

Weekly highlights by L'ECONOMISTE



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EDITORIAL

Impact

Khalid BELYAZID

HOW come the most important day in our economy is not the subject of any impact assessment by the High Commission for Planning (HCP), how come no thesis, no recommendation is made in connection with the New Development Model (NMD)? Only raw figures, but nothing on the social and ecological consequences of this special day on the rest of the year. The Ministry of Agriculture estimates at 7 billion MAD the transfers to the countryside resulting from commercial transactions of slaughter animals, transfers which the inhabitants of the countryside really need; income from livestock compensates for crop income reduced by the drought. But who benefits from those transfers? The small breeders, or the big ones getting fatter in the stables? And at what cost for the Government who supports the price of fodder? Because a sheep eats, and not three meals a day, but all day only to ruminate at night. And a sheep drinks, too. What is the impact on the water stress of the countryside of 5.6 million sheep, reared for a whole year just to be slaughtered on this single day of the year? Beyond these costs, whether accounted for or not, the price is considered

high, and not only this year, but for decades. In Morocco and for times immemorial, Eid al-Adha is the only subject for weeks, which is only obscured on D-Day by the quantity of fat which is still insufficient for the "Boulfaf" (traditional Moroccan offal dish consisting of grilled lamb). The price of a sheep is at least equivalent to a monthly guaranteed agricultural minimum wage for a 50-kilo sheep and to an average wage for a well-horned animal. The loan granted for the purchase of Eid Al Adha sheep relates to one-day festivities, and this loan is repayable throughout the year. The paradox is that the poorer you are the more you care about this day of the year. It is sometimes a sad ostentation, even if most Moroccans strive to save this day as a holiday established by the Sunnah, the religious tradition. The most curious thing is that despite the catastrophic speeches one can hear, demand for sheep does not weaken, which would lead one to think that our families had for this single day some hidden income, or rather cash stashed somewhere, because this is how the billions of dirhams resulting from the sheep business do circulate. □

Weekly highlights

Tahaddart and Beni Mathar gas power plants reactivated

AIN Béni Mathar and Tahaddart... Morocco's gas power plants have just resumed their operations. Indeed, the National Office of Hydrocarbons and Mining (Onhym) has just announced the return to service of these strategic sites. "The Kingdom of Morocco announces the return to service of its combined cycle power plants in Tahaddart and Ain Béni Mathar from LNG (liquefied natural gas) imported from the international market", confirms Onhym. The natural gas supply of these two power stations is ensured by the Maghreb Europe Gas Pipeline via the Morocco-Spain gas interconnection operating in reverse flow mode, according to the Hydrocarbons Office. Morocco therefore secures its supply of natural gas by signing LNG purchase contracts on the international market and by using the gas infrastructures of Spanish operators and the Maghreb-Europe gas pipeline, according to Onhym. Now, the two plants, which provide between 10 and 17% of the national electricity production, are operational. It should be noted that the two power stations



The Ain Béni Mathar plant (in the Eastern region) is located not far from Jerada, a few kilometers from the border with Algeria

had temporarily suspended their activities since Algeria decided, in October 2021, to stop the transport of its liquefied natural gas to Morocco. As a reminder, at the end of last October, Algiers decided unilaterally not to renew the GME (Maghreb-Europe Gas Pipeline) contract with Rabat. But Morocco was expecting this twist. As a result, it had studied several scenarios in order to diversify its sources of supply and not remain dependent

on Algerian gas or even on the whims of its eastern neighbor. Among the scenarios was the interconnection via the same GME with Spain but in the opposite direction this time. In the meantime, technical adjustments have been made to the pipeline and connection equipment with the adaptation of compressor stations. Finally, on May 28, the transport of gas became operational and effective from Spain to Morocco.

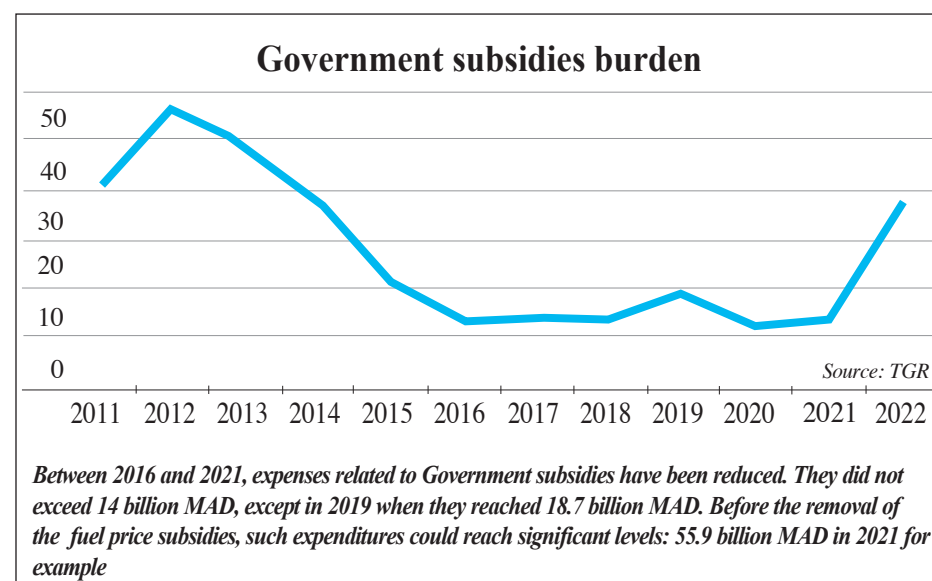
The principle consists of buying liquefied natural gas (LNG) on the international market. Then it is transported to regasification plants in Spain in accordance with the agreement between the two governments. It must be said that the gas shipments from Spain to Morocco are part of a package of measures following diplomatic warming and the resumption of economic relations between the two countries. □

Amin RBOUB

Government subsidies to basic commodities Beware of abuses!

NEW alert concerning the burden of Government subsidies to basic commodities! This time the alert emanates from the Moroccan center for the analysis of the business situation (Centre marocain de conjoncture, CMC) which warns against the risks that would result from its increase on "the planned restructuring and coordination of all social aid likely to improve the standard of living of citizens and to reduce the social gaps that plague Moroccan society".

Three products are concerned: butane gas, sugar, and national soft wheat flour. For the moment, the Government has ruled out any return to subsidies for petroleum products to avoid impacts on the implementation of major transformational projects, including that of the generalization of social protection. For the CMC, geopolitical tensions, the various conflicts between countries, the climate hazard which is becoming increasingly burdensome on the various activities, as well as the total or partial exit from the health crisis are the de-



termining factors of the uncontrolled evolution of prices. This entails a "difficulty in the viability" of the Caisse de Compensation (the government entity created with the aim of subsidizing the prices of basic commodities to maintain the purchasing power of citizens). "The latter is in a delicate situation with very costly interventions to avoid slippages likely to generate economic

and social imbalances". At the end of May, the cost of subsidies reached 15.6 billion versus only 6.3 billion during the same period last year, thus posting an increase of 148.9%. This represents 92.2% of the total amount adopted in the Appropriations Bill. An extension of 16 billion MAD has just been granted by the government. CMC experts fear an explosion of expenditures related to

subsidies: "If this trend continues, expenditures related to the subsidy could approach 40 billion, a level similar to the one observed in 2014".

The immediate challenge is to support efforts to increase the country's economic and health resilience by strengthening the capacity of the health system to enable it to react quickly to a shock such as the one produced by the recent pandemic. The idea is also to be able to "make greater use of appropriate rapid response mechanisms to cushion economic shocks and promote the resilience of supply chains".

Experts from the CMC center recommend concentrating efforts on controlling spending and strengthening control over the allocation of public funds. Similarly, social benefits should be oriented and appropriate mechanisms put in place to enable a large segment of the population to adapt to the changes underway both economically and socially. □

Khadija MASMOUDI

Water stress: Red alert

MINISTER Nizar Baraka is on the move like never before. And for a good reason, the water situation is catastrophic and several regions are starting to feel thirsty. After convening an extraordinary meeting chaired by the Head of Government, with the presence of the ministers concerned, the minister turned to members of Parliament to involve them in this issue which transcends political colors and involves the entire nation.

■ **Launch of desalination in Casablanca:** Annual supplies from the Al Massira dam to supply Casablanca South, Berrechid, Settat, El Jadida, Safi, Sidi Bennour, Youssoufia, and Benguerir reach 300 million cubic meters, ... except that the stock of the Al Massira dam on July 05 reached 134 million cubic meters, which corresponds to a 5.5% filling rate versus 11.82% on the same day last year. The minister concluded that it was necessary to launch the construction of the seawater desalination station projects in the Casablanca-Settat region. Indeed, last March, a call for expressions of interest for the region was launched, within the framework of the public-private partnership and following the opening of bids on June 24. The ONEE (Natio-



Today, all the hydraulic perimeters record a significant deficit which has negatively impacted the water supply from the dams

nal Office for Electricity and Drinking Water) is leading this operation.

■ **Desalination also for Safi and El Jadida:** Added to this is the acceleration of the construction of the seawater desalination station to ensure the supply of drinking water to the city of Safi, through the transfer of the implementation of this project to OCP

(Cherifian Office for Phosphate). The project involves 22 million cubic meters for industrial water, and 15 million for drinking water. According to forecasts, the start of its operation is to take place before the end of this year. Still within the same perimeter, it will be a question of guaranteeing the supply of drinking water for the city of El Jadida from the seawater desalination station

of Jorf Lasfar (25 million cubic meters for the drinking water) during the first part of 2023 (OCP).

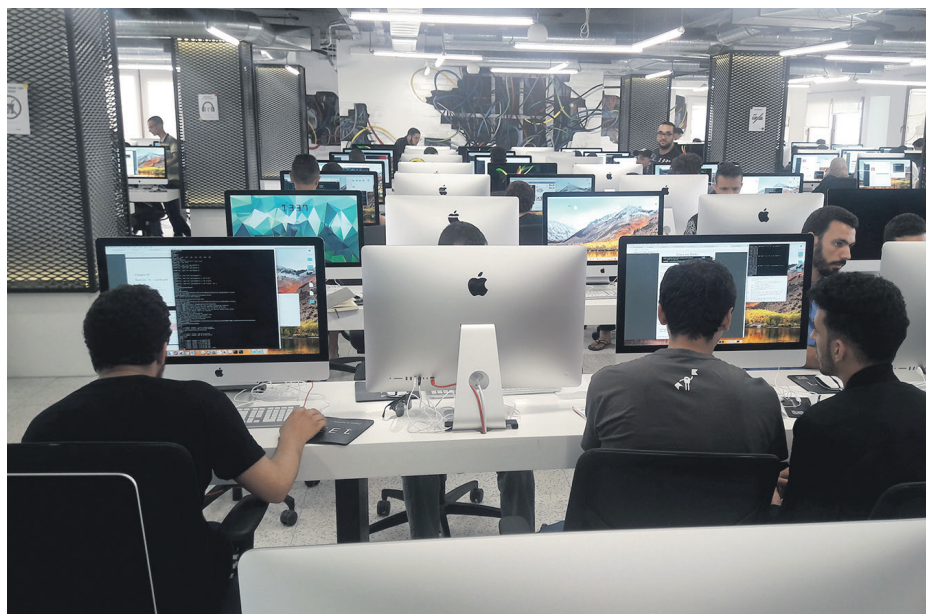
■ **The study for Nador launched:** Use of additional groundwater and launch of the seawater desalination project in Nador is on the agenda. An all-encompassing study for the execution of the seawater desalination project in the Oriental region has been launched. The opening of the bids took place last June, with a production capacity of 100 million cubic meters per year, as an initial phase. Its production will be doubled in a second phase. It is the line ministry which covers the charges.

■ **The great return of water tank trucks:** In order to ensure supply in rural areas and zones suffering from a shortage, a complementary emergency program has been set up. In this sense, two agreements were signed last April between the Ministries of the Interior and Finance. They consist of the purchase of 706 tank trucks with 471 million MAD from the Interior Ministry to be distributed over 75 provinces to guarantee drinking water in the centers and hamlets which are experiencing a deficit. □

M.C.

Coding schools in all universities

DIGITAL technologies are often mentioned as one of the key points of the roadmap of the Minister of Higher Education, Abdelatif Miraoui, for the transformation of the sector. One will have to wait for the end of the regional and national meetings of the acceleration plan launched last March to have more details. But the minister already shares one of his projects, that of coding schools which should be placed in all universities. Called Code 212, these schools would be open to all students, regardless of their specialty. The idea is to provide students with dual skills, in their own discipline and in terms of digital technologies which are now essential. A pilot model has already been set up at the National School of Arts and Crafts (ENSAM) in Casablanca, where a coding space has been laid out, according to a source at the Conference of University Presidents (CPU). That coding



Like the "Schools 1337" launched by the OCP group, the Codes 212 should call on peer learning, but they would also mobilize educational teams. In addition to its three Schools 1337, in Khouribga, Benguerir, and Tetouan Shore, the OCP group has two other computer coding schools, YouCode, in Youssoufia and Safi.

spaces is still being improved. The experience could quickly be generalized. To enhance students' skills in the field, the ministry has also established a partnership with Huawei Technologies Morocco. One of the goals of

this alliance is the creation of 70 ICT Academies in universities by 2025, for training in various digital specialties (big data, 5G, AI, Internet of Things, IT security, etc.). The ambition is to train 15,000 students and certify 5,000 within three years. An IT-oriented job fair is on the menu, as well as capacity building for teaching and administrative teams. Efforts will continue to be made to digitize educational content. Following the coronavirus pandemic, universities have made fairly good progress concerning this project (digitalization of courses, creation of recording studios, digital university project, etc.). A National Center for Digitization and Distance Education has also been created. Finally, the upgrading of the information systems of the universities will be addressed. The only remaining issue is student access to computer tools and wifi. □

Ahlam NAZIH

Weekly highlights

Real estate

The price of materials disrupts the market



Apartments of 100 square meters now cost up to 80,000 more Dirhams to be built

HOW the real estate market works continues to be a mystery to analysts. Correlation of prices and demand, adaptation of supply to the economic situation... Today it is the “input” factor which accentuates an activity that has experienced little-known stagnation over the past 20 years. According to the various banking institutions surveyed by L’Economiste, applications for real estate development loans have fallen by almost 100%, on the other hand, applications for building market authorization have fallen by 40%. Suffice to say that the current situation is serious for the industry.

“It should be noted that this vertiginous rise in the price of raw materials is not only attributable to the conflict in Ukraine”, explains Anis Benjelloun, vice-president of the National Federation of Real Estate Developers (FNPI). According to him, a significant increase was felt from mid-2021, reaching stratospheric levels. Thus, the price of concrete reinforcing bars (rebars) increased from 6,200 MAD/Ton to 14,000 MAD, an increase of 200%, and the red brick also experienced an increase in its value (1.10 to 2 MAD per unit). Red wood, which was 52 MAD per linear meter, is now worth 220. Moreover, glass has gone from 40 MAD per square



meter to 200 MAD for the same order of magnitude. PVC tubing for piping and copper for electricity also increased by 50%.

Not to mention cement and ready-mixed concrete which reached 880 MAD/Ton versus 720 MAD previously. These increases, combined, mean that a dwelling of 100 square meters costs 50,000 to 80,000 more Dirhams to be built. As far as low income housing is concerned, it costs now 20 to 25,000 more Dirhams to be built. According to the FNPI, the operators have not passed on these prices to the end consumer, because, according to Anis Benjelloun, “purchasing power cannot follow suit”.

From a statistical point of view, this is confirmed. Indeed, according to the latest bulletin from the central bank (Bank Al-Maghrib) and the Land Title Agency (Conservation Foncière), in the first quarter of 2022, the Real Estate Asset Price Index (IPAI) recorded a quarterly drop of 0.3%, an increase in line with the decrease in residential prices by 0.3% and goods for professional use by 2.5%. On the other hand, land prices stagnated. At the same time, the number of transactions fell by 10.5%, with a decrease of 9.8% for residential transactions, 11.2% for land-related transactions, and 13.5% for goods for professional use. In the face of such

a situation, a deafening silence from the line ministry is to be observed. Professionals are indeed proposing, in view of the economic situation, a postponement of the deadlines for the delivery of low-income housing, in order to enable operators to free up liquidity, as well as a reduction in registration fees and those relating to registration with the Land Registry agency. Some people within the Federation even “have suspicions that some unlawful price-fixing agreements exist among suppliers, in particular cement manufacturers”. The Competition Council has indeed heard certain real estate developers, following a complaint filed by the FNPI. Their purpose is to initiate a procedure leading to sanctions for anti-competitive practices. Prices having increased gradually and simultaneously among all operators who come upstream of the construction process. However, given the behavior of the real estate market, some people cast the same suspicions on the real estate developers themselves. A hypothesis ruled out by the FNPI. Anis Benjelloun assuring that “more than 1,000 operators cannot practice unlawful price-fixing agreements”. □

Abdessamad NAIMI