

L'Weekly highlights by ECONOMISTE



**Morocco-Israel
A series of
agreements signed**



**Anti-corruption
Safeguards for
the financial sector**

**The subsidies
headache**



**Borj Dar El Baroud in Tangiers
Walls and military history
come on stage**



**Business tax/tourism
The modus operandi**



EDITORIAL

Being on the dole (again)

Meriem OUDGHIRI

LIKE an old chestnut, the subject of employment comes back on the table each time a report is published. It is even more topical with discontent in the streets, inflationary fever, soaring prices, and the resumption of social dialogue.

Today, about 30% of 15–24-year-olds are not working and are not getting trained. These NEETs (neither in employment, nor in education, nor in training) are still a source of concern.

As far as women are concerned, less than 30% of them are in the labor force. In this respect, Morocco is one of the few countries in the MENA region where the female activity rate is declining.

Another fact is that although the country has made progress in formalizing the labor market, nearly 3 out of 5 employees still work in the informal sector.

With all these figures flashing in all directions, 2022 will be another very

complicated year on this front. The pandemic has deepened the social and economic divide and given a new dimension to the challenges of employment.

A burning issue for which no miracle recipe has been found yet.

Being a real headache for every ruling governmental team, employment needs innovative and daring policies. There are certainly programs and battle plans being designed, but none that gets to the bottom of things. Employment cannot be solved by decree. It can be generated by companies that need a favorable environment and multi-layered strategies. Education and training, including lifelong learning programs, are needed to correct the skills mismatch. This is what benchmarks are for: to look at what is being done elsewhere. There is nothing wrong to get inspiration from other places, as long as it works. Otherwise, we'll be going in circles, and we'll have to be on the dole again. □

Weekly highlights

The subsidies headache

■ The burden reaches 5.4 billion MAD at the end of January according to the TGR

■ What happened to the reform supposed to finance social protection

HERE is a budget item to watch closely: subsidies. With soaring prices, especially for gas and wheat, it will be increasingly called upon. At the end of January, subsidy expenditures reached 5.4 billion MAD, which corresponds to a realization rate of 31.7%. At least according to the data of the General Treasury of the Kingdom (TGR), which is based on the issuance of orders or mandates endorsed by the designated accountants, in accordance with the provisions of Article 32 of the organic law relating to the Appropriations Bill. At this rate, and if the increases continue, the budget for



Despite the soaring prices, the government maintains the price of 12-kilo gas cylinders at 40 Dirhams and at 10 Dirhams for the 3-kilo ones

commodity subsidies could easily be exceeded. In this case, the government could activate article 19 of the 2022 Appropriations Bill. This article states that: «in accordance with the provisions of Article 60 of Organic law No. 130-13 relating to the Appropriations Bill, the government is authorized, in the event of an urgent and unforeseen need in the national interest, to open up additional appropriations during

the year by decree. The parliamentary committees responsible for finance shall be informed in advance. The decrees referred to above must be submitted to Parliament for ratification in the next Appropriations Bill».

This surge in prices, particularly for butane gas, may delay the reform of subsidies. This

product weighs heavily in the burden of subsidies especially as national consumption is on a significant growth.

In 2020, it will reach 222 million of 12-kilo cylinders versus 143 million in 2010. This positions Morocco as the seventh largest residential market in the world. A ranking that is explained by «the great availability and accessibility of butane gas».

Elsewhere, the cost remains the main obstacle to increased use of LPG as well as the development of the supply chain. In any case, Moroccans enjoy one of the lowest prices in the world. The 12-kilo cylinder is sold at 40 Dirhams while its cost price is 130 Dirhams!

The reform of the gas subsidy should, in principle, be carried out gradually. The timetable announced at the time by the former El Othmani government provided for a liberalization over two years, in 2023 and 2024. The resources freed up are supposed to be used for the generalization of social protection: family allowances, extension of retirement, etc. And the establishment of the Single Social Register should ensure better targeting of social categories eligible for aid. For soft wheat flour and sugar, it should start this year and continue in 2023. But here again, the international situation does not facilitate the government's task. □

Khadija MASMOUDI

Anti-corruption

Safeguards for the financial sector

■ A practical guide establishes a whistleblowing system within companies

■ It was drawn up in partnership between the Integrity Entity, BAM, AMMC and Acaps

AFTER the convention signed in November 2019, the financial regulators have just produced a practical guide for the fight against corruption. This document was developed in partnership between the integrity and anti-corruption entity, Bank Al Maghrib (the central bank), the Moroccan Capital Market Authority (AMMC) and the Supervisory Authority of Insurance and Social Welfare (Acaps). The guide aims to «expose the basic concepts to demystify the phenomenon and allow the stakeholders of the financial sector to understand the different dimensions». It also highlights «the key components of an anti-corruption mechanism that



The new guide will make it possible to identify cases of non-compliance, whose reporting must be open to the company's staff and its partners, with due regard to the confidentiality of data and the protection of whistleblowers against retaliation

can be rolled out within a company operating in the Moroccan financial sector». This is all the more important as the principle of extraterritoriality of anti-corruption laws, adopted by certain countries such as the United States, the United Kingdom, and France, promotes the prosecution and conviction of corrupt practices, with fines that have increased considerably in recent years.

■ A unifying document

In detail, the three regulators state that this guide «does not replace existing regulations but aims to facilitate

their understanding and implementation». The guide is intended for companies in the financial sector, including credit and payment institutions, as well as the capital market and insurance and social security sector stakeholders.

For its authors, it is a unifying document that defines the principles of an anti-corruption mechanism within the company. The document is based on a series of principles, including zero tolerance of corruption and influence peddling... This policy must be implemented at all levels, reads the document. This includes the members of the senior management, «through leadership and exemplarity, by inspiring to the staff high standards of integrity and ethics and allocating the necessary resources to integrity systems to ensure their proper functioning».

■ Mapping

Companies in the financial

sector will have to draw up specific corruption risk maps. They will have to define «the procedures for identifying and dealing with corruption risks that are inherent to the companies' core business and support activities». The same applies to internal functions and partners that may generate significant corruption risks.

This mapping must be formalized and reviewed regularly, in light of changes in the context, in particular incidents, alerts, new activities, and other events. This must be accompanied by a formalized system for evaluating third-party partners. Three actions are recommended: the performance of reasonable due diligence to assess the degree of exposure to the risk of corruption induced by entering into a business relationship with a partner. Added to this is the deployment of controls adapted to the risk of corruption identified and assessed, as well as the periodic reassessment, at least once a year, of the risk and the associated controls. □

M.A.M.

Morocco-Israel: A series of agreements signed

■ The foundation of a solid base for economic cooperation

■ A triangular approach with the U.S.

■ Agreements with Nadia Fettah Alaoui, and Ryad Mezzour.



Orna Barbivai, Israeli Minister of Economy and Industry, and Ryad Mezzour, Moroccan Minister of Industry and Trade, during the signing of an economic cooperation agreement, on Monday 21 February in Rabat (Ph. Bziouat)

the Israeli Minister, Orna Barbivai, to L'Economiste. The agreement also provides for participation in fairs and exhibitions, the organization of events, business trips, prospecting operations, and other activities.

According to Orna Barbivai, bilateral trade between Israel and Morocco reached some 131 million USD in 2021. The goal, according to the Israeli minister, is to exceed 500 million USD per year.

Today, all the potential of Morocco-Israel investment lies in Industry 4.0, agribusiness, automotive, aerospace, textiles, water technology, renewable energy, outsourcing services, medical devices, or the pharmaceutical industry. In Israel, the main high-growth sectors include artificial intelligence, digital, technology, innovation, R&D, cybersecurity, agriculture, fintech, agritech, and other sectors.

In order to put in place the mechanisms for the development of this bilateral partnership to meet the needs and expectations of both countries, it was agreed, at the end of this meeting, to hold the first session of the Joint Committee provided by the Trade and Economic Cooperation Agreement and to organize a business forum between the two countries. □

Amin RBOUB

MOROCCO and Israel are committed to putting in place a solid foundation to speed up economic and commercial trade in both directions. This is in any case the spirit that marked yesterday, Monday, February 21, the first official visit of Mrs. Orna Barbivai (Israeli Minister of Economy and Industry) in Rabat.

On the agenda: a series of meetings and signing of memoranda of understanding with Nadia Fettah Alaoui, Minister of Economy and Finance, Ryad Mezzour, Minister of Industry and Trade, or Younes Sekkouri, Minister of Employment and Economic Inclusion.

Economic and trade cooperation was at the heart of the various meetings. It must be said that there is a wide potential for expanding ties,

investments, business opportunities in both directions. The challenge today is to go faster and further by exploring investment opportunities, developing trade flows, multiplying partnerships and joint ventures, and activities of the like.

It is in this same spirit that Ryad Mezzour and Orna Barbivai have signed an economic cooperation agreement. This agreement includes the creation of qualified industrial parks in Morocco, new general industrial areas that will make it possible to implement a cooperation in a triangular approach between Morocco, Israel, and the United States in the field of trade and investment. The agreement will facilitate direct access to the U.S. market for goods produced in these areas. «The meeting offered us the

opportunity to identify areas and avenues for collaboration and bilateral industrial and trade partnership. After more than a year of resumption of diplomatic relations, Morocco and Israel have laid the groundwork for an innovative multidimensional partnership. Today is a new step that we are taking on the path of our partnership that we want to be intense, fruitful, and mutually beneficial», said Ryad Mezzour. The ministers also discussed the potential and synergies, or complementarities to be played between several industrial sectors. Among the high-potential sectors identified is the automotive industry. "I think we could benefit from Moroccan expertise in vehicle production. It is also a sector where a large number of companies are developing in Israel", confided

Business tax/tourism: The modus operandi

■ The amount outstanding of the years 2021 and 2022 covered by the Government

■ May 1st, last deadline to apply

HOTEL industry actors that have not yet paid the business tax for 2021 and 2022 can be exempted. The government has signed an agreement with the National Federation of the Tourism Industry (FNIH) and the National Confederation of Tourism (CNT) on the coverage by the Government of the business tax for tourist accommodation establishments. The announcement had been made a few days ago. The terms of implementation have just been made public. It should first be noted that entities that have already paid the tax are not affected. Moreover, they will not be entitled to any refund. Besides,

this issue has already been discussed by the professionals with the Ministry of Budget. As it was agreed that the tax paid could not be refunded, the scheme was extended to 2022. Those who had already paid will therefore be able to benefit from the measure in 2022 as compensation.

The second observation concerns the fact that the measure targets exclusively tourist accommodation establishments within the meaning of Law No. 61-00: hotels, cottages, tourist residences, guest houses, kasbahs, pensions, vacation villages, campsites ... Are therefore excluded tourist restaurants, tourist transport companies and travel agencies that have all been equally impacted by the health crisis, particularly because of the closure of borders for several months. Also excluded from the measure are tourist accommodation establishments that paid dividends in 2020. The Ministry of Finance will provide beneficiary companies that

have provided an e-mail address with a copy of the tax payment receipts.

Entities wishing to benefit from the measure have until May 01 to apply to the regional hotel industry associations, but must produce an affidavit not to pay dividends in 2021 or 2022 and to confirm that they did not pay any dividends in 2020. Within this scheme, the FNIH, through its regional associations, and the CNT will have to conduct a census of the companies eligible for the measure and transmit the list with the tax identification number before May 15. The lists, which must be certified by the regional chapters of the Ministry of Tourism, will then be completed by the General Treasury of The Kingdom (TGR) with the amount of arrears. The collection operations will be deactivated in the integrated management system of the revenue. The General Taxation Directorate (DGI) will proceed to partial tax forgiveness of late payment surcharges and penalties and

the TGR will condone collection costs for all debts relating to the business tax.

The governance of the system will be entrusted to a steering committee, co-chaired by the Minister of Tourism and the Minister of Budget. It is made up of the general manager of the Moroccan Tourism Investment Company (SMIT), the president of the CN, and that of the FNIH. The latter's mission is to draw up an evaluation report, to validate any changes that may affect the agreement, and to take any other decision deemed necessary by the president. The steering committee meets whenever necessary at the invitation of one of the presidents. The secretariat is provided by the SMIT.

The measure has been requested on a regular basis by tourism companies. The coverage of the business tax by the Government will bring comfort to operators heavily impacted by the health crisis. □

Hassan ELARIF

Weekly highlights

Borj Dar El Baroud in Tangiers

Walls and military history come on stage



Borj Dar El Baroud in Tangiers Walls and military history come on stage (Ph. Adam)

BORJ Dar El Baroud has finally opened its doors. The building has been transformed into a fortification interpretative center by the Development Company for the Reconstruction of the Port Area of Tangiers, SAPT, a project launched in late 2020 with a budget of 10 million MADs. The project aims at enhancing the walls of Tangiers' medina to popularize their history and also provide additional animation

within the framework of the development project of Tangiers' port and Marina.

The Dar El Baroud facilities date back to the 15th century. They are located at the North-East corner of the Medina wall and are one of the most imposing military constructions in Tangiers. The space is divided into four terraces. One of them houses Armstrong-type 180 mm diameter anti-ship guns installed by Moulay

Hassan the First. The rather rare long-range artillery pieces kept the attackers away from the Moroccan coast.

Borj Dar Baroud is also made up of outbuildings and fortification elements adapted to the firearms of the time (cannons, look-out posts, passages for traffic...) able to satisfy the amateurs of military technology of the time and historians. The site will also be dedicated to the permanent exhibition of the history of the

fortified buildings and artillery of the city through mockups, photographs, and maps, in addition to a collection of weapons and military uniforms. The project came into being, according to SAPT, thanks to the involvement of local authorities in the region, and also to the contribution of the Directorate of Military History under the form of artifacts for the exhibition to enrich the center's museum resources. □

Ali ABJIOU