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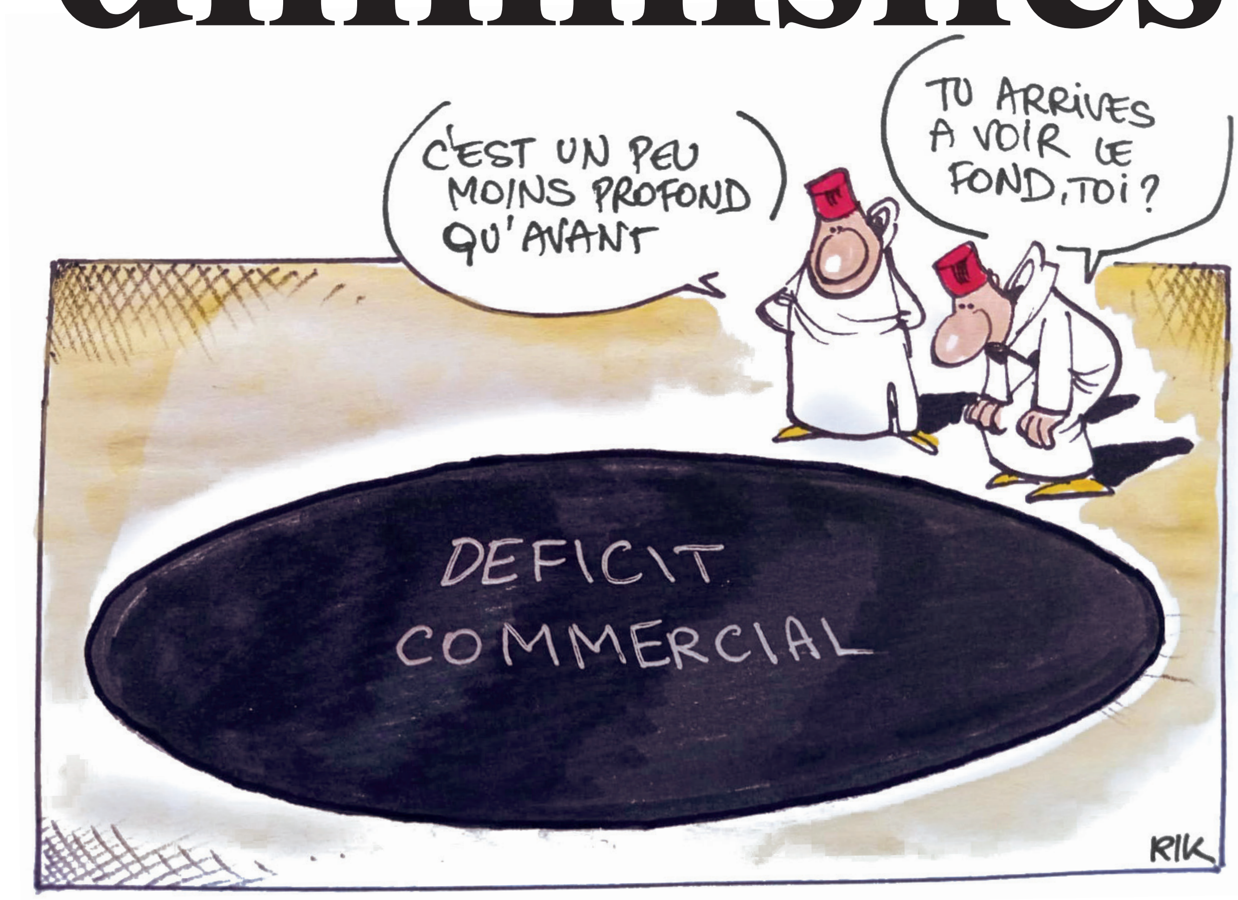
Weekly highlights by L'ECONOMISTE

Trade deficit diminishes



- Imports of capital goods and energy continue to weigh at the end of May
- Accelerating the export locomotives
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No bread increase... for now

EDITORIAL — Influencers

Mohamed Ali MRABI

«JE partira pas» (an intentional and racist distortion of «je ne partirai pas», meaning I won't leave your country) is a xenophobic song widely shared by French far-right figures. Far from being anecdotal, this episode crystallizes the rise of unabashed racism against a backdrop of political tension, but above all the profound transformation of modes of communication. Jordan Bardella, the golden boy being considered for the position of French Prime Minister, understood this early on. Thanks to a carefully managed Tiktok account, the far-right leading figure has succeeded in reaching a wide target audience, usually shunning political meetings and televised debates that the target audience (rightly or wrongly) finds boring.
Far more than an isolated case, it is a veritable groundswell that seems to be sweeping everything away. The left-wing Popular Front quickly tried to show that its members could also be «hip», by getting into «Asmr» videos. In the United States, in some Latin American countries, in Africa... social media offer a real strike force for «opinion leaders» with millions of subscribers.
Tweet or mini-video, the punchlines of «politicians-turned-influencers» are picked up, shared, parodied... reaching an ever-wider audience, generally insensitive to the nuances of the «belligerents'» political offerings. And often, in this «tiktokization» of the public debate, this «post kind of truth» (or so-called truth dictated by posts) is more audible than reality.
A lever for democratization and freedom of speech for some, a platform for populism and a fabrication factory for others, social networks have become an indispensable communication channel. They are irrevocably overturning the techniques of political discourse the world over. In Morocco, there's still a long way to go. Most politicians are still at the Facebook and X stage, confining themselves to press releases or reports on official activities. Few dare to shake up the usual modus operandi, or opt for codes that speak more to the new generations. ❏

Weekly highlights

Late payments: Reduction in penalty rates

THE scale of fines applicable to invoices paid late has changed. It has been reduced from 3% to 2.75% following the cut in Bank Al Maghrib's (BAM) key interest rate, decided by its Board of Directors on June 25 with an effective date of June 27. The change involves not only a reduction in the amount of the current fine, but also the determination of the terms and conditions for applying the new scale. After studying the implications of this change from every angle, the Directorate General of Taxes (DGI), which manages the payment terms system from start to finish, has taken a definitive position. Thus, invoices for which the late payment period began on or after June 1 will be subject to a 2.75% fine for the first month of delay. On the other hand, the scale remains unchanged for invoices overdue before June 1, i.e. a scale of 3%. A press release was to be issued on Monday July 1, given the importance of the issue of payment deadlines and the upcoming deadline for the second quarter 2024 tax return, which runs from July 1 to the end of this month (Article 78-4).

New scale of fines for late payment

Delays in payment of overdue invoices	Amount of fine
Invoices overdue before 1 June 2024	**2,75%**
Invoices overdue before 1 June 2024	**3%**

The amount of the fine for late payment applies from the first month of delay. The new scale
Source: DGI

Timetable for the entry into force of Act 69-19

Level of annual turnover excluding VAT (in DH)	Date of entry into force
CA > 50.000.000	**1st July 2023**
10.000.000 < CA ≤ 50.000.000	**1st January 2024**
2.000.000 < CA ≤ 10.000.000	**1st January 2025**

The law on payment periods has been phased in by turnover level
Source : Article 2 (articles 78-3 à 78-10) de la loi n°69-19

DGI technicians had to work over the weekend to parameterize the Simpl platform to take account of the change in the fine scale for late payment. The aim was to update the portal as of Monday July 1, and enable the taxpayers concerned to file their returns in accordance with the new rules. The tax authorities have set up an e-mail address for taxpayers and have mobilized the call center for any requests for assistance.

The reduction in the amount of the fine is a consequence of the reduction in the central bank's key rate. Indeed, according to article 78-3 of Law No. 69-21 relating to payment terms, BAM's key rate determines the rate of the fine payable to the Treasury, applicable to invoices paid late in relation to the agreed deadlines. As a result, the new fine rate has been reduced to 2.75%, applied to the first month of late payment, increased by 0.85% for each month or fraction of a month of delay. The amount of the surcharge remains unchanged. The total is applied to the amount of each invoice, including all taxes, not paid within the legal time limit. Article 78-3, which deals with the fine, does not specify how it is to be applied in the event of an upward or downward revision of the key rate. This is the first time that the amount of the fine has been revised downwards since the law came into force in July 2023.

Bad payers will once again have the upper hand. In fact, they will be the big winners in the downward revision of the penalties scale for invoices overdue after June 1, which will be subject to a fine of 2.75% instead of 3%. That is a gain of 25 basis points. They certainly won't be rushing to pay their debts on time. ❑

Hassan EL ARIF

VAT: The new system comes into force

THE deadline of Monday July 1, set out in the Finance Act 2024, concerns the date of entry into force of a package of tax measures. These include provisions targeting the withholding tax on VAT. Some practitioners have already alerted their clients.

From July 1 onwards, the new withholding tax regime will apply to invoices issued by certain economic operators. These are suppliers of capital goods and works, whether natural or legal persons, subject to VAT. Starting next month, a 100% withholding tax will be levied on suppliers who fail to present a certificate of good tax standing issued electronically by the Directorate General of Taxes (DGI) within the last 6 months. This also applies to service providers who are natural persons and obviously liable for VAT. The amount of the compulsory deduction will be 75% of the value-added tax amount, provided a certificate of good tax standing less than 6 months old is produced.


(Ph. Privée)

Failing this, the levy will be 100% of the VAT amount. Revenues from these deductions must be paid to the tax authorities in the month following the month in which they are collected. In the event of a tax credit due to the application of these withholding taxes, the supplier concerned will be reimbursed in accordance with the procedure laid down by regulation.

« Contrary to the VAT reverse charge system, where the taxable customer is required to declare, according to his monthly or quarterly tax regime, the amount excluding tax of the transaction on his own sales declaration for the month or quarter during which the reverse charge payment was made», points out Younes El Fachtali, chartered accountant and member of the Moroccan Tax Professionals' Circle (Cercle des Fiscalistes du Maroc).

He continues by saying that « under the withholding tax system, clients are required to pay the withholding tax and file a tax return for the said withholding tax on a monthly basis, regardless of whether the system is monthly or quarterly, and to make the payment independently of their tax return». As far as suppliers are concerned, they are required to state the amount of withholding tax they have incurred on their tax return, and to file a tax return in respect of said withholding tax.

Persons carrying out only transactions that are not subject to VAT or are exempt from VAT without the right to deduct are, of course, exempt from the withholding tax.

Also exempt from this obligation are the national government, local authorities, local development corporations (SDLs), as well as public establishments and other legal entities governed by public procurement regulations. ❑

Hassan EL ARIF

Weekly highlights

Trade deficit diminishes

(Ph. L'Economiste)

THE trade deficit improved slightly, reaching -117.089 billion dirhams (US 11.7 billion) at the end of May, compared with -118.260 billion dirhams (-US 11.8 billion) a year earlier, a slight improvement of 1%. However, this remains insufficient to offset structural imbalances and increased dependence on imports, despite a rise in exports. This situation reveals a persistent fragility in the structure of exports and underlines the effort needed to stimulate high value-added sectors. Imports rose by 2.3% to MAD 308.821 billion (US 30.88 billion), compared with DH301.962 billion (US 30.19 billion) the previous year. At the same time, exports rose by 4.4%, from MAD 183.702 billion (US 18.37 billion) to MAD 191.731 billion (US 19.17 billion). An analysis of imports reveals structural dependence, particularly for energy products and capital goods.

By the end of May, imports of finished capital goods had risen by 6.8%, driven mainly by increased purchases of commercial vehicles (+51.4%), devices for cutting or connecting electrical circuits (+18.7%) and piston engines (+9.4%). Semi-finished products also rose by 6.5%, due to increased purchases of iron or non-alloy steel semi-finished products (+1.54 billion MAD) (US 154 million) and iron or non-alloy steel wires, bars, and sections (+ 698 million MAD) (US 69 million). Purchases of finished consumer goods rose by 5.2%, driven by higher imports of parts for passenger cars (+11.1%), medicines and other pharmaceutical products (+24.1%) and synthetic and artificial fiber fabrics and yarns (+9.1%).

On the other hand, imports of raw materials fell by 8.5%, and those of food products by 3.3%. Purchases of energy products, which account for 15.8% of total imports, fell by 5.2%, mainly as a result of reduced supplies of petroleum gas and other hydrocarbons (-26.2%), due to lower prices and a slight reduction in quantities imported.

On the export side, the automotive sector stood out with export sales of MAD 67.463 billion (US$ 6.74 billion), up 12% on the previous year. The main sub-segments contributing to this growth were construction (+11.7%), wiring (+11%), and vehicle interiors and seats (+21.9%). Phosphates and derivatives also performed well, with an increase of 5.3%. Aeronautics recorded growth of 17.6% in May 2024, with exports totaling MAD 10.6 billion (US 1.06 billion).Although the agricultural and agribusiness sector saw a slight overall decline of -0.7%, some segments performed positively, notably the tobacco industry (+32.5%). On the other hand, the textile and leather sector suffered a decline of 4%, with exports reaching MAD 19.87 billion (US 1.98 billion) versus MAD 20.707 billion (US 2.07 billion) for the same period in 2023. The sector's sub-segments all contributed to this fall, with exports of ready-made garments (-3.6%), footwear (-12.9%) and hosiery (-1.5%) all down. ❏ **Khadija MASMOUDI**

Financial crime: Three major trials in focus

(Ph. L'Economiste)

ON this particular day, court reporters were spoilt for choice. Three major trials were scheduled for this Thursday, June 27, 2024, in the same famous room number 8, where the Casablanca Court of Appeal's Chamber of Financial and Economic Crimes sits. Judge Ali Torchi presided over the hearings.

The Ministry of Health and Social Protection's public procurement case opens the proceedings. Several people are being prosecuted for corruption, squandering of public funds, forgery, and use of forgery... They are civil servants, business owners, forwarding agents... Their trial is drawing to a close. We have been in the middle of the defense case since the hearing of June 13, 2024. The second case to follow on this summer morning was that of Bioui & Naciri. To date, it has monopolized the public's attention for two reasons. The social status of the trial's headliners and the seriousness of the alleged drug trafficking. Two members of parliament from the Authenticity and Modernity Party (PAM) are in the dock. Abdenbi Bioui is a building and public works contractor and President of the Oriental Regional Council. Saïd Naciri, also a businessman, has chaired the WAC soccer club and the Casablanca Prefectural Council, for which candidacies are open until July 1, 2024. In all, some thirty people are being prosecuted.

The first hearings were marked by the refusal of requests for provisional release, notably for the two elected representatives of the PAM. The trial is now moving towards a debate on the merits. The hearing that inaugurates this judicial turning point has been set for July 18, 2024. What does this mean? First, the defendants will take the stand to answer the charges, followed by the plaintiffs and any witnesses, and then the litigants... The trial is still in its early stages.

During the last hearing on June 27, the court decided to summon a person who was again absent. On the other hand, Customs, in its capacity as representative of the Foreign Exchange Office before the courts, was present.

Apart from drug trafficking and other serious charges, violation of foreign exchange regulations is also on the list. Another case has been added to this busy judicial agenda. That of Mohamed Moubdi, former Minister Delegate for the Civil Service and President of the Fqih Ben Saleh Municipal Council, and 12 other defendants. The first hearing on June 27 was very brief. The representative of the Fkih Ben Saleh municipal council attended as a civil party. On the other hand, the Moroccan Association for the Protection of Public Funds, which had lodged the complaint, was absent. Also a civil party in this trial, it has yet to be notified to appear in court. The presiding judge, Ali Torchi, finally adjourned the case to July 25, 2024 to allow the defense to prepare. The August recess is approaching. This case will most likely be in full swing in the autumn. ❏

Faiçal FAQUIHI

Weekly highlights

Public investment in Morocco

«A gap in efficiency and effectiveness»

IN Morocco, public investment is a priority for the national Government. Investment efforts can be seen, for example, in the marked increase in the allocated budget. However, despite growing public investment, evaluations point to a « gap in investment efficiency and effectiveness, in terms of access to and perception of public infrastructure». The level of access to these infrastructures is inferior to that of comparable countries. This is mentioned in a new OECD report entitled « Public Investment in Morocco: A Strategic Lever for the Country's Sustainable Development, OECD Public Governance Reviews, 2024 «. The report states that Morocco has requested the support of the Organization for Economic Cooperation and Development to help it reform its public investment system. In addition to an assessment, the document highlights strengths and weaknesses, and proposes recommendations. According to the Organization, Morocco would benefit from adopting an integrated approach to reform, which takes into account three phases: planning, implementation, and evaluation. Here are the details:

• **Strategic vision:** The public investment management system faces several challenges, including the lack of a unified framework in this area. The strategic vision for public investment is disseminated in different strategic documents, however, there is no comprehensive cross-sectoral strategic document for public investment, notes the OECD report. Morocco would therefore benefit from developing this overall cross-sectoral strategic vision. Sectoral strategies may lack realism when it comes to public investment. In this respect, the country would benefit from developing realistic strategies in line with budget allocations, but also from strengthening vertical and horizontal coordination (between sectors) for public investment.

• **Systematic evaluation:** Although some evaluation practices exist in certain sectors, there is no systematic practice in Morocco for the evaluation of investment projects. The Kingdom would benefit from establishing a framework for the systematic and rigorous evaluation of public investment projects, which examines the necessity and desirability of undertaking a given investment. This framework should define common steps for all investment projects, as well as the minimum analysis required depending on the size and complexity of the project.

• **Formalize financial and technical criteria:** Prioritization criteria exist in certain sectors, but are not necessarily formalized. Moreover, most public investment projects are prioritized according to the budgetary constraints of each annual finance law. Morocco should formalize financial, technical, socio-economic, and environmental criteria for prioritizing projects by sector, to ensure that the sometimes limited resources are allocated to projects that will have the maximum positive impact in each of these considerations. Infrastructure projects should also systematically take into account environmental prioritization criteria.❑

Fatim-Zahra TOHRY

No bread increase... for now

ITH its 25th edition, exceptional in more ways than one, the Essaouira Gnaoua and World Music Festival confirms its stature as a festival of international stature. The event, which today holds an important place in the calendar of festivals most recommended by the international press, closed on Saturday June 29, under the signs of communion, sharing, debate, and, of course, world music, which finds in Essaouira one of the most important laboratories for the renewal of musical expression across the continent. More than 400 musical artists from 14 countries, including Morocco, Brazil, South Africa, Spain, the United States, Senegal, and Palestine, rubbed shoulders with the 40 or so Gnaoua mâalems, undisputed masters of the festival, for timeless moments of rare beauty, transporting the audience between audacious fusions and rhythms in the purest Gnaoua tradition. With some 50 concerts scheduled, world music resonated far beyond the city walls. It was an exceptional edition, first and foremost for its audience, who came in droves from the four corners of the globe. A joyful, festive public. More than 300,000 festival-goers strolled between Place Moulay El Hassan, the beach stage, Borj Bab Marrakech and the more intimate venues of Dar Souiri, Bayt Dakira and Zaoui Issaouia.


(Ph. F. Alnasser)

Audiences were also happy to extend the festivities in the narrow streets of the medina, under the ramparts and in the city's squares, between musical happenings, improvised jams and showcases. The traditional parade set the tone with its procession of sounds and colors, leading festival-goers to an explosive opening concert featuring the maalems Hassan Boussou and Moulay El Tayeb, Brazilian Batucada, Spanish flamenco, and Zaouli from Côte d'Ivoire.Another exceptional fusion on the evening of Friday June 28, when Maâlem Mohamed Koyou joined forces with percussionist Rhani Krija, who has played with the likes of Sting, Herbie Hancok and Al Di Meola, and Frenchman Jon Grnadcamp, who draws his inspiration from African music. A trio accompanied by the ascetic playing of HBS Trumpet and the haunting melodies of Kike Perdomo's saxophone and the master of the electric guitar, Malian Guimba Kouyaté. An audacious and rigorous concert. This performance preceded the eagerly-awaited concert by Palestinian band Saint Levant, which drew a crowd of nearly 50,000 to the Moulay El Hassan Square. The beach stage also provided its share of exceptional moments, with an explosive concert featuring the South African group BCUC and Maalem Tariq Ait Hmiti. On Saturday, it was the turn of the group Labes, authors of the famous hit «BabourLouh», to bring together a very compact audience on the same stage, for a groovy version of Chaabi-Algerian music. Meanwhile, in the Place Moulay El Hassan, the powerful voice of Buika rang out, blending the soul of flamenco with the depth of jazz. ❑ **A.Bo**