



KLF Newsletter Series —
Overview on the measures adopted by Morocco following
the Covid-19 pandemic outbreak
April 17, 2020

In a race against time and in order to slow the spread of the coronavirus (COVID-19) pandemic in Morocco, the Moroccan government gradually closed the country borders, restricted travels between cities, officially declared, on March 24, 2020, a state of sanitary and health emergency with quarantine (although in practice, the quarantine started as of March 20, 2020 at 6p.m) and adopted several measures as a response to the pandemic.

Consistent with this and seeking to manage this unprecedented crisis and in an attempt to cope with its various economics fall outs, the Ministry of Economy and Finance promptly set up :

- i. an "Economic Watch Committee" (hereinafter, the “EWC”) in order to monitor the development of the economic situation in the country as well as decide on appropriate action plans to face this ongoing crisis, and
- ii. a special account entitled "Special fund for the management of the pandemic of the Coronavirus Covid-19" (hereinafter, the “Fund”) through Ministerial decree n°2 -20-269 (as published in Official Gazette n°6865 bis dated March 17, 2020) endowed with an initial amount of 10 billion Moroccan dirhams reserved, amongst other things, to upgrade the country’s health infrastructure.

Several public institutions, private sector corporations, civil servants, private corporation, etc. have sent monetary and in kind contributions to the Fund in a surge of solidarity to face the economic and social effects of the pandemic. The Fund counts around 35 billion Moroccan dirhams according to recent press releases.

This first edition of our firm’s newsletter series highlights the several impactful measures that the Moroccan government adopted following the Covid-19 outbreak in Morocco especially the creation of both the EWC and the Fund.

« 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. » **António Guterres, UN Secretary General**

Important dates

- **March 11, 2020** — Establishment of the Economic Watch Committee.
- **March 16, 2020** — Suspension of Court hearings (with certain exceptions).
- **March 17, 2020** — Creation of the Coronavirus “Covid-19” Fund.
- **March 24, 2020** — Decree announcing the state of Sanitary and Health Emergency.
- **April 20, 2020** — Upcoming EWC meeting.

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Social Security Measures

Aiming at preserving employment as well as the purchasing power of employees in the private sector, an agreement has been established between the Ministry of Finance, the Ministry of Labor, the National Social Security Fund (CNSS) and the General Confederation of Companies in Morocco in order to set the modalities for implementing two support measures for sectors vulnerable to the consequences of the Coronavirus pandemic.

In a nutshell, employees declared with the CNSS in February 2020 and who are in cessation of work with a company in difficulty benefited from:

- ◇ A monthly fixed compensation of 1.000 MAD (net) for the month of March and are supposed to benefit from a compensation of 2.000 MAD (net) for the month of April up to June;
- ◇ Family allowances; and
- ◇ Compulsory health insurance (AMO) benefits.

The CNSS further informs the employers that, in order for their employees to obtain the indemnity relating to the month of April 2020, they must proceed, via Internet, to the declaration of wages for April prior to the end of the month.

The employers are required to proceed with an online wages declaration (transfer of their declaration of wages) via the portal "Damacom" as of April 10th. Employers who are not yet members of the "Damacom" portal are required to subscribe to the

platform.

Eligibility restrictions

Yet to be adopted by the Moroccan parliament, the bill of law n°25-20 approved by the government council on April 9th, 2020 introduces exceptional measures in regards to employees declared as impacted by the consequences of the pandemic and awaits a separate decree which will review the conditions for granting the 2,000 MAD indemnity to employees on temporary work suspension.

Only employees of companies whose turnover would drop by at least 50% per month compared to the same period last year may be able to claim the 2,000 MAD indemnity. A threshold in terms of staff may also be required *i.e.* the maximum number of employees on temporary work suspension would be set at 500 people.

Declarations due in the month of April are currently on hold by the CNSS until further notice. The website specifically created by the National Social Security Fund for the management of the covid-19 related declarations (covid19.cnss.ma) has been under maintenance since April 11th, 2020.

Public sector

On April 14, 2020, the head of government issued a release in which it has been decided that a one-day remuneration for the months of April, May and June of all government employees shall be donated to the Fund.

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Contextual Labour Law Provisions

Paid-leave

- Article 245 of the Moroccan labor code allows the employers to set the dates of departure on paid leave of their employees, after consulting the employees' delegates and, where appropriate, union representatives in the company. Employees affected by such leave must be duly informed.
- The employer and the employee can agree to benefit from an (i) additional paid leave, (ii) additional leave with partial coverage; or (iii) additional leave without pay.

Working hours

- The employer may reduce the normal working time, in accordance with the provisions of article 185 of the Moroccan labor code, under the conditions (i) to consult the workers' delegates and, if necessary, the union representatives within the company; (ii) that the wages to be paid for the effective working time must not, in any case, be less than 50% of the normal wages, unless more favorable provisions are provided for the employees; and (iii) that the continuous or discontinuous period relating to the reduction of work must not exceed sixty (60) days per year.
- The provisions of article 196 of the Moroccan Labor code stipulate that when the company has to deal with works of national interest or exceptional work overtime, the employees of the company can be employed beyond the normal working time. The full conditions are set by decree 2-04-570 relating to the conditions of employment beyond the normal working time.



Banking & Finance

◇ **EWC measures**

The EWC has held several meetings and approved a series of specific measures subject to agreements between the government and the concerned establishments (CNSS, CGEM, etc.) including:

The deferment of depreciable credits

Moroccan banks shall grant all their customers (individuals, companies), who request it, the postponement of the settlement of amortizable maturities (real estate loans and consumer loans), for a period of three (3) months, renewable once.

Specific measures concerning companies (SMC and VSC) and liberal professions in difficulty

Companies (SMC and VSC) and liberal professions in difficulty shall also benefit from:

- i. A suspension of the payment of social charges until June 30, 2020;
- ii. A moratorium on the reimbursement of bank loan maturities and on the reimbursement of lease maturities up to June 30th, 2020, without payment of fees or penalties;
- iii. The activation of an additional operating credit line granted by the banks and guaranteed by the *Caisse Centrale de Garantie* (for more information, please see section “Corporate & Tax” below);
- iv. The coverage of working capital needs: extension of operations in progress (Credocs, currency or spot refinancing) and appropriate responses to meet their cash flow needs; and
- v. The acceleration of payments for the benefit of businesses, in particular, SMC and VSC, in order to reduce the pressure on their cash flow and allow them to fulfill their financial obligations.

◇ **Bank Al-Maghrib measures**

In order to facilitate the accessibility to bank credit in favor of both businesses and households during these unparalleled times, Bank Al-Maghrib (the Moroccan central bank) has adopted a number of monetary and prudential policies allowing the (i) utilization by banks of all the available refinancing instruments (Moroccan dirham or currency), (ii) extension to a very wide range of securities and drafts accepted by the central bank in return for the refinancing granted to banks, (iii) lengthening the duration of these refinancings, and (iv) strengthening the already established specific refinancing program in favor of very small and medium companies by including operating credits and increasing the frequency of their refinancing.

National Economy and Equity Market Highlight

According to the note of the first quarter 2020 issued by the Moroccan High Commissioner of Plan and under the effect of the covid19 health crisis, the growth of the national economy slowed by +1.1% and would be established at -1.8% respectively, in the first and second quarters of 2020, instead of +1.9% and 2.1% in the absence of the effect of this crisis.

Pursuant to the High Commissioner of Plan report, the MASI and MADEX stock indexes would have declined by 11.1% and 11% respectively, year-on-year, after increases of 7.1% and 7.4% in the previous quarter. As a result, the market capitalization would have clearly depreciated, going from 7.7% to -10.5% between the two successive quarters. These developments would mainly reflect the fall in stock prices and almost all of the listed sectors, in particular engineering and industrial capital goods, property development, leisure and hotels, mining and the transport sector. Market transactions, driven by a sell-off movement by investors, would have increased by 60.2% year-on-year.

Indeed, the equity market would have known, in the first quarter of 2020, one of the biggest decreases made in the last twenty years, following the uncertainties linked to the pandemic and its impact on national economic activity.



Corporate & Tax

“Damane Oxygène”

As part of the implementation of measures decided by the EWC seeking to mitigate the effects of the COVID-19 crisis and its impacts on businesses, the Ministry of the Economy, of Finance and the Reform of the Administration set up at the *Caisse Centrale de Garantie* (CCG), a new guarantee mechanism called "DAMANE OXYGENE".

The aforementioned mechanism aims at mobilizing financing resources for companies whose cash flow has deteriorated due to the decline in their activity. It covers 95% of the credit amount and thus allows banks to quickly set up exceptional overdrafts to finance the working capital needs of target companies.

Such bank financings, added to the already existing lines, cover up to three (3) months of current expenses related to the exploitation (in particular the wages, the rents, the necessary purchases, etc.) and can go up to 20 MMAD. With respect to companies which do not have short-term financing lines, this exceptional overdraft can reach 5 MMAD.

"DAMANE OXYGENE" is mainly intended for very small, small and medium-sized companies whose turnover does not exceed 200 MMAD. Additionally and due to the exceptional nature of the present crisis, medium-sized companies whose turnover is between 200 and 500 MMAD may benefit

from such facility.

Joint Stock Companies

During its fourth meeting dated April 14, 2020, the EWC confirmed that, in terms of joint stock companies' governance, a bill is being developed to introduce the necessary flexibility which would allow companies, during this period of health emergency, to hold remote meetings of their governing corporate bodies, particularly with regards to the closing of annual accounts.

Public Market (*Marché publics*)

The EWC has also noted the various flexibility measures which would help companies holding contracts with the State to avoid incurring penalties due to execution delays which are not attributable to them.

Tax measures

On the tax front, the EWC decided to postpone all deadlines for income tax returns for natural persons who wish to do so, from the end of April to June 30, 2020. It was also decided to exempt companies from the payment of (i) income tax and (ii) any additional compensation paid for the benefit of employees (affiliated to the CNSS) up to a limit of 50% of the average net monthly salary.

Tax audits and notifications to third-party holders (ATD) are also suspended until June 30, 2020.

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Antitrust related measures

The Moroccan Competition Council has put in place measures to guarantee the continuity of its public service activities.

Indeed, the council invited all institutions, organizations, law and expert firms as well as concerned companies to take into account the new measures in their requests for opinions and notifications of operations of economic mergers initially planned, or for all other referrals falling within the prerogatives of the Competition Council, until the official end of the sanitary confinement period in Morocco.

Furthermore and in accordance with its precautionary measures, the filing of documents in paper format, by hand or by post, is no longer permitted. Institutions, organizations, law and expert firms and concerned companies are invited to communicate all documents exclusively by electronic means to the following e-mail address: secretariat.general@conseil-concurrence.ma. The delivery of the originals in paper format of the re-



quired documents will be organized later at the request of the Council's investigative services. In the same context and in order to allow the Council's instruction services to carry out the necessary procedures for the processing of the docu-

ments, the hearing sessions may be organized either by videoconference via the Google Hangouts, Meet module, by electronic mail exchange or any other means of remote communication.

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