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Weekly highlights by
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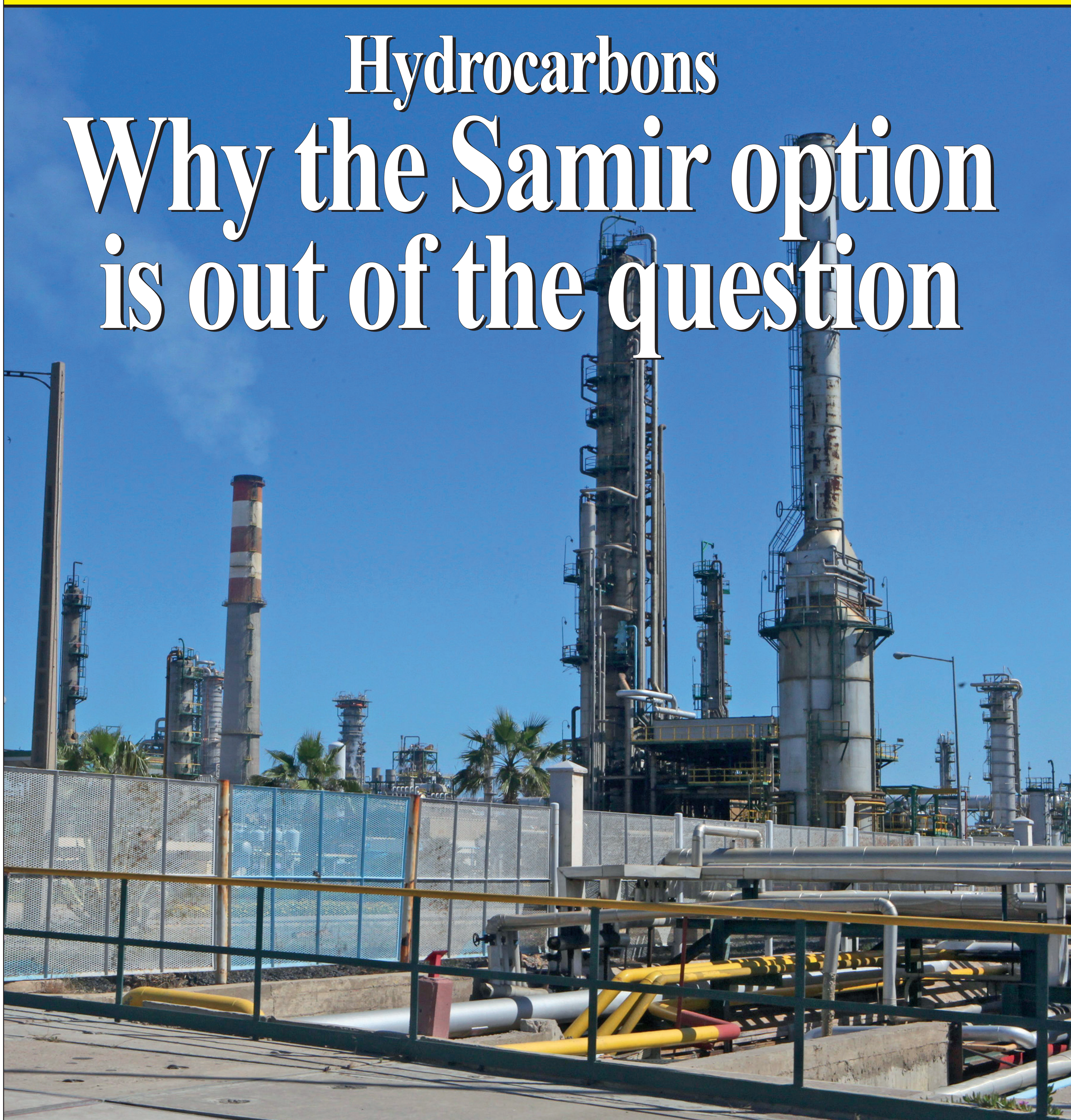
Hydrocarbons

Why the Samir option is out of the question



Restructuring of the public portfolio under way

Social Security pensions: The increase finally granted

Money laundering Real estate being scrutinized

Climate/World Bank What the new report on Morocco contains

EDITORIAL — Back to work

Meriem OUDGHIRI

A new wind seems to be blowing this year on the new social session in particular. More than two years after its validation, the (5%) increase in retirement pensions from the CNSS (National Social Security Agency) has finally been allowed by the Ministry of Finance. This is a measure that will give a little boost to the purchasing power of this population and allow it to cope with the general rise in prices. A new session is also an opportunity to take stock of the urgent issues that are piling up and have become real deadlocks for which the Government is trying to find solutions. Employment, growth, inflation, investment,… all these projects will undoubtedly require a great deal of tact, in a very specific context. On the emergency front, the specific case of education, and of its disturbing and persistent alerts, both concerning the decline in skills and the crisis of values, are glaringly topical, as evidenced by the anger and the exasperation within the ranks of teachers on the eve of the new academic year. At the heart of the showdown with the Government is the question of the teachers' status, which has not changed since 1997 and whose reform has dragged on for more than a year and a half. If the Government's response does not meet expectations, the SNE-Sup (National Union of Higher Education), the majority union in the higher education sector does not rule out an escalation. Today, the current global crisis is not only social and economic, but also a crisis of confidence. Its restoration depends on the materialization of all the commitments made and on the assessment of the correctness of the orientations of public policies. All these realities challenge us to avoid reanimating the embers that were hidden under the ashes. Hence the challenge of putting bold decisions on the table and not simple feeble measures that end up being scattered. ❏

Weekly highlights

Restructuring of the public portfolio under way

A new step has been taken in the restructuring of the public portfolio. The Ministry of Economy and Finance has just launched a call for candidates to fill the position of Director of the Department of Public Establishments and Privatization (DEPP), which will be vacant from the end of next November.

The main mission of the new director consists in initiating the reform of the public sector, a fundamental work mentioned in a royal speech. The new director will have to establish the necessary synergy with the National Agency for the Strategic Management of State Holdings and for Monitoring the Performance of Public Institutions and State-Owned Enterprises. Last July, the King appointed Abdellatif Zaghnoun as the first director general of this new public agency that he is setting up. The former boss of CDG (Caisse de Dépôt et de Gestion) embarked on the implementation, in particular by recruiting human resources and drawing up the budget necessary for the operation of this new entity. For the time being, the Agency is at the design stage of its strategic development vision aiming at making this project operational. This work is carried out in parallel with the framework law relating to the restructuring of the public portfolio, which includes a roadmap. What is planned is the establishment of an integrated program of reform of the sector of the State-Owned Enterprises (SOE) of which a portion is qualified as urgent. This program will be built on the basis of the overhaul measures, defined by the framework law, the aims of which are to resize the public portfolio, strengthen efficiency and professionalize the governance of SOEs. Added to this is the drastic limitation of recourse to the Government budget, the need to make the models reliable, and the emergence of large centers with the capacities required to face the challenges related to competition.

For the Ministry of Finance, it is imperative to merge the Social Development Agency, the National Mutual Aid agency (Entraide Nationale), the ODCO (Cooperation Development Office), and the Compensation Fund into a single operator. The idea is to create a single and visible entity in charge of social actions instead of the many existing public establishments

For the ministry, it is imperative to merge the Social Development Agency, the National Mutual Aid Agency (*"Entraide Nationale"*), the ODCO (Cooperation Development Office), and the Compensation Fund into a single operator. The idea is to create a single and visible entity in charge of social actions instead of the many existing public establishments. Territorial development is not left out. The ministry proposes the dissolution of the three development agencies of the South, North, and Oriental regions. Their maintenance is no longer justified because of duplication either with other public establishments or with departments and local authorities.

All these elements confirm that a restructuring of the sector is imperative. For it, several actions will be taken. Indeed, for non-commercial and social SOEs, it will be necessary to carry out the reintegration of certain missions within the ministries concerned, after the liquidation of certain establishments whose maintenance is no longer necessary, underlined an official within the Ministry of Finance. Moreover, the roadmap proposes to group together certain establishments whose maintenance is justified. Examples of contemplated transactions are provided. This is the case of the infrastructure sector in transport and logistics. ❏

Mohamed CHAOUI

Social Security pensions: The increase finally granted

MORE than two years after its validation, the increase in retirement pensions from the CNSS (National Social Security Agency) has finally been released by the Ministry of Finance. The government is getting ready to implement, via a decree, this recommendation of the Board of Directors of the fund, which dates from 2019. The five percent increase will apply to the stock of retirees constituted at the end of December 2019 with retroactive effect since January 2020. The increase will result in a minimum increase of 100 MAD and a maximum of 210 MAD per insured person. At the time, this measure was blocked because it was necessary to wait for the reform of the CNSS pension scheme, which is slow to come into being. This increase will give a small boost to the purchasing power, enough to deal with the general rise in prices. Today more than seven CNSS pensioners out of ten (senior citizens, disabled persons, and beneficiaries of the survivors' allowance) receive less than 2,000 MAD (200 USD) per month. Only four percent of the beneficiaries have a pension of 4,200 MAD, which corresponds to the maximum granted by this scheme. Contributions are made on the basis of a salary capped at 6,000 MAD per month, which has been unchanged for several years. This increase, which was the subject of lively discussions during the Board meeting, will cost nearly 780 million MAD per year to CNSS, and at the end of September (if the decree is published), the National Social Security Agency will have to disburse more than 2 billion MAD. This will have an impact on the balance of the pension scheme. Some administrators speak of the deficit *"that would occur three or six months before what was initially forecast"*, a situation that underscores the urgency of a reform. However, despite the studies and diagnoses carried out, no decision has been made. Another measure contemplated is the reduction of the number of days of contributions so that a person can be eligible to claim a CNSS pension. This provision was validated during the social dialogue session held last April. The minimum number of days required to claim a pension should increase to 1,320 days versus 3,240 days today. A large segment of employees could benefit from a pension whereas until then they had only one alternative, namely, to recover the employees' share. Employees who do not reach the level of 1,320 days could recover the employer's and employee's share. The terms of implementation of this system have not yet been defined and are the subject of disagreement between the administrators of the National Social Security Agency. As a result, said terms of implementation of this system would be postponed to a later date to be discussed during the social dialogue. This session of the CNSS Board of Directors meeting made it possible to take stock of the CNSS's balance sheet in 2021, namely the increase in the number of declared employees to 3.49 million (+5.4%) and the number of businesses affiliated to Social Security to 294,000 reporting companies (+8.7%). The declared payroll increased by 13% to 170 billion dirhams while collection rates improved to 92% in 2021 versus 80% in 2020. These issues which deserve in-depth analysis were also raised, as is the case for the distribution of costs related to recruitment or investment in new branches between the different categories managed by CNSS. Another issue is that of the surpluses of 41 billion MAD, made by the compulsory health insurance of employees. *" The idea, among other things, consists in allocating part (of the surplus) to the financing of the "Family allowance" branch or even to long-term benefits"*, says an administrator. ❏

It will give a small boost to the purchasing power, enough to deal with the general rise in prices

Khadija MASMOUDI

Weekly highlights

Hydrocarbons

Why the Samir option is out of the question

The debt of the Mohammedia refinery amounts to 40 billion MAD, plus 12 billion for the maintenance and upgrading of the production tool

Is he a pedagogue or a demagogue? During his speech at the RNI (National Rally of Independents) summer university on Saturday, September 10 in the city of Agadir, Mustapha Baïtas, in his capacity as a member of the party's Political Bureau and government spokesman, made a point of explaining the official position of the Executive in relation to the option of reopening the Samir refinery in the city of Mohammedia. *"Theoretically and logically, we would say yes to the restarting of the Samir"*, said Baïtas straight away before an audience of the youth section of the RNI party, in the presence of Mohamed Boussaïd, former minister and iconic figure of the party's Political Bureau. However, according to Mustapha Baïtas, there are a number of parameters and technical elements that the public opinion must take into account so that there is no misunderstanding or confusion.

" The Samir oil refinery is not the only solution to the problem of rising fuel prices...", said Baïtas, adding that *"It is not the only solution but part of the solution"*. The Government spokesperson also specified implicitly that the refinery could certainly solve a certain number of problems, in particular storage and refining, but it does not provide solutions to all the problems, because Morocco is not an oil producing country. Even more, according to Baïtas, there is the liability related to the Samir refinery. "*The company's debt amounts to 40 billion MAD... who today can make the decision to erase such a large debt of 40 billion MAD?"* asked the government spokesman skeptically. Furthermore, the Samir reactivation scenario presupposes making major investments in the maintenance of the facilities, the upgrading of equipment, and the modernization of the production tool which is today in a state of advanced degradation. The amount of these investments is estimated at some 12 billion MAD. Added to this is the clearance of the situation with suppliers, insurance companies, and creditors.

It should be recalled that the Moroccan Government is not the only creditor of Samir. The company is indebted to several Moroccan banks (BCP, Crédit du Maroc, Attijari, BMCE, and others). There are also international banks, notably the Islamic Development Bank and BNP Paribas, which claim unpaid debts. According to another source, it should not be forgotten that the Samir case is subject to judicial investigation both in Morocco and internationally. (Saudi billionaire) Mohammed al-Amoudi, in his capacity as boss of Corral Holding and owner of Samir, filed a lawsuit against the Moroccan Government. He also filed a complaint with the International Center for the Settlement of Investment Disputes (ICSID, which is a body reporting to the World Bank). El Amoudi is claiming 14 billion MAD (from the Moroccan Government) in compensation for damage suffered. The arbitration procedure was initiated in 2018. The same businessman, who is a dual national (Swedish and Saudi), accuses the Moroccan state of having *"orchestrated everything to push the refinery to bankruptcy in order to be able to nationalize it"*. As a result, for considerations of international image and in order to attract investors, it would not be in Morocco's interest to contemplate the scenario of the nationalization of the company whatever the stakes, including that of energy sovereignty, says an expert.❏

Amin RBOUB

Weekly highlights

Money laundering
Real estate being scrutinized

REAL estate agents, as is the case for accounting professionals, notaries, lawyers, and casinos, are called upon to play a whistleblower role within the framework of the system for combating money laundering and financing of terrorism. This is in any case what is provided for by law number 12-18 amending and supplementing the Penal Code and law number 43-05. However, the regulation of the profession of real estate agent was not really taken seriously when the association representing this activity filed a draft law with the Ministry of Housing. At the time, the department was managed by Nabil Benabdellah. The draft piece of legislation was then transferred to the General Secretariat of the Government (SGG) where the draft legislation has remained blocked for about 8 years. Since then there was radio silence. Real estate intermediation professionals no longer know which door to knock on to restart the legislative process. The context has changed a lot now. Indeed, the regulation of the profession of real estate agent has become an emergency under the fight against money laundering and the fight against the financing of terrorism. The relevant law was put in place by Morocco under pressure from the Financial Action Task Force (FATF) as part of an international mechanism to which the Kingdom adheres through an action plan. The latest measure undertaken by the Ministry of Finance involves the sending of a compliance questionnaire to certified public accountants and chartered accountants who must send their answers by the end of September (Cf. L'Economiste #6333 of Thursday 25 August 2022). The provision should be extended to securities account holders, lawyers, notaries, and traditional notaries (adouls), casinos, including on the internet and those installed on board ships, gambling establishments, real estate agents, and other stakeholders. However, this last profession remains dominated by the informal sector (*"semsars, informal realtors"*) and is far from conforming to international standards. These are intermediaries, who most of the time have neither a head office nor a tax identifier, and who are sometimes impossible to identify.

" The colleagues do not understand why the draft law that we had submitted through our association with the Ministry of Housing did not arouse the interest of the public authorities. We intend to contact the Head of Government to raise awareness about this initiative regarding the urgency of finally establishing a regulatory framework to elevate the profession to international standards", said Mohamed Lahlou, President of the Regional Union of Real Estate Agents of the Casablanca-Settat region and past-founding president of the Moroccan Association of Realties (AMAI). ❏

Real estate transactions, involving millions of dirhams, are likely to be one of the channels for money laundering

Hassan EL ARIF

Climate/World Bank
What the new report on Morocco contains

THE visit by Ferid Belhaj, Vice President for the Middle East & North Africa (MENA) region of the World Bank, at the beginning of this week, was an opportunity to provide to the members of the government a draft of its report on climate and development. This document is a draft and therefore not final. The Moroccan Government has several weeks to formulate comments and proposals for possible improvements. The document will then be submitted to the appreciation of public and private stakeholders, before its distribution during COP27 which will take place on November 06 in Sharm el-Sheikh, Egypt. This Bretton Woods institution would like to make the document public beforehand to stimulate debate on these issues at the level of government, the private sector, citizens, and other development partners. This work is part of the new series of major diagnostic baseline reports that integrate climate change and development considerations. These documents are intended to help countries prioritize the most effective actions to reduce greenhouse gas emissions and stimulate adaptation, while achieving broader development goals. It must be said that all donors have started to integrate climate issues into development and financing policy, which made a person familiar with the matter say that this issue has become a global trend in project financing. The goal is to be pioneers in the greening of the international financial system. In this series, Morocco is chosen as a pilot country, out of around thirty countries worldwide.

This report is based on rigorous data and research and identifies key pathways to reduce greenhouse gas emissions and climate vulnerabilities, including the costs and challenges as well as the benefits and opportunities of doing so. The report proposes concrete and priority actions to support the low-carbon and resilient transition. In short, the report has identified three priority areas which are major challenges for Morocco. These are the fight against water scarcity and the work for the improvement of resilience to floods. The third axis aims to decarbonize the economy, by considering a trajectory aimed at carbon neutrality by the 2050s. ❏

Water scarcity could affect nearly every aspect of future socioeconomic development, says the World Bank. In a longer-term perspective, reduced water availability and lower agricultural yields could reduce GDP by up to 6.5% (Ph. AFP)

M.C.