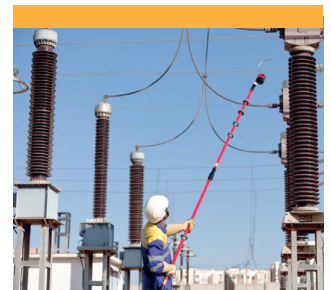


Weekly highlights by L'ECONOMISTE



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EDITORIAL

Casting

Meriem OUDGHIRI

WHAT do EBRD, the Union for the Mediterranean, or the Marrakech Laughter Festival have in common? None, except to be organized in the “Ocher City” which hosts these events this year, after two years of stoppage. And it feels great to see so many people (1,500 people for the EBRD General Assembly alone).

In a more than tense geopolitical environment and a feverish global economy, these international meetings are highly symbolic. They show all the confidence that the country is recovering and strengthening.

These are additional opportunities to create links and develop new networking, and Morocco needs it more than ever.

When they are well organized and well sold, these events add bonuses on the “smart” investments scale. Along with a promotional campaign, word of mouth is also a fierce indicator for a country’s image. A little comment

here, another there, and the power of this “tool” unfolds. It is even used as a marketing technique.

In terms of numbers in 2022, worldwide, companies spend billions of dollars in this process which can generate up to more than 6 trillion dollars of consumer spending per year and represent 13% of consumer sales.

There is a need to be vigilant at all times, reminiscent of the famous proverb: “don’t open a shop if you can’t smile”. This famous smile that creates a bond between people, and is one of the great keys to success. And on each gesture or decision will depend the success of the whole chain.

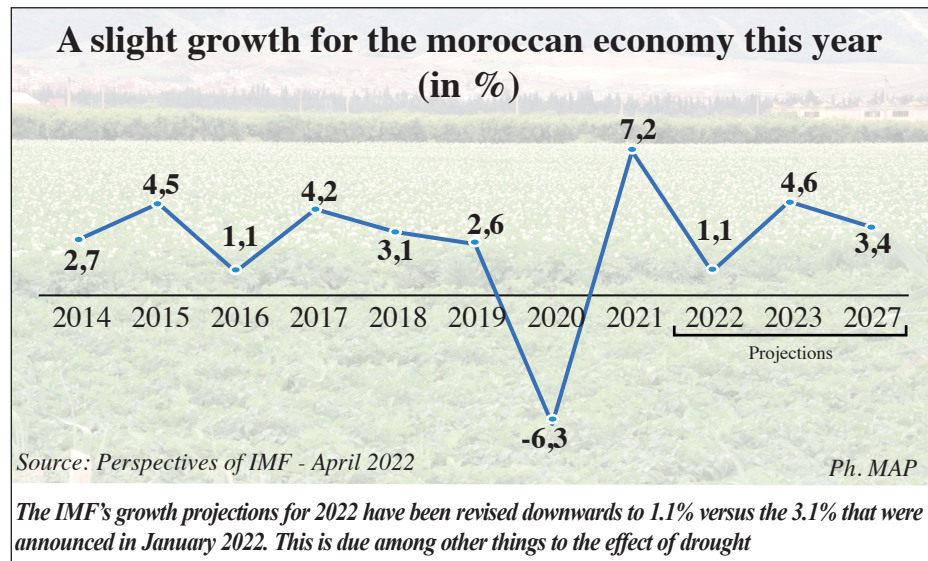
It is all this “package” that we must offer today, in the same way as a well-assembled car or well-finished and quality products.

So let’s keep this beautiful window open and avoid unfortunate casting errors. □

The super stalled growth

“THE economic recovery expected for 2022 will not take place”. This assertion by the Centre Marocain de Conjoncture (CMC) alone reflects the economic difficulties facing Morocco. The previously optimistic forecasts of CMC are now falling into pessimism. They join those of international institutions (1.1% for the IMF) and of the Moroccan central bank (0.7%). The High Commissioner’s Office for Planning (HCP) has also revised its forecasts in particular for the first and second quarters (1.2% and 1.8% respectively), thus taking into account the evolution of the international situation and its impacts at the local level. For the CMC, the 4.1% growth rate predicted for July may not be achieved.

At best, the economy will not exceed a rate of 1.8%, thus registering a difference of 2.3 points compared to the first exploratory scenario. At the origin of this situation is the emergence of the new variant of the Omicron coronavirus and the health



restrictions which marked the first months of the year. These have been the cause of economic and social damage since whole sections of transport and tourism-related activities have come to a virtual standstill. Then come the bad weather conditions and the war in Ukraine. The latter accentuated *“the collapse of the potential of national production through the main transmission channels of the effects of the shock which are prices and product supply”*.

This year, a significant 14% drop in agricultural value added is expected, due to the delay in the autumn rains and the high temperatures which marked the start of the financial year. Concerning this sector, the central bank’s forecasts are more pessimistic. The Bank forecasts a drop in agricultural added value of 19.8% in 2022, taking into account a cereal harvest of around 25 million quintals. The central bank also notes that non-agricultural activities

should gradually improve, thanks in particular to the easing of health restrictions and to the maintenance of monetary stimulus and sectoral support budgetary measures: 3% on average in 2022. For the CMC, the secondary and tertiary sectors should gradually return to their historical trend but would remain *“weakened by the recessionary effects of the health crisis and the conflict in Ukraine”*. The secondary and tertiary sectors are expected to contribute about 3.2% and 3.6% respectively to real GDP growth. This economic situation requires, as has been emphasized by international institutions, the acceleration of reforms to complete a transformative recovery. The reform of the social protection system, of education, of state-owned enterprises which are stalled... and more generally the development of the private sector with the operationalization of the Mohammed VI Fund for Investment, are considered important, even essential. □

Khadija MASMOUDI

Electricity: ONEE plays a balancing act

TENSIONS relating to prices and supplies, lack of visibility... the raw materials market is subject to all kinds of excess. In this situation, the National Water and Electricity Board (ONEE) has built up a stock of coal which would cover production until September, or even until the end of the year. One thing is certain, namely that is that the surge in the price of coal and fuel will have a major impact on the ONEE’s finances. Significant negative margins are planned: 0.70 MAD and 0.939 MAD per kilowatt/hour respectively for the sale of medium voltage and low voltage electrical energy.

For the moment, the shutdown of the Tahaddart and Ain Beni Mathar power plants has not been felt. ONEE has met a constantly growing demand. In 2021, such a demand grew by 5.6%, and 2022 started at an interesting level.

At the end of March, net energy demand increased by 4.9% compared to the same period last year. This represents all the quantities of energy made



ONEE is facing an increase in the energy bill, which could reach 47.7 billion MAD. This represents an increase of 25 billion MAD compared to 2021.

available for national consumption and which were mainly consumed by users. Added to this are losses in the transmission and distribution grids. For the next few months, consumption could increase, particularly in summer. This period is generally characterized by two consumption peaks, including the evening peak, which is considered to be high. This is a challenge for ONEE, especially in the event of

a delay in restarting gas-fired power plants. These should, in principle, play the role of a *“safety valve”* only, especially in the face of soaring gas prices. In any case, to avoid unpleasant surprises and therefore the risk of outages and load shedding, ONEE is working on setting up an emergency plan. The latter should enable it to overcome the constraints posed by the shutdown of these two plants.

This first quarter of 2022 is characterized by the sharp (31.2%) increase in consumption in the agricultural sector: This can be explained, among other things, by the use of electric pumps for irrigation. The beginning of the year was marked by the delay in the autumn rains and by the high temperatures which caused it. Moreover, the weak growth experienced during the first quarter (1.2% according to the High Commissioner’s Office for Planning, HCP) is mainly due to the poor performance of the agricultural sector. The agricultural value added declined by 12.1% in the agricultural sector compared to a rise of 3.3% for the non-agricultural sector. ONEE statistics confirm the recovery of activity in the tertiary sector and industry. As far as residential consumption is concerned, it increased by 1%. A level considered normal. Since the introduction in 2014 of selective pricing beyond the social brackets (social tariffs according to the actual consumption), households seem to pay more attention to the bill. □

Khadija MASMOUDI

Health

6 billion MAD for the Ibn Sina University Hospital

HEALTH minister Khalid Ait Taleb felt elated seeing the King give the kickoff of the construction work of the new Ibn Sina University Hospital Center (CHU) in Rabat on Thursday, May 05. The construction of the hospital requires the mobilization of 6 billion Dirhams (about 600 million USD), financed by the line ministry. More than 3.8 billion MAD are allocated to the study and the realization of the project. More than 2 other billion MAD will be used to acquire all the equipment necessary for the operation of a University Hospital. It will however be necessary to wait 4 years before seeing the first patients crossing the threshold of this large hospital compound. For the minister, the project aims to strengthen the supply of care in order to support health coverage. Moreover, this new structure is part of the gigantic royal project relating to the generalization of social protection, launched nearly two years ago.

According to its initiators, this project testifies to the special interest that the Sovereign grants to the health sector, in particular through the development of hospital infras-



The Sovereign kicked off work on the construction of the new Ibn Sina University Hospital in Rabat on Thursday, May 5. This is a new structure that is part of the gigantic royal project relating to the generalization of social protection (Ph. MAP)

tructures and the strengthening of basic health services so as to bring these closer to -and make them within - citizens' reach.

■ **A modern network of university hospitals is being set up:** For its promoters, the new CHU to be built will be a national, regional and continental reference. In the current structure, it will be at the forefront in terms of care. It is also

a question of perceiving this project within the framework of the health map which includes CHU projects under construction such as those of Tangiers, Agadir, and Laayoune. Others are already operational, such as those in the cities of Fez, Oujda, and Marrakech. Other regions will follow suit, the goal being to provide Morocco with a system that matches its ambitions, allowing it to make a quantum leap in terms of care.

■ **The old Ibn Sina hospital dating from 1954 will be demolished:** For the Minister, this project will come in response to the needs of the population and to replace the current building of Ibn Sina, which has become over time dilapidated and a real money pit. Built in 1954, the hospital was not intended to become a university hospital. With this new compound, the hospital rooms will be individual or shared by two persons, thus reducing the risks of infection in particular. It is for this reason that the hospital will be demolished to make way for green spaces. Part of its wings will be used to house a museum of medicine.

■ **A hospital with international standards:** In any case, the line ministry, which is the contracting authority, designed the project in the form of a futuristic hospital compound, in tune with international standards. It is planned to resort to new generation technologies such as solar filters, photovoltaic panels, the recovery of rainwater and their use in watering the green spaces of the hospital, which will allow for better energy efficiency within the framework of sustainable development. □

M.C.

The challenges of the VAT reform

AMONG the goals of the draft framework law No. 69-19 relating to tax reform is the broadening of the tax base. One of the measures to achieve this involves the extension of the scope of Value Added Tax (VAT) on domestic consumption. This is one of the trade-offs that had to be made by the Government within the framework of the 2023 Appropriations Bill between the revision of the income tax scale and the major VAT reform, these two phenomena having heavy implications on the Treasury's revenue, except that the Government has just made a commitment, within the framework of social dialogue, to review the income tax scale. The particularity of the Value Added Tax is that there are many sectors that are still out of its scope 36 years after its introduction (April 1, 1986). Several examples of this anomaly can be cited: land, education, agriculture... If, for lawmakers, the widening of the

scope of VAT presupposes the liability of one (land, for example) or many of these sectors to VAT, lawmakers will have to rely on the calculations and simulations of the Directorate General of Taxes (DGI) to determine whether the provision can be considered, with what rate and according to what schedule. Furthermore, it should be noted that the retail trade sector is still not subject to VAT below 2 million Moroccan Dirhams

(about 200,000 USD) in turnover. The same goes for small service providers with a turnover less than or equal to 500,000 MAD (about 50,000 USD). The second challenge in terms of VAT reform relates to the coexistence of five rates ranging from 0% (exemption without the right to deduct) to 20%, via reduced rates of 7%, 10%

and 14% depending on the nature and sensitivity of the products and services. For several years, the Government has been talking about its desire to reduce the number of rates to two, while enshrining the neutrality of the tax and maintaining the exemption of basic products, which constitutes a challenge. Nonetheless, due to the current configuration, it will be difficult to pick up the five rates to bring the range to two. It is obvious

that no scenario has been selected for the moment. Will the final choice relate to the abolition of the 10% rate, the merger of the 7% and 10% rates, or 10% and 14%, or even 14% and 20%? All these scenarios will have to be examined on the basis of calculations and simulations which will have to be carried out by the tax admini-

Many sectors are still out of its scope 36 years after its introduction

nistration which has all the necessary data. The Government will therefore have to decide which option it intends to adopt. In any case, the Government still has three years to implement the reform. The framework law on tax reform also recalls the generalization of the right to a refund. This implies that any company generating a VAT credit must get a refund. This is a provision that should not be limited to the entities listed in Article 103 of the General Tax Code, including exporters. "VAT continues to be the most criticized tax by businesses. The continuation of its reform is now a necessity to restore the fundamental principle of its total neutrality, preserve companies cash flow, ensure a coherent development of the formal productive sector, and reactivate investment", suggests Mohamadi El Yacoubi, President of the Circle of Tax Specialists of Morocco. □

Hassan ELARIF

Weekly highlights

The Gnaoua and World Music Festival reinvents itself



Accustomed to the festival and fusions with the Gnaoua maâlems, the american bassist Jamaaladeen Tacuma will be there. (Ph. Festival Essaouira)

NO Gnaoua and World Music Festival this year again. After two years of absence due to the pandemic, and despite the opening of football stadiums and other sports gatherings, the authorities undoubtedly believe that music festivals still pose a threat to public health. But never mind, if you can't go to the Essaouira festival this year, well, the festival will come to you! Because far from being discouraged by such restrictions, the organizers of the mythical event have found the way out. The "Festival Gnaoua and World Music" becomes the "Gnaoua Festival Tour", while remaining faithful to its unique spirit. No less than a hundred artists, moroccan and international, for a series of unprecedented concerts in four cities of the Kingdom. To meet health constraints, concerts will be held according to the occupancy limits that will be authorized and the public reception conditions in force. The musical caravan will criss-cross Morocco throughout the month of June to meet its loyal audience in Essaouira, Marrakech, Casablanca, and Rabat. Each city has its own concerts and its own programme: Twelve concerts in Essaouira, the El Menzeh square, and in Dar Souiri on June 03 and 04. Five concerts in



Nearly thirteen concerts of traditional Gnaoua music are scheduled, inviting the biggest names of the Tagnaouite world from each region and of the emerging maâlems from the new generation (Ph. Sife Elamine/Festival Gnaoua)

Marrakech, at the Megarama cinema compound, and at the "Centre Les Etoiles de Jamaâ El Fna" on June 09 and 10. Nine concerts in Casablanca, at the Mohammed V Stadium, and at L'Uzine, on June 16, 17 and 19. And finally five concerts in Rabat at the Mohammed V National Theater and at La Renaissance on June 23 and 24. The whole thing in the purest Tagnaouite spirit and with the most daring fusions. The venues and concerts have been designed to meet the expectations of everyone, both young and old: open-air spaces, performance

halls, friendly places to allow as many people as possible to experience a little of the magic of the festival, but above all this link, so special, that the festival has been able to weave, with its aficionados from Morocco and abroad, for nearly a quarter of a century. Despite an eclectic and highly specialized programme, the great Gnaoui maâlems are, and will always remain the masters of the game. Nearly thirteen concerts of traditional Gnaoua music are programmed, inviting the biggest names from the Tagnaouite world from each region and the maâlems be-

longing to the new generation. This is an opportunity for the Gnaoua Festival Tour to celebrate with the public the universality of their art and its registration on the Unesco list of cultural and intangible heritage of Humanity in December 2019 in Bogota. Of the thirty concerts programmed, half will be made up of new, daring, singular fusions... On the menu: jazz, blues, african music, folk, funk, art of the (african) griots, cuban music, Afro blues... The program includes warm and powerful voices and a rich palette of instruments: kora, balafon, flute, accordion, saxophone, ribab, guitar, percussion, keyboard, drums... As guest-stars, there will be several friends of the Festival, including the American jazzman and bassist Jamaaladen Tacuma, the virtuoso Avisahî Cohen and his trio, Piers Faccini or even Cyril Atef. A balance is struck between fusion and tradition that has always been part of the festival's DNA. Since 1998, the Gnaoua and World Music Festival has been working to promote the Gnaoua art, which conveys the values of tolerance and openness. Being resilient, the Festival has worked for more than 20 years to raise awareness of the essential place of culture in the development of Morocco. □

A.Bo