

Synthesis of Annual Report 2021

Economic, Social And Environmental Council

Synthesis

The year 2021 was marked by the dynamics of economic recovery, both nationwide and internationally, after a year of severe health crisis with across-the-board crippling effects.

On the world stage, economic growth has risen (+6.1%) after the sharp coronavirus recession (-3.1%) of 2020. Varying across countries, in terms of budgetary and logistical capacities, the pace of recovery has nevertheless shown a slowdown over the past few months of the year, both due to the spread of the Omicron variant and because of ongoing global supply chain bottlenecks. The year 2021 also saw a major shock, with food and energy commodity markets showing a strain of surging prices that all countries, developed and developing alike, have been affected by.

At the national level, the changes that went into effect during 2021 were an indication as to how resilient our economy really is after a 2020 year marked by a sudden drop in GDP, caused by the effects of the COVID-19 crisis. In this connection, the year 2021 saw a clear economic rebound, with a 7.9% GDP growth rate, mainly after a very good crop year and a strong recovery in economic activity across most sectors, with the exception of tourism, accommodation, food and beverage and transportation.

According to the forecast of December 2021, the growth rate is projected to reach about 2.9% in 2022 (Bank Al-Maghrib estimates). It should be noted that this rate was reviewed, in 2022, to some 1.2%, as suggested by certain national and international institutions. This decline could be explained by the repercussions of the war in Ukraine that only add to the effects of the severe drought the country is facing. Under these conditions, the GDP per capita cannot be expected to return to its pre-crisis level before 2023. This demands intensified efforts to avoid any delay in achieving the New Development Model's target of doubling the level of the 2019 GDP per capita by 2035.

With respect to other macroeconomic indicators, the budget deficit fell from 7.1% of GDP in 2020 to 5.5% in 2021, along with a fall in the treasury debt ratio from 71.1% in 2020 to 68.9% in 2021. It should be noted that, in the main, the treasury debt is medium to long-term in duration, with external debt accounting for just 23% of it, which is close to that of the pre-crisis year (21.6% in 2019). The inflation rate, according to the figures of Morocco's National High Economic Planning Institution (HCP), doubled from 0.7% in 2020 to 1.4% in 2021.

On external trade, imports increased significantly in 2021, resulting in the return to the structural position of very intensive import growth. In this context and despite a positive large-scale trend in exports, largely driven by the significant rise in the prices of phosphate and derivatives, the trade deficit increased by 39 billion dirhams. Strikingly, Moroccan expatriates' remittances recorded a significant growth of 37.5% compared to 2020, standing at 93.7 billion dirhams. Foreign Direct Investment (FDI) has been very resilient, showing a positive trend of 43.6% compared to the figures of 2020.

Concerning the situation of Morocco's productive fabric, the year 2021 was marked by the continuous closures of certain businesses, especially very small ones (VSBs), despite the recovery efforts by the public authorities. It is to be noted, in this regard, that there was a (69%) boost in the share of legal personality business start-ups recorded since the outbreak of the COVID-19 crisis, compared to corporate personality ones (31%). This change can be explained, inter alia, by new project promoters tending toward more organized and structured business legal forms, amid the difficulties encountered by individual and micro-entrepreneurs during the crisis.

In relation to the labour market, the unemployment rate rose from 11.9% in 2020 to 12.3% in 2021, despite the number of net job creations recorded in 2021. Meanwhile, the employment rate remains well below its 2019 level. This lack of complete recovery in employment levels in 2021 hits its highest in the sectors most impacted by the crisis, most notably accommodation and construction, where the workforce has halved.

On the social level, the education sector has been marked by the ongoing implementation of the provisions of the Framework Law 51-17 relative to the education, training and scientific research system. This law is articulated across three main themes: equity and equality of opportunities, increasing quality education and training, along with governance and mobilization.

Moreover, schooling in 2021 was notably marked by the gradual return to the in-person form, with a one-month delayed school entry (2021-2022), as part of proactive efforts to stem the spread of the pandemic.

It should be noted that despite the efforts deployed, the education sector continues to suffer from structural dysfunctions negatively impacting student learning. Indeed, the results of the National Programme for Student Learning Assessment (PNEA), released in 2021, signal a widespread weakness in students' competences in languages, sciences and mathematics at the end of the primary and secondary school years. This situation underscores the need to push ahead with a bold reform agenda for the sector, the ultimate objective being to enhance the training of teachers in particular, such as through continuous exercise, while promoting their status, ensuring general access to quality preschool education and bolstering essential learning skills and competences.

Also significant, a key feature of the year 2021 was the launch by His Majesty **of the important project of extending access to social protection**. The project's goals for the next five years are as follows:

- To ensure general access to obligatory health insurance scheme (AMO) in 2022.
- To extend family allowances during 2023 and 2024.
- To broaden the membership base of pension schemes to include persons who are employed and have no pension.
- To generalize job loss-related benefits, during 2025, to cover all individuals in stable jobs.

A number of measures and initiatives have been put in place to translate this project into action, such as through the publication of the Framework Law 09-21 on Social Protection, along with several related legal and legislative instruments. At the end of 2021, the government's Health Sector Reform Plan was released with the objective of addressing the myriad of shortcomings of the sector. Key measures of the plan include increasing public health budget, the gradual

generalization of family medicine and the promotion of maternal and child healthcare. However, it would be appropriate to set quantified targets to assess the feasibility of this plan and to announce the financial resources that are to be made available for it.

The successful efforts to guarantee full access to social protection, it being a large-scale societal project, still are contingent on the ability of the actors concerned to meet the challenges of engaging the necessary human and financial resources, in particular, and complying with the established timetable.

Regarding the **issue of women's participation in the labour market**, it must be noted that despite a rather cyclical economic upturn in 2021, the female activity rate remains structurally very low in Morocco. Women remain on the margins of development, oscillating between inactivity and precarious work. Some of the barriers that have sparked the debate on the issue of women's participation in 2021 include, among other causal factors, the problem of sexual harassment, particularly in the workplace and in universities. The Council outlines the dysfunctions that arise in the process of women filing complaints of sexual harassment. Indeed, sexually harassed women are often intimidated into silence either out of fear of reprisal, especially in a relationship of hierarchical superiority between the sexual harasser and their victim, or because of the difficulty of bringing forward corroborating evidence.

At the level of social dialogue, both bipartite and tripartite, and in relation to statutory texts regulating professional relations, no significant progress was made in 2021. With regard to the organic law on strike, a statutory right in Morocco guaranteed by the Constitution, it should be noted that this foundational text has not yet seen the light of day, for lack of a consensus between the various socioeconomic stakeholders.

In addition, the COVID-19 crisis has exposed the urgency of a reform for the labour code that keeps up with fast-paced changes in the labour market, particularly as regards the legal framework that regulates the increasingly digitalized work environment. Moreover, such reform is meant to help shore up the protection of workers' rights and to put in place measures to ensure the future crises do not push workers into precarious forms of employment.

On the environmental side, the year 2021 was marked by the organization of the 26th Conference of Parties to the UN Framework Convention on Climate Change (COP26) in Glasgow. The Conference saw the participation of 196 states, including Morocco, and culminated in the Glasgow Climate Pact. The package of commitments consists, among other things, of promoting capacity building for resilience to climate change, reducing greenhouse gas emissions and providing the necessary funding thereto.

In 2021, Morocco put forward its **revised Nationally Determined Contribution (NDC)**, raising its NDC ambition to a 45.5% Greenhouse Gas (GHG) emissions reduction by 2030 against its "business-as-usual" scenario. 18.3% of this target is unconditional, and the remaining 27.2% are conditional to 24 billion dollars in international assistance.

In terms of water resources management, Morocco has experienced an annual water deficit of 54% to 85% over the past four years – an alarming situation that threatens to seriously undermine our country's economic, social and environmental development. The public authorities must take, as a matter of urgency, a series of measures within the framework of the National Programme for

the Supply of Drinking Water and Irrigation (2020-2027) and in line with the recommendations of Morocco's New Development Model (NMD), toward an improved water governance and management, particularly in the agricultural sector and at household level.

In the area of renewable energies, Morocco's installed renewable energy capacity accounts for almost 38% of the energy mix, with a production capacity not exceeding 20% of the total electricity produced nationwide. This calls for the need to accelerate the process of developing renewable energies, while diversifying the energy mix. In this respect, it should be noted that two roadmaps for the upgrading of biomass and green hydrogen have been launched by the relevant government department. The two sectors mentioned above should be developed in view of the opportunities they offer in terms of combating GHG emissions, creating jobs and developing a green energy mix.

The end of 2021 was also marked by Morocco's submission to the United Nations of its **long-term low-carbon strategy 2050**. This new strategy involves seven (7) overarching themes, on top of which is the accelerated development pace for renewable energies to reach an 80% share, by 2050, in the energy mix.

In its assessment of the progress towards the achievement of the SDGs (Sustainable Development Goals), especially as relates to the preservation of the environment, the 2021 National Report of Morocco's National High Economic Planning Institution (HCP) underscored a weak progress in terms of associated SDG indicators.

Like all states in the world, Morocco still has to bear the brunt of a health problem that translated to a profound economic and social crisis with a myriad of serious consequences. In this context, the Council has identified, in the light of recent economic, social and environmental developments, a set of structural, one-off key focal themes.

The first such key focal theme deals with the recent inflationary shock in Morocco, like in all other countries, which caused significant purchasing power losses.

For our country, the big price hikes observed recently remain largely external. We cannot however overlook the fact that there are several internal amplifying factors that have driven prices up, particularly the problem of the lack of organized agricultural commodity markets, in which a multitude of intermediaries are involved.

As regards oil prices, the public authorities have taken short-term measures to preserve consumer purchasing power and maintain the competitive edge of Moroccan companies. Yet, the current situation requires high-impact measures.

To reduce the **impact of inflationary pressures on our country**, the Council has developed a set of short- and medium-term recommendations.

Measures of immediacy include the provision of targeted assistance to the most vulnerable groups, while keeping customs duties for certain imported commodities at low levels, and consolidating the assessment of compliance with competitive principles in various sectors, such as those related to basic goods and commodities, with the imposition of sufficiently dissuasive penalties for any infringements.

In the medium term, and to contain future up-moves of prices, the Council puts forward the following recommendations:

- Accelerate the implementation of the Unified Social Register (RSU) project for optimal access to assistance for most disadvantaged populations.
- Explore the possibility of setting up a permanent stabilization fund in response to major shocks.
- Increase investment in internal energy product storage capacity and consider possible ways of leveraging the storage capacity of "SAMIR" refinery.
- Bring about reform of and organise agricultural commodity marketing spaces.
- Examine the feasibility of setting up a national shipping corporation.
- Establish a commodity prices and margins observatory.

The second key focal theme is about the need to put in place conditions conducive to the development of a competitive national pharmaceutical industry, to promote the country's health sovereignty. Based on an analysis of the dysfunctions that characterize the sector in Morocco, the Council recommends the following priority actions:

- Adapt the regulatory framework to streamline the development process for new products, particularly in generic and biosimilar products.
- Establish a national preference system for locally grown products, with a minimum domestic value-added rate to be respected.
- Reduce the regulatory marketing authorization (MA) processing deadlines for medicinal products, while ensuring strict compliance with these deadlines and automating the registration and granting process for such authorisations.
- Ensure strict compliance with the rules of healthy competition and allow for the imposition of sufficiently dissuasive penalties for any infringements.
- Review the approach and benchmarking practiced in setting prices for pharmaceuticals, while developing relevant departments' skills in collecting, processing and verifying all information needed to determine appropriate pricing levels.

The third thematic focal point raises the need for an inclusive and resilient transformation of the agricultural ecosystem, due to the recurrent droughts that threaten the country's agricultural production and food security, feed its dependence on food imports and undermine the situation of rural populations, highly dependent on agriculture.

Thus, to effectively address the main sources of the obvious vulnerability of the agricultural ecosystem and small farmers to climatic hazards, the Council proposes the following recommendations:

- Study the feasibility of introducing more drought-resistant cereal varieties, particularly those common in Africa (millet, sorghum, etc.) and give more importance to barley cultivation, with all the subsidies and incentives required to develop these crops.

- Give a central place to Research and Development (R&D) in the selection of most drought-resistant seeds and crops, as well as fertilisers and irrigation. This requires increased funding for research in these fields and upgraded financial and human resources for the benefit of specialized research institutes.
- Improve access for farmers to selected inputs and seeds.
- Carry out a large-scale proximity outreach policy on the need to rationalize water use and redirect crops to reduce “virtual” water exports.
- Build up rural income resilience against climate shocks through (i) the implementation of rural plans for the diversification of economic activities towards non-agricultural branches, (ii) more support for the agri-food industry for a better exploitation of agricultural products, (iii) a thorough revision of the aggregation formula in agriculture, and (iv) a reduction in input costs for farmers through appropriate subsidies during periods of excessive inflation.

In terms of governance, it is imperative that an ex-ante evaluation of the “green generation” plan (2020-2030) be carried out, along with periodic assessments by independent experts of progress towards the implementation of the plan.

Retirement is the thrust of the Council’s fourth key focal theme, where the emphasis is on the need to accelerate the pace of structural, comprehensive reform of the sector. In this regard, the Council recommends a number of actions to be taken forward, including:

- Urgently establish a clearly set-out, binding implementation schedule for the main reform phases, in consultation with socioeconomic partners.
- Lay down the necessary legislation and regulations for convergent pension schemes.
- Ultimately establish a unified national pension scheme, in line with the approved all-inclusive reform schedule. The plan shall be based on three pillars: namely, (i) a basic, compulsory pay-as-you-go pension plan for all public and private sector workers and the self-employed, (ii) a supplementary, compulsory and contributory scheme for over pensionable wage ceiling, and (iii) a private insurance covered retirement scheme that is optional and individually funded.
- Establish a no-below-poverty-line “minimum old age income”.
- Lay down, by law, effective pension scheme management and steering instruments, to ensure their financial sustainability and adequacy with financial, social, economic and demographic developments.

On the financing side: (i) take into account employers’ financing capacities and pension members’ contribution capacity, (ii) review the reserve fund investment policy within an integrated approach that accounts for objectives, impact, management and control, and (iii) devote 2%-to-4%-point VAT rate social protection expenditure, including on pension schemes.

The last key thematic focal point of this report is dedicated to the question of energy transition as a strategic project of which the successful outcome would contribute greatly to the social and environmental economic development of Morocco. In this respect, the Council pointed out that the 2009 Energy Strategy project experienced several delays, particularly as regards its target outcomes for renewable energy development and energy efficiency. Constant crises running the

gamut from the coronavirus health pandemic to the current energy crisis have brought increased vulnerability to the energy sector. Not only has this strongly impacted the purchasing power of Moroccan consumers, but it has also adversely affected the economic fabric and the country's balance of payments, thus threatening to undermine its energy sovereignty. Moreover, the energy sector, particularly renewable energy, is lacking both in strategic planning to ensure coordinated and convergent action of all stakeholders concerned, in addition to the inadequacy of the legal armoury available.

Amid such conditions, Morocco's current energy mix is found to be dependent on fossil fuels. Besides, Morocco is still struggling to make headway in its transition to green energy alternatives.

Given this situation, **Morocco must urgently make the necessary reforms, while carefully assessing its future investment choices, to successfully forge ahead with its energy transition and economy electrification project.** To this end, the Council recommends what follows:

- **Adopt a concerted approach to developing a renewed national energy strategy fully aligned to the New Development Model's recommendations. For this purpose, the following measures are required:**
 - Lay down a new institutional architecture of Morocco's energy system, while establishing a strong and autonomous regulatory body.
 - Redefine the optimal energy mix based on the acceleration of renewable energies and the increase in the share of natural gas as a key driver of Morocco's transition energy, in lieu of other more polluting fossil fuels.
 - Expedite the reform of energy companies and public institutions in support of Morocco's new energy strategy.
- **Strengthen Morocco's energy sovereignty. To this end, the Council has the following recommendations:**
 - Put in place a joint and expanded governance structure for major energy sector projects (the Maghreb-Europe Gas Pipeline "GME", the Nigeria-Morocco Gas Pipeline, infrastructure, etc.), to avoid working in silos and engage all parties concerned to bring their skills together.
 - Conduct a thorough assessment of the possibility of building a liquefied natural gas regasification terminal, based on the future evolution of national natural gas demand, while choosing the least costly investment for its construction, through public-private partnerships.
 - Accelerate the implementation of the Moroccan part "Dorsale Atlantique", linking Morocco to Mauritania and Senegal, of the Morocco-Nigeria Gas Pipeline project.
 - Speed up the implementation of the national energy security stock management system.
 - Implement a coordinated energy efficiency policy.

- **Consolidate Morocco's attractiveness in renewable energy market, such as through:**
 - Speeding up the reform of the legal and regulatory framework governing both the renewable energy sector and the self-generation of electrical energy, along with its executive regulations, while engaging and involving in the process all renewable energy actors.
 - Achieving total liberalization of the renewable electricity sector, while establishing clear and transparent rules that can help drive real momentum for renewable energy development and attract international investment.
 - Developing a joint roadmap for a renewable, territorialized and competitive electricity supply, dedicated to Moroccan manufacturers and exporting companies, in order to deal with the carbon tax that will be applied by the European Union starting from 2023.
- **Diversify the energy mix by speeding up the pace for ramping up Morocco's green hydrogen sector, while accelerating the energy recovery of biomass and evaluating the feasibility of developing nuclear energy.**

The Council has chosen as a main area of focus in this year's annual report the issue of telework. Indeed, the COVID-19 pandemic and the induced lockdowns have impacted not only economic balances but also social relationships and living conditions in all parts of the world. This situation has prompted businesses in large numbers to shift to telework across the board, which brought structural changes to business processes and made telecommuting a new workplace reality. In Morocco, the use of this new form of work organisation was driven by the COVID-19 crisis and seems, according to Morocco's National High Economic Planning Institution (HCP), to be widespread across the services industry sector and the socio-professional category of executives.

With as a primary goal to address the issue of the development of telework in the Moroccan context, the Council aims to assess whether or not this is an emerging phenomenon or a transition brought about by the coronavirus health crisis. The objective is also to explore telework advantages and disadvantages and examine the potential opportunities and risks involved in adopting this form of work organization. Capitalizing on global and national lessons from the pandemic, the Council presents the following recommendations:

- Update the draft law no. 2.20.343 on telework in government bodies and accelerate its adoption process at the earliest timeframe, while recognizing telecommuting as a full-fledged work organization form alongside in-person office attendance system.
- Adjust the Labour Code to telework, while placing this issue on the agenda of social dialogue.
- Rethink how public bodies deliver services by integrating telework and putting in place the necessary infrastructure for better collaboration and communication.
- Push forward the creation of coworking spaces in the public sector to stimulate exchanges between officials of different government departments, reduce commuting and decongest large cities.

- Improve and lower the cost of high-speed broadband internet access in remote areas in particular.
- Promote the development of a joint observatory that will bring together employers, trade unions, the National High Economic Planning Institution (HCP) and universities to advise relevant stakeholders on the blocking factors and success ingredients operating in this field in the Moroccan context.

In this final part of the report, devoted to the Council's activity in 2021, is a summarised account of major achievements: First, the Council conducted the following four studies on matters referred to it by petition from the following parties:

- Referral from the Head of Government for the Council's opinion on "Draft Law no. 24.19 on Trade Unions".
- Referral from the House of Representatives for a study on "Autonomously Managed State Services (SEGMA)".
- Referral from the House of Councillors for a study on "Strengthening and Expanding the Middle Class in Morocco: Challenges and Pathways for a Skilled, Fulfilled and Enterprising Middle Class".
- Referral from the House of Councillors for an opinion on "Compensation for Job Losses: What Alternative Forms in View of Framework Law on Social Protection?".

In addition to its "Annual Report for 2020", the Council drew up seven (7) own-initiative opinions on the following themes:

- "An integrated Approach to Informal Economy in Morocco".
- "Economic and Social Integration of Street Vendors".
- "How to Treat Addictive Behaviours: Current Situation and Recommendations".
- "Sustainable Mobility: Towards Sustainable and Accessible Means of Transport".
- "For a New Vision of Cultural Heritage Management and Development".
- "Toward a Responsible and Inclusive Digital Transformation".
- "For an Innovative and Integrated Approach to Agricultural Product Marketing".

The year 2021 also featured a 10-year forward-looking retrospective to the Council's work. The following objectives are set forth:

- Underscore and build on the achievements made by the Council, both in terms of the ideas, knowledge and analyses generated, and on institutional and managerial levels.
- Highlight the Council's key contribution to promoting the economic, social and environmental situation in Morocco, and its important role in initiating and enriching reflection on a number of issues of crucial interest to our country.
- Promote and upscale the national expertise built up by the Council since its inception.

- Take a forward-looking view at the work of the Council.
- As part of its plan of action 2022, and in addition to its annual report, the Council will discuss the following topics: "Mental Health and Suicide Prevention in Morocco", "Evaluation of Youth-centred State Programmes during the Government's Agenda 2016-2021", "Sports Economy", "Circular Economy", "Sustainable Coastline Management", "Transfer of Knowledge and Skills in Institutions", "Human Capital Development", "Public Sector Reform for Territorial Development", "Strategic Metals", "Biodiversity and Socioeconomic Development of the Forest Ecosystem" and "Fake news".