

Weekly highlights by L'ECONOMISTE



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EDITORIAL

Choice

Mohamed Ali MRABI

DRY dams, water tables consumed to the last drop... Decades of waste and mismanagement of water resources would have sufficed to fulfill the prophecies of the IPCC. Morocco is officially entering the era of structural water scarcity. These are no longer episodes of drought linked to low rainfall. We have already started to deplete our non-renewable groundwater! Minister Nizar Baraka said recently that groundwater is declining by 2-3 meters per year. In a few years, we will have hit rock bottom... Facing parliamentarians, he highlighted the efforts made to strengthen infrastructure: dams, desalination plants, and other projects. Except that, in addition to securing the water supply, it is just as essential to improve demand management. This is also one of the recommendations of the World Bank, in its latest report evaluating the Moroccan

economy. Acting on demand would imply decisions that will make some people “angry”. It is indeed difficult to swallow the pill if mentalities do not evolve. Sociologists explain that behavior change begins with awareness, before taking action. Social influence would be a powerful driver of behavior change. The Government must also set an example. A circular was sent to governors and to “walis” (head governors). Actions for a rational management of resources are announced, such as ban on watering green spaces and golf courses or even washing vehicles with conventional water... These measures are important, but nevertheless not sufficient. In a context of water stress, the revision of certain public policies is not a luxury. Particularly in agriculture, where few choices have led to overuse of groundwater reservoirs.

Weekly highlights

Tourism: The recovery is confirmed, but the hiccups persist

THE recovery of the tourism sector is confirmed from month to month. At the end of last June, 3.4 million foreign tourists visited Morocco as a destination. This is what the line minister, Fatim-Zahra Ammor, has just announced to the House of Councillors. Thus, the number of arrivals has quadrupled compared to the same period last year (2021). But the reference year remains 2019. The performance of arrivals during the first half of 2022 represents barely 63% compared to the same period in 2019. In the month of June alone, the number of tourists reached 1.14 million, an increase of 5% compared to the reference year (2019). Even better, arrivals last June represent a 235% increase compared to the same month in 2021! As for the sinews of war, foreign currency earnings, they totaled 20 billion dirhams at the end of the first five months of the current year. That is an increase of 173% compared to the end of May 2021, except that in comparison with the performance of the same period of 2019, the 20 billion dirhams will have made it possible to recover barely 71% of the revenue. This means that there are still sources of progress in terms of receipts, overnight stays, and arrivals. The whole challenge today is



Fatim-Zahra Ammor: The whole challenge today is to manage to exceed pre-Covid crisis performance. The goal is to multiply the number of tourist arrivals and return, from 2023, to the levels recorded before the Covid crisis (Ph. L'Economiste)

to manage to exceed pre-Covid crisis performance. The goal is to multiply the number of tourist arrivals and return, from 2023, to the levels recorded before the Covid crisis. To meet this challenge, operators are calling for capacity building and air connectivity. This requires the mobilization of more aircraft and therefore seats, the multiplication of agreements with tour operators, the intensification of international promotional campaigns in new markets with strong development potential.

Today, the challenge consists in remobilizing reception capacities in hotel establishments. To meet the new demand, the destination does not have several choices. Upgrading accommodation establishments is now a sine qua non. "Accommodation structures have suffered enormously throughout the crisis. Some (hotels) have closed, others have maintained their activity to a minimum but with serious difficulties... This is the reason why we have put in place the assistance plan...",

confided the minister in charge during a Club de l'Economiste meeting. According to Fatim-Zahra Ammor, the upgrading of accommodation establishments will have to cover several levels: fittings, layout, staff training, and other issues... Precisely, upgrading human resources is the top priority. The two years of the Covid crisis have led to job losses, hotel closures, losses in terms of the quality of HR... "We are going to set up working groups to improve human resources", said the minister. Another challenge and not the least, the diversification of the offering in terms of animation, leisure, content... If there is a subject that often comes up in reviews of the Morocco destination, it is indeed that of animation. According to Minister Fatim-Zahra Ammor (during her visit to the Club de l'Economiste: "We are aware that we are lacking in terms of animation. In fact, we've been working on it for a while. This project is one of the priorities of the ministry via the Smit (The Moroccan Company for Tourism Engineering). All the projects that we are going to carry out through the Smit will focus on animation projects, and not infrastructure-oriented projects". □

A.R.

Local taxation: The much criticized business tax

OF all the local taxes, it is the business tax that gives rise to the most complaints from economic operators. It is pegged to the local value of the company rather than its turnover. This reality has as a corollary the payment of local tax even in the absence or in the event of a drop in turnover. Many companies experienced this at the height of the health crisis in 2020, when they were ordered by the authorities to close their doors for more or less long periods. This did not exempt them from paying the full rate of business tax. "The business tax would be called the tax on economic activities. It would be due by any natural or legal person of Moroccan or foreign nationality exercising a professional activity in Morocco", underlines Mohamed Kabbaj, chartered accountant. Is there an ideal mix between taxation based on rental value and turnover? "The best balance would be a calculation



The main flaw in the business tax base calculation is that it is based on the rental value rather than on the turnover (Ph. DR)

based on turnover with coefficients that would take into account each line of business. This would require carrying out simulations to refine the proposals selected for the reform project", adds the chartered accountant. The appreciation of the taxation

on the basis of the value added can, in fact, be considered as subjective because it depends on the discretion of the administration. "The discretion of the administration will disappear as soon as the taxes are calculated on reliable bases determined by the

taxpayer (turnover)". For example, the tax on drinking establishments, the tax on mineral and table water, the tax on public passenger transport, and the tax on the extraction of quarry products, should henceforth be calculated on the basis of turnover. And, even better, when the tax administration adjusts a taxpayer on turnover, local taxes would be adjusted accordingly, suggests the Club marocain de la fiscalité. On another note, companies wishing to benefit from business tax relief because they are unemployed can apply for it, except that this formality must be completed by 31 January of the year at the latest, and can only be activated in the event of unemployment for an entire fiscal year. "The establishment of a tax on economic activities would put an end to these unemployment claims which are often a source of litigation", concludes Mohamed Kabbaj. □

Hassan ELARIF

Indomitable inflation

EVERYBODY talks about it. Inflation is present everywhere in the discussions of politicians, specialists, and households who have seen their purchasing power decline. For the sixth month in a row, inflation recorded a new record: 7.2% in June compared to the same period last year. Over a half-year, it increased by 5.1% while underlying inflation, which excludes products at volatile prices and those at public prices, increased by 6.4% in the first half!

The inflationary surge started towards the end of last year under the effect of the recovery at the international level before crossing a new course from February 2022. The invasion of Ukraine by Russia has exerted pressures on the raw materials market, which is already under pressure. As an importing country of energy and food products, in particular cereals, Morocco is strongly impacted. This imported inflation affects supply as much as demand and weighs heavily on household purchasing power and on the Government budget. Inflation is driven by food products whose CPI rose by 10.6% in June and 7.8% over a half-year. It is



also fueled by soaring transport prices (17.6% in June and 10.6% during the first half) under the effect of higher fuel prices. An increase in tariffs is also noted at the level of clothing and footwear, miscellaneous goods, and services as well as for furniture, household items and routine household maintenance. For the High Commissioner for Planning, which has just delivered its economic forecasts for 2022 and the 2023 exploratory budget, imported inflation should reach an exceptional level this year, like most countries in the world, which should brutally affect purchasing power and weigh on the profitability of some productive sectors.

The Commission recommends “*prioritizing support for purchasing power in the public policies put in place, and targeting the economic sectors in need of support to better turn the wheel of the economy*”. The Government has maintained the policy of subsidizing basic necessities: sugar, wheat, and butane gas. The Government subsidies to basic commodities, to which a budget extension was granted, increased by 155.2% under the effect of soaring prices on international markets. The subsidies scheme also granted direct aid to transporters, except that the system put in place is experiencing hiccups: the owner of a taxi permit does not pay the

full subsidy to the driver, while others keep it for themselves! A series of measures, some of which will be deployed as of September, has also been enacted. The minimum wage in the private sector will increase by 5% (and 5% in September 2023). This will benefit a large number of people since nearly four out of ten employees are paid the minimum wage. Currently at 14.81 MAD per hour, the hourly price will initially increase to 15.55 MAD and then to 16.3 MAD (September 2023). In the civil service, pending the general increase in wages, which should be the subject of negotiations, an increase in the minimum wage of 500 MAD is granted. The remuneration of 50,000 civil servants will increase to 3,500 dirhams. An increase in family allowances for the 4th, 5th and 6th children and the abolition of salary scale 7 for civil servants are also among the measures. In the business world, particular attention was paid to companies operating in the construction industry faced with difficulties in the supply of raw materials and the unprecedented rise in prices. □

Khadija MASMOUDI

Ramed: The changeover to the CNSS relying on the amendment of the law

PLANNED from July, the changeover of holders of the Ramed card (health insurance for the poor) to compulsory health insurance managed by the CNSS (National Social Security Fund) could be delayed. The operation requires an amendment to Law 65-00 on medical coverage, except that the text has still not been introduced into the legislative circuit, which risks slowing down the pace of generalization, in particular for beneficiaries of the Ramed scheme. Exceeding the deadlines set in the “*social protection*” calendar is not ruled out. Until then, the stated goal is to complete, towards the end of the current year, the generalization of medical coverage to move in 2023 to that of family allowances, then in 2024-2025 to the generalization of retirement benefits. The amendment of the law on medical coverage and the implementing texts which should follow will, among other things, make it possible to establish the operational plan for the changeover to an insurance

system and to answer the questions of the persons concerned: will the beneficiaries of the Ramed scheme pay for care services provided by the private sector? Will they benefit from third-party payment? How will the care take place... In any case, nearly 5.5 million people are waiting for answers and visibility concerning the changeover to the AMO (Compulsory Health Insurance) managed by the CNSS. For the time being, one thing is certain: the arrival of this vulnerable population at the CNSS will be made through a contribution which will be borne by the Government: 6.37% of the minimum wage (Guaranteed Minimum Wage). Nearly 9 billion dirhams will be devoted to that purpose annually. This population will also benefit from a basket of care identical to that of private sector employees. Started in 2021, the extension of medical coverage to self-employed workers and vulnerable people must be completed before the end of this year. For now, tight management of the different categories is

planned. Ultimately, 8.5 million policyholders and 22 million beneficiaries will join the AMO scheme, which will result in a significant increase in CNSS activity. The number of policyholders should increase from 3.5 million to 11 million people, while that of beneficiaries will be multiplied by 4, moving from 7 to 29 million. As for the number of disease files, it should reach 80,000 to 90,000 files per day versus nearly 20,000 today. This is an increase in terms of workload for which the CNSS has been preparing for several months. Its information system has been adapted to support a different population of employees and to strengthen its capacity to process a large flow of data. The Caisse has also reviewed its organization and processes. In the new organizational chart, a cluster is dedicated to compulsory health insurance. It has three directorates, including one for medical affairs. The latter will manage partnerships in particular with the medical profession. “*We must establish a permanent dia-*

logue with doctors in the interest of the plan and our policyholders. We must also keep a close eye on medication, therapeutic protocols, and medical procedures. We must invest in monitoring so that we can be a source of proposals”, declared Hassan Boubrik, Director General of the CNSS during the Club de L’Economiste event organized last June (see L’Economiste No 6284 of 16/06 /2022). The CNSS has also invested in digitalization, and a large part of the procedures can be carried out remotely. The CNSS is also planning totally paperless processes and the implementation of the electronic care sheet. Internally, it has set up a Resources & Digital Transformation division. It has cross-functional “*functions*”: Finance & Purchasing, Human Capital as well as a Digital Transformation & Organization division. A Data & Analytics department in charge of data architecture and management has been set up. □

Khadija MASMOUDI

Weekly highlights

Casablanca

More than 3,500 building facades to be renovated



THE facade renovation operation, started last January in Casablanca, is beginning to bear fruit. To date, more than 3,500 building facades have been painted, mainly on the main thoroughfares (Bd Zerktouni, Bd d'Anfa, etc.). It is the municipal administrative police (PAC) that leads operations on the ground. Its first assessment reports more than 10,000 formal notices drawn up and more than 6,500 sent to trustees and building owners. In fact, the procedure followed is as follows: after drawing up a report, the PAC first sends the owner a letter inviting them to repaint the building in question. Beyond a period of 3 months,

the latter will receive a second registered letter reminding them of the obligation to repaint their property. After a fortnight, the files of the offenders will be transferred to the municipal services in order to carry out the work at the owner's expense. In other words: the trustees of buildings concerned by this operation have a period of 4 months to comply. "We first target the main arteries, then the alleys and later the whole territory of the municipality", indicates a well-informed source.

If the owner or the trustee does not comply, it is the municipality that bears the costs of the restoration and obliges the owner to pay the

costs to the Treasury. "This sum is added to the taxes owed by the taxpayer", it is explained. It is in fact the activation of the municipal decree No 2014/2, stipulating that the facades of residential buildings as well as commercial premises must be painted in white, windows and garages in gray or light brown. As for the frequency of painting buildings, it is fixed at 5 years. Admittedly, Nabila Rmili relaunched this project from the start of her mandate, but the pace will have to be accelerated to make up for lost time. The human resources are now available thanks to the commissioning of the CAP. It now has 87 agents, 17 supervisors, 5 controllers,

not to mention 64 vehicles and 87 tablets. As a reminder, an ambitious program to enhance the city center has been launched by the local development company SDL Casa-Patrimoine (see edition of July 6, 2022). The program includes, in addition to the renovation of old facades, the harmonization of commercial storefronts and the establishment of tourist circuits to highlight and promote the heritage potential of the city of Casablanca. This operation will concern a central area over an area of 100 hectares in the city center, with 801 buildings of historical value. As for the duration of implementation, it extends over 3 years. □

