

Beyond traditional budgeting : sale and leaseback as a new innovative pathway for financing the Moroccan government

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Abstract

Introduced in the 2019 Finance Law, Sale and Leaseback (SLB) has emerged as an innovative financing mechanism for the Moroccan government, enabling it to raise over 70 billion dirhams between 2019 and 2023, with projections reaching 100 billion by 2024 through the sale of more than 330 buildings. This mechanism aligns with the modernization of public asset management, allowing rapid liquidity mobilization without increasing public debt. Empirical findings highlight its positive perception among experts, emphasizing its ability to preserve state sovereignty, particularly concerning institutions like the IMF and World Bank. However, SLB also exerts pressure on rental fees, potentially leading to reduced control over public assets and higher public service costs. These challenges underscore the need for a stronger regulatory framework to ensure its long-term effectiveness and sustainability

Keywords: Sale and leaseback; Innovation; Public Finance; Qualitative analysis; Morocco; Financing techniques.

1. Introduction

Historically, Morocco has undergone a major economic transformation, moving from a predominantly agricultural economy to a diversified structure that includes new sectors such as industry and services (Akesbi, 1985; Morrisson, 1991). However, this diversification has not been without its challenges, particularly in terms of public finance management and fiscal deficit control. Public debt, which has reached 83.3% of GDP in 2024 (HCP, 2024) has forced the Moroccan government to explore alternative financing mechanisms to ease the pressure on its finances. In this context, Sale and Leaseback (SLB) has emerged as an innovative solution to generate immediate cash, allowing the state to sell assets while continuing to use them through leasing contracts. A SLB transaction is an operation where an entity (lessee-seller) sells an or multiple assets to a (buyer-lessor) and commits to enter into a leasing agreement to retain the right to use the asset respecting specified terms (Morris, 2010; Rutherford, 1991; Weston, 1960). According to reports from the Moroccan High Commission for Planning (HCP), and Ministry of



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Economy and Finance (MEF), the Moroccan government has raised over 71 billion Moroccan dirhams (MAD) in five years using this mechanism, with an average annual growth of 28.39%. The SLB has the advantage of releasing funds quickly without directly impacting the public debt, making it particularly attractive for governments in times of severe budget constraints (Grönlund et al., 2008; Longinidis and Georgiadis, 2014; Whittaker, 2008).

However, the SLB mechanism raises many concerns about its long-term effects; despite SLB allowing the government to retain the use of the sold assets, it creates repetitive rent payments that put pressure on the government's operating budget over time, potentially draining future finances. In addition, SLB reduces the government's portfolio of public assets, which limits its ability to use these assets and resources for strategic purposes in the future (Laušević, 2014; Morris, 2010; Schallheim et al., 2013; Sirmans and Slade, 2010). Finally, while SLB is often seen as an excellent solution to satisfy immediate financial needs, many experts and researchers have criticized its long-term consequences; remarkably, the loss of critical public assets and the accumulation of financial obligations in terms of rental payment, that could limit the fiscal flexibility of the future generations.

In light of these issues, the central question of this article is: To what extent is SLB an effective financing alternative for the Moroccan government?

To answer this question, our study aims to:

1. Identify the reasons behind the Moroccan government's decision to finance itself through this mechanism.
2. Identify the risks associated with intensive use of this financing mechanism.
3. Examine the conditions necessary to ensure the success and sustainability of this financing method.

In order to provide an answer to these questions, three lines of analysis are necessary: The first will be devoted to a literature review explaining the emergence to this financing mechanism and its choice. The second will be devoted to the methodology adopted for this study, as well as the presentation and discussion of the results obtained. The final section will summarize the main findings and recommendations for future research.

2. Literature review

2.1. Theoretical literature review

Public financing through the SLB can be analyzed through several economic theories. New Public Management theory (NPM) highlights the efficiency of adopting private-sector practices in the public administrations. The Public Finance theory (1959) which emphasizes the role of the state in the allocation of resources, the Financial Innovation theory (1983), which focuses on the process of the emergence of new financing mechanisms, particularly SLB in our study, and the Pecking Order theory (1984), which explains the order of preference of the state in terms of financing sources.

2.1.1. Public finance theory

Public finance theory, as developed by (Musgrave, 1959) in his seminal work "The Theory of Public Finance: A Study in Public Economics", provides a basic framework for understanding how governments finance their activities to meet societal needs. This theory identifies three core

functions of public finance: the allocation of resources to ensure the efficient provision of public goods and services, the redistribution of income to address economic inequalities through fiscal instruments such as taxation and social transfers, and the maintenance of macroeconomic stability by adjusting public spending and revenues to counteract economic fluctuations (Buchanan, 1960; Desmarais-Tremblay et al., 2023; Jun and Peiyong, 2025; Rosen, 1992; Üyümez, 2023). These functions are interdependent and central to achieving both social equity and economic efficiency in governance.

In this context, the Moroccan government financing through SLB is a direct application of the resource allocation function. This financing mechanism allows the government to unlock the value of underutilized or dormant public assets, transforming them into liquid resources without losing their operational use. By selling these public assets in SLB operations, the Moroccan government meet its financial obligations in a way that preserves its ability to provide essential public services. In addition, SLB allows the government to optimize the public resources, and efficiently contribute them to fiscal stability. This provides a strategic solution of addressing financial constraints in times of limited fiscal resources and flexibility, assuring immediate liquidity and maintaining long-term sustainability of public resources (Lindbeck, 1991).

2.1.2. New Public Management theory (NPM)

The theory of NPM has emerged in the in 1980s and 1990s, particularly with the works of (Hood, 1991; Peters and Pierre, 1998; Pollitt, 1995; Rhodes, 1996). It represents the shift of the adoption of private sector management practices and principles within the public administrations and institutions, aiming to make government organizations more efficient and effective (Bryson et al., 2014; Diefenbach, 2009; Dunleavy et al., 2006). NPM approach aligns with the neoliberal ideology, reshaping the role of the state from an owner-operator, a market-based governance, encouraging the governments to align their policies to cost efficiency, and costumer satisfactions, and encourages them to focus on policy making oversight while outsourcing service delivery (Bryson et al., 2014). In the context of public financing, SLB reflects the NPM's main principle of market- based efficiency, budgetary discipline; NPM justifies the use of SLB as a tool to improve asset utilization; instead of immobilizing capital in state-owned infrastructure, governments monetize their assets and contract their use, through leasing agreements with third parties from the private sector. This approach allows the government to enhance necessary liquidity, and avoid new debt, and allows it also to transfer operational responsibilities, such as maintenance all while retaining public service continuity (Ashiya, 2015; Sirmans and Slade, 2010).

2.1.3. Pecking order theory

The pecking order is an economic theory that highlights the importance of choosing a financing technique that minimize costs and maintain control within the firms, by suggesting a hierarchical preference for corporate financing. According to (Myers and Majluf, 1984), firms should prioritize the use of self-financing, such as retained earnings or internal cash flows because they don't involve additional costs. If the self-financing do not meet the firm's needs, the pecking order theory suggests the use of short-term debt, because of its lower risk and cost. This is followed by

long-term borrowing, often associated with greater risk and interest costs. After that, firms should issue equity despite effects on shareholders, and finally they should resort to innovative and hybrid financing methods (Byoun, 2008; Frank and Goyal, 2003; Kayhan and Titman, 2007). SLB is a hybrid financing method that can be used by firms of states to satisfy their financing needs (Callimaci et al., 2011; Grace et al., 2020; Jain and Dhamija, 2023). In the context of public finance, the government starts with its own resources for financing its needs, using tax revenues, investment incomes and accumulated reserves from budget surpluses. These resources are preferred because of their cost-effectiveness and their role in maintaining fiscal independence. After that, the government turns to borrowing, starting with short-term debt then long-term ones to finance bigger and long-term projects. Finally, the government turns to hybrid financing methods, such as public-private partnerships (PPP) and SLB mechanism (Qin and Luo, 2022; Yulianto et al., 2016). This hierarchical approach reflects the government's aim to optimize financing costs, manage fiscal risks, and ensure the sustainability of public finances.

2.1.4. Financial innovation theory

The financial innovation theory explains the processes where new financial mechanisms emerge to meet needs that the existing mechanisms can't satisfy (Silber, 1983). It involves the creation of entirely new products, and the improvement of existing products to allow optimal satisfying financial needs. Financial innovation plays a critical role in addressing gaps and inefficiencies in financial systems by creating improved quality services and products and reducing transactions costs (Abraham, 1987; Khraisha and Arthur, 2018). This process reflects an adaptive response to evolving economic challenges, allowing more effective and suitable solutions that address the complexity of the modern financial ecosystems.

In the context of public finances, the adoption of SLB financing by the Moroccan government is considered a financial innovation; faced with budgetary constraints and a very high level of public debt, the government uses the SLB financing to assure meeting the financial needs in a way that goes beyond the limits of traditional financing methods. The SLB allows the mobilization of necessary liquidity from under-utilized public assets, and transferring the risks and costs associated with asset ownership to the buyer, such as the maintenance costs.

2.2. Empirical literature review

While the empirical literature on SLB financing is well developed in the private sector, particularly in Europe and the United States, it remains very limited in the public sector. In the public sector, (Lind and Lundström, 2010) analyzes several case studies in the Swedish public sector and compares leasing and owning in the Swedish public sector. The study highlights a number of motivations for shifting from ownership to leasing, including efficient management, better risk allocation, and the need to strengthen the balance sheet. They also point out certain risks, such as the reduction in flexibility. Similarly, (Kluza, 2016) analyzed the financial innovation of the Polish government as a response to the 2008 financial crisis. He highlights that the use of the SLB as an innovative financing mechanism is due to its ability to access financing

while bypassing legal debt ceilings. He also discusses a significant risk of increased credit risk of local entities by generating off-balance-sheet liabilities.

In the same context of public finance, (Barris, 2002) explores the rapid growth of real estate SLB operations both across Europe, both in private entities and governments. The study highlights financial asset management and financial agility and efficiency as the main motivations behind this shift, and points out the risk of long-term viability, questioning whether investors would be able to resell the properties without losses. Also, the works of (Furfine et al., 2017), presenting the SLB transactions between California state and private investment firm, and (Rubinstein and London, 1984), point out the risk of determining a fair evaluation of the properties subject to the SLB transactions, and finally (McAndrew and Speaker, 2024) explores how American public forensic laboratories can use SLB as a response to budget constraints to enhance the use of equipment. The study highlights that partnering with private entities allows them to reduce costs by 25% compared to ownership, by avoiding such major repair and maintenance charges.

In another aspect, (Huber, 2014) examines how private claims on government-owned property in the USA become durable and legally protected. The study highlights a governance challenge that constrains sovereign authority over public assets, and suggest considerations in policy-making and regulations to avoid restrictions on the property. In the private sector, studies have often taken the form of comparative analyses between SLB and other financing techniques. For example, (Laušević, 2014), whose study area is the Republic of Serbia, compares the financing of private companies through SLB and debt, highlighting the advantages and disadvantages of each method, emphasizing the need for clear regulatory reforms and infrastructure to facilitate the SLB mechanism, which is what (Zhu et al., 2022) confirms, by analyzing the reasons why Shanghai enterprises participate in leasing operations, and revealing the need of positive role of a powerful regulatory improvements in the leasing sector.

(Kazakova and Dun, 2014) examine the SLB mechanism in Russia, highlighting its role in refinancing assets and optimizing corporate liquidity. They point out the potential risks and disputes that may arise in the contract's execution. On the other hand, (Slovin et al., 1990) studied the impact of SLB transactions on shareholder wealth by analyzing 53 SLB announcements between 1975 and 1986. The analysis suggests that the main motivation of the (seller-lessee) is the immediate mobility of the funds, and the reduction of expected charges and payments, mainly taxes. In the same year, (Rutherford, 1990) carried out a similar study analyzing how SLB transactions in real estate in USA, affect the stock market valuation. This study indicates that the primary incentive for the seller-lessee to engage in SLB transactions, as reflected in the significantly positive stock market reactions. The same motivation was mentioned in the work of (Sanderson et al., 2019) in the UK context. Finally, (Adams and Clarke, 1996) observed a fall in the share price when the deal was announced in the UK. They explained that the deal sent a negative signal about the company's financial position, in particular a deterioration in operating cash flow, leading to value destruction through the loss of collateral and increased cost of debt.

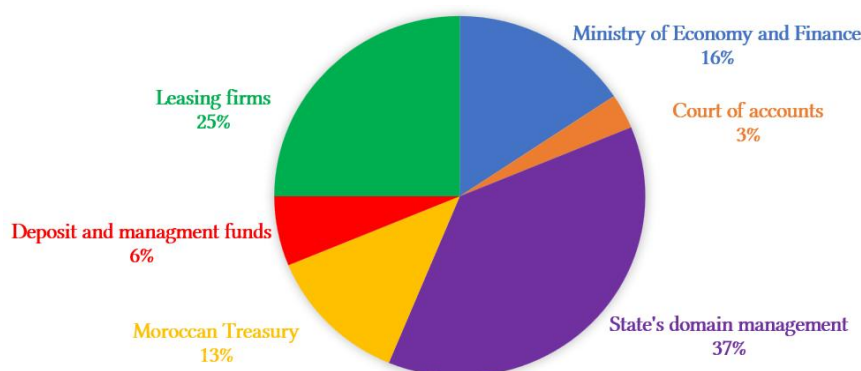
Although SLB mechanism has been examined in many international contexts, no study has analyzed its application in the public sector within the Moroccan context; the existing literature mainly focuses on SLB financing in the private sector, or taking form of comparative analysis

with the banking loans, or PPP financing, leaving a gap regarding its use and evaluation as a financing tool for government. This study fills this gap by providing empirical insights based on institutional expert and professional perceptions and national data.

3. Methodology

The study examines the government's use of SLB as a tool for financing and managing public finances. Adopting an interpretivist approach, this study is based on semi-directive interviews with 32 public finance experts, decision-makers and directors of different organisms closely involved with SLB financing operations in the Moroccan state, such as the State's domain management, public expenditure controllers at the Moroccan Treasury, and tax inspectors at the Ministry of Economy, to understand their perceptions of the interest of SLB. The qualitative analysis includes Berelsonian content analysis, which combines systematic and quantitative description of the interviews to identify key themes and trends (Goodman and Kruskal, 1954). This approach allows for a deeper understanding of the motivations, challenges and implications associated with the adoption of SLB in the Moroccan context.

Figure 1: Presentation of the study sample



Source: Authors own work

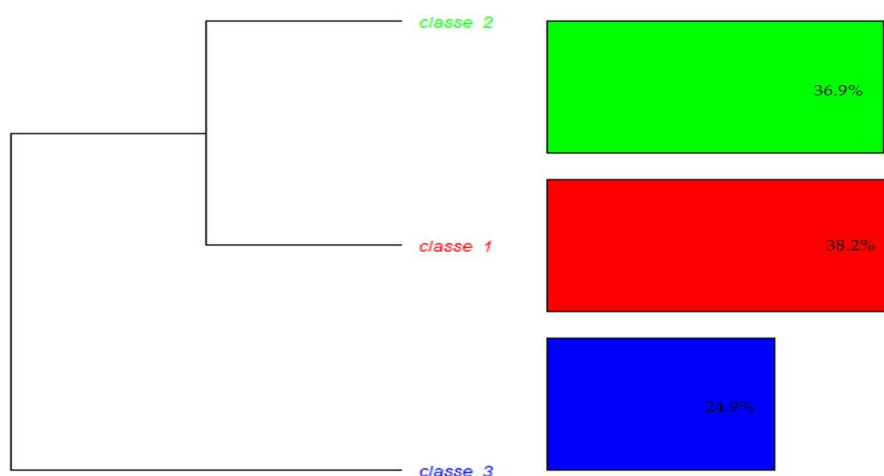
The figure (1) presents the study sample. It includes 12 representatives from the State's Domain Management, due to their oversight of the Moroccan public asset portfolio 5 from the Ministry of Economy and Finance, 4 from the Moroccan Treasury due to their involvement of the Moroccan debt management, and liquidity planning. 2 from the Deposit and Management Fund, due to their direct involvement of SLB transactions with the Moroccan government. 1 from the Court of Accounts, due to its oversight and governance role, as it regularly publishes reports that access these operations and provide clarifications and critiques and 8 professionals from leasing firms. This diverse sample ensures a comprehensive understanding of the mechanisms and perceptions surrounding SLB operations in Morocco. In conducting the content analysis, we follow the methodological guidelines established by (Elo and Kyngäs, 2008; Hsieh and Shannon, 2005; Thomas and Harden, 2008). To facilitate this process, we use IRaMuTeQ software, which allows for multidimensional textual analysis, including word frequency, co-occurrence, and thematic classification. Two methods of analysis are to be used: thematic analysis to manually identify themes in the data, and textual analysis using an analysis grid to deconstruct the responses.

4. Results and discussion

4.1. Descending Hierarchical Classification (DHC)

The Descending Hierarchical Classification (DHC) is used to identify and structure the main lexical clusters within the corpus. This method reveals underlying themes by grouping text segments based on vocabulary similarity and frequency (Chaves et al., 2016; Souza et al., 2018). As part of our study of the Moroccan government's use of SLB as a method of financing budget deficits, the application of the (DHC) analysis identified 3 distinct categories in the textual data.

Figure 2: Dendrogram of classes



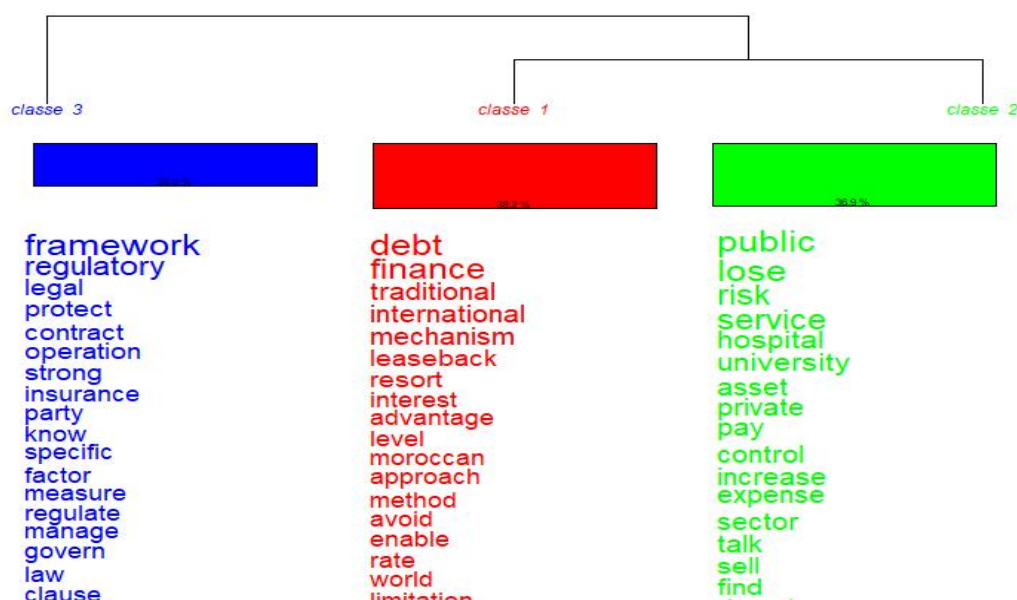
Source: Authors own work

The corpus is composed of 110 texts, divided into 327 text segments. It contains 1 447 unique word forms with a total of 11 679 occurrences. Among these, 1 170 are lemmas, and 875 are active forms. There are also 295 supplementary forms, with 338 active forms appearing at least three times. The average number of forms per segment is approximately 35,72. The DHC analysis resulted in 3 lexical classes, and 301 segments out of 327 were classified, representing 92.05% of the total which is above the 75% threshold (Camargo and Justo, 2018). This shows that the interviewees used approximately the same vocabulary and did not leave out any of the main topics of the interview. The figure (2) highlights the corpus classification. The first category stands out as an independent branch, comprising the single class 3 (in blue), which represents 24.9% of all forms. The second branch is divided into two classes, 1 (in red) and 2 (in green), representing 38.2% and 36.9% of the forms, respectively, illustrating specific themes and concepts within our study. This configuration indicates a possible interrelationship between these categories, suggesting thematic or conceptual links between them (Camargo and Justo, 2018; Chaves et al., 2016).

The figure (3) shows that the first branch of our corpus is class 3, which includes forms such as (framework, legal, regulatory, protect, contract, strong, specific, regulate, clause, insurance, measure, law, etc.). This lexical domain refers to the last topic of our study, which concerns the measures that need to be taken and the conditions for the successful use of this financing mechanism, namely the establishment of a strong regulatory and legal framework that will serve

to protect both parties, and the recourse to insurance companies, and reinforcement of the conclusion of the contract, through consultation with financial and legal experts. The second branch of our corpus groups class 1 and class 2, with class 1 including forms such as (debt, finance, traditional, international, mechanism, avoid, interest, approach, etc.). rate, world, etc.), which refers back to the first theme of our re- search, which concerns the limits presented by traditional financing mechanisms, and how SLB manages to mitigate them, which explains the government's recourse to SLB financing. At this juncture, the predominant constraint, symbolized by the term "debt" pertains to the substantial levels of Moroccan public debt, notably that owed to international financial institutions. This debt burden has the effect of exacerbating the nation's financial instability, compounded by political and social constraints.

Figure 3: Distribution of forms by classes



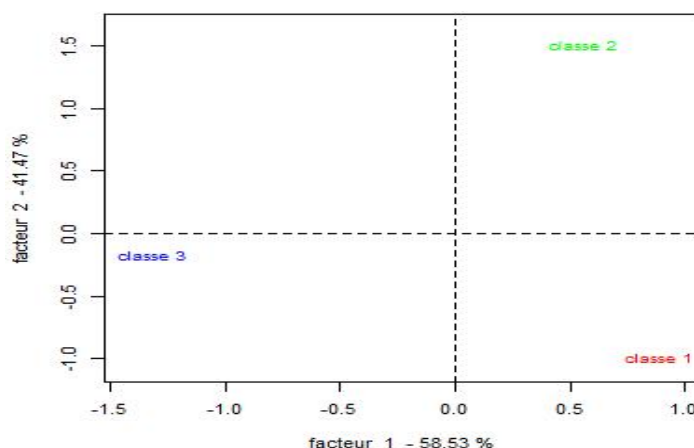
Source: Authors own work

However, class 2 includes terms such as (public, lose, risk, service, asset, private, control, sector, increase, expense, etc.), which belong to the lexical domain linked to the second theme of our study, concerning the inherent risks in the Moroccan government's intensive use of the SLB mechanism. These risks include: an increase in the State's operating costs, as a result of higher lease payments, loss of control over public assets, particularly hospitals and universities, which are the assets most frequently sold as part of SLB financing operations in Morocco, and finally, an increase in the cost of public services.

4.2 Corresponding Factorial Analysis (CFA)

The figure (4) is the result of the (CFA) on our text data. This analysis is often used in statistics to visualize and analyze relationships between categories of data, in this case "classes" identified by the descending hierarchical classification (Mennani and Attak, 2024; Taise Hoffmann et al., 2020). This figure shows the distribution of the different classes identified.

Figure 4: Class dendrogram



Source: Authors own work

The class dendrogram shows that the first factor (representing 58.53% of the corpus) distinguishes between classes 1 and 2 on the positive side of the abscissa and class 3 on the negative side. Specifically, the first factor indicates that the limitations of traditional financing mechanisms, the ways in which SLB can overcome these limitations, and the potential risks associated with its use - represented by a positive abscissa - are compelling reasons for the government to choose SLB financing. On the other hand, the conditions required to implement this mechanism within the Moroccan government, represented by a negative abscissa, are perceived as less favorable reasons for choosing SLB financing.

On the other hand, the second factor (41.47% of the corpus) reveals a bipartition between classes 1 and 3, which are related to the limitations of traditional financing mechanisms and the regulatory framework, respectively, and class 2, which is related to the inherent risks of using SLB. The factor analysis presented in the dendrogram shows that the first factor clearly distinguishes the classes related to the motivations for the Moroccan government's choice of SLB financing (class 1) and the inherent risks (class 2) from the class related to the regulation of this mechanism (class 3). This distinction highlights the conceptual separation between the internal mechanics of SLB financing and the external regulatory framework that governs its use. While regulatory and compliance issues are treated separately, they are inextricably linked to the operational aspects of the mechanism.

4.3 Similarity analysis

Similarity analysis uses the co-occurrence index, which measures the simultaneous occurrence of two or more elements or classes of elements in the same discourse. The goal is to provide statistics on the number of segments in which two forms are associated (Avelar et al., 2019; Camargo and Justo, 2018; Chaves et al., 2016). The figure (5) describes the similarity analysis of the first theme of our research. At the core of the graph lies a central lexical community, exemplified by the primary form "State". This community establishes numerous connections with other communities and forms, including "leaseback", "finance", and "debt", which highlights a robust association. This central community serves to highlight the significance of "State" within the text and its connection to these concepts. From the central community, multiple distinct branches emerge. Each branch assembles related forms around a particular subject.

[illegible]

The primary community establishes a secondary link with that structured around the word “finance”, which includes terms such as “retain”, “sell”, “generate”, “asset”, and “source”. This highlights the fact that the Moroccan government’s main motivation for using SLB financing lies in its ability to generate cash through the sale of its assets while continuing to operate them, without having to resort to debt.

The diagram illustrates the semantic relationships between 15 central terms, each represented by a colored node. The terms are: risk, asset, state, think, leaseback, public, power, vision, possession, relation, euro, free, budget, investment, payment, logical, expense, mention, impact, pay, person, market, implement, organic, lose, pay, revenue, increase, lender, pressure, problem, thing, clause, sign, terminate, view, bankrupt, buyer, point, year, manage, contract, social, opinion, article, continue, day, legal, advantage, present, lease, time, inherent, loss, represent, main, omni-present, and citizen. The relationships are represented by lines of varying thickness, indicating the strength of the connection. The diagram is color-coded into seven regions: risk (red), asset (green), state (blue), think (purple), leaseback (orange), public (yellow), and vision (pink).

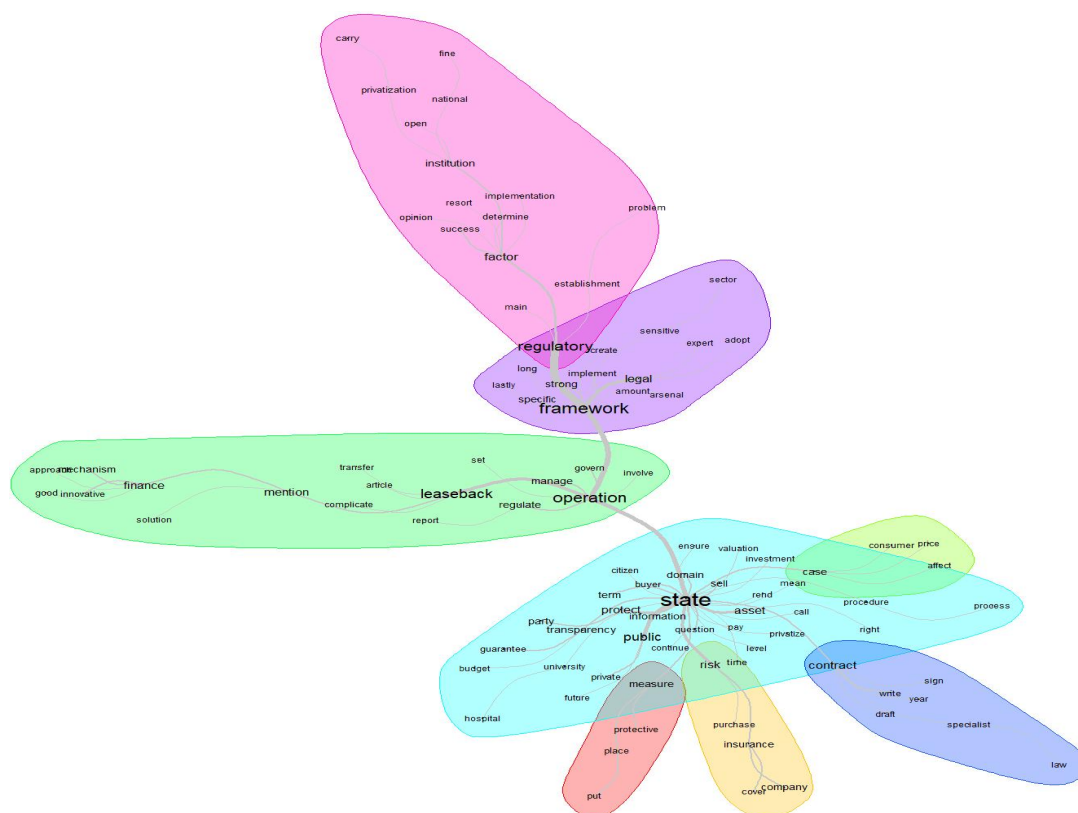
Additionally, it establishes connections with three interconnected sub-communities, centered around the form “think”, which include, on the one hand, the terms “lose”, “private”, “control”, “sensitive”, “CMR”¹, “CDG”², and “institutional”, evoking the risk of loss of control over public assets in sensitive sectors such as health and education.

² "Caisse de Dépôt et de Gestion"; The Moroccan Deposit and Management Fund. It's a public institution that manages public savings and investment funds, supporting national development projects.

Furthermore, the sub-communities encompass terms such as “CMR”, “CDG”, “institutional”, “Bid”, “treasury”, and “bond”, suggesting the potential exclusion of institutions like CDG and CMR from future treasury bond auctions, a concern that arises from the increased reliance on SLB financing. In furtherance of the present connections, the main community includes a final sub-community centered on the term “asset”, which groups together words such as “insolvent”, “ownership”, “possession”, “owner”, and “reason”. This suggests that the Moroccan State may face the risk of losing possession and ownership of its assets, the subject of leasing contracts, in the event of non-payment to the new owner.

Finally, the primary community establishes a connection with the community on the left, which is centered around the notion of “public”, incorporating terms such as “service”, “cost”, “rise”, “price”, and “charge”. This alludes to the potential risk of escalating utility expenses, primarily attributable to the imposition of rent charges on these costs. Moreover, the primary form, “stat”, establishes a connection with another community at the apex, which is structured around the notion of “risk” and includes terms such as “contract”, “lease”, “legal”, “clause”, “sign”, “loss”, and “omnipresent.” This reveals a novel risk of a legal nature, which is poised to manifest itself in various forms. This risk may arise from the absence of certain essential clauses in the contract signed with the buyer-lessor, such as those concerning the division of responsibilities, dispute resolution procedures, the duration and renewal conditions of the contract, etc.

Figure 7. Similarity analysis of the third theme : recommendations for protective measures to be implemented by the Moroccan government



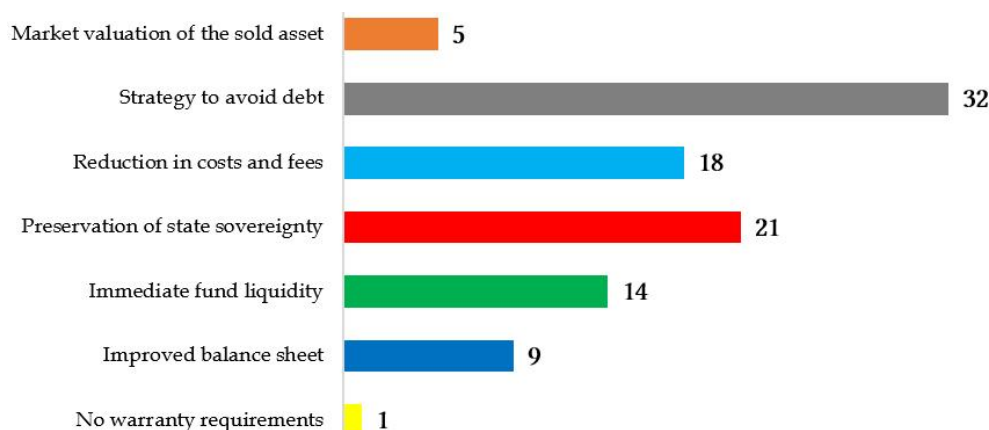
Source: Authors own work

These terms underscore a pivotal recommendation: the adoption of a particular regulatory framework for SLB financing operations, complemented by a robust legal arsenal that facilitates stringent supervision of these practices. Conversely, the term “regulatory” forms the axis of another community, including terms such as “success”, “determine”, “institution”, “national”, “open”, “resort”, and “establishment”. This finding underscores the hypothesis that the introduction of a suitable regulatory framework by the Moroccan government would facilitate the entry of new buyer- lessors, outside CMR and CDG, and open up these operations to tenders accessible to national institutions. The term “state” also establishes a link with a community centered around contract, including the terms “write”, “sign”, “specialist”, and “law”. This connection highlights the need, in the absence of a defined regulatory framework, to use legal specialists and experts when negotiating and signing contracts. Finally, the term state is linked to a final community around the word risk, which brings together terms such as insurance, company, cover and purchase. This reflects the last measure proposed by interviewees: using insurance companies to protect against specific risks associated with these operations.

4.4 Discussion

In terms of the first theme concerning the Moroccan government’s motivations for SLB financing, our interviewees’ responses can be summarized in the figure (8).

Figure 8. SLB financing motivations by interviewee count



Source: Authors own work

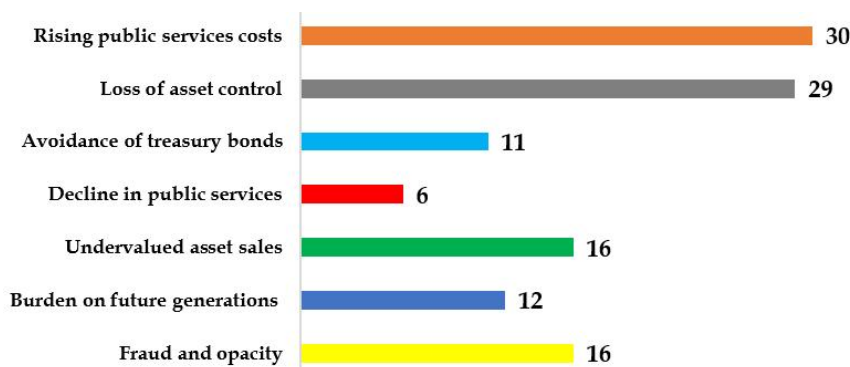
First, the figure (8) shows that 100% of the interviewees indicate that the primary incentive for the Moroccan government is its current high level of indebtedness. This pressure has led the state to adopt what the experts refer to as “New financing strategy”, turning to innovative financing methods such as SLB. This motivation is aligned with the findings of (Kluza, 2016), who identified the same motivation for the Polish government. Second, 21 interviewees of a total of 32 indicate the other key reason for the Moroccan government’s use of SLB financing is to reinforce state sovereignty and governance. A dimension always compromised when borrowing from the FMI and the World Bank, whose loans entail not only financial conditions but also economic and social. This indication aligns with the work of (Huber, 2014) who highlighted the importance of governance in the American context.

Third, 18 interviewees align with the works of (McAndrew and Speaker, 2024) and (Slovin et al., 1990), and indicate that SLB financing allows the Moroccan government to reduce the costs and fees compared to traditional financing. This reduction is explained by the avoidance of the

maintenance and repair costs. Additionally, the SLB payments remain lower than the interest charges that would be incurred through traditional borrowing. In the fourth place, 44% of the total interviewees suggest that the Moroccan government use the SLB financing for its immediate funds' mobility. Additionally, only 9 interviewees highlight the ability of SLB to improve the balance sheet, allow better management of Morocco's public assets, and better risk allocation. The same motivations highlighted by the works of (Lind and Lundström, 2010), in the context of the Swedish government.

Furthermore, only 5 interviewees highlight the effect of SLB financing on the market valuation of the sold assets, which is highlighted in the works of (Grönlund et al., 2008; Rutherford, 1990; Sanderson et al., 2019) in the American and the UK contexts. Finally, only one interviewee suggests the no warranties requirements in the SLB financing, contrary to traditional financing.

Figure 9: SLB financing risks by interviewee count



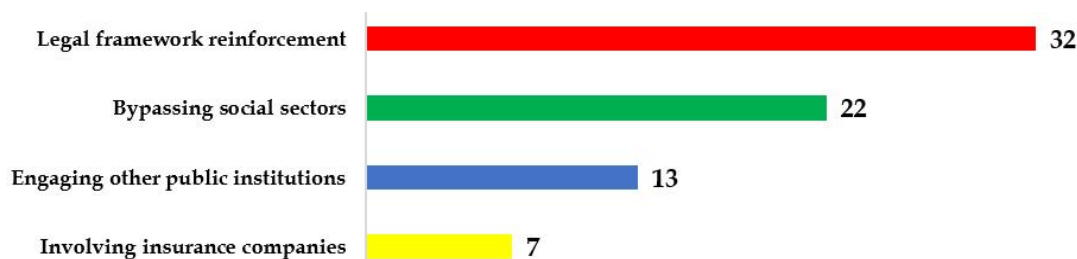
Source: Authors own work

The figure (9) describes the potential risks inherent in the Moroccan government SLB financing by the interviewee count. To begin with, almost all interviewees suggest the rise of public services costs as the main potential risk of the use of SLB as financing mechanism for the Moroccan state. This rise is due to the fact that the cost of rent would be charged to the cost of public services, principally medical services. They also point out the significant risk of losing control over a portfolio of state-owned assets; the interviewees mentioned the situations where rent payments are not made by the government, the buyback clause not exercised at the end of the contract, or the asset is resold to several third-parties further, which can complicate future attempts to recover the ownership of the sold assets. complicating any future attempt to recover ownership.

Moreover, 50% of the interviewees highlight the SLB financing can cause fraudulent practices, primarily due to the lack of transparency in the Moroccan government's selling and rent procedures. Because of the government limitation with the public institutions only, the interviewees stress that sales are conducted directly, without any public tender or competitive bidding process. Such opacity and ambiguity arise concerns about favoritism, mismanagement of public assets, and the absence of credibility. The same argument was used by the interviewees to highlight the risk of the inaccurate and biased valuation of the sold assets. The same risk was identified in the works of (Furfine et al., 2017; Rubinstein and London, 1984), and partially in (Barris, 2002) pointing out the risk of the undervaluation if investors tend to resell the property. In

addition, 12 interviewees underlined the risk of increasing rent fees over time, a concern that aligns with the results of (Adams and Clarke, 1996; Kluza, 2016). The interviewees further explained that SLB arrangements impose heavy burdens on future governments, who will be required to cover rent payments, with fewer assets owned. This will limit the fiscal flexibility and the long-term financial sustainability (Barris, 2002). Lastly, 11 and 6 interviewees underlined successively the risk of circumvention of traditional public debt instruments, such as treasury bonds, and the degradation in the quality and availability of public services after selling the asset.

Figure 10: SLB financing conditions by interviewee count



Source: Authors own work

Second, 22 interviewees out of 32 recommended that the government should avoid using the SLB financing in the social sectors, such as health and education. This procedure will allow the Moroccan government to avoid many risks, principally the loss of public asset control and decline in public services. Moreover, 13 interviewees suggested that the Moroccan government should consider collaborating with other public and national institutions, which will assure transparency and better rent conditions due to the competitive bidding. Finally, 7 interviewees suggested that the government could turn to insurance companies to guard against the valuation risk, but this maneuver remains “marginal” as other interviewees qualify, due to its limited effect.

5. Conclusion

This study provided an in-depth analysis of the potential of SLB as a financing alternative for the Moroccan government. The results reveal that this mechanism offers significant advantages, notably the ability to mobilize funds rapidly while limiting the impact on the debt ratio, and to do so within a simplified framework that preserves the State’s sovereignty over its assets. These benefits make it a particularly attractive option in a context of increasing budget restrictions. Based on the findings of this study, many measures and recommendations should be considered to ensure the responsible and efficient use of SLB financing in the public sector; the Moroccan government should consider establishing a transparent and detailed regulatory framework, that must guarantee effective supervision of SLB operations, protecting the public interest and fair competition between stakeholders. Due to the high risk of losing control over public assets, the Moroccan government should avoid financing through SLB in critical and social fields such as public hospitals and education infrastructures. The results recommend also the equal access to SLB financing for all qualified operators, to support a competitive market assuring better leasing conditions and terms, and avoiding corruptive maneuvers.

Although this research provides empirical and theoretical findings, it presents limitations that should be acknowledged. First, the research remains dependent on the Moroccan context and cannot be generalized directly to other contexts and countries. Also, this study does not include

quantitative modeling or simulations, which future research could adopt measure the effect of SLB on public debt ratios, deepening the understanding of the SLB financing.

Future researches could compare the SLB practices in the Moroccan context with developed countries and economies, to highlight the best practices that influence the success of adopting SLB as a financing mechanism

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