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## THE COVID-19 CRISIS IN MOROCCO

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As of May 6, 2020

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### COVID-19 update

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**Assessment of the health system.** Following measures designed to strengthen the country's health infrastructures, the number of intensive care beds has been increased to 3000 (up from 1,642), for 36 million inhabitants. According to the Ministry of Health, the country has three screening centres. Screening will also be extended to University Hospitals and health establishments to ensure full territorial coverage.

A sanitary state of emergency has been extended until 20 May. Failure to comply is now punishable by sentences between one to three months' imprisonment, as well as fines ranging from 300 to 1,300 dirhams (around 131 USD).

The King ordered the deployment of military medical resources. New military hospital buildings are under construction.

The wearing of medical masks in public spaces and in the workplace has been mandatory since Tuesday, April 7. The price of masks has been regulated by decree and a first local production capacity of 5 million units / day has been set up thanks to the voluntary readjustment of several industrial units.

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### Economic impact

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*Extent of containment measures:* The ministry of education announced the closure of all educational institutions from pre-primary to tertiary starting from the 16 March 2020 and for an undetermined duration ([MENFP, 2020](#)). This impacts 8.9 million learners in the country, including 6.2 million primary and secondary education students ([UNESCO, 2020](#)). Restaurants and all non-essential shops have also been closed, and all sports, cultural and arts events have been cancelled. Mosques and other religious buildings are closed until further notice. People have been ordered to stay at home, and restrictions on public and private transport and travel between cities are also in place, with security forces and the army deployed on the streets.

*Economic indicators:* Tourism, which generates around 500.000 direct jobs (or 2.5 million including indirect jobs), air transport and some exporting sectors (notably the textile and automotive sectors) were impacted early on by shocks to both the demand and supply sides. In the tourism sector, restaurants and hotels are expected to be hit the hardest, with a drop of at least 25%. The number of arriving visitors dropped by 100.000 in March alone. The port of TangerMed continues to operate, but gas stations throughout the country have seen an 80% drop in revenues, according to figures from their professional federation. Not all sectors have been as adversely affected, especially in activities with limited face-to-face interaction, such as telecommunications and financial services, or indeed in other essential activities such as extractions, agribusiness and chemicals. The Central Bank decided on 19 March to lower the key rate by 25 basis points to 2%.

*Financial markets:* The Moroccan Capital Markets Authority (AMMC) has reduced the maximum variation thresholds, upwards and downwards, applicable to financial instruments listed on the Casablanca Stock Exchange (BVC) on a single session. These thresholds relate respectively to 4% of the reference price for securities whose quotation is in continuous mode, 2% of the reference price for securities whose quotation is in fixing mode and 2% of the reference price for debt securities. The Casablanca Stock Exchange decided to reduce its operations, opening the market only from 9 am to 3 pm.

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## Policy reactions

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*Borders:* Morocco has extended the closure of its airspace until May 31. Trains and buses within and between cities have been suspended. The cancellation of flights has inevitably created difficulties for both Moroccans abroad and foreigners in the country awaiting repatriation.

*Monetary policy:* In a bid to ease the effects, authorities announced they would double the currency trading band. On 29 March, the Central Bank of Morocco announced a series of monetary measures to support access to credit for businesses and households by enhancing banks' refinancing capacity with the Central Bank. The prudential measures will support credit institutions in covering liquidity, equity and provisioning of claims. Other measures have been taken to reinforce the specific refinancing programme for the benefit of very small enterprises and SMEs by integrating, in addition to investment credits, operating credits and increasing the frequency of their refinancing. On 15 April, and for a period of two years, the Central Bank established a credit line for refinancing new loans disbursed in favour of MSMEs, as part of the integrated business support and financing program. The publication in the Official Bulletin of Legislative Decree No. 2.20.320 related to the exceeding of the ceiling for external loans fixed under article 43 of the finance law 70-19 for the budget year 2020, should allow Morocco to meet its foreign exchange needs, in particular, through the use of borrowing on the international market.

*Fiscal policy:* The country has announced the creation of a special fund to manage the pandemic, valued as of April 28 at MAD 32 billion (approximately 3 billion USD), including 10 billion from the State's budget and 1,5 billion from the Regions. This fund builds on the solidarity and contributions from both the public sector, companies and private individuals who committed to financially support this facility. It is dedicated to upgrading the health infrastructure and acquiring the necessary medical equipment, and will also be used to manage the health repercussions of the epidemic and mitigate its economic and social impact. In addition to this effort at the national level, the Regions have also mobilised dedicated funds. The Council of the Souss Massa Region, for example, has devoted a special fund of the order in 20 million dirhams for the populations having suffered direct consequences of the epidemic and also to help hospital structures in the region. The Marrakech-Safi Regional Council announced that it had mobilised 23 million DH to face the repercussions of Covid-19, including nearly 8 million DH for the purchase of food reserves for the benefit of poor families and disadvantaged people.

- An Economic Watch Committee (CVE) was created to discuss and take the necessary measures to mitigate the economic and social impacts of the pandemic. It is chaired by the Minister of Economy, Finance and Administrative Reform and includes representatives from the public and private sectors.
- The Moroccan authorities drew on all resources available under the current Precautionary and Liquidity Line (PLL) arrangement from the IMF in the amount of SDR 2.15 billion (about US\$3 billion or about 3 percent of GDP). This purchase will help the authorities limit the social and economic impact of the COVID-19 pandemic and allow Morocco to maintain an adequate level

of official reserves to mitigate pressures on the balance of payments. It is the first country to sign up to this instrument. On 27 March, the European Union reallocated 150 million euros to the Special Fund for the Management of the Covid-19 pandemic. In addition, the Commission will use all possible flexibility to redirect 300 million euros of the funds allocated to Morocco towards the response to the pandemic by accelerating their mobilisation to meet the country's exceptional budgetary needs. Similarly, the Agence Française de Développement anticipated the disbursement of EUR 100 million between April and June in support of the ongoing economic and social stabilisation efforts, as well as 50 million to support companies.

- *Support to workers and social assistance:* Employees affiliated with the social security system will benefit from a 2000 dirhams monthly allocation (approximately 202 USD). They will also benefit from a suspension of loans and consumption credits reimbursements, until 30 June 2020. With high levels of informality, the Economic Watch Committee decided on 23 March to provide financial relief to informal workers suffering from the economic impact COVID-19. The compensation method involves a digital platform for aid applicants (asking their personal details: ID number, phone number, and evidence of their occupation). Other measures to support employees include the postponement of deadlines for personal income tax returns and the exemption from income tax on the additional allowances paid to employees affiliated to the social security system (CNSS) by their employers (in the limit of 50% of the average net monthly salary of the beneficiary), as well as relaxed procedures for declaring employees affiliated to the social security system (CNSS) who are on temporary work stoppage. Declarations can be made on a weekly basis as of April 2020.
- Workers in the informal sector, starting with households benefiting from the medical assistance plan RAMED and which no longer have an income due to compulsory confinement, will receive 800 DH per month for households of two people or less; 1,000 DH per month for households of three to four people; 1,200 DH per month for households of more than four people. Households without RAMED operating in the informal sector and who have lost their income following compulsory confinement will also benefit from this provision by filling out their requests in an electronic platform dedicated to this purpose.
- *Support to firms:* Payment of all social taxes is suspended until 30 June. A moratorium on the repayment of bank credit maturities and for the reimbursement of leasing maturities is established until 30 June, without payment of fees or penalties. Companies whose turnover for the financial year 2019 is less than 20 million dirhams may, if they wish, benefit from a postponement of the filing of tax declarations until 30 June. All tax inspections are suspended.
- Furthermore, the CDG group facilitates access to financing by SMEs and very small enterprises by putting in place a number of exceptional tools (Extension of financing deadlines of up to 6 months, increase in the share of financing and in average authorized ceilings, postponement of credit repayment terms up to three months). Plus, for self-entrepreneurs, the implementation of a zero interest rate credit has been decided, up to 15,000 DH. This credit, which will be available from April 27, 2020, will be reimbursed over a period of 3 years with a grace period of one year. The interests will be fully covered by the insurance sector which will contribute 100 million DH to the guarantee mechanism set up by the State, through the Central Guarantee Fund. On 30 April, additional measures are announced, in particular the deductibility of donations granted to the Special Fund for the Management of the Pandemic (contributions granted to said Fund, qualified as public utility, are treated as donations having the character of charges deductible from the tax result), as well as a derogatory accounting treatment to spread out the donations and charges relating to the period of the state of health emergency, over 5 years. The National Accounting Council is responsible for the implementation of methods adapted to companies in this exceptional context dictated by the pandemic.

- The launch of the product DAMANE OXYGENE, a guarantee product put in place by MEFRA with the Caisse Centrale de Garantie (CCG), aims to provide coverage for an exceptional overdraft up to 95% for SMEs and mid-sized companies with a turnover of between 200 million and 500 million DH, and whose activities have been impacted by the crisis. This new line of credit is intended to finance current expenses which cannot be carried over or suspended by the companies. This tool has been extended to the real estate sector.

*Other:*

- The Ministry of Education has set an [e-learning platform](#) to ensure continuity in teaching and learning. Public television and radio are also programming pedagogical content for students in collaboration with the ministry. Because of limited access to digital tools, there is a risk that the nation-wide school closure widens the learning gap between students from low socio-economic background and/or rural areas and those from more advantaged backgrounds.
- The MEFRA has launched a new electronic platform "SMART" to allow the online submission of requests for special exchange authorisations and the remote declaration of foreign exchange transactions. It has put in place a series of measures to encourage all public and private entities alike to speed up payment procedures for the benefit of enterprises, especially SMEs, and to provide positive responses to requests from enterprises invoking force majeure due to emergency measures. It has also simplified certain measures related to public procurement. Consumer products prices are controlled, and prices of hydro-alcoholic gels are regulated.
- Customs procedures (e.g. customs clearance formalities for goods, exchanges with inspectors processing declarations, applications for certificates of origin, payment of customs claims) and customs exemption requests can now be processed online, through the PortNet (a single window for foreign trade procedures). In the public administration, teleworking has been broadly encouraged, building on specific guidelines developed by MEFRA.
- The Moroccan Association of Capital Investors (AMIC) launched an initiative for business support called "AMIC Support TPME", to share resources and advice for SMEs with their peers.
- The Moroccan development agency (AMCI) launched a campaign to raise awareness on coronavirus among foreign students with a scholarship in Morocco.

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## Gender equality and women's empowerment

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- Moroccan women are likely to be disproportionately impacted by the economic consequences of the pandemic. Female labour force participation in Morocco stands at [21.3%](#) and is concentrated in the agricultural and industrial sectors. Moreover, around [17%](#) of women in non-agricultural employment work informally and will therefore be particularly vulnerable to an interruption of activity resulting from confinement measures.
- The additional domestic work resulting from the closure of schools and confinement measures will also most likely weigh essentially on women, who already shoulder the majority of unpaid domestic activities in Morocco. A study conducted in 2017 revealed that [Moroccan women dedicated 38% of their free time to domestic work](#), while this figure is as low as 5% for their male counterparts. In this context, the pandemic risks further relegating women to the domestic sphere. In addition, isolation at home may lead to a heightened risk of violence against women.
- The social measures implemented, including those aimed at supporting informal workers who have lost their earnings, will most likely benefit women due to their over-representation among vulnerable segments of the population. In addition, authorities have set up a toll-free number, "8350", and a platform to warn about violence against women, launched at the initiative of the National Union of Moroccan Women (UNFM) at the end of January 2020.

- International donors have also mobilised to support women-owned SMEs during the crisis. The EBRD in cooperation with the EU has [launched](#) a series of online trainings targeted at women entrepreneurs and aimed at strengthening their resilience. The training programme, which is part of the EU Initiative for Financial Inclusion, will provide women with tools on crisis management and digital marketing to address current challenges and prepare the post-crisis period.

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## Outlook

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*Situation prior to COVID-19:* Morocco was expected to benefit from a rise in exports and measures to raise tax revenue and investment. Public debt was 65,3% of GDP in 2019<sup>1</sup>. Domestic demand was projected to rise by 4% in 2020 from 2.4% last year, and improving global economic conditions were expected to lead to a growth in external demand to 5.4% from 4.2%. However, [9%<sup>2</sup> of Moroccans are either poor or vulnerable to poverty](#), and the kingdom ranks 123rd in the United Nations' Human Development Index.

The crisis highlights the need to continue supporting the effectiveness of public action and confidence in institutions. Two major complementary reforms, on regionalisation and devolution, will play a critical role in this regard.

On 23 March, the *Centre marocain de conjoncture* anticipated that GDP growth would slow to 0,8% in 2020, compared to its earlier (January) forecast of 3.5%, reflecting the impact of Covid-19 measures and a difficult situation in the agriculture sector, impacted by the drought. This would be the lowest level of growth in the last two decades, although a strong rebound is foreseen by Bank Al-Maghrib in 2021, drawing on improved contributions from both the agriculture and non-agriculture sectors.

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<sup>1</sup> Ministry of the Economy, Finance and Public Administration Reform, Morocco

<sup>2</sup> Vulnerability to poverty, as defined and measured by the approach used by Morocco, is the proportion of the population whose per capita consumption is between 1 and 1.5 times the national threshold of absolute poverty.

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