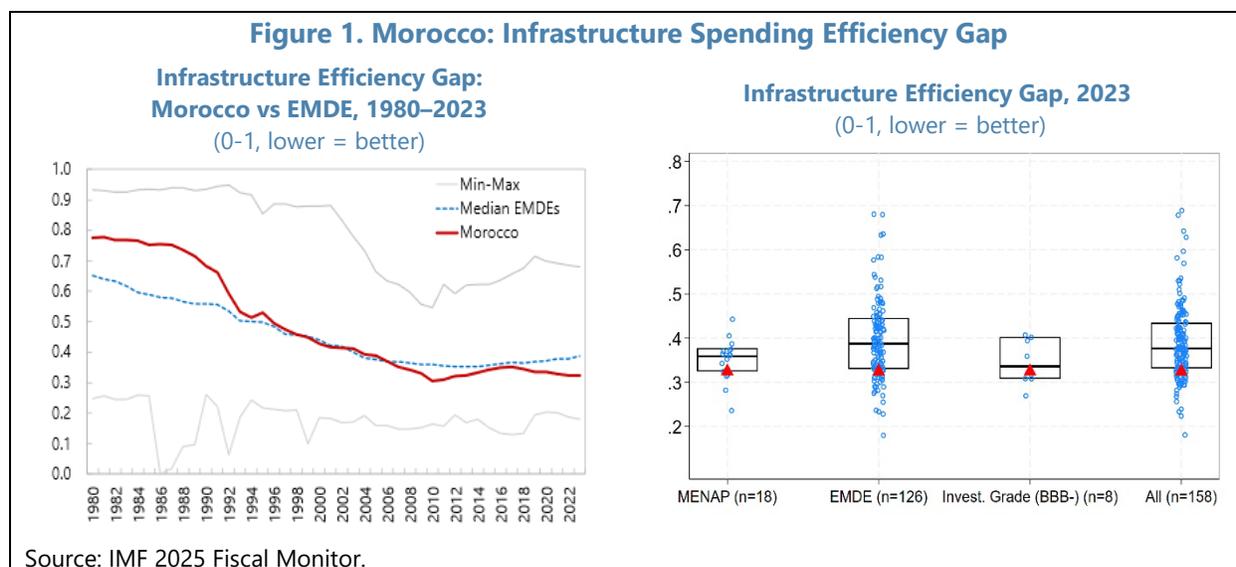


Figure 2. Morocco: Benchmarking Investment in Infrastructure, 1991–2023



7. Infrastructure quantity and quality are found to be significant drivers of economic growth. Extending the work of Bizimana et al. (2021) and using the methodological framework by Calderón and Servén (2004, 2010), the analysis estimates an augmented production function incorporating physical infrastructure indicators for a panel of 95 countries over 1990-2023. It employs principal component analysis (PCA) to construct composite indices of infrastructure quantity and quality across sectors. In addition to electricity, roads and telecommunications, the PCA also considers port infrastructure. This methodological innovation aims to capture the role ports play in regional integration and enabling export potential. According to UN Trade and Development (UNCTAD), over 80 percent of the goods traded globally are seaborne, making port infrastructure indispensable for participation in global supply chains. Moreover, ports increasingly function as logistics hubs, generating ancillary services that contribute to economic activity.²

8. The empirical results underscore that not only the scale but also the quality of infrastructure are key drivers of medium-term productivity gains (Table 1). Controlling for country-specific factors and lagged output, the results show that infrastructure indicators remain positive and highly significant across estimation methods. The index that combines quantity and quality offers the best model fit.

9. Based on the regression results, fitted values for Morocco suggest that infrastructure quantity and quality have been important contributors to growth in the past two decades (Figure 3). It is estimated that improvements in the composite indices of infrastructure quantity and quality across sectors have accounted for roughly one-fifth of Morocco's productivity growth since 2005, with contributions split nearly evenly between quantity and quality improvements. These contributions are higher than the averages estimated MENAP and middle-income countries in the sample. Looking at the sectoral composition, the estimates show that improvements in telecommunications represent the largest contributor, followed by ports.

² Evidence suggests that port infrastructure and logistics performance have significant positive effects on domestic economies, particularly in emerging markets (Munim and Schramm, 2018).

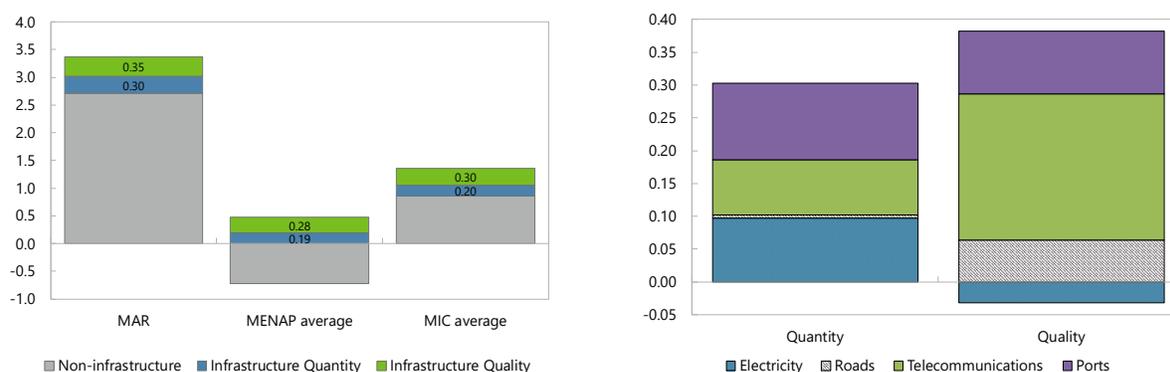
Table 1. Morocco: Infrastructure and Growth – 5-Year Averages

Dependent variable: GDP per worker (log difference)	(1)	(2)	(3)	(4)	(5)	(6)
	Panel with time effects	Within estimator	Difference GMM	Panel with time effects	Within estimator	Difference GMM
Lag output	-0.105*** (0.016)	-0.287*** (0.031)	-0.321*** (0.075)	-0.140*** (0.018)	-0.317*** (0.048)	-0.350*** (0.088)
Education	0.025 (0.015)	0.011 (0.024)	0.049 (0.050)	0.029 (0.018)	0.025 (0.030)	0.070 (0.053)
Financial development	0.011 (0.011)	-0.011 (0.016)	-0.009 (0.039)	0.001 (0.015)	-0.031 (0.025)	-0.017 (0.040)
Government burden	-0.053** (0.022)	-0.110*** (0.036)	-0.050 (0.074)	-0.095*** (0.025)	-0.138*** (0.042)	-0.077 (0.066)
Trade openness	-0.003 (0.013)	-0.045* (0.026)	-0.033 (0.068)	-0.001 (0.015)	-0.005 (0.034)	0.016 (0.068)
Institutional quality	0.101* (0.056)	0.114 (0.084)	0.167 (0.167)	0.150** (0.065)	0.149 (0.105)	0.122 (0.226)
Inflation	0.012 (0.009)	0.021** (0.009)	0.025 (0.024)	0.026** (0.011)	0.037*** (0.012)	0.027 (0.032)
Modern sector share	0.256* (0.131)	0.685*** (0.210)	1.306** (0.647)	0.421** (0.183)	1.656*** (0.416)	2.057** (0.844)
Terms of trade	0.042 (0.028)	0.040 (0.028)	0.032 (0.039)	0.068 (0.055)	0.141** (0.059)	0.054 (0.083)
Terms of trade shocks	-0.146 (0.119)	-0.044 (0.117)	0.294 (0.231)	-0.133 (0.150)	-0.145 (0.147)	0.137 (0.243)
Infrastructure quantity	0.027** (0.011)	0.075*** (0.020)	0.099** (0.043)	..	..	..
Infrastructure quantity & quality	..	..	..	0.034*** (0.009)	0.050*** (0.018)	0.059** (0.022)
Observations	385	385	214	215	215	117
N. countries	95	95	89	72	72	64
R-sq	0.26	0.45	..	0.46	0.46	..
N. instruments	..	..	57	..	..	51
Arellano-Bond test for AR (2)	..	..	0.16	..	..	0.50

Source: UN, Penn World Table 11.0, International Road Federation, European Commission, International Telecommunication Union, World Bank, Barro and Lee (2021), International Country Risk Guide (ICRG) dataset, UN Conference on Trade and Development (UNCTAD) and IMF staff estimates.

*** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$. Infrastructure quantity and quality refers to the first principal component of the underlying physical measures: electricity (generation capacity in MW per 1,000 workers and the share of electricity losses in transmission and distribution), roads (length in Km per area and the share of paved roads), telecommunication (the share of internet access and international internet bandwidth per user), and ports (TEU per 1,000 workers and Liner shipper Connectivity Index).

Figure 3. Morocco: Contribution of Infrastructure Quantity and Quality to Productivity Growth
(Between 2005–2009 and 2020–latest, Annualized Averages in Percentage Points)



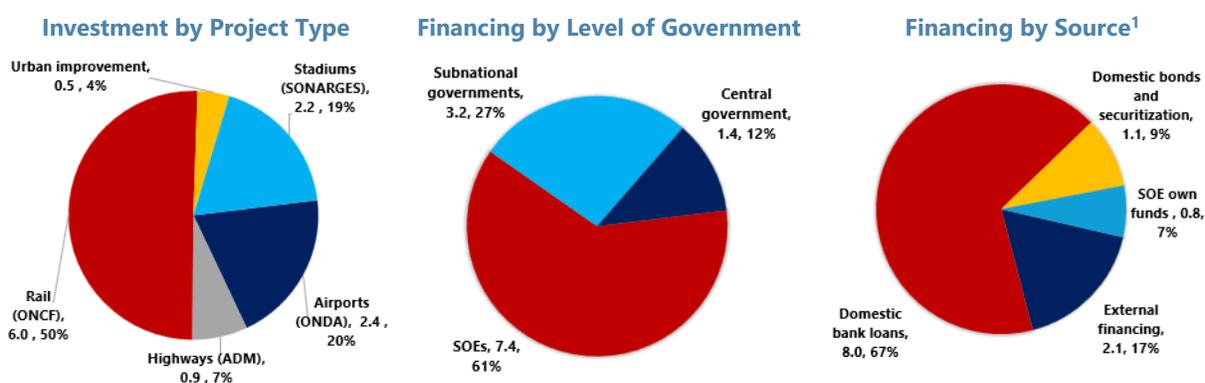
Source: Authors' calculations.

C. Model Analysis of Morocco's Investment Program 2024–2030

10. Morocco is planning on accelerating public spending on connectivity and tourism infrastructure by an estimated 11.9 percent of 2024 GDP between 2024-2030.³ This includes upgrading railways (6.0 percent of GDP), airports (2.4 percent of GDP) and roads (0.9 percent); constructing and renovating stadiums (2.2 percent); and enhancing urban and tourism infrastructure (0.5 percent).

11. SOEs have a central role in implementation, and a large share of the projects will be financed with domestic resources (Figure 4).⁴ SOEs in the corresponding sectors would finance 7.4 percent of GDP of these investments (through concessional external financing, domestic loans and bonds, and own funds), subnational governments would cover 3.2 percent of GDP (through bank loans), and the central government would finance 1.4 percent of GDP (within the budget).

Figure 4. Morocco: Public Investment in Connectivity and Tourism Infrastructure 2024–2030
(MAD 190 billion, 11.9 percent of 2024 GDP)
(Percent of 2024 GDP and share of total)



Source: National authorities and IMF staff estimates.

Note: Data as of October 2025.

1/ In this chart, the portion of investment included in the central government budget (1.4 percent of GDP) is assumed to be financed 80 percent through domestic financing and 20 percent through external financing. In the FSGM model, this amount of 1.4 percent of GDP is accommodated within the central government budget by reducing other spending.

³ This figure does not include other ongoing multi-year investment, including dams and digital transformation water desalination plants, energy transition projects, and health sector infrastructure.

⁴ SOEs are major actors investing in and operating infrastructure in Morocco. In 2024, SOEs invested over 6 percent of GDP, compared to 5.8 percent by the Treasury (excluding sales of real estate assets). Commercial SOEs directed most investments to mining, energy, and water (3.4 percent of GDP), followed by infrastructure and transport (0.8 percent of GDP) and housing and territorial development (0.7 percent of GDP).

D. Analytical Framework: IMF FSGM

12. The simulations use MCDMOD, the MCD-specific calibration of the IMF’s Flexible System of Global Models (FSGM)— a multi-region dynamic general equilibrium model covering Morocco (Andrle et al. 2015) (Figure 5). FSGM operates at an annual frequency with forward-looking expectations, combining micro-founded household and firm behavior with reduced-form external-sector relationships. Within a consistent framework, the FSGM traces both short-run aggregate demand effects via Keynesian multiplier channels and long-run supply-side effects via public capital productivity spillovers. Results are expressed as deviations from a no-investment scenario,⁵ which facilitates direct cross-scenario comparison.

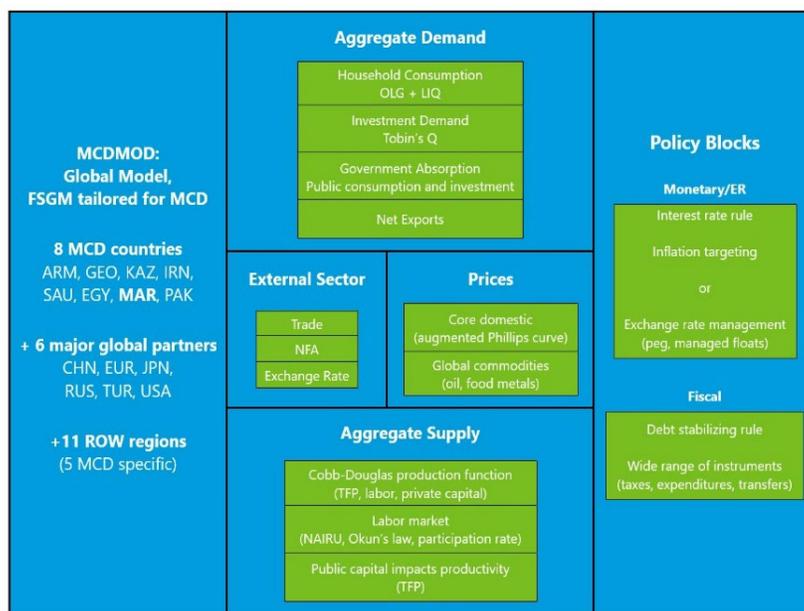
13. The model transmits the investment shock through three main channels.⁶ Morocco-specific calibrations are outlined in Table 2.

- **Crowding-out and structural crowding-in:** In the near-term, public borrowing raises sovereign spreads, increasing real corporate interest rates, initially crowding out private investment. Over the medium-term, private investment is crowded-in as public capital accumulates and boosts productivity, improving private returns.
- **Import leakage:** Given the nature of the infrastructure investment—that includes a large share of imported goods such as high-speed rail and airport equipment—it is assumed that 60 percent of spending would be used for imports, therefore only 40 percent of the spending would support domestic output, dampening the impact of the investment on output.

⁵ The no-investment scenario is the steady state scenario that does not incorporate the public investment spending shock.

⁶ A key model limitation is that FSGM does not explicitly capture active labor market policies: the Okun coefficient and persistence parameter governs unemployment dynamics.

Figure 5. Morocco: Structure of MCDMOD: The FSGM-Based General Equilibrium Model for MCD Countries



Source: Infographie of MCDMOD base on Andrle et al. 2015.
 OLG – Overlapping Generations (households)
 LIQ – Liquidity-constrained households
 NFA – Net Foreign Assets

- **Productivity spillovers:** Public capital raises total factor productivity by entering the private production function. This supply-side effect becomes the dominant growth driver after construction and depends critically on government investment spending efficiency.

Table 2. Morocco: Selected FSGM Calibration Parameters

Parameter	Value	Description
α^{k^g} (TFP elasticity to public capital)	0.29	A 10 percent of GDP increase in public capital raises TFP by 2.9 percent, the primary driver of medium-term GDP gains.
μ^g (Import content of investment)	0.60	60 percent of infrastructure spending is imported, limiting demand multipliers.
Λ (Liquidity-constrained households)	0.65	65 percent of households consume all current disposable income, amplifying fiscal multipliers.
Φ^g (Okun coefficient)	-0.50	A 1 percent output gap lowers the unemployment rate by 0.5 percentage points.
Φ^u (Unemployment persistence)	0.90	High labor market persistence delays employment gains.
Γ (Phillips curve coefficient)	0.18	Core inflation reacts modestly to the output gap.
Σ (Sovereign risk sensitivity)	3.00	A 1 percent of GDP rise in debt raises the risk premium by 3 bps.
Δ^g (Public capital depreciation rate)	0.04	Public capital depreciates at 4% annually consistent with long-lived transport infrastructure
Exchange rate regime		Managed float against EUR/USD basket; limits nominal exchange rate adjustment.
Sources: IMF staff estimates based on Morocco-specific macroeconomic, fiscal, and financial data.		

E. Scenario Design

14. Key assumptions underpinning the modeling of the infrastructure push include:

- **Consolidated public sector.** This combines central government, subnational governments, and SOEs.
- **Total investment.** 11.9 percent of 2024 GDP, phased over 7 years 2024-2030, with some front-loading.⁷
- **Two phases.** There are two distinct phases, separated by a structural break in 2030. Phase I (2024–2030) covers construction, with investment front-loaded in 2024–2025, peaking during 2026–2029, and concluding in 2030 to coincide with the FIFA World Cup. Phase II (post-2030) focuses on capital utilization and debt servicing. In Phase II, new investment stops, TFP gains

⁷ The simulation distributes the 11.9 percent of 2024 GDP investment across 7 years, with higher public investment in earlier years (1.7 percent of GDP in 2024) and following a gradually declining trend thereafter, falling to 1.2 percent of GDP by 2030.

from the accumulated capital stock drive growth and private investment, and debt servicing costs are met via user fees on infrastructure.⁸

- **Total financing:** The financing mix is modeled as follows: domestic bank loans (6.9 percent of GDP, of which 3.2 percent of GDP corresponds to regional borrowing), concessional external debt (1.8 percent of GDP), domestic bonds and securitization (1.1 percent of GDP), SOE own funds (0.8 percent of GDP), and investment accommodated within the existing central government budget by reducing other spending (1.4 percent of GDP).⁹
- **Reinvestment to maintain the capital stock.** Annual reinvestment starts in 2031 to offset 4 percent capital depreciation per year.
- **Baseline scenario and 4 alternative scenarios.** Five scenarios are simulated:
 - **Scenario A: Baseline**
 - **Scenario B: Higher public investment spending efficiency by +20 percent.** In the model, this implies that with the same amount of public investment, Total Factor Productivity of private capital stock (TFP) is 20 percent higher than in the baseline.
 - **Scenario C: Lower public investment spending efficiency by –20 percent.** In the model, this implies that with the same amount of public investment, TFP is 20 percent lower than in the baseline.
 - **Scenario D: Cost Overruns by +30 percent.** International experience shows that large infrastructure projects can face cost overruns ranging from 20-50 percent (Flyvbjerg et al., 2003).¹⁰ In the model, this implies that 30 percent higher investment spending does not lead to higher output.
 - **Scenario E: Tax Financing of 4.6 percent of GDP.** In contrast to the baseline, that assumes 3.2 percent of GDP is regional borrowing and 1.4 percent of GDP is accommodated within the budget by reducing other spending, this alternative scenario assumes that this amount of 4.6 percent of GDP is instead financed by raising consumption tax effective rates to generate 4.6 percent of GDP in tax revenues.

⁸ In the model, user fees on infrastructure are modeled as lower lump-sum transfers from the public sector to households.

⁹ In the model, spending is accommodated within the existing public sector budget by reducing lump-sum transfers to households.

¹⁰ Cost overruns in large transport infrastructure are widespread and significant. In a global sample of 258 projects, average overruns were about 20 percent for roads, 34 percent for bridges and tunnels, and 45 percent for rail, with nine out of ten projects exceeding initial estimates (Flyvbjerg, Holm, and Buhl 2003, 2004). Later evidence shows airports averaging roughly 25–30 percent overruns, with wide dispersion (Flyvbjerg 2014).

F. Baseline Scenario Results

15. The baseline scenario delivers sustained productivity gains and growth, with higher public sector debt (Figure 6). The investment program raises real GDP by 2 percent above the no-investment scenario by 2030. From 2031 onward, productivity spillovers from accumulated public capital lift long-run (and potential) output to about 3 percent, primarily via higher TFP. Annual public investment spending widens the fiscal deficit on average to about 1.2 percent of GDP in 2024-2030. Public debt rises by 7–8 percent of GDP through 2030 but begins declining thereafter as debt amortization (which the public sector covers via user-fees) begins and stronger growth improve the debt ratio.

16. Private investment is subdued in the near term because of crowding out and recovers over the medium term as productivity gains take hold. The real exchange rate depreciates due to the supply side expansion that increases TFP and competitiveness and reduces relative domestic prices. Although better competitiveness raises exports in the near-term, thanks to higher productivity and depreciation of the REER, the high import content in the infrastructure program leads to a widening of the current account deficit in 2024-2030. The current account begins to narrow after the construction phase ends in 2031 and as exports make further gains. In the context of the managed float, the nominal exchange rate depreciation is minimal, therefore the real exchange rate depreciation translates to lower inflation in the near term. Inflation sees a modest short-lived rise—about 0.1 percentage point—due to the demand pressures but as supply-side factors increase inflation falls and stays below steady state until 2034 and stabilizes as the supply effect is fully absorbed and the economy converges to steady state. Higher public sector borrowing raises the sovereign risk premium, which contributes, along with lower inflation, to higher real corporate interest rates during the construction phase, crowding out private investment through 2030. From 2031, higher TFP contributes to improved private returns (profitability), which raises real private investment.

G. Alternative Scenarios Results

17. The results from the alternative scenarios illustrate that the macroeconomic gains of the infrastructure spending push depend critically on public infrastructure spending efficiency, cost control, and financing design. Results of the alternative scenarios are also reported as deviations from the no-investment scenario.

- **Public infrastructure spending efficiency drives growth without altering fiscal costs.** A 20 percent efficiency gain (Scenario B) raises long-run GDP to 3.5–4 percent above baseline, while a 20 percent shortfall (Scenario C) limits gains to 2.0–2.5 percent. In both cases, debt peaks at 7–8 percent of GDP above the no-investment scenario, underscoring that both the quantity and quality of public spending determine the growth returns.
- **Cost overruns erode fiscal space with no growth upside.** A 30 percent cost overrun (Scenario D), pushes debt 2–3 percentage points of GDP above the baseline scenario (Scenario A) by 2034, with GDP gains similar to the baseline scenario.

- Tax financing reduces the debt buildup, though with some compression in short-term demand.** If higher consumption taxes are raised to finance 4.6 percent of GDP of investment spending (Scenario E), public sector debt is 3-4 percentage points of GDP lower than the baseline (Scenario A). Real consumption falls temporarily through 2027 as higher taxes reduce disposable income, but by year 10, growth and investment recover as real interest rates decline. Real GDP in Scenario E is higher than in baseline Scenario A, including because the lower debt burden results in a lower risk premium.

Figure 6. Morocco: Macroeconomic Impact of Morocco’s Infrastructure Investment Program: Baseline and Stress-Test Scenarios

Baseline (Scenario A)

Higher public investment spending efficiency (+20%) (Scenario B)

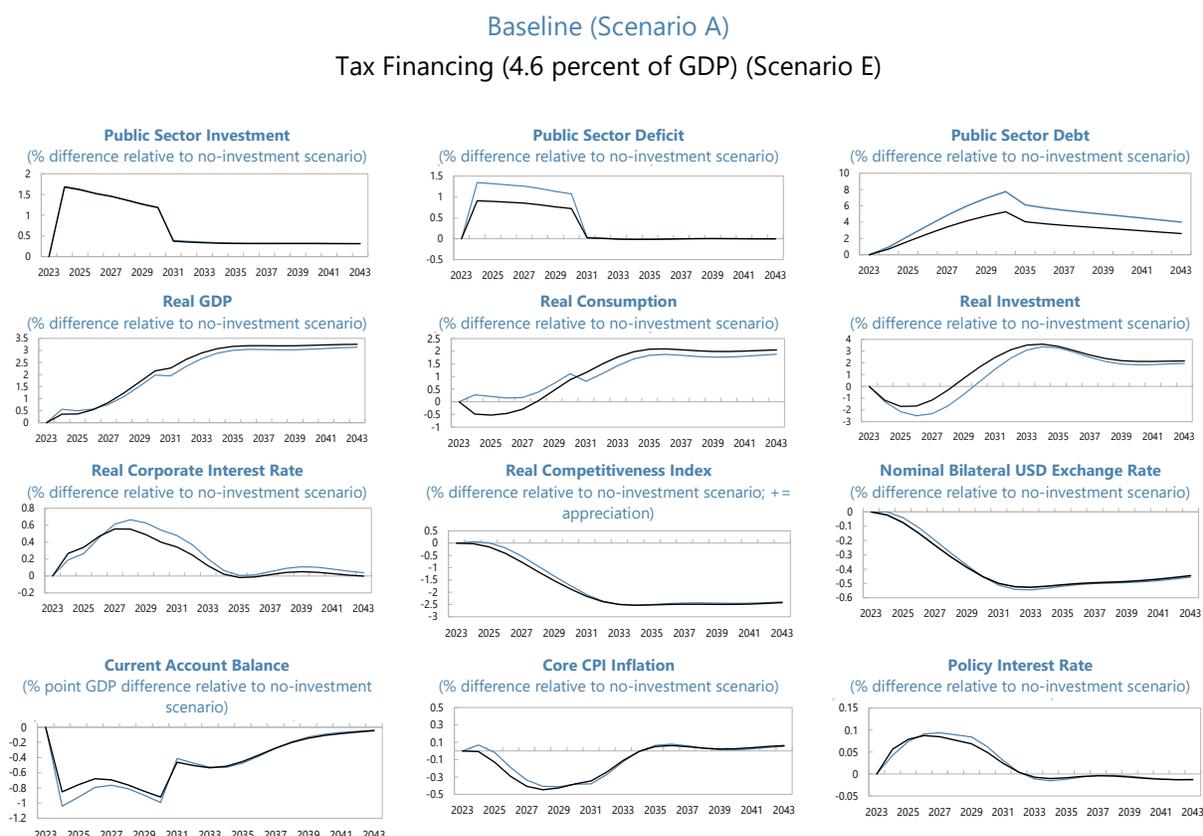
Lower public investment spending efficiency (-20%) (Scenario C)

Cost overrun (+30%) (Scenario D)



Note: Blue = Baseline (Scenario A); Red = Higher public investment spending efficiency (Scenario B); Black = Lower public investment spending efficiency (Scenario C); Green = Cost Overrun (Scenario D). All panels show deviations relative to the no-investment scenario.

Sources: IMF staff FSGM (MCDMOD) simulations.

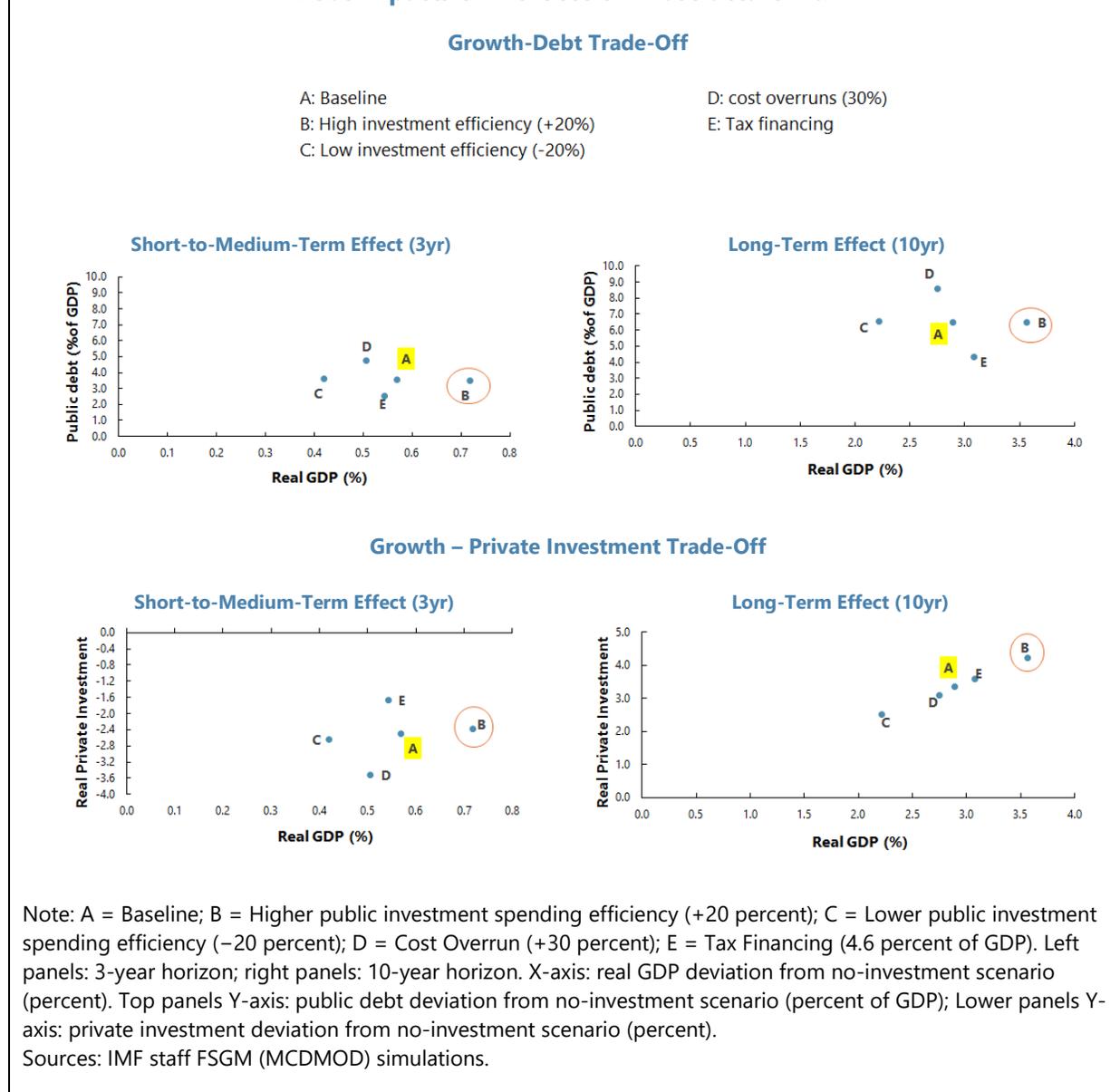
Figure 7. Morocco: Macroeconomic Effects of Tax Financing the Regions and Treasury Share

Note: Scenario E: instead of accommodating 4.6 percent of GDP of investment within the existing budget by reducing other spending, investment is accommodated by raising consumption taxes. All panels show deviations relative to the no-investment scenario. Blue = Baseline (Scenario A); Black = Tax financing (Scenario E).

Sources: IMF staff FSGM (MCDMOD) simulations.

18. In terms of growth, the high public spending efficiency scenario outperforms the others, while the cost overruns scenario underperforms. Figure 8 summarizes the results across the different scenarios for growth, public debt, and real private investment. While short-run impacts are similar, high efficiency (Scenario B) delivers the strongest growth with baseline-level debt. Low efficiency (Scenario C) yields weaker growth for similar debt. Cost overruns (Scenario D) result in the highest debt and lowest returns. Tax financing (Scenario E) achieves growth slightly higher than in the baseline in the medium term, with less debt. The crowding in of the private investment is highest under Scenario B, and weakest under Scenario D due to persistently high corporate borrowing costs.

Figure 8. Morocco: Long-Term Trade-Offs Under FSGM Scenarios: Growth, Investment, and Debt Impacts of Morocco's Infrastructure Plan



H. Key Takeaways of the Model Analysis

19. The results of the model analysis illustrate key channels and risks that influence the macroeconomic impact of the large public investment push.

- **Structural factors affect the growth impact.** Near-term growth is supported by higher TFP. However, the impact is dampened by high import leakages, private investment crowding-out, and expectations of future taxation to meet debt-servicing requirements.

- **Enhance public sector investment spending efficiency.** Higher investment efficiency maximizes GDP and promotes higher private investment in the long run—highlighting that both quantity and quality drives growth returns. Strengthening public investment management would support greater public spending efficiency.
- **Prevent cost overruns.** Cost overruns are especially harmful because they raise debt with a weak growth payoff. Cost controls could be tightened with independent validation, phased disbursements, and real-time tracking.
- **Ensure maintenance.** Higher infrastructure requires upkeep. Reinvesting to offset depreciation is critical for long-run growth. Higher maintenance costs therefore need to be incorporated into the budget.
- **Monitor public debt.** While the model is focused on the consolidated public sector, it is important to keep in mind that the higher debt levels will not be reflected in central government statistics. Close monitoring and reporting of SOE and subregional debt is critical.
- **Mitigate contingent liabilities.** The model assumes that user fees post-2030 are sufficient to cover debt servicing and maintenance costs. If this were not the case, then it would create significant fiscal pressures and the materialization of contingent liabilities. Therefore, user fee structures need to be adequately designed to at least cover debt servicing and maintenance costs.

I. Conclusion

20. Infrastructure quantity and quality have been important drivers of Morocco’s productivity growth in the past. Empirical results show that improvements in infrastructure since the mid-2000s have accounted for a sizable share of productivity gains, with both quantity and quality contributing meaningfully. While Morocco has made strong progress, particularly in ports and digital access, remaining gaps in electricity quality, road density, and broadband performance point to continued scope for growth-enhancing investment.

21. Morocco’s infrastructure scale-up presents significant long-term growth potential, conditional on strong implementation. The large-scale investments planned for 2024–2030 could durably raise long-term productivity, if delivered efficiently, and within fiscal constraints. Model simulations show that medium- to long-term gains are driven by productivity spillovers from accumulated public capital, with real GDP around 3 percent higher in the long run under the baseline, while debt rises during construction before declining as growth strengthens. Higher efficiency would raise growth without increasing debt, whereas the incurrence of cost overruns would worsen fiscal outcomes. Strengthening public investment management, mitigating cost overrun risks, embedding maintenance in the budget, and managing contingent liabilities are essential to safeguard the program’s fiscal sustainability and growth dividend.

Appendix I. List of Indicators

Indicators	Description	Source
<i>Lag output</i>	Lagged log difference of real GDP at constant 2021 national prices (2021 US\$) per worker, using 5-year averages	Penn World Tables 11
<i>Education</i>	Percentage of Secondary Schooling Attained in Population	Barro and Lee
<i>Financial development</i>	Domestic credit to private sector (% of GDP)	World Bank
<i>Trade openness</i>	Trade (% of GDP)	World Bank
<i>Institutional quality</i>	ICRG Political Risk Index (100 = highest)	ICRG
<i>Inflation</i>	Inflation, consumer prices (annual %)	World Bank
<i>Government burden</i>	General government final consumption expenditure (% of GDP)	World Bank
<i>Modern sector</i>	Share of non-agricultural activities in total value added	World Bank
<i>Terms of Trade</i>	Net barter terms of trade index (2000 = 100)	World Bank
<i>Electricity quantity</i>	Total net installed capacity of electric power plants (MW/'000 workers)	UN
<i>Electricity quantity</i>	Electric power transmission and distribution not lost (% of output)	IEA Energy Statistics Data Browser, International Energy Agency (IEA) through World Bank
<i>Roads quantity</i>	Road network density	International Road Federation, European Commission
<i>Roads quality</i>	Share of paved roads	International Road Federation, European Commission
<i>Telecommunications quantity</i>	Percent of individuals using the internet	International Telecommunication Union (ITU) through World Bank
<i>Telecommunications quality</i>	International internet bandwidth per user	International Telecommunication Union (ITU) through World Bank
<i>Ports quantity</i>	Container port traffic per worker (TEU: 20ft equivalent units)	UN Conference on Trade and Development (UNCTAD)
<i>Ports quality</i>	Liner shipping connectivity index, 2023Q1=100	UN Conference on Trade and Development (UNCTAD)

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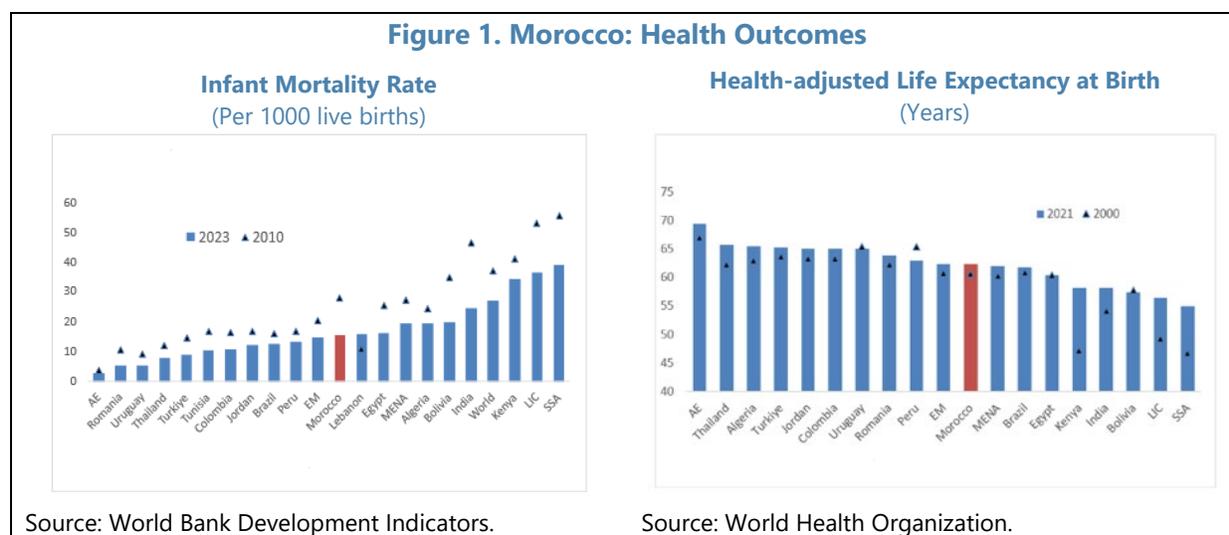
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PUBLIC SPENDING EFFICIENCY IN THE HEALTH AND EDUCATION SECTORS¹

Health and education outcomes in Morocco have improved and access has expanded significantly in recent years. Nonetheless, long-standing challenges persist—including shortages of medical personnel, weak learning outcomes, regional disparities, and outdated infrastructure. Public spending levels in these sectors are relatively high compared to peers yet efficiency gaps remain and budget under-execution is common, suggesting scope to achieve better results with existing resources. Ambitious reforms to improve capacity and quality of services in these sectors are currently underway, and need to be accelerated and underpinned by stronger governance, accountability, and execution capacity to ensure durable gains in quality, equity, and sustainability. This will require fully operationalizing key governance institutions, strengthening data and financial management systems, streamlining decentralization arrangements, improving human-resource and infrastructure management, and linking greater autonomy to clearer accountability to ensure that rising spending translates into better service delivery and outcomes.

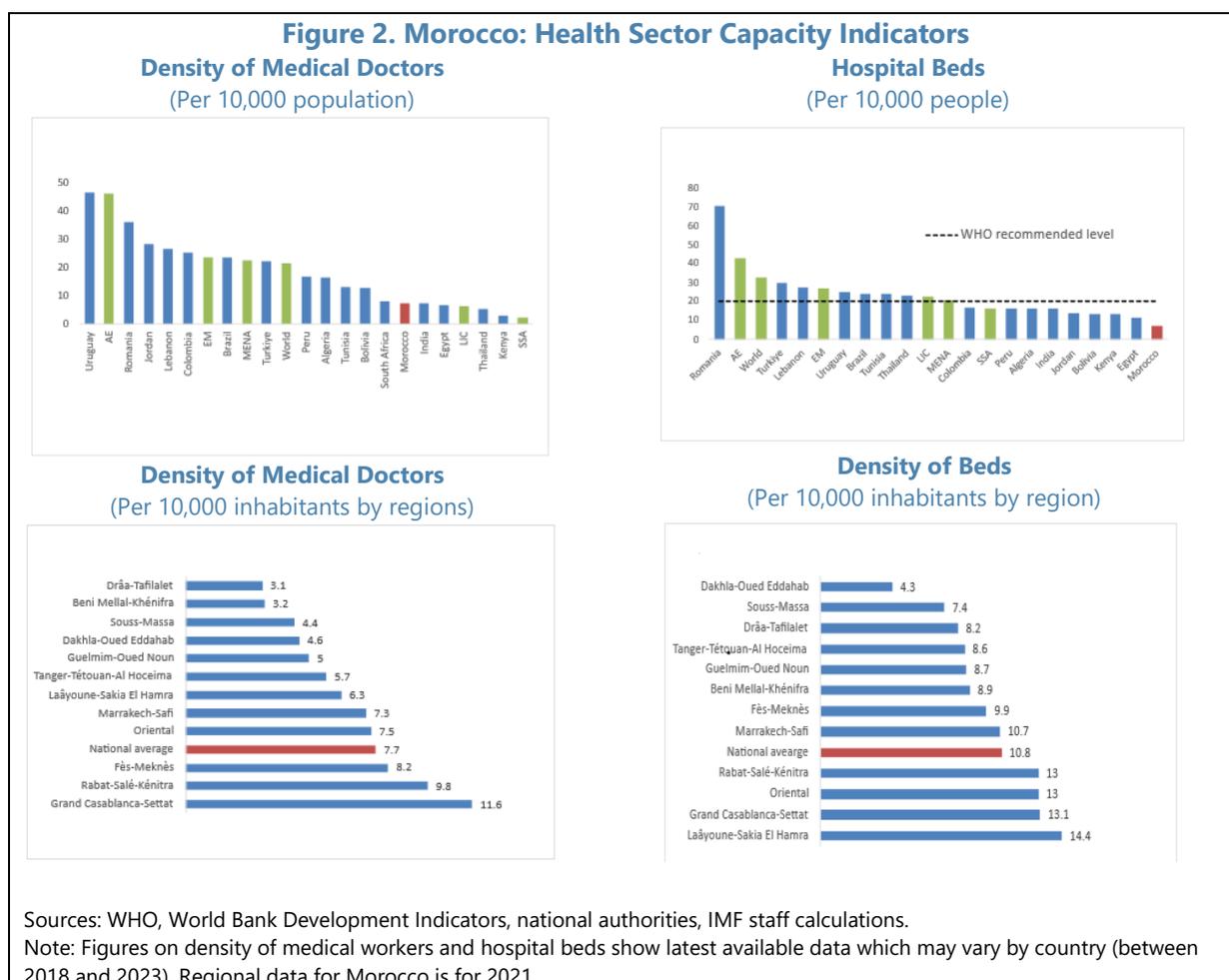
A. Health

1. The health outcomes of the Moroccan population have improved over time and compare well to emerging markets (EM) and regional peers (Figure 1). The health-adjusted life expectancy (HALE) at birth is around 62.34 years, having increased from 60.69 years in 2000, and comparable to peers among emerging markets and MENA countries. Infant mortality rates have continued to decline, falling from over 28 deaths per 1000 live births in 2010 to below 16 in 2023. This is lower than in countries across the MENA region, though it remains slightly above the average observed in emerging market peers.



¹ This note was prepared by Asel Isakova (FAD). The author thanks Hannah Brown (AFR) and Nihal Haider (MCD) for the research assistance. The author would also like to thank the World Bank experts for their helpful comments and suggestions.

2. However, the health system in Morocco has been facing significant capacity constraints (Figure 2). According to the World Health Organization, challenges include insufficient human and logistical resources with inadequate regional distribution, as well as weaknesses in public healthcare provision and public-sector hospital infrastructure, noting that available statistics for the sector may not reflect more recent improvements.² In 2021 Morocco recorded a national average density of 16.09 health workers per 10,000 inhabitants, compared to the minimum critical density recommended by the World Health Organization (WHO) of 23 medical professionals per 10,000 inhabitants and 45 to achieve Sustainable Development Goals (SDGs). In addition, Morocco had a capacity of 7.3 beds per 10,000 inhabitants in 2020, below the desirable level of 20 beds per 10,000 inhabitants. Furthermore, there is geographical disparity in the access to medical services and medical and paramedical staff, with some regions only having three medical doctors per 10,000 inhabitants (Figure 2). There are also challenges in redistribution to high-need areas and performance management for staff at health facilities which pose further constraints to effective human resource management in health sector. Other constraints include irregular assessment of health facilities, limited availability and use of data for effective decision-making, low levels of patient satisfaction and disconnect between health financing arrangements and service delivery.



² WHO, 2023

3. Health expenditures in Morocco are generally lower than in peer countries with room to raise spending efficiency (Figure 3) and reduce budget under-execution. Current health spending stands at around 5.7 percent of GDP, of which 2.3 percent of GDP is government spending. Government health spending generally remains lower than an average observed in the emerging market peers but slightly higher than in the MENA region. Though it has been increasing, the share of out-of-pocket spending remains high at around 43 percent of total current health spending, compared to 25 percent recommended by the WHO. Estimates in the 2025 [IMF Fiscal Monitor](#) suggest that spending efficiency in the health sector is better in Morocco than in comparator countries in the MENA region and EMs (Figure 3).³ While such results are encouraging, there is room for further improvement, which would help strengthen outcomes within the allocated budget. Morocco's efficiency gap is estimated at around 0.27, that is outcomes in health could be higher by about 27 percent with better efficiency given the same amount of public spending.⁴ Moreover, about a fifth of total public health spending is on investment, with an execution rate of only around 70 percent in recent years.

4. Morocco's authorities have engaged in ambitious reforms in the health sector. A comprehensive social protection reform process was launched in 2018, and the COVID-19 pandemic led to an increased focus on the health sector. The reform was integrated in the New Development Model (NDM)⁵ and guides the current government program aimed at improving quality, equity and resilience of the national health system. Its implementation is supported by various multilateral partners, including the World Bank.⁶ They key areas are:

- **Universal health care coverage.** Unification of health insurance schemes under the Compulsory Health Insurance (Assurance Maladie Obligatoire, AMO) framework has increased general health care insurance coverage from 42 percent of the population in 2021 to 88 percent in 2025.⁷ Continued efforts are needed to reach full coverage—including for informal and non-salaried workers and vulnerable groups—reduce out-of-pocket expenses, and reduce regional disparities.

³ The efficiency of public spending is defined as how effectively governments maximize outputs (or outcomes) using a fixed level of inputs (public expenditure). It measures the gap between observed outcomes and those that could be achieved under the best management practices, technology, and institutions. This "production possibility frontier" illustrates the highest level of output attainable from given public spending inputs, thereby reflecting the performance of the most efficient countries within the sample. Done using Stochastic Frontier Analysis (SFA), and separates inefficiency (factors the government can control, such as waste or poor management) from random factors outside government control. The resulting efficiency gap shows how much more output a country could achieve with its current spending if it operated as efficiently as the best performers.

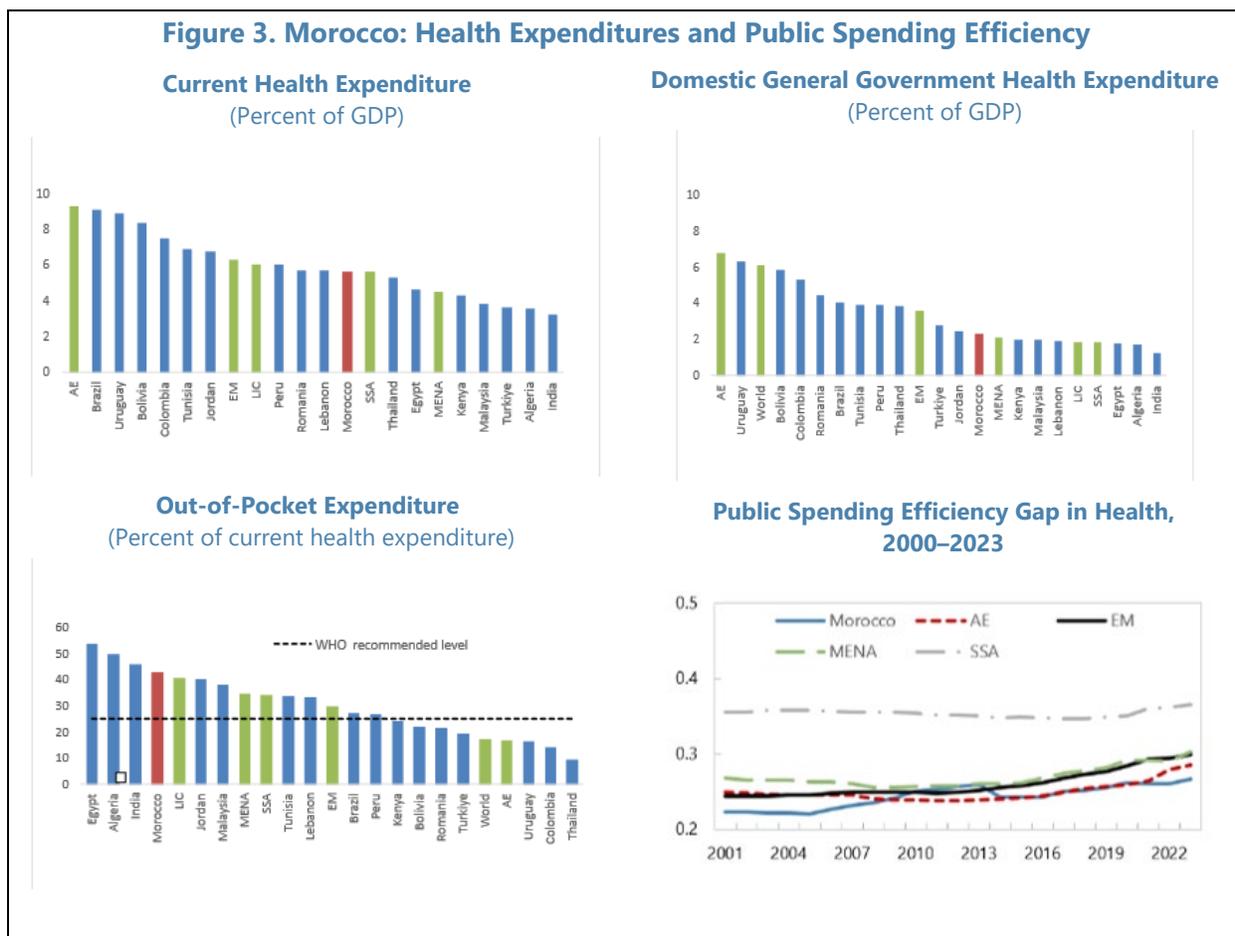
⁴ Among included output variables are number of hospital beds, number of physicians, healthy life expectancy at birth, child immunization, infant mortality rate. As an input variable, the model uses health spending per capita in PPP terms. The empirical analysis is run across many different combinations of output variables and averaging the results. For additional details on the empirical methodology see [Fiscal Monitor Online Annex 1.2](#).

⁵ The Special Commission on the New Development Model, April 2021.

⁶ World Bank, 2023.

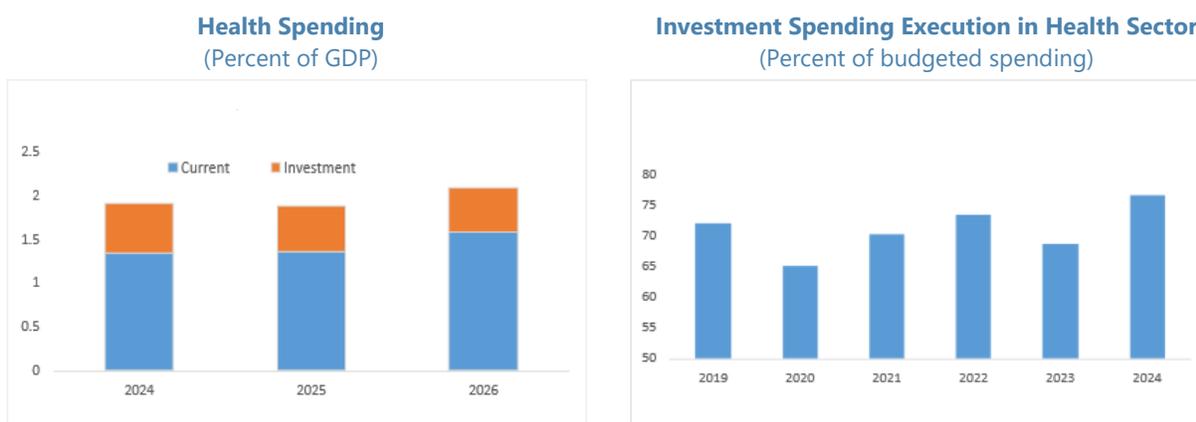
⁷ Economic, Social and Environmental Council (CESE), 2024.

- Strengthening human resources.** The New Development Model's targets reaching 45 health workers per 10,000 inhabitants by 2035, consistent with WHO recommended level to achieve SDG. To achieve this goal and alleviate regional disparities, the 2022 Framework Law on the National Health System (Law No. 06-22)⁸ aims to upgrade and incentivize careers in public healthcare by allowing health workers to be paid based on their performance and ensuring better complementarity with the private sector. They have also enacted Law No. 33-21 on the practice of medicine, introducing incentives to attract foreign doctors as well as Moroccan physicians residing abroad.⁹ In parallel, training capacity has been expanded through increased enrollment in medical, pharmacy, and dental faculties, alongside a larger output from nursing and technical health institutes.



⁸ Framework Law No. 06-22 relating to the National Health System.

⁹ Law No. 33-21 amending and supplementing the law on the practice of medicine.

Figure 3. Morocco: Health Expenditures and Public Spending Efficiency (concluded)

Sources: World Bank development Indicators, IMF Fiscal Monitor (October 2025), national authorities, IMF staff calculations.

- More efficient infrastructure.** The government has pursued investments to modernize hospital infrastructure, expand university hospital centers, and rehabilitate primary care facilities, while launching workforce reforms to increase recruitment, improve training, and address regional imbalances in medical staff availability. Digital health initiatives including the launch of an integrated health information system (across public and private sectors, as well as across service delivery and billing for insurance purposes), and patient-level electronic medical records will further strengthen health sector infrastructure and governance by improving data integration, accountability, coordination and quality of care.
- Strengthening governance.** The 2022 Framework Law introduced reforms at all levels, including the establishment of a fully independent High Authority for Health (Haute Autorité de la Santé, HAS), responsible for supervising health insurance, defining quality standards, and implementing accreditation. The government is also pursuing decentralization in health sector management by creating territorial health networks (Groupements Sanitaires Territoriaux, GSTs)—autonomous regional entities that will integrate primary health care centers and hospitals, plan services through regional medical programs, manage resources using regional health maps, and take on governance, financing, and purchasing functions.

5. While the reforms are moving in the right direction, they can be accelerated to enhance governance and institutional capacity, as well as implementation capacity to ensure durable efficiency improvements and long-term sustainability as social protection expands. This will require continued improvement in spending efficiency, and strengthening governance institutions, including at regional levels. Although the core governance body—the HAS—has been legally established, it must be fully operationalized to effectively carry out its mandate on cost-effectiveness, quality assurance, and systemwide coordination. At the regional level, operationalization has started, with one GST currently in place. Strengthening data systems is also

critical, including the development of a unified and interoperable health information system with mandatory data-sharing protocols to address persistent fragmentation and improve fiscal risk management. Safeguarding the financial sustainability of mandatory health insurance will require tighter expenditure control, more diversified and robust revenue sources, and better anticipation of fiscal risks. Timely implementation should be supported by a clear communication strategy to manage expectations and rebuild trust—particularly by clarifying the AMO model, its financing, co-payment structure, and reimbursement rules—while faster execution of investment budgets and accelerated deployment of health workers, especially in underserved areas, remain essential to ensure that reforms translate into tangible and equitable improvements in service delivery.

B. Education

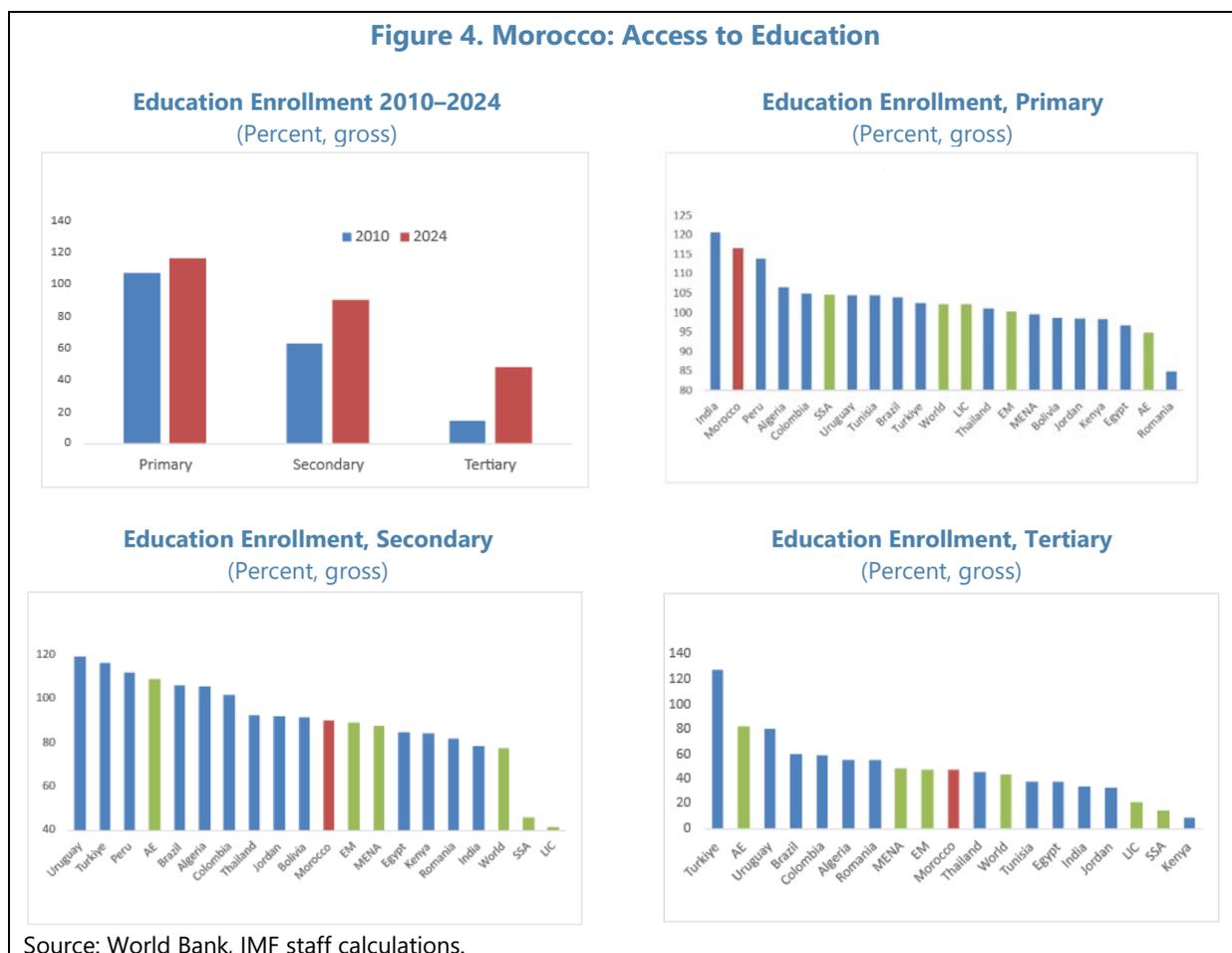
6. Morocco has achieved major gains in access to education, though education outcomes remain low compared to the MENA and EM peers. Education enrollment has increased across all levels (Figure 4). Gross primary enrollment remains exceptionally high at around 115–117 percent—well above MENA and EM averages—reflecting broad access but also repetition and late entry. Secondary and tertiary gross education enrollment increased by 27 and 34 percentage points of population from 2010 to 2024, respectively.¹⁰ It should also be noted that preschool enrollment rate of children aged 4 to 5 has also increased, including in rural areas, which is likely to improve educational attainment and quality in the years to come.¹¹ However, currently education attainment in Morocco—as reflected in both mean years of schooling and the share of adults who have completed upper secondary or some post-secondary education—remains low compared to MENA peers and EMs.¹² Moreover, Morocco consistently scores at the bottom of international PISA assessments in science, mathematics, and reading, albeit there have been improvements in other international assessments, such as PIRLS and TIMSS. Taken together, the weak attainment and learning outcomes likely point to systemic challenges in Morocco’s education system that may constrain human capital accumulation, reduce social mobility, and limit the country’s ability to fully benefit from demographic and economic opportunities.

¹⁰ World Bank World Development Indicators.

¹¹ World Bank, 2025.

¹² World Bank Education Statistics. Data based on Wittgenstein projection.

Figure 4. Morocco: Access to Education



7. In addition to weak education outcomes, the education system faces other challenges.

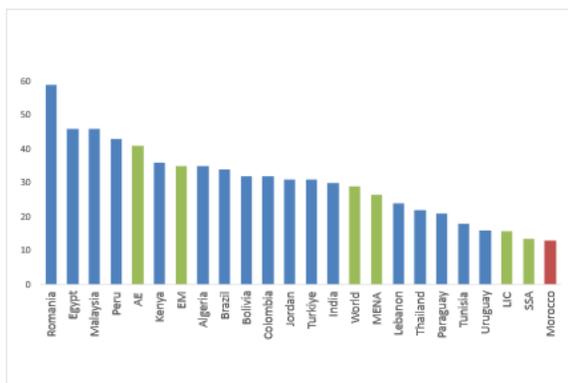
IMF (2023)¹³ identifies other challenges, including: (i) persistent regional inequities, with significant gaps between urban and rural areas in access, progression, and completion; (ii) skill mismatches, as higher education remains heavily concentrated in social sciences rather than technical and STEM fields demanded by the labor market; (iii) teacher related constraints, including the need for enhancing teacher's incentives, improving their overall level of training and tackling absenteeism; (iv) governance and efficiency weaknesses at regional, provincial and school levels; and (v) limited decentralization,¹⁴ which restricts the ability of subnational authorities to tailor resources to local needs.

¹³ IMF, 2023.

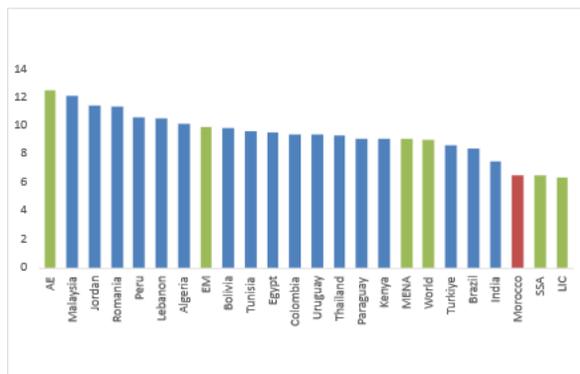
¹⁴ At a general level, the administrative *Deconcentration* charter in Morocco, implemented by Decree No. 2-17-618, aimed at transferring decision-making powers and resources from the central administration to subnational authorities. This would imply a transfer of such autonomy from the Ministry of National Education to Regional Education and Training Academies (AREFs). However, the implementation of the charter has been slower than planned (See CESE, 2023).

Figure 5. Morocco: Education Outcomes

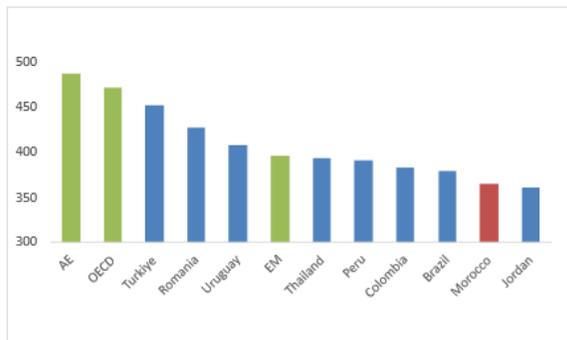
Share of the Population with Upper Secondary or Incomplete Post-Secondary Education, Age 15+ (Percent)



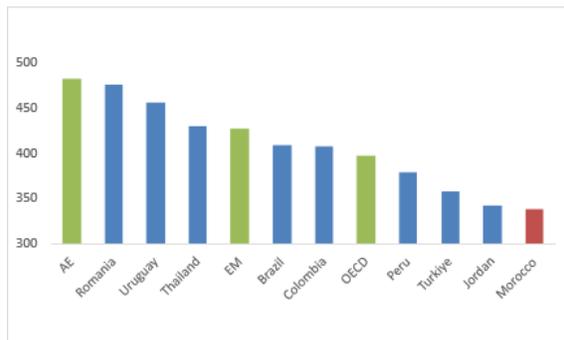
Mean Years of Schooling, Age 15+ (Years)



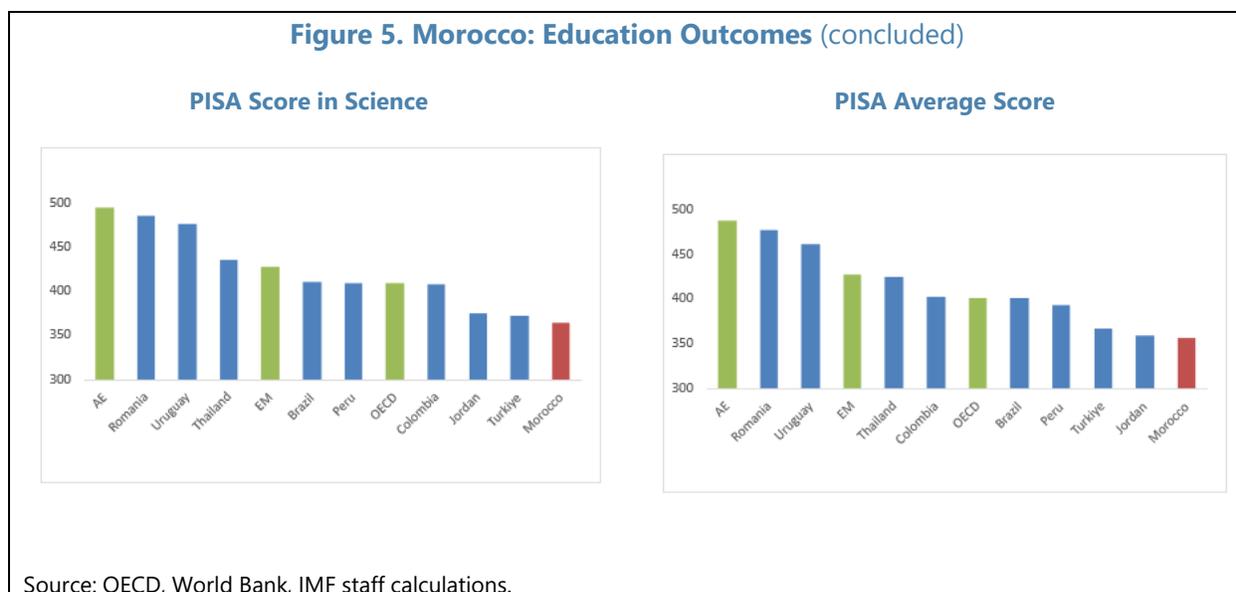
PISA Score in Mathematics



PISA Score in Reading

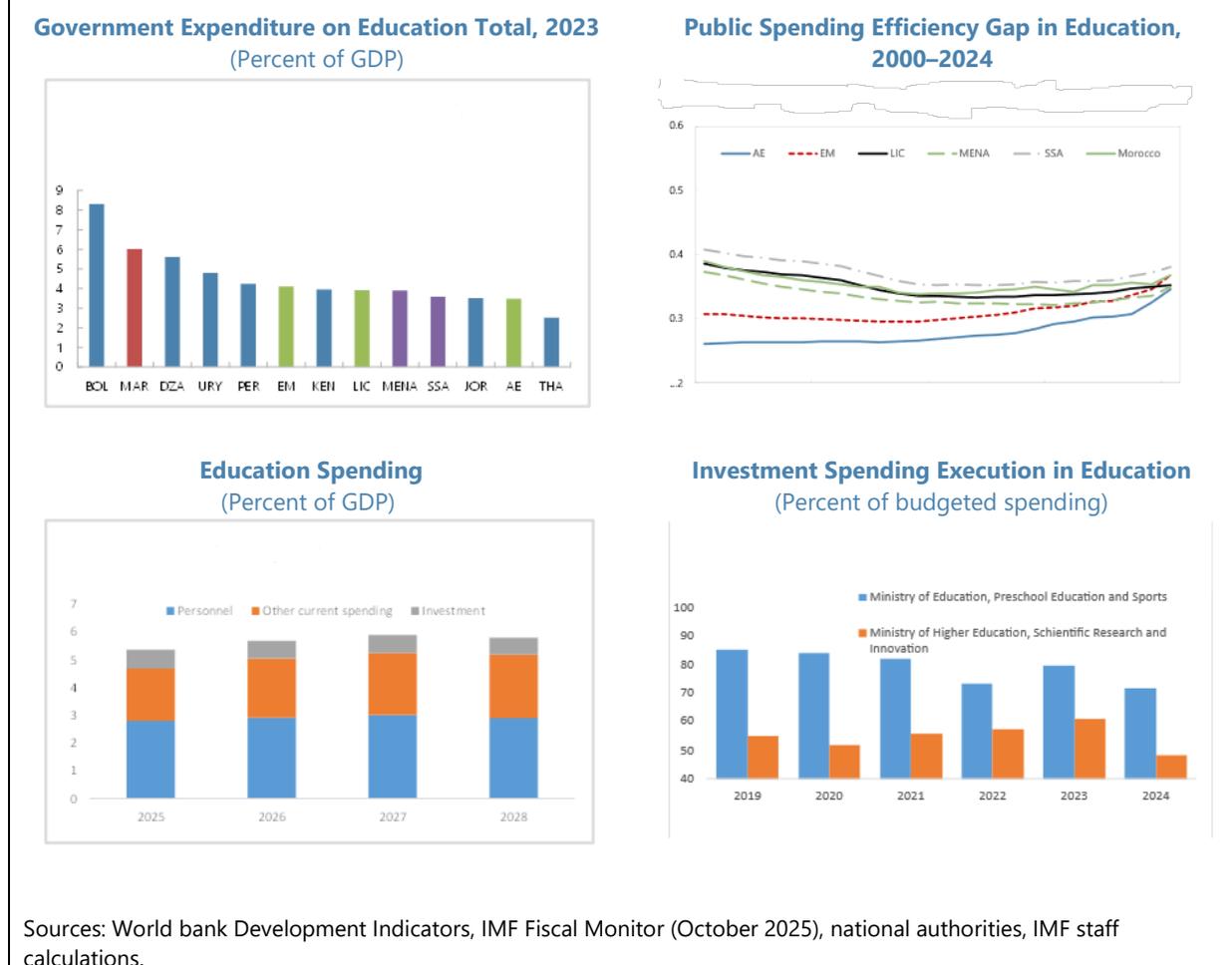


Sources: World Bank, and IMF staff calculations.

Figure 5. Morocco: Education Outcomes (concluded)

8. Morocco allocates a substantial share of public resources to education, yet spending efficiency and budget under-execution remain key concerns (Figure 6). Public expenditure on education of around 6 percent of GDP is well above the average of regional peers and emerging market comparators. Although 2025 IMF Fiscal Monitor estimates indicate that Morocco has achieved steep gains in education spending efficiency, a significant efficiency gap persists—larger than that of regional peers and the emerging market average. In 2024, this gap was estimated at roughly 37 percent, which is a similar estimate to emerging market peers and slightly higher than the average for the MENA region. This estimate suggests that education outcomes could be 37 percent higher if existing resources were used more efficiently.¹⁵ In addition, the investment execution rate has been only around 70 percent in recent years, with the execution rate particularly low in the area of higher education, scientific research and innovation (Figure 6).

¹⁵ Among included output variables are teacher per students, school enrollment, completion rate, years of schooling, and literacy rate among youth. As an input variable, the model uses education spending per capita in PPP terms. The empirical analysis is run across many different combinations of output variables and averaging the results. For additional details on the empirical methodology see Fiscal Monitor Online Annex 1.2.

Figure 6. Morocco: Education Spending

9. Ambitious policy reforms are underway to address Morocco’s longstanding structural challenges in education. The reform launched in 2015 as the Education Strategic Vision 2015–2030 aimed at making education accessible, improving education quality and strengthening the link between education and development. The NDM further outlined a comprehensive agenda for education reform and the Roadmap 2022–26¹⁶ offers an implementation plan to bring Vision’s aspirations to action. The reform has focused on the following pillars:

- **Expanding access and promoting equity.** The reform agenda prioritizes equitable access to education for all learners by expanding preschool coverage, reducing territorial and socio-economic disparities, and lowering dropout rates. Preschool expansion is advancing through the creation and rehabilitation of additional classrooms and large-scale training of early childhood educators, supported by strengthened social programs that reduce financial and logistical barriers to attendance. Complementary measures—including improved boarding and catering

¹⁶ Education Roadmap 2022–26.

services, expanded school transport, and targeted financial support to families—aim to improve retention, particularly in rural and underserved areas.

- **Accelerating universal preschool education.** The authorities are accelerating the rollout of preschool education, with enrollment expected to reach 88 percent by 2026–27, ahead of full universalization by 2028. This expansion will be supported by the rehabilitation of preschool classrooms over 2026–27, further increasing the total number of preschool enrolled children and strengthening early foundations for learning outcomes.
- **Improving quality and relevance of learning outcomes.** Enhancing education quality and skills relevance is a central pillar of the reform. Efforts focus on improving teaching quality through modernized initial and continuous teacher training, upgraded assessment systems, and updated curricula and pedagogical practices. Reforms also aim to modernize vocational education and better align education pathways with labor market needs, while promoting scientific, technical, and innovation-oriented learning tracks.
- **Scaling up the “Pioneer School” model.** A core component of the quality reform is the scaling up of the “Pioneer School” model across primary and lower secondary education. The model is expected to be fully generalized in 2027–28. Such schools emphasize structured, evidence-based teaching practices, stronger school leadership, and intensive teacher support to improve foundational learning outcomes and reduce dropout rates.
- **Strengthening education infrastructure.** To accommodate rising demand and reduce overcrowding, the authorities plan to expand the education network through the construction of around 200 new educational establishments per year, alongside continued rehabilitation of existing facilities. Investments in school infrastructure, digital equipment, and learning environments—particularly in underserved areas—are intended to support the expansion of access and the improvement of education quality.
- **Reforming student financial support and school services.** Support to schooling is being strengthened through improved boarding and catering services, particularly in internats and Dar Taliba facilities, and the expansion of school transport services. In parallel, the authorities are shifting from in-kind assistance to direct financial transfers to beneficiary families, replacing the distribution of school supplies.

10. To support effective implementation of the reforms, the authorities should strengthen governance, accountability, and execution capacity across the education system. Despite high spending and an ambitious reform agenda, weak governance arrangements and limited progress on decentralization continue to undermine their effectiveness. In particular, Regional Academies (AREFs) and schools operate with constrained financial autonomy, complex approval processes, and uneven capacity—particularly for capital investment and infrastructure management. These challenges are compounded by weak integration of regional and provincial planning into the budget framework, limited alignment between territorial plans, performance contracts, and the absence of systematic feedback loops to inform budget preparation. There is also a need to improve

coordination among key stakeholders and enhance capacity of AREFs, in particular, in what concerns financial governance and internal control. There has been important progress in deploying an integrated financial management information system (GID) at AREFs level since June 2025, which represents a spending module and an integral part of the government's financial management system, and which will help strengthen budget execution, transparency, and monitoring. Going forward, strengthening governance will require clarifying roles and responsibilities across central, regional, and school levels; streamlining procurement and approval processes; enhancing technical capacity of regional education authorities (notably in financial and infrastructure management); granting greater school level autonomy linked to performance and accountability; and improving data systems to systematically link resources to learning outcomes. These governance reforms are essential to ensure that increased public spending translates into gains in quality, equity, and efficiency.

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