

Weekly highlights by L'ECONOMISTE



Morocco/USA: Conquering the African market together



BAM's forecasts
bother the
government



Unlisted shares:
the tax authorities
have an eye on you

The preparation
of the Appropriations
Bill has started



EDITORIAL

Urgency

Radia LAHLOU

IN Morocco, it is «the urgency» on all levels. «Urgency» for reforms, strategic plans, hospital, education, water stress...

Without visionary policies, people cling to this term, they hide behind it to excuse their delays, shortcomings, and other defects, they use this term and abuse it. Today, 2 years after the appearance of the pandemic, we still maintain the state of sanitary «emergency» whereas Covid is not the same frightening scarecrow. Since the decline of this umpteenth wave, which the authorities themselves have described as not very worrying, it was expected that the state of emergency would finally be lifted. And yet, at the end of each Government Council meeting, it is the same old story. The state of health «emergency» has been «renewed for one more month», until April 30 in this case.

As the world evolves, as the threat of climate change increases, and as our

reliance on industrial and technological progress increases, we become hypersensitive to risks of any kind. We live under constant threat and the real «emergency» would have been to be prepared for any contingency, starting with those emergencies of low magnitude that we already have a lot of trouble to manage. This implies a capacity for crisis anticipation and crisis management. It also supposes a better articulation between the Government and its branches, and coordination with the private sector. In a smart organization, mechanisms can be put in place and tested on a regular basis with updates and patches to avoid being caught off guard. Stakeholders must remain focused on the economic and financial equilibrium of the country, and the economy must be responsive and capable of adapting quickly to sudden changes to avoid major drifts. These are the real emergencies for the Government Council and for lawmakers. □

Weekly highlights

Morocco/USA: Conquering the African market together

■ A continent conducive to Moroccan-US cooperation

■ Goal: to tap into the tremendous economic and trade opportunities

■ On Sahara, Bourita calls on Europe to «step out of its comfort zone»

Morocco and the United States wish to further strengthen their partnership. In addition to bilateral cooperation, Rabat and Washington aim to build on the geopolitical changes underway. This could result in the launch of a new approach to triangular and multilateral cooperation. In the aftermath of the Negev Summit, devoted in particular to political issues in the Middle East, the visit of the U.S. Secretary of State, Antony Blinken in Rabat, which ended last Wednesday, has identified new business opportunities, in Morocco, but also in other countries of the continent. «The talks focused on the Moroccan-American partnership in Africa, in the face of potential challenges and the



During his visit to Morocco, U.S. Secretary of State Antony Blinken emphasized that Washington recognizes the important role Morocco plays in maintaining regional security and stability and in contributing to achieving peace and prosperity in the region. Both sides are working closely together to address regional matters such as the Sahel, Libya, and counterterrorism, he stated (Ph. MAP)

huge opportunities offered on the economic and trade front, climate, infrastructure, health or security», said Nasser Bourita, after his meeting with the head of U.S. diplomacy. He believes that «the African continent is an ideal environment for Moroccan-American cooperation». It is in this context that both countries «are now considering the best ways to strengthen cooperation, not only bilaterally, but also to

encompass other regions of the world, including the African continent».

• Trade

During his meeting with the Head of Government, Aziz Akhannouch, the U.S. Secretary of State also discussed «the prospects for developing trade and encouraging investment initiatives». The issues discussed include «the international situation and the challenges

facing the global economic recovery, in order to emerge from the repercussions of the Coronavirus pandemic, particularly in the wake of soaring commodity prices in the world and continued disruption in some supply chains».

• Compact II

At the bilateral level, Akhannouch stressed that Morocco «continues to implement its various commitments related to the Millennium Challenge Program». This month of March marks the beginning of the last year of the five-year MCC Compact, which has mobilized a budget of 460 million USD. Education, youth employability, land productivity, and land rights for rural women are the main pillars of Compact II.

• African Lion

In the security field, in addition to the partnership in the fight against terrorism, joint military exercises will continue. «Moroccan and U.S. military officials have already begun planning the African Lion exercise for this year». This is the largest military exercise in Africa. The 2021 exercise, which took place last June, «was the largest since the training event began in 2004», say the sources. □

M.A.M.

Unlisted shares: the tax authorities have an eye on you

■ Divestiture transactions must be reported online

«BY March 31 of each year, the tax result declaration and other reportings accompanying the balance sheet are not the only ones that need to be filed!», warns El Mehdi Fakir, chartered accountant, partner at the AdValue A&C firm. Many taxpayers as individuals often forget to perform a required formality in case of transfer of shares not listed on the stock exchange. As a matter of fact, they do register the deeds with the Tax Department (DGI). This digitalized formality is exempted from duties. But this is not the end of the story. These persons are also obliged to file an online declaration concerning these transactions, at the latest on March 31 of the year following the completion of the sale (article 84-I of the General Tax Code). Based on the

information at our disposal, many persons are convinced that the administrative formalities do end with the registration of the transfer deeds. But the tax administration monitors things closely. Through the use of data, the Administration has all the necessary means to cross-check and trace the transfer of these types of shares. For that matter, many taxpayers have been reminded

and asked to file a tax return, otherwise they may be taxed automatically. The return must be made on the basis of the tax administration's printed template or via its website.

The tax returns must be accompanied by the payment of the income tax set at 20% of the value added. Electronic filing relates to unlisted securities held in Morocco as well as abroad. It should

be remembered that thousands of citizens had regularized their status with the Foreign Exchange Office by declaring their financial and property assets held abroad and by paying a contribution in full discharge of liabilities. In case of partial or complete sale of these assets, transferors must inform the tax administration by paying the income tax that is here again set at 20% of the value added. A rate that depends on international tax treaties.

The tax return must contain some information including the date of transfer, the name of the intermediary, the nature of the transaction, the number of securities sold, the transfer price obviously, the total transfer price, and the transfer expenses. The tax return must also include the acquisition price per unit, the weighted average cost, the total acquisition price, and other information. In case of impairment loss, the transferor must also report it. □

Hassan EL ARIF

Who is targeted by this procedure?

Clearly, all civil and commercial transactions except those that are traded on a stock exchange are concerned by the reporting requirement. In short, it concerns thousands of transactions carried out each year that are off the radar of the tax authorities and that represent a large tax potential. Nontrading companies and unlisted commercial corporations other than predominantly real estate companies and tax-transparent

real estate companies are therefore concerned. In fact, thousands of transactions are carried out each year, some of which by way of inheritance. But many initiators of these transactions ignore that the securities other than those listed on the stock exchange are not targeted by the taxation. In the end, targeted are all the transfers that are carried out outside the stock exchange that has less than 80 companies listed. □

BAM's forecasts bother the government

■ The Central Bank is being criticized for using two months' worth of figures to judge a whole year

■ March rainfall reverse the trend, even for cereals

■ The rise in inflation is indicative of a certain trend

Abdellatif Jouahri's latest statements have displeased the Akhannouch government. Indeed, a week after his press conference, the forecasts of the Governor of the Central Bank (Bank Al-Maghrib, BAM) have shaken the Government who was feeling comfortable without making an effort to communicate with the public opinion. This lack of communication from the executive branch is doing a disservice to the Government, so much so that when the central bank speaks, its voice is heard while the Government is not audible. This is due to the vacuum in the political communication of the executive branch of Government. Limiting oneself to a weekly press briefing by the government spokesperson to bridge the communication gap is a shortsighted strategy. Never mind: the central bank is counting on a growth rate of 0.7% for this year, before rising to 4.6% in 2023. However, the Government had hoped for a growth rate of 3.2% in 2022. With the rainfall deficit that has been recorded, to the point that dams are at their lowest, the agricultural campaign should mark a clear decline in cereal production to stabilize at 25 million quintals versus nearly 103 million in 2021. Here again, the Appropriations Bill had based its assumptions for this year on a cereal harvest of 80 million quintals. The agricultural value added should thus drop by 19.8%, leading to a meager growth of 0.7% this year versus 7.3% in 2021. It must be recognized that the Governor of Bank Al-Maghrib has specified that his forecasts have not taken into account the latest rainfall and spring crops. If these are taken into account, Morocco could post a growth rate of about 2%, said a source familiar with the matter. Especially since the Government reminds us that the agricultural campaign may not be judged



The Governor of Bank Al Maghrib specified that his forecasts did not take into account the last rainfall and the spring crops. If these are taken into account, Morocco could post a growth rate of about 2%. Especially since the Government warns that the agricultural campaign may not be judged before the end of March. It is from the beginning of April that it will be possible to give an overview of the agricultural campaign

until after the end of March. It is after the beginning of April that it is possible to give an overview of the agricultural campaign. In any case, the Bank Al-Maghrib statement is a quarterly exercise, made on the basis of two months. At the next meeting, the Governor of the Central Bank will make the necessary revisions.

• **The impact of the March rainfall:** The Minister of Agriculture, on the sidelines of a meeting concerning the spring crop program, came forward. Indeed, according to Mohamed Sadiki, the rainfall recorded during the month of March

has an immediate impact on crops that have not yet been destroyed such as cereals. The Minister said that one million hectares of cereals could experience an extremely important catch up. The overall impact on the vegetation cover, particularly on the rangelands, is significant. This will greatly alleviate the pressure on livestock, on farmers, as well as on the dairy and meat production, said the Minister of Agriculture.

• **Good performance of the non-agricultural activities:** The non-agricultural activities identified by the economic bulletin and the letter of the Moroc-

can High Commissioner's Office for Planning (HCP) are part of a positive direction. Most indicators from the sectors of construction, industry, energy, export, from OCP, and other sources, are positive. «It is therefore difficult to say that all this is worthless», notes a source familiar with the matter. The same source puts the forecasts into perspective by talking about «the orthodoxy of the central bank, of the precautionary principle indirectly intended to force the Government to act and revitalize the economy».

• **Taking a two-month period as a basis to judge the whole year?** Officials at the Ministry of Economy and Finance recall that the central bank is just playing its role, but deciding the fate of the whole year on the basis of the figures for two months, January and February, is another matter. To drive the point home even more, the officials of the Ministry point out that no one knows how the conflict in Ukraine will evolve. Indeed, most international institutions do not venture to suggest concrete figures. They do not know what tomorrow will be made of. It is possible that the conflict will be over in April-May or degenerate into a world war, with its procession of destruction, displacements, and suffering for the populations, with hunger looming over them. □

Mohamed CHAOU

The inflation peak

The forecasts of the Moroccan Central Bank are considered pessimistic. The inflation rate is estimated at 4.7% while the assumptions of the draft Appropriations Bill for 2022 had reduced such a rate to 1.2%. An official said that the increase in the inflation rate is indicative of a certain trend, especially since the peak of inflation is recorded now and not within 3 or 6 months. As a result, the year will not end with an inflation rate of 4.7% because that means that during the next quarter, the rate will be 6 or 7%. One cannot therefore say that the peak is coming, especially since the oil prices have stabilized around 100 dollars a barrel.

The rise in inflation is explained by several factors, particularly the surge in international prices of raw materials and energy products. This has had an impact on the assumptions of the current Appropriations Bill. The price of a barrel of oil has risen, impacting the lives of households given the fact that the transport of goods is influenced by the price of diesel oil, which has been rising steadily in recent weeks. Fortunately, the Government has intervened with a subsidy to prevent transporters from passing on these increases to end consumers. □

Weekly highlights

The preparation of the Appropriations Bill has started

■ A circular from the Head of Government sets out the main guidelines

THE schedule of meetings of the three-year budget programming commissions has been established. Discussions between the Ministry of Finance and the departments and certain institutions will start on April 11 and should end on May 12. This is at least what emerges from the circular that the Head of Government has sent to the ministers to prepare their proposals for the three-year budget programming, from 2023 to 2025. A precise agenda is attached to that document. This is not the first time that the Ministry of Finance has used this practice. It started it in 2018, in accordance with the requirements of the new Organic Law on Finance. This shows that the preparation of the draft Appropriations Bill starts from the beginning of the year instead of waiting until June as in the past. The novelty lies in the introduction of the multi-year component.

• Making the Mohammed VI Fund for Investment operational

At the national level, increasing the

pace of growth over the next five years is at the top of the government's commitments. This translates into the implementation of a national and regional program to support startups in emerging sectors and encourage entrepreneurial initiative. The goal is also to speed up structural reforms of the national economy, the first goal being to make operational the Mohammed VI Fund for Investment, seen as a lever for promoting production activities, the support, and the funding of various investment projects.

• Three-year programming at the heart of the draft Appropriations Bill guidelines: After these preparatory stages, it is this three-year programming

that will be presented to the Government Council and to Parliament in July. Indeed, before the Finance Committee of the House of Representatives and of the House of Councilors, the Minister makes a presentation on the implementation of the current Appropriations Bill, the economic and financial situation, and presents the budgetary programming for the next three years to come.

• The administration must tighten its belt

The circular recommends rationalizing the expenditures related to the functioning of the administration. It is a matter of reducing expenditures related to the rental of cars, administrative

offices, their equipment, and transportation inside and outside the country. In addition, there is a reduction in the costs of accommodation, hospitality, organization of festivities, congresses, and conferences. The same applies to expenditures related to the vehicle fleet. As far as studies are concerned, the calls for tender will be subject to prior authorizations, in accordance with the circular of last February 15. The conduct of studies will have to be reinforced by the administration's experts and executives.

• Three principles for the transformation of the national economy:

From the economic standpoint, the government has developed a roadmap to address the effects of the pandemic, providing support to the transformation of the national economy to create job opportunities. This roadmap is based on three principles aimed at consolidating employment as a main axis of all public policies in the economic field. To that is added the strengthening of the national sovereignty in terms of products and strategic services. The same applies to the national production which must be strengthened at the local and international level, while protecting it from unfair competition. □

Mohamed CHAOU

The forecasts for the world economy

The effects of the pandemic and the international context constitute a limitation to the prospects of the world economy. Compared to 2021, global growth will experience a slowdown in 2022 and 2023, according to the World Bank who expects a growth rate of 4.1% in 2022, impacted by the persistence of the pandemic, reduced financial support, and disruption of the supply chain. The IMF expects growth of 4.4% in 2022 and

3.8% in 2023. The Eurozone will experience an average growth of 3.9% after the 5.2% posted in 2021. It should be noted the Morocco's essential partners will post important rates, like 3.5% for example in France after 6.7% in 2021, and 5.8% in Spain after 4.9%. According to forecasts, the prices of most energy products will remain high during this year, with the persistence of supply-side constraints. □

HE Water stress: How Casablanca manages scarcity

■ The Lydec utility in vigilance mode to cope with a worrying situation

IT is a fact that the water situation is critical across several watersheds in the Kingdom. Meeting the needs of a large city like Casablanca has become a major challenge. Indeed, the city consumes on average the equivalent of 500,000 cubic meters to 730,000 m³ per day. In 2021, the Lydec utility distributed more than 219 million m³ of drinking water. This water comes from two main sources, namely the Bouregreg Wadi (Sidi Mohammed ben Abdellah dam (107 million m³) and Oued Oum Er-Rbia (109 million m³). A minority contribution comes from 2 additional sources (Tit Mellil and Sidi Moussa Ben Ali). But the consumption peak is recorded between the months of April and October.

The water situation in the Oum Er-Rbia watershed is very critical given

the low filling rate of dams, including the Al Massira dam (6.5%, according to the latest figures from the General Directorate of Water).

In order to avoid compromising the supply of drinking water to the southern area served by this watershed (Marrakech and its region), Lydec signed in 2020 a partnership agreement for the financing and implementation of the project to strengthen the supply of drinking water to the Greater Casablanca via the Bouregreg water supply systems, replacing part of the water from the Oum Er-Rbia area. Within the framework of this project, Lydec has undertaken to build a pumping station with a capacity of 1,000 liters/second and a discharge pipe between the «Mediouna 140» and «Merchich 240» sites.

The goal is to secure the supply of drinking water to the Southern part of the area under delegated management which is experiencing a very significant urban growth (Bouskoura,

Ouled Saleh, Mediouna, El Mejjatia Ouled Taleb, Lahraouiyine ...). The first phase of this important project aims to reduce the dependence of the drinking water supply of Greater Casablanca on the Oum Er-Rbia watershed, which is very heavily solicited and has a recurring water deficit, which has become structural.

The works consist in transferring drinking water from the existing ONEE facilities to the water storage tanks managed by Lydec and supplying the Southern area of Casablanca. They are currently being carried out in two phases: one entrusted to ONEE and another carried out by Lydec. «The works, whose cost amounts to 133 million MAD, are being finalized, and the commissioning is expected in the coming days», said the representative of the utility in charge of water/electricity, sanitation, and street lighting. In addition, leak detection operations in the network have made it possible to save more than 10 million m³ of drinking water in 2021, i.e. the equi-

valent to the annual consumption of 1.2 million inhabitants. □

Aziza EL AFFAS

Drinking water in figures

- 7,000 km of distribution networks
- 36 water storage tanks with a total capacity of 667,130 m³, i.e. an autonomy of more than 26 hours
- 19 pumping stations and 24 water boosters
- Daily consumption of between 500,000 and 730,000 m³.
- 219 million m³ of water distributed in 2021
- 74 million m³ of water saved compared to 1997
- 98,900 bacteriological and physicochemical analyses performed in 2021;
- Overall compliance rate of drinking water: 100%.
- 6.5 billion MAD invested since 1997. □