



SOCIAL & ECONOMIC IMPACT OF THE COVID 19 CRISIS ON MOROCCO

A temporary analysis to assess the potential for International organizations to support national response

Drafted by
UNDP, UNECA and World BANK

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Countries all over the world are rushing to slow the spread of the COVID-19 pandemic by testing cases and caring for patients, tracing potential contacts, implementing travel restriction and border closures, encouraging or demanding from citizens to enter confinement, while closing schools and cancelling large gatherings in sports and arts. Countries have not been affected at the same time or with the same amplitude and even inside a given country people are not experiencing the pandemic with the same magnitude depending on the nature of their preexisting health conditions, their income source or their social settings. Therefore, the COVID-19 crisis seems to be more than a health or sanitary one, for it has the potential to generate a long lasting and damaging social and economic impact.

The overall uncertainty on the employment market leads to people losing jobs and income, without knowing when they might be restored. In Morocco some sectors showed early signs of vulnerability such as tourism, transportation and logistics in supply chains but also - and more difficult to measure - the crosscutting informal sector. In this context, the World Health organization is leading the international response globally as the international community of donors and development actors in each country organize their effort to go beyond the sanitary and health crisis to analyze and support the economic and social recovery needs locally.

In Morocco, a task force has been put in place by international organizations (United Nations System and World Bank in Morocco) to coordinate a strategic support to the country's response as follows: (i) strategic impact assessment to inform decision making and prioritization; (ii) coordinated effort to maximize efficient support to national response; and (iii) ongoing impact analysis to identify gaps for international integrated action to offer support. The present document is therefore the first reference for this task force to establish its response plan. It gives the premises of (i) strategic impact assessment to inform decision making and prioritization and will lead to a deeper reflection and coordination of the overarching budgeted support plan.

AN UNPRECEDENTED MULTI-FACETED GLOBAL CRISIS WITH SOCIAL AND ECONOMIC IMPACT IN MOROCCO

Negative macroeconomic and fiscal impact

Morocco's economy is being hit hard by the impact of Covid-19 related economic recession, both globally and in Europe, its main trading partner. It is also facing the effects of the spread of the pandemic domestically. The health effect of the infection compounds with its economic one. These translate into unprecedented and daunting challenges for the country trying to mitigate both health and economic impact of the pandemic. In particular, the country should strike the right balance between staving off the pandemic's social and economic effects while ensuring the readiness of the economy to recover quickly after the pandemic is over.

With the pandemic spreading in Europe and domestically, along with an acute drought, Morocco's economy is expected to suffer greatly this year from the negative impact of the infection. A baseline scenario shows that real GDP would recede by 1.5 percent in 2020, the first recession hitting Morocco since more than two decades ago. On the fiscal side, the pandemic will have an adverse impact on the pace of fiscal consolidation and in turn on gross financing needs and debt. The overall fiscal deficit is projected to deteriorate to more than 6 percent of GDP in 2020. The worsening of the deficit is primarily explained by Covid19-related higher social and economic spending and lower tax revenues, particularly from corporate taxes. Consequently, the central government debt could peak at 73 percent of GDP in 2020.

The current account balance is expected to widen to around 7 percent of GDP this year. A sharp slowdown in exports, tourism revenues and remittances, is anticipated as the pandemic disrupts trade and global value chains. Although low oil prices in 2020 will reduce energy import outlays, it will not fully offset the negative impacts of the pandemic on exports of goods and services. Financing the balance of payment deficit would prove difficult, as FDIs are expected to slow down and risk premium in the international financial markets are increasing.

Hence the critical importance of Covid-19 specific programs of the multilateral financial institutions to help developing countries, of which Morocco, to fund their financing gaps.

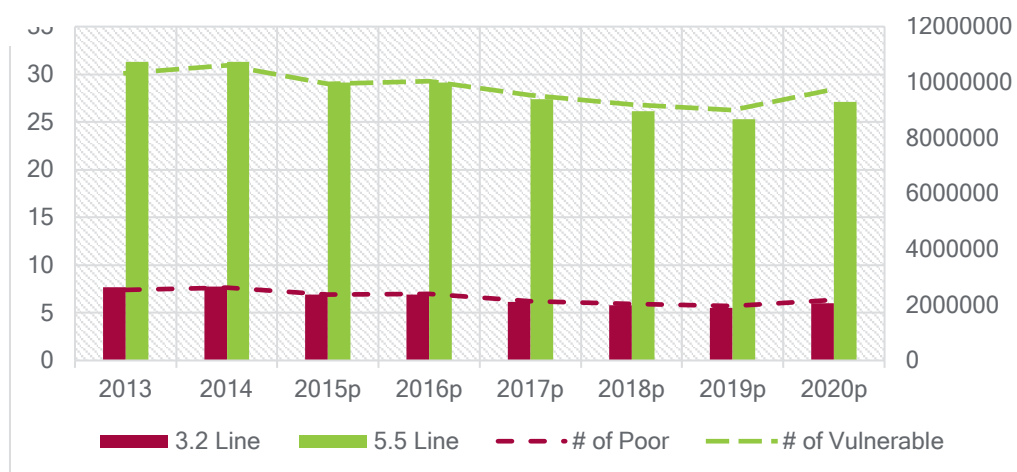
This outlook remains tightly linked to the fast-changing nature of the pandemic, the responses of policymakers and the global economy. On the demand side, Morocco's economy depends heavily on Europe's imports, tourism, and FDI. Morocco will suffer greatly if the expected recession deepens further globally and in Europe. It will also suffer if domestic demand drops further due to prolonged closure of activities to contain the spread of the pandemic with its impact on the revenues of employees and businesses. On the supply side, Morocco is hit by the disruption in the value chains it is part of, especially in the automotive sectors. However, the newly created Covid-19 fund to mitigate the economic and social impact of the pandemic, allowing higher health allocations and measures targeting households and businesses, in addition to the monetary measures, could well avoid the bankruptcy of a good number of companies and save jobs. Risks stemming from delays in implementing structural and financial sector reforms which could be postponed, could adversely affect recovery potential and endanger macroeconomic stability.

Heavy social impact difficult to measure

In the first part of 2010s Morocco experienced significant poverty reduction; predictions based on GDP per capita indicate, however, that the poverty rate (using a Poverty line of 3.2 USD PPP) will increase at least by about 1 percentage point; in other words, about 300.000 Moroccans are expected to fall into poverty (Figure 1). The economic volatility can also affect the wellbeing of those whose consumption expenditure is just above the poverty line; a small negative shock can push this group back into poverty.

The percentage of the population 'vulnerable' to falling into poverty varies depending on the household expenditure adopted as a threshold. Using an expenditure threshold of US\$ 5.5 PPP, the numbers of poor and those not poor but vulnerable to falling into poverty are strikingly high: around 25 percent in 2019 and bound to increase to 27 percent in 2020. Therefore, due to the economic crisis almost 10 million Moroccans can become poor or at risk of falling into poverty.

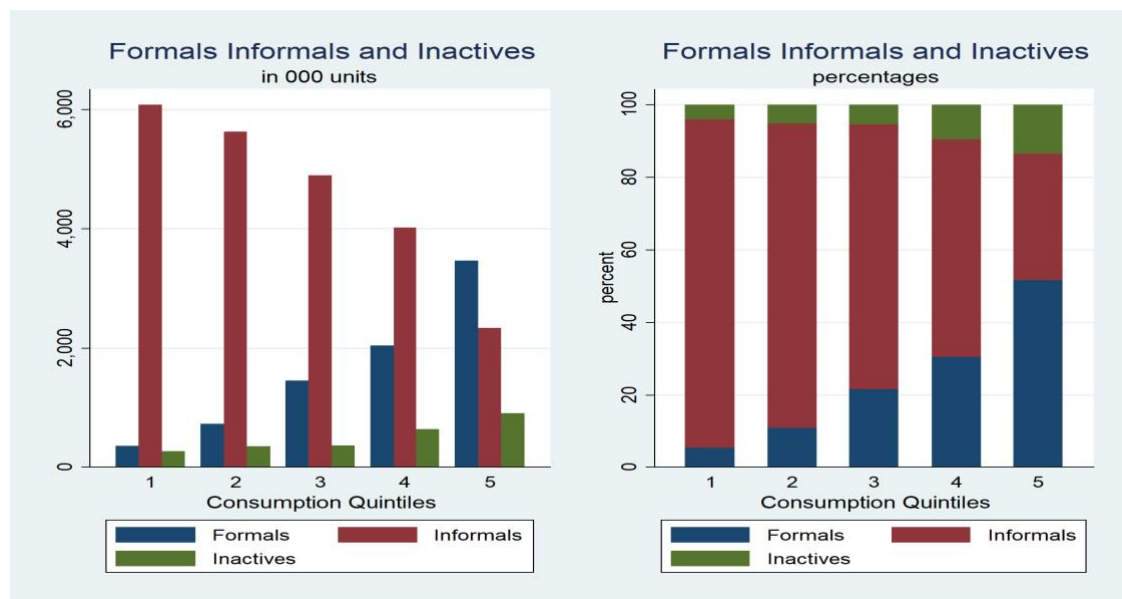
Figure 1: Poverty and vulnerability projections: rates and number of individuals



Source: World Bank estimates based on ENCVM 2013-2014

The impact of the crisis will likely be felt first and foremost by those with an informal employment. This is the vast majority of Moroccan workers (Figure 2) typically employed in vulnerable sectors, such as tourism, services (e.g. transportation and retail sales) and tradeable, as well as by those in the gig economy and those unable to work remotely but will eventually spread to other parts of the economy and across the formal and informal sectors. Lost earnings could also result from the direct health impact of the outbreak on breadwinners.

Figure 2: Population living in households with at least one person with formal or informal employment or inactive/unemployed by quintiles

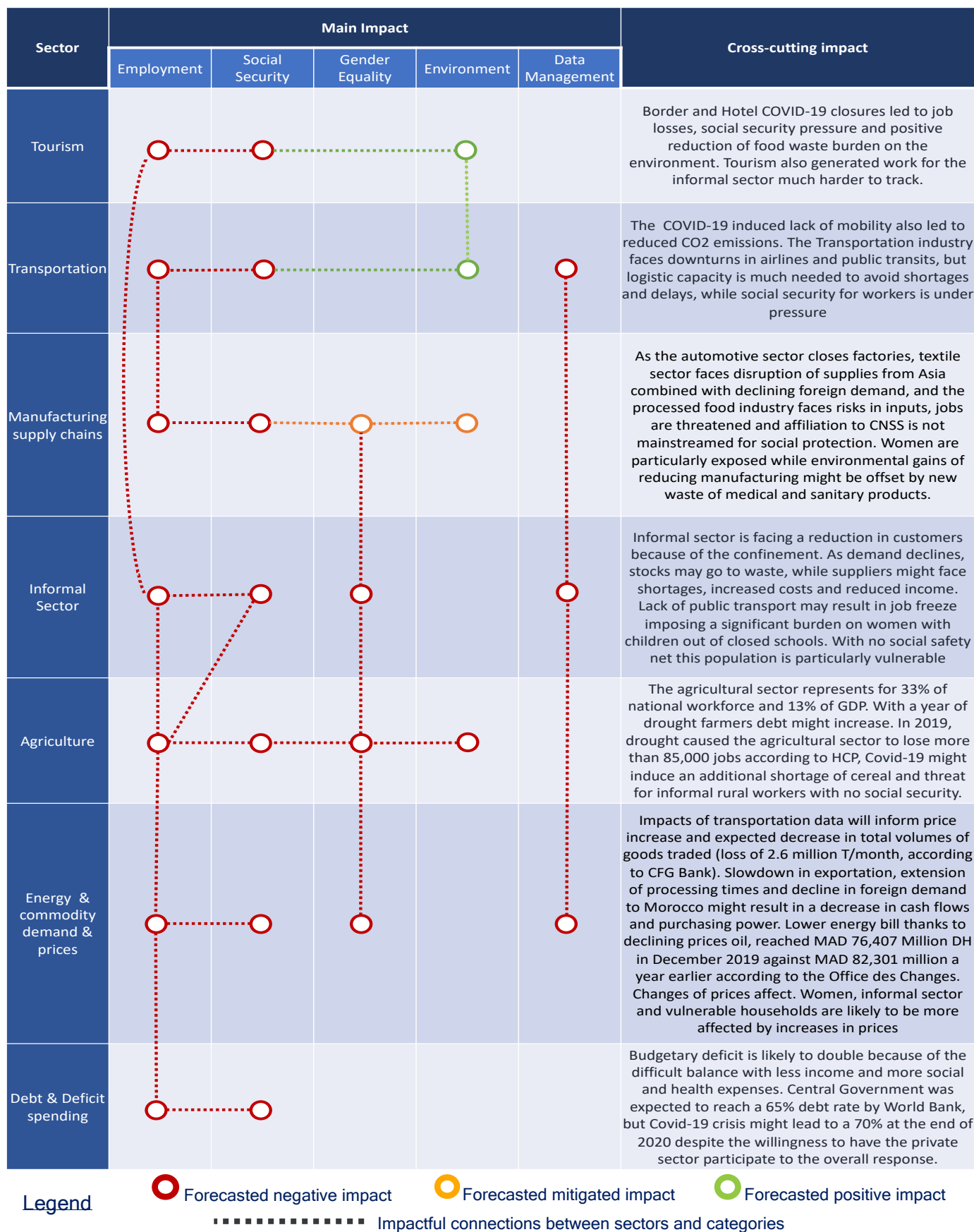


Source: World Bank estimates based on ENCVM 2013-2014

Gender equality threatened with women in the frontline

The response to the coronavirus (COVID-19) is an opportunity to recall the essential contribution of women at all levels of the economic and social life of Morocco, not only as front-line workers but also health professionals, community volunteers, scientists and doctors. All over the world, women play a disproportionate role in the response to the disease, especially as health workers and caregivers at home. Their role in social bond within the communities expose them even more to psychological pressure and economic risk. In Morocco, Women represent 57% of medical staff, 66% of paramedical staff and 64% of civil servants in the social sector. It has been proven that when health systems are overstrained, the burden of home care falls largely on women, who spend on average seven times more time on domestic work than men according to Morocco office of High Commissioner of Plan (HCP). The participation of women in economic life in Morocco is among the lowest in the world (22% in 2018 vs 48% of the world average, including 10% in female entrepreneurship) and has been declining for 20 years (29% in 2000). The economic vulnerability of women's situation is also aggravated by their over-representation among the unemployed population, in particular for the most educated (33% unemployment among women vs. 18% among men). UN Women notes that about 50% of female employment is unpaid (2/3 are rural women) and 70% are in low or unskilled employment, compared to 50% of men; at the same time, the gender pay gap for equal positions is at least 20%. Another social aspect of gender equality exacerbated by the Covid-19 crisis might be domestic violence when statistics show that the prevalence rate of domestic violence in Morocco is 52%, or 6.1 million women outside the crisis period.

Figure 3: A multifaceted crisis impacting multiple sector with interconnectivity



CURRENT GLOBAL RESPONSES

“We must work together now to set the stage for a recovery that builds a more sustainable, inclusive and equitable economy, guided by our shared promise — the 2030 Agenda for Sustainable Development” - UN Secretary-General António Guterres addressing G-20 leaders on the COVID-19 pandemic.

On 25 March 2020, United Nations Secretary-General launched a \$2 billion coordinated global humanitarian response plan to fight COVID-19 in some of the world’s most vulnerable countries in a bid to protect millions of people and stop the virus from circling back around the globe. The response plan will be implemented by UN agencies, with international NGOs and NGO consortia playing a direct role in the response. It will:

- Deliver essential laboratory equipment to test for the virus, and medical supplies to treat people;
- Install handwashing stations in camps and settlements;
- Launch public information campaigns on how to protect yourself and others from the virus; and
- Establish airbridges and hubs across Africa, Asia and Latin America to move humanitarian workers and supplies to where they are needed most.

WHO Director-General Dr. Tedros Adhanom Ghebreyesus added that *“The virus is now spreading in countries with weak health systems, including some which are already facing humanitarian crises. These countries need our support – out of solidarity but also to protect us all and help suppress this pandemic. At the same time, we must not fight the pandemic at the expense of the other humanitarian health emergencies.”*

Drawing from its vast experience in the field, the UN coordinated blueprint to mitigate the humanitarian impact: [COVID-19 Global Humanitarian Response Plan \(HRP\)](#) prioritizes: containing the spread of the pandemic; addressing the deterioration of human rights, social cohesion, and livelihoods; and protecting the most vulnerable.

On 31 March 2020, Secretary-General António Guterres, held a virtual press encounter to launch a **report on the Socio-Economic Impacts of COVID-19** and pointed out that the potential longer-term effects on the global economy and individual countries are “dire”. The new report, **"Shared responsibility, global solidarity: Responding to the socio-economic impacts of COVID-19"**, describes the speed and scale of the outbreak, the severity of cases, and the societal and economic disruption of the coronavirus. *“This human crisis demands coordinated, decisive, inclusive and innovative policy action from the world’s leading economies – and maximum financial and technical support for the poorest and most vulnerable people and countries.”* he underscored.

An African Ministers of Finance initiative

1. Africa needs huge and immediate additional resources of \$US100 billion for the immediate response; The Ministers suggested the US\$100 billion could be disbursed in the following manner:
 - a. For the public sector, the Ministers recommend the immediate waiver of all interest payments on all debt estimated at US\$44 billion for 2020 with possible extension to the medium term. This would provide countries with immediate fiscal space and liquidity. This should include interest payments on public debt and sovereign bonds;
 - b. For the private sector, the Ministers identified the immediate waiver of all interest payments on trade credits, corporate bonds, lease payments and activation of liquidity lines for central banks to ensure countries and businesses can continue the purchase of essential commodities without weakening the banking sector. This should be coupled with policies to keep businesses open in order to maintain jobs.
2. The need for an immediate health response. The Ministers recognized the vulnerability of people, especially those living in informal settlements in urban areas of Africa.
3. The need to waive remittances fees. Given the expected slowdown in the major economies that act as the source of remittances to Africa, a waiver on the remittance’s fees will help mitigate against the expected decline in amounts sent.

MOROCCO'S NATIONAL RESPONSE

Setting up of an Economic Watch Committee (CVE)

An Economic Watch Committee (CVE) has been set up at the level of the Ministry of the Economy, Finance and Administration Reform. This committee is responsible on the one hand, for monitoring the development of the economic situation through rigorous monitoring and evaluation mechanisms and on the other hand, for identifying appropriate measures in terms of support for the sectors impacted. The EWC has decided on an action plan to run until the end of June with a first series of measures as follow: (i) Suspension of payment of social charges (CNSS contribution); and (ii) Establishment of a moratorium on the repayment of bank loans to companies;

Measures for employees:

All employees declared to the CNSS in February 2020, out of business, of a company in difficulty, will benefit from a monthly flat-rate allowance of 2000 dirhams net, family allowances, and AMO benefits. This support will be provided by the Special Fund for the Management of the Coronavirus Pandemic. These employees will also be able to benefit from the postponement of the repayment of the maturities of bank credits (consumer credit and buyer credit) until June 30, 2020 to come.

Measures for businesses, SMEs, MSMEs and liberal professions in difficulty:

- Suspension of the payment of social charges until June 30, 2020;
- Establishment of a moratorium for the reimbursement of bank loan maturities and for the reimbursement of leasing maturities until June 30 without payment of fees or penalties;
- Activation of an additional operating credit line granted by the banks and guaranteed by the CCG;
- Acceleration of payments for the benefit of businesses, in particular SMEs and very small businesses, in order to reduce the pressure on their cash flow and allow them to fulfill their financial obligations

Tax measures:

- Companies whose turnover for the 2019 financial year is less than 20 MDhs may, if they wish, benefit from a postponement of the filing of tax declarations until June 30, 2020
- Suspension of tax audits and ATD until June 30, 2020.

Support measures for the informal sector:

In the **first phase**: Ramedist households operating in the informal sector which no longer have income due to compulsory confinement, can benefit from subsistence aid which will be served by the Coronavirus fund, determined as follows: 800 dirhams for households of two people or less; 1000 dirhams for households of three to four people; and 1200 dirhams for households of more than four people. In the **second phase**: For non-ramedists, operating in the informal sector who have lost their income due to confinement, the same amounts of aid will be granted to them. The launch of an electronic platform dedicated to the filing of declarations will be announced shortly.

Measures taken by Bank Al Maghrib

Bank Al-Maghrib, after dropping its policy rate by 25 points to 2%, has adopted a set of new monetary and prudential policies to support access to bank credit for the benefit of both households and businesses. This system will triple the refinancing capacity of banks with Bank Al-Maghrib thanks to: (i) possibility of recourse by banks to all of the refinancing instruments available (dirham or currency); (ii) extension to a very wide range of securities and effects accepted by Bank Al-Maghrib in return for refinancing granted to banks; (iii) extension of the duration of these refinancing; and (iv) strengthening of its specific refinancing program for the benefit of the TPME, by integrating, in addition to investment credits, operating credits and increasing the frequency of their refinancing.

Bank Al-Maghrib is also taking prudential measures to support credit institutions covering liquidity, equity and provisioning of claims in order to strengthen the capacity of these institutions to support households and undertaken in these exceptional circumstances.

Creation of a special fund dedicated to the management of the Coronavirus pandemic "La Covid-19"

A Special Trust Account entitled "Special Fund for the Management of the Coronavirus Pandemic" The Covid-19 "" has been created. Endowed with 10 billion dirhams, this fund will be reserved, on the one hand, to cover the costs of upgrading the medical device, in terms of adapted infrastructure and additional means to be acquired, in an emergency. In this context, a substantial effort has been made for the benefit of the health sector, with the allocation of 2 billion dirhams to strengthen the medical system. This amount was used mainly to:

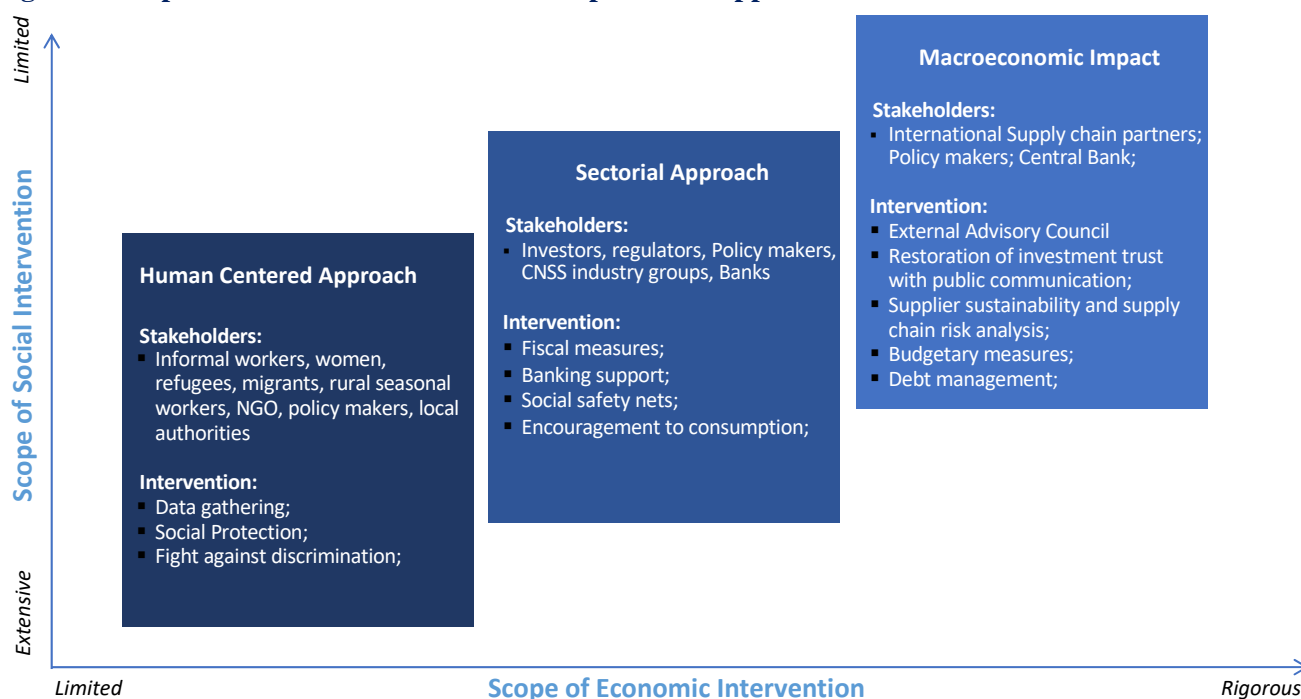
- Purchase medical and hospital equipment (1,000 resuscitation beds, 550 respirators, 100,000 sampling kits, 100,000 test kits, radiology and imaging equipment, etc.);
- Purchase drugs (pharmaceuticals and medical consumables, reagents, medical gases, etc.).
- Strengthen the operating resources of the Ministry of Health (staff allowances, disinfection, cleaning, etc.);

In addition, it has been decided to regulate the prices of hydroalcoholic gels. The Fund will also support national economy, through a collection of measures proposed by the EWC to support vulnerable sectors, as well as job protection and mitigation of the crisis social impact. On top of the money amount mobilized by the general budget of the State, this Special Fund is open to other types of contribution in kind by public and private entities.

AREAS OF FOCUS OF INTERNATIONAL ORGANISATION IN MOROCCO

This part is meant to be at the heart of the future discussions of the Task Force to establish the basis for a budgeted overarching plan. Three approaches are highlighted to help define strategic areas of focus for international organization to support national response, most relevant and timely in terms of expertise, know-how, reach and resources: (i) a human centered approach; (ii) a sectorial approach; (iii) a macroeconomic approach.

Figure 4: Scope of United Nations/World Bank potential support to State intervention in Morocco



A point on the important of data management

As explained in Figure 3, data management in crisis times has a tremendous importance to inform decision making. The availability of data given the confinement measures in Morocco and the opacity of the informal sector makes it even more difficult to assess the impact of the ever-evolving crisis in a short amount of time. To access and understand relevant data will be critical, therefore the UN system in Morocco and partners will explore alternative methodologies to generate knowledge and inform decision making in a scientific and timely manner. Digital technologies will likely be at the center of understanding the crisis and will also generate learning through government services' experiments of what works best to serve the Moroccan society. From online remote work to forecasting technology and early warning resources this pandemic highlights the importance of good data management tools to protect, respond and recover from a crisis.

A point on trust and behaviors

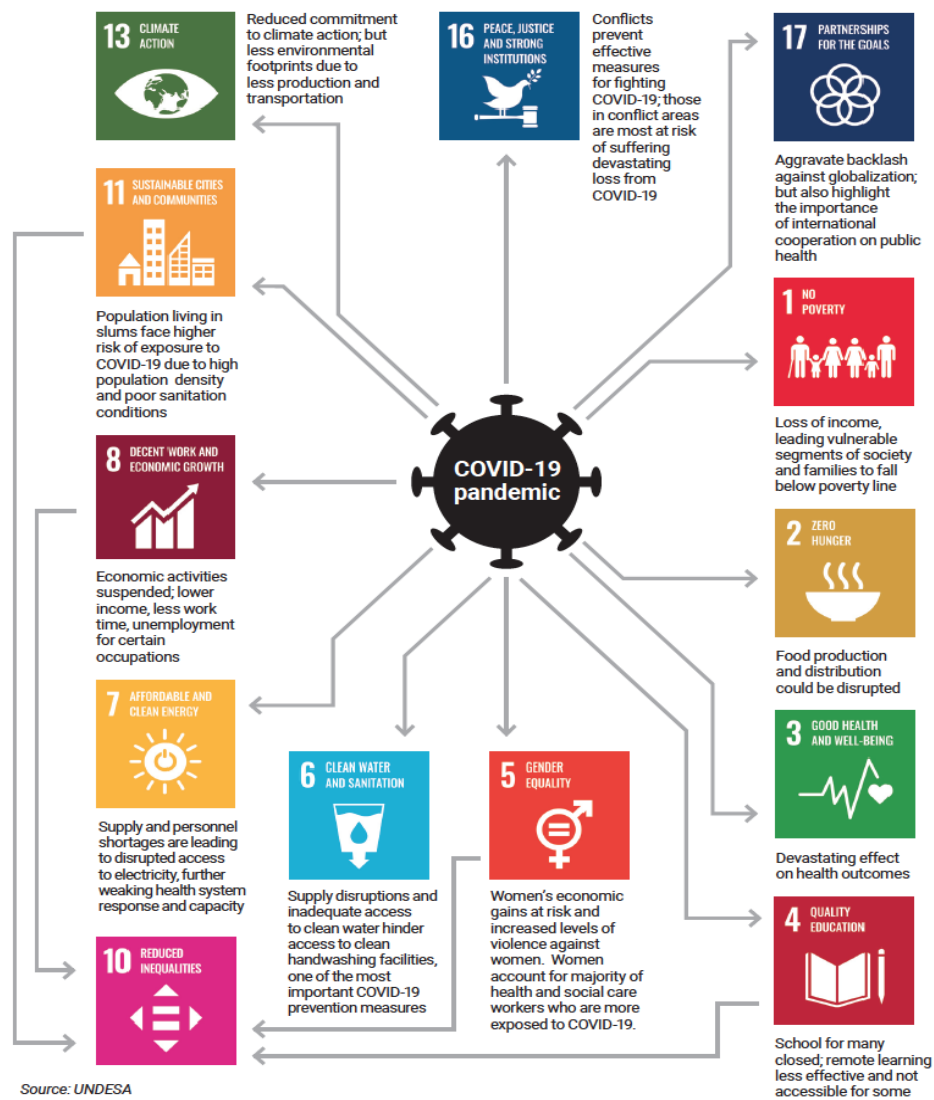
It is to be noted that the lack of unfailing data makes it crucial to anticipate issues of trust. Morocco's formulated a clear intent to a transparent communication to the public which shows that trust is at the center of the crisis. Trust between citizen and their representatives, trust between companies and employees, trust between neighbors and trust from investors in the Morocco's economy capacity to recover. Citizens' behaviors and habits have rapidly and extremely changed since the beginning of the pandemic and the related social distancing measures. Spending more time at home, for some in quarantine or leaving their home in deserted cities because certain jobs does not allow for telecommuting, many Moroccans are more self-conscious about how often they wash their hands and touch their faces or the amount of food they have in supply or stock. Stressful situations have been proven to cause people to revert to less rational behavior patterns. Moroccans are displaying a considerable effort of solidarity and the perception of frontline worker, healthcare workers, law enforcement and local authorities as relayed by the media and social media seems to have change positively. Moreover, microenterprises and SMEs are stepping up in this difficult times, which suggests the importance for the international organizations to support not only local authorities, but also spontaneous local recovery and development initiatives and innovative organic responses emerging from the crisis. Therefore, to complete the analysis of economic and social impact on the population the United Nations and partners can enhance their support to national efforts by paying a particular attention to behaviors and trust indicators in order to better understand the Moroccan population.

A systemic risk hindering the achievement of the Sustainable Development Goal (SDGs)

This crisis has shown all over the world that not only countries but also people and economic activities are connected. Nonetheless, connected people, even if they live in hyper-concentrated cities, don't have the same access to basic services. The Covid-19 pandemic therefore reveals not only a new economic and social crisis but highlights exiting gaps in the way countries prepare, respond and recover. It has been mentioned above how difficult it might be to measure the impact of the crisis on the informal sector; along the same idea Morocco will have to act fast and in an integrated manner to measure and respond to the magnitude of changes in people's lives. Based on the new report of the Secretary General "**Shared responsibility, global solidarity: Responding to the socio-economic impacts of COVID-19**" four overarching principles are mentioned to help achieve the SDGs while responding to the current crisis and reinforcing preparedness and recovery capacities:

- **Keeping all people, households and businesses afloat** is the main objective, focusing on people — families, women, children, youth, persons with disabilities and the elderly, low-wage workers, small and medium enterprises and the informal sector;
- **Extraordinary times require extraordinary measures.** Economic policy should meet peoples most immediate basic needs, protect social cohesion and maintain political and economic stability with careful monitoring;
- **Specific measures are needed at different levels.** A coordinated regional approach will enable collective examination of impacts, coordination of economic and social measures and sharing lessons learned.
- **Countries do not have the same resources to respond quickly to the pandemic.** Local governments are at the frontline of the epidemic but their capacity to respond rapidly depends heavily on the governance context and the financial health of the local government and its budgetary authority.
- **A whole-of-society approach is needed.** An effective response needs to be multidimensional, coordinated, swift and decisive: result from strong political leadership and buy-in of the population to foster public trust; be focused on human values; and be supported by solid institutions, technical skills and financial resources.

In the case of Morocco, the following declaration of the UN Secretary General makes particular sense: “*The recovery from the COVID-19 crisis must lead to a different economy. Everything we do during and after this crisis must be with a strong focus on building more equal, inclusive and sustainable economies and societies that are more resilient in the face of pandemics, climate change, and the many other global challenges we face.*” As Morocco is designing its new Development Model, the UN System and partners can provide support and advise the reflection on a new economic equilibrium and sustainable development model, drawing lessons from the crisis, starting with supporting the planification and resource management of the new Moroccan Special Fund spending.



CONCLUSIONS

Our analysis and assessment speaking to the multifaceted nature of the COVID-19 crisis in Morocco revealed a certain time factor in the impact (short, medium, and long term recovery) though the early conclusions lead towards a multi-dimensional approach including human centered, sectorial and macroeconomic measures that the International organizations can support with a focus on the most disenfranchised populations in Morocco. Panel remote interviews and alternative methodologies to gather data can inform stakeholder on the perceived gaps and key advocacy points to leverage. The next steps will be composed of a presentation and further discussion of the present document as well as the initiation of key objective and related budgets plan.