

# Weekly highlights by L'ECONOMISTE

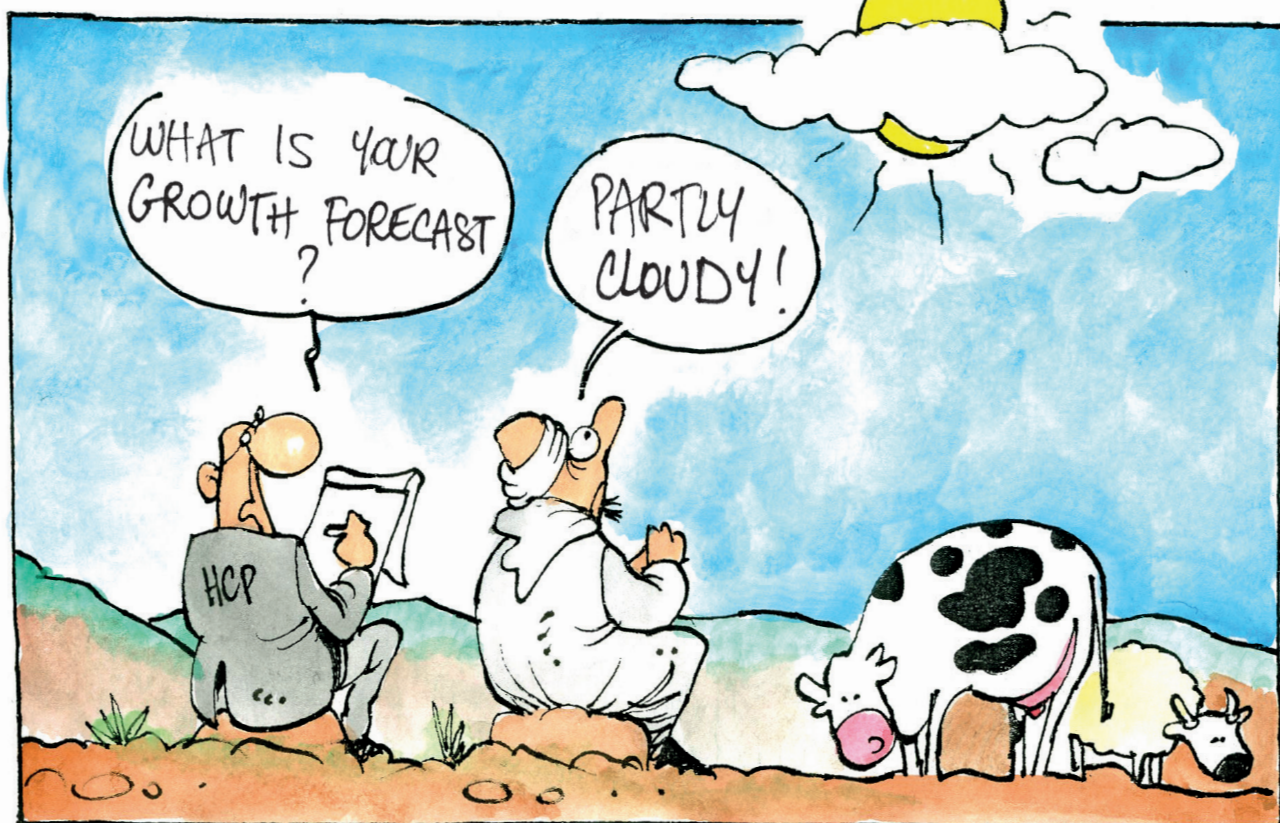


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## Growth Recovery on hold

- The 3.3% rate depends on clear skies
- Fears of a recession in trading partners and tightening of financial conditions
- Lahlimi: “The shocks we experienced had more lasting effects”



RIK

The false drop in the unemployment rate



Real estate boost?

Private education: A new specification coming soon



City of Rabat flushes out its puppet civil servants



### EDITORIAL

### Attempt

Meriem OUDGHIRI

**P** OOR public schools! Dragging too many ailments for decades, public schools in the country are undoubtedly the sector with the biggest record of diagnoses, reports, studies... until exhaustion. On paper, everyone agrees on what to do. On the ground, it is another reality. Some improvements do appear however, as is the case of the agreement on the new unified statute of National Education which has just been signed between the government and the central trade unions. The goal is to pave the way for the implementation of the famous roadmap for a quality public school which will have to find its place in the whirlwind of recovery at all costs. Along with investments and wealth creation, education and training are essential ingredients, but the Moroccan school continues to underperform overwhelmingly at all levels. For a long time, harsh criticism was

made against the teachers, the methods, or the language used, and during this time, the educational level of pupils has declined very sharply. Moreover, the figures delivered at the last Higher Education Council meeting are maddening: the overwhelming majority of students does not really understand what they are being taught. More than one third do not have any prerequisites allowing them to continue their education. Only 23% of pupils in the 5th year of primary school can read an Arabic text of 80 words fluently. And since 2016, school dropout concerns an average of 300,000 students per year. Today, it is disruptive projects that schools need, not band-aids. The work will be very long, because we will have to start all over again, and stop reforming, once again, the reforms. Otherwise, we will find ourselves at square one for another attempt to be made in 10 years, perhaps? □

## Weekly highlights

# The false drop in the unemployment rate

**D**ESPITE the slowdown in the economy, unemployment declined in 2022. Its rate fell to 11.6% from 12.3% in 2021, but on closer inspection, the apparently good news is unfortunately not a good one actually. The decline of 0.6 points is not due to economic performance. Growth slowed down last year: it did not exceed 1.3% after the 7.9% rebound recorded in 2021. This decline in the unemployment rate can be explained in particular by the fall in the activity rate, the exact level of which will be revealed in the coming weeks on the occasion of the detailed publication of the employment and unemployment figures for the year 2022. In the meantime, one thing is certain: this drop refers in particular to two recurring phenomena which constitute challenges to be met: the scarcity of opportunities and the poor quality of the jobs created, which pushes discouraged people to leave the labor market, especially young people and women. In the



*The economy is characterized by a low capacity to integrate young people and by a low rate of participation of women*

report on the employment landscape in Morocco, the World Bank and the High Commission for Planning explain that several factors contribute to these challenges: high population growth, low employment intensity of economic activity, slow improvement in the efficiency of the use of

production factors, and slow structural changes. It must also be said that the successive crises have left their mark: during the 2010 decade, and following the shock of the international financial crisis of 2007, the economy lost 75,000 jobs out of its job creation potential.

*“The growth dynamic of our stock of physical capital fell by 0.7 points compared to the 2000-2009 decade. In 2022, the losses are around 22,000 jobs in the wake of the Covid-19 health crisis and stood at -1.3 points in terms of the growth dynamic of the capital stock”,* noted Ahmed Lahlimi, High Commissioner for Planning during the presentation of the economic budget (see also L’Economiste No. 6432 of Monday, January 16, 2022).

This being said, the decrease in the unemployment rate is also due to jobs generated by tertiary activities which have offset the losses recorded in the construction and agricultural sectors. Tertiary activities benefited from the recovery of the tourism and transport sectors following the lifting of travel restrictions, the strengthening of air services, and the resumption of Operation Crossing the Strait 2022. □

**Khadija MASMOUDI**

## Real estate boost?

**I**N the midst of a flood of tax rate hikes, there are a few hikes that stand out as exceptions. These include the reduction in the scale of taxation of the net capital gain generated or observed by the tax authorities on the occasion of the sale of requalified bare land inside cities. In the case of a sale, the profits that were made were, since January 01, 2013, subject to taxation at a rate of contribution in full discharge of liabilities of 30% in respect of land profits. The same scale also applied to the transfer of real property rights on this same category of land. This is a relatively high rate and one which was explained, according to the Minister of Finance in office in 2013, by the fact that landowners whose land has been integrated into the urban area must contribute to the national tax effort by paying a surplus of tax (i.e. 10% more than for a normal transaction), since the requalification of land in the urban perimeter is considered as a land rent thanks to the presence in urban settings which allows the owners of such lands to become sometimes millionaires overnight. Since January 01, 2023, this scale has been aligned with the general law, which sets a rate of 20% of the



*Despite being located in the urban perimeter or in areas covered by urban planning documents, certain undeveloped land may be exempt from the TNB (tax on undeveloped land) under certain conditions*

capital gain, article 73-II-G-7 of the General Tax Code having been repealed by the 2023 Appropriations Bill. In addition, since 2018, there is no longer any question of income tax being defined according to the duration of ownership of the land transferred: 20% (if this duration is less than four years), 25% (4 to 6 years) and 30% (beyond 6 years). In addition, from this year onwards, and following the repeal of Article 73-II-G-7, one should no longer speak of “first sale”, but simply of transfer, subject to a uniform scale of 20%. Will this measure contribute

to the smoothing of land transactions and therefore to the revival of the real estate sector? The first advantage of this provision is obviously that it will make it possible to pay 20% tax on the net capital gain instead of 30%. “But should we go as far as saying that it will accelerate land sales, I remain skeptical about that. Being myself the owner of this category of land, I can say that the tax reduction is not the triggering factor. You must first need to sell and then find a good price since land remains a safe haven that never loses its value”, says a landowner and

property developer. “This measure is likely to make the real estate market more fluid, but is it enough to give a new momentum to the real estate sector? I highly doubt it. It is not the only option to be explored. The Government must release the land of collective lands in their various categories and allow land developers to access them on advantageous terms”. As a reminder, Collective land is owned by ethnic communities who have a right of usufruct or enjoyment. □

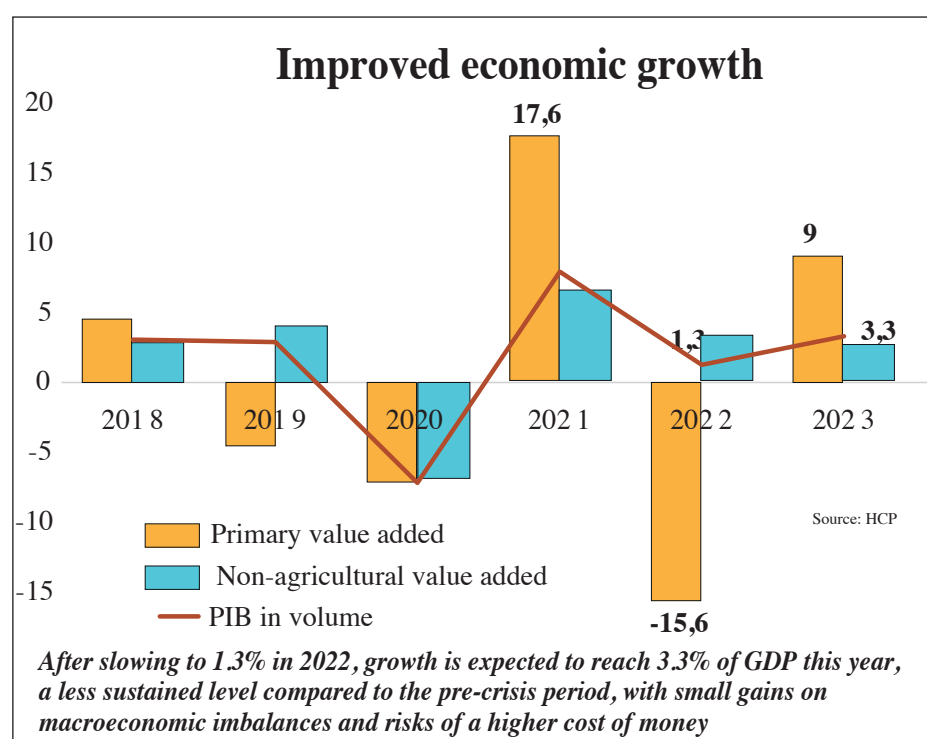
**Hassan ELARIF**

# Growth: Recovery on hold



Excluding agriculture, the long-awaited major recovery has not yet materialized. To avoid an even greater weakening of economic growth, says the High Commission for Planning, it is essential to strengthen productive investments

At the start of this year, forecasts are in full swing. This time, it is the national statistics agency which has detailed its projections for the current year. This is an average development scenario that takes into account an average crop year. The forecasts of the High Commission for Planning (HCP) presented by Ayache Khellaf, Secretary General, speak of a recovery of the Moroccan economy “based on the premise of a recovery in agriculture”. Growth should not exceed 3.3% in 2023, a level which remains less solid compared to the pre-crisis period. One must continue to hope for clement skies because the rains of last December alone are not enough. This is however not the only risk that looms since the national economy will have to evolve in a context marked by the fear of a recession of the main trading partners, a tightening of international financial conditions, and the maintenance of prices at high levels. The HCP’s projections also take into account the uncertainties related in particular to the evolution of the war in Ukraine, to the evolution of interest rates, and to epidemic and climatic risks. With the slowdown



in world trade, demand for Moroccan goods and services will be strongly impacted: its growth rate will drop to 3.2% versus 7.6% in 2022, and the net external demand would maintain its negative contribution to economic growth at minus 0.2 points.

The main driver of growth remains domestic demand (+3.2%), which should contribute by 3.5 points to growth. At this level, house-

hold consumption will accelerate slightly due to the expected increase in agricultural income and the strong level of remittances from Moroccans living abroad. Last year, household consumption was impacted by falling farm incomes and soaring inflation, and it is the consolidation of external revenues, particularly from Moroccans residing abroad, which limited its slowdown to 2.2%. Domestic

final consumption should post an increase of 3.4%, thus contributing to 2.7 growth points in 2023. The government should continue to support the economy via a significant increase in public investment, which should reach 300 billion Dirhams (USD 30 billion). This being so, the share of gross investment in GDP is not expected to exceed 31.5%.

Still in the case of the medium scenario taking into account an average crop year, the added value of the primary sector would increase by 9% in 2023. “The risks of the return of the specter of drought after the relatively abundant rainfall during the month of December 2022 are still likely. However, this is not the only challenge facing the agricultural sector”, underlines Khellaf Ayache. The agricultural sector should redefine its development strategy in favor of strengthening food sovereignty and the preservation of the environment while improving the incomes of farmers strongly impacted by the recurrence of drought. Excluding agriculture, the long-awaited major recovery has not yet materialized. □

Khadija MASMOUDI

## Weekly highlights

# Private education: A new specification coming soon

PRIVATE education was one of the prominent issues addressed during question time in the House of Councilors last Tuesday. Indeed, the Ministry of National Education is currently preparing new specifications and model internal regulations for private schools. The goal is to improve the relationship between families and private sector schools. According to Chakib Benmoussa, the preparation of a bill to this effect is very advanced. His ministry already had a first draft. Today, a second copy, supposed to govern this teaching by taking into account the proposals put forward, is on the table. However, to avoid confusion, the Minister wanted to be straightforward: private education is a component of the educational system and a partner whose mission is to improve the quality of the services offered because, the strategic goal of the concentration on the reform of public schools, through the 2022-2026 roadmap, aims to leave the choice to families. Above all, it is not a question of transforming private education into an alternative imposed by the situation of public



*The plan of the Ministry of National Education includes a program for the supervision and organization of private school education, with an upcoming revision of laws and regulations*

education. This is an opportunity to give statistics that show the weight of this sector. Thus, private education welcomes a total of nearly 1.1 million students enrolled in 7,125 private institutions for the current school year (2020-2023). They are distributed in an unbalanced way between the regions, the cities, and the rural world, with large, medium and small institutions. This explains the disparities between tuition fees from one institution to another. The prices are set by the owners of these schools, according to the quality of the services provided and the prin-

ciple of supply and demand, noted the minister.

Moreover, the law governing education in private schools does not give to the line ministry the possibility of intervening to set and regulate tuition fees. In return, the services of the ministry are concerned with ensuring transparency in relations between private schools and families, without misleading pupils and parents through announcements of the institutions mentioned. For information, the minister quoted the report on the rules of competition in private schools in Morocco. This work, car-

ried out by the Competition Council, has shown that the freedom of prices and schooling was one of the basic pillars of competition, a freedom of prices which guarantees the diversity of the school services presented. Similarly, the ministry's plan includes a program for the supervision and organization of private school education, with an upcoming revision of laws and regulations. The idea is to operate on the basis of a contractual system with the families which clearly sets out the commitments of the schools and the parents. □

**Mohamed CHAUI**

## City of Rabat flushes out its puppet civil servants

THE management of human resources of the municipality of Rabat is being scrutinized by experts from the Regional Court of Auditors (CRC). A team of Court experts have been appointed to carry out an audit mission covering various aspects related to the municipality's HR management. To carry out this work, the municipality was asked to provide the CRC experts with a certain number of documents. These include the organization chart of the town hall, staff attendance register, recruitment files, officials made available, as well as the minutes and decisions of the disciplinary commissions. This mission is part of an audit program carried out by the teams of the Regional Courts of Auditors within several municipalities of the country covering various fields including that of human resources, specifies a source from the municipality of Rabat, while some elected representatives of the opposition argue that this mission targets the issue of ghost civil ser-



vants which has not ceased to arouse debate and questions since the arrival of mayor Asmaa Rhlalou, of the RNI party, at the head of the town hall of the capital city. Those developments follow her revelations about the dysfunctions tainting the management of human resources, which raises questions about the responsibility of the outgoing council led by the PJD party. In this regard, Asmaa Rhlalou

raised the problem of ghost civil servants at the municipal level, the number of which is around 2,400 people, a figure which has sparked protest from certain employees' unions and also from several elected officials, in particular those of the opposition. The latter demanded more details on this case by requesting the publication of the list of officials incriminated as well as the disciplinary

measures taken by the municipality. During the October 2022 council meeting, Rhlalou announced the first measures taken with regard to this situation. The measures taken have consisted particularly in the removal of four civil servants who are abroad, one resignation, and the presentation of several requests for early retirement, as well as the passage of five civil servants in front of a disciplinary council and the provisional suspension of salaries of eight other employees. Requests for explanation were addressed to 498 civil servants about their absence, it was said. For the elected representatives of the opposition, these measures remain insufficient and below the reform ambitions put forward by the new majority. For those elected officials, the results of the inspection mission carried out by the Regional Court of Auditors will be of great use to further clarify the issue of HR management at the level of the municipality of Rabat. □

**Noureddine ELAISSI**