

**MOROCCO'S ECONOMY IN THE POST COVID-19 ERA : IMPACTS AND
CRISIS RECOVERY**

**L'ECONOMIE DU MAROC A L'ERE DU POST COVID-19 :
IMPACTS ET MODALITES DE SORTIE DE CRISE**

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Date de soumission : 25/01/2022

Date d'acceptation : 01/05/2022

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ABSTRACT

The pandemic of COVID-19 still undermines the performances and the economic prospects in 2022. The previous years began with severe and heavy economic restrictive measures (curfew on the whole country, closure of the borders, etc.); these measures have had an adverse impact on the economic recovery of Morocco.

Throughout this article, we will emphasize on the economic consequences of the health crisis, the appropriate solutions to stimulate the economic recovery of our country, and inquire about the progress of major reforms launched to face the challenges of pandemic, namely the effective implementation of the articles of the Constitutional Law on the Finance Act 130-13, the widespread of social security coverage, as well as the administrative reform of the Moroccan public sector (The New Public Management).

KEY WORDS: NEW CONSTITUTIONAL LAW ON THE FINANCE ACT 130-13 - NEW PUBLIC MANAGEMENT - BUDGET REFORM - PUBLIC FINANCES - ADMINISTRATIVE REFORM OF THE PUBLIC SECTOR, ECONOMIC RECESSION, AND ECONOMIC RECOVERY MEASURES

RESUME

La pandémie du COVID-19 plombe encore les performances et les perspectives économiques en 2022, les deux dernières années ont commencé avec des mesures restrictives sévères et lourdes économiquement (couvre-feu sur l'ensemble du territoire national, fermeture des frontières etc.....), ces mesures ont eu un impact négatif sur la relance économique du Maroc, à travers cet article l'accent sera mis sur les conséquences économiques de la crise sanitaire et son impact sur l'économie nationale, les solutions adéquates pour stimuler la relance économique de notre pays et s'enquérir de l'état d'avancement des grandes réformes lancées dans le cadre de la pandémie en l'occurrence la mise en œuvre effective des articles de la loi organique relative à la loi des finances 130-13, la généralisation de la couverture sociale et la réforme administrative du secteur public Marocain (Le Nouveau Modèle de Management public).

MOTS CLES : NOUVELLE LOI ORGANIQUE DES FINANCES 130-13, NOUVEAU MODELE DE MANAGEMENT PUBLIC, GOUVERNANCE FINANCIERE, REFORME BUDGETAIRE, FINANCES PUBLIQUES, REFORME ADMINISTRATIVE DU SECTEUR PUBLIC, RECESSION ECONOMIQUE, MESURES DE RELANCE ECONOMIQUE

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INTRODUCTION

The Covid-19 crisis has caused an unprecedented economic recession in Morocco since the implementation of the structural adjustment plan introduced the 1980s, with extremely heavy economic, financial and social consequences.

2020 was an exceptional year characterized by the deterioration of the main macroeconomic aggregates and uncertainty. This uncertainty is due to period of this crisis as well the ability to overcome the heavy economic consequences of the health crisis, and it is on this uncertainty that the 2022 finance law was based.

In Morocco, 2020 has recorded achievements in line with those established in the rectifying finance law. Two essential indicators must be taken into account: firstly, the budget deficit which has reached 7.5% of the national GDP, which is exactly the budget deficit of expected in the rectifying budget, i.e. the equivalent of 80 billion MAD, and secondly, the debt ratio, which is 76.4% of GDP, i.e. the equivalent of 832 billion MAD, The figures in red allow us to deduce that the health crisis was harmful to the national macroeconomic balance, despite the creation on March 12th, 2020 of the special COVID-19 fund, which played a very important and central role to absorb the shock of the health crisis.

The last balance-sheet concerning the collected revenues released more than 34 billion MAD, of which 10 billion MAD coming from the budget of the State and more than 24 billion MAD coming from the various donors; specifically, from both public and privates companies as well as individual donors, Of the 34 billion MAD, there was 29 billion MAD of actual expenditure in 2020, of which 23 billion MAD were allocated as aid to the household, which is distributed as follows:

16.2 billion MAD for the informal sector during the first three months of support for 5.2 million households in the informal sector, then 6.8 billion MAD allocated to workers in the formal sector registered in the National Social Security Fund (CNSS).

3 billion MAD allocated to the health sector as several bank transfers during 2020 and 3 billion MAD was meant to support companies in difficulty within the guarantee fund, namely the Central Guarantee Fund (CCG), the latter is a company financing and guaranteeing business.

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The remainder of the special covid-19 fund was 5.3 billion MAD spent fully in 2021.

This article attempts to present a literature review on the appropriate solutions to stimulate the Moroccan economic recovery in the post covid-19 era.

I. MAIN BUDGET REFORMS IN THE POST COVID-19 ERA.

1.1 ECONOMIC STIMULUS MECHANISMS (FINANCE LAW).

In order to deal with the negative results of 2020, the Moroccan government is pursuing its economic recovery policy through the 2021-2022 Finance Laws, based on a number of pillars, mainly by creating the economic recovery fund that provided the national economy with 120 billion MAD, this fund can be described as a support fund for economic recovery. These 120 billion MAD will be divided into two: on the one hand, there will be 75 billion MAD allocated to operating loans that will allow companies to meet their needs in order to restart their activities and to resist shocks, these loans are guaranteed by the State and will be disbursed by the banking system, and on the other hand, the remaining 45 billion MAD will be allocated to investment. This strategic investment fund endowed with the legal entity with a certain number of prerogatives is a real mechanism of financing that allows to nourish the hope and expectations of the economic operators.

This fund is going to act in the meantime in partnership with the banking system in order to encourage the investment within the framework of the participative funds. This budget of 45 billion MAD is mobilized as follows: 15 billion MAD from the general budget of the State, while the remaining amount, 30 billion MAD, comes from donors and institutions. This investment fund will contribute to financing major projects such as port infrastructure, encouraging SMEs SMIs, as well as restructuring the national industry, agriculture, energy, etc.

Within the framework of the implementation of the strategy of the State in terms of the promotion of the investment and the raising of the capacities of the national economy, the main purpose of the Fund is to contribute to the financing of structuring investment projects, to the strengthening of companies and to support production activities.

To this end, the Fund is responsible, in particular, for carrying out the following activities:

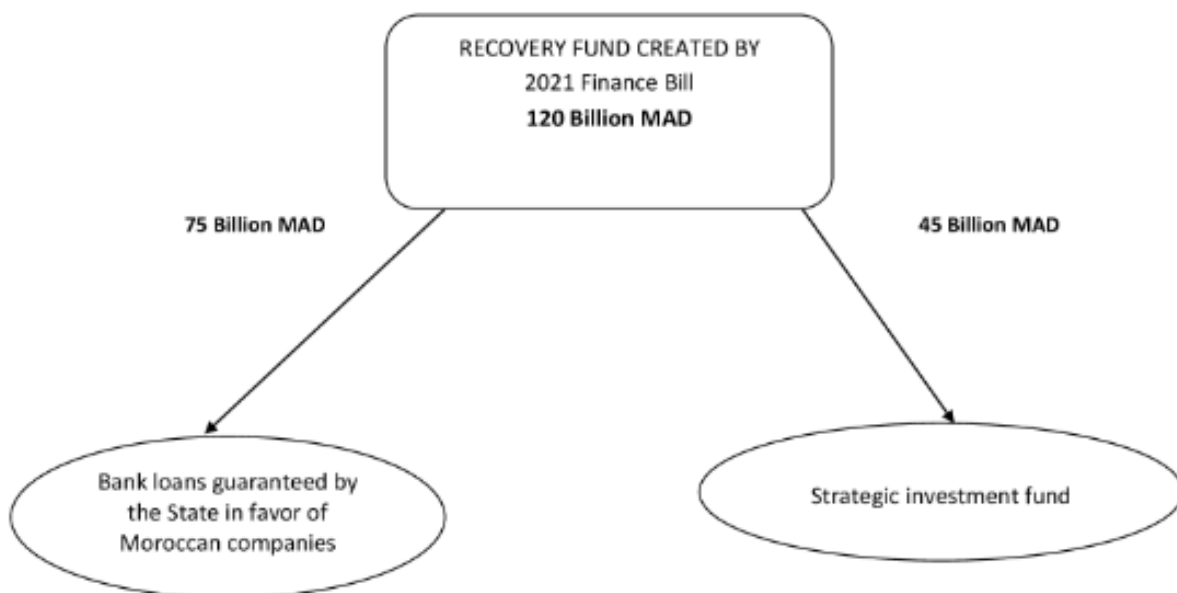
- To contribute to the financing and support of structuring investment projects, on the national

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and territorial levels, in the framework of partnerships with the private sector.

- To contribute to the financing of companies operating in the fields that are considered priorities by the Fund, by setting up appropriate financing instruments, these include advances or repayable loans or quasi-equity financing.
- To design and implement any structured financing mechanism intended to provide financing solutions to companies operating in the areas considered priorities by the Fund.
- To contribute to the design and financial structuring of investment projects on the national and territorial levels in order to facilitate and improve the conditions for their financing and execution.
- To take equity stakes in the capital of small and medium-sized enterprises through sectoral funds.
- To take direct acquisitions in the capital of large public and private companies operating in the fields considered priorities by the Fund.

Figure 1: THE RECOVERY FUND



Source: FINANCE LAW (2021)

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The State, is exceptionally injecting 120 billion MAD into the economy through new tools and mechanisms on which the financial leverage will play a major role. It injects 5 billion MAD to cover the underwriting risks; it also allocates 75 billion MAD to boost the country's economic activities.

1.2 PUBLIC DEBT STRUCTURE IN MOROCCO DURING THE CRISIS

The debt is the corollary of the budget deficit when the expenses exceed the revenues as the case in Morocco, the deficit released is financed by either the internal or external indebtedness

In Morocco at the beginning of the year 2020, the deficit was fixed at 3.5% in the initial FL while at the end of 2020 there was a deficit of 7.5%, thus one can say that the cost of the sanitary crisis is 40 billion MAD, which means 4 points of the GDP as an additional debt.

In 2020, the State has chosen to get more debt to save the national economy, through the drawing of 3 billion dollars of the LPL the precautionary line and liquidity, from the International Monetary Fund, this budget line was a deposit with the Moroccan central bank to strengthen the country's foreign exchange reserves, this debt did not appear in the treasury accounts.

During the crisis period, the treasury did not rely solely on internal debt to finance liquidity needs, but resorted to arbitration between external and internal debt, so as not to create a crowding-out effect, and also in order not to compete with economic actors in need of financing.

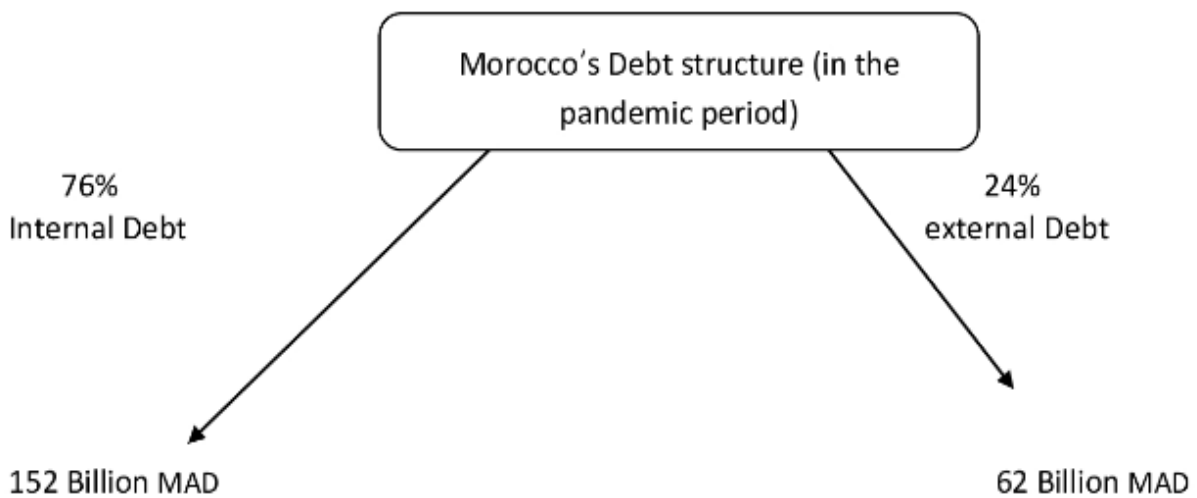
This arbitration has resulted in the de-capping of the external debt during the year 2020, we should be highlighted that the structure of the debt in Morocco is made up of 24% external debt, and 76% domestic debt.

The good thing about this policy of indebtedness is the fact that the State was able to show a sound active management of the debt at the end of the year 2020, through the mechanism of recovery.

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We emphasize that 6 billion dollars were raised on the international markets, so, at the end of the year, the State had an additional liquidity, which allowed to repay the 1/3 of the precautionary line and liquidity. This recovery was a positive message of the State to the international markets and on the capacity of solvency of the State.

Figure 2: THE MOROCCAN DEPT STRUCTURE



Source: GENERAL TREASURY OF THE KINGDOM (2022).

Nonetheless, concerning the repayment, it is necessary to point out that there are two tranches of repayment, namely the debt and the debt service (what the debt costs) during the year of the pandemic, the average interest rate of the debt is 2.3% which is relatively low. However, in 2021 the debt service was about 29.2 billion MAD at the end of September.

We can deduce that even if the debt as a whole has increased, the cost of the debt is not proportional. What is important to highlight is not the debt as a whole but it is the growth generated by this debt.

The problem arises when we get into debt while we don't create added value, that is to say that the money raised doesn't go into the creation of wealth, it just goes into consumption or into other less economically useful expenses.

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1.3 MOROCCAN EXTERNAL TRADE BALANCE (CRISIS PERIOD)

For the first eleven months of the year of the pandemic, both imports and exports of goods recorded, year-on-year (comparison between January-November 2020 and January-November 2019), respective decreases of 15.9% and 8.4%. The trade deficit is reduced by 26.2% or 49,166 Million MAD. The coverage rate is 63.3%, recording an improvement of 5.1 points. Furthermore, there was an alleviation of the trade deficit of 26.2% or 49.2 billion MAD at the end of November 2020, Regarding the first ten months of 2020, exports show a figure of 260.150 million MAD, that is to say an increase of 44.555 million MAD or +20,7% compared to October of the previous year. Compared to the end of October 2019 (period before the pandemic), these sales increased by 22,307 million MAD or +9.4%. Similarly, imports increased by 22.9% compared to the end of October 2020, or 3.3% compared to the end of October 2019. Nevertheless, the trade deficit is of 164.170 million MAD or an increase of 26.6%. The coverage rate, meanwhile, is 61.3%.

Figure 3: COMMERCIAL BALANCES (2020/2021) POST-SANITARY CRISIS PERIOD

	JANUARY NOVEMBER		EVOLUTION %	
	2020	2021		
IMPORTATIONS	422.861	526.647	+103.786	+24,5
EXFORATIONS	263.089	326.902	+63.813	+24,3
Balance	-159.772	-199.745	39.973	25,0
COVERAGE RATE IN %	62,2	62,1		

Source: <https://www.oc.gov.ma/>

COMMENTARY

It is noted that the increase in imports of goods (+24.5%) is due to the increase in purchases of all product groups, mainly, finished consumables, energy products, semi-finished products and capital goods.

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The increase in imports of finished consumables is mainly due to the increase in purchases of passenger vehicles, medicines and other pharmaceutical products related to the acquisition of COVID-19 vaccines.

For the year 2021, exports are of 326.902 million MAD, which means an increase 63.813 million MAD or +24.3% compared to the end of 2020. Compared to the end of 2019 (period before the Covid19 crisis) these sales increased of 42.406MDH or +14.9%

At the same time, imports increased by 24.5% compared to the end of 2020, and by 7.3% compared to the end of 2019. Thus, the trade deficit stands at 199.745 million MAD, up 25% or 39.973 million MAD. The coverage rate, meanwhile, is of 62.1%.

II-ECONOMIC RECOVERY PROJECTS IN MOROCCO (POST-PANDEMIC PERIOD)

2-1 SOCIAL PROJECTS AS PART OF THE RECOVERY POLICY

The social projects in Morocco as part of the recovery policy concern mainly the following areas: compulsory health insurance, family allowances, pensions and compensation for loss of employment over a period of 5 years.

The generalization of social coverage in the context of the pandemic was a priority because the health crisis made it necessary, the generalization of social coverage is one of the major projects opened as part of the recovery policy, through the generalization of compulsory health insurance (AMO) which will be conducted over two years 2021-2022.

The last balance sheet shows that there were nearly 22 million Moroccans who are concerned (50% of RAMED beneficiaries, and 50% of non-salaried workers), the equivalent of about twice the number of Moroccans currently covered, who are of 14 million subjects to the regimes of the Social Security Fund (CNSS) and the National Provident Organizations Fund (CNOPS).

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Figure 4: Evolution of the number affiliated companies in the social security fund (CNSS)



Source: <https://www.cnss.ma>

Key figures for 2020:

- 269,848 reporting companies
- 3.31 million declared active employees
- 642,413 pensions served
- 150.09 billion DHS of declared payroll
- 22 billion DHS in services provided
- Number of CNSS representations: 152

AMO figures for 2020

- Eligible population: 7.8 million
- Population with open rights: 7.2 million
- 5 billion DHS in services provided
- Number of files submitted/day: 19,839 files

2.2 STRUCTURE OF THE MOROCCAN SOCIAL PROTECTION SYSTEM

The Moroccan social protection system was built as a Bismarckian-inspired model with several sources of financing, such as: mandatory monthly contributions from workers and employers, withholding taxes, state allocations as well as the complementary contribution of

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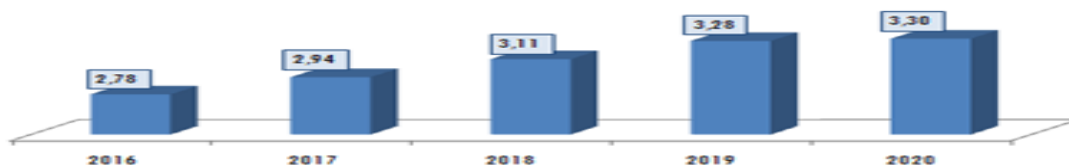
private insurance.

It also includes the taxation of levies and other parameters of the system, which are state attributions. In addition, a supplementary scheme, with private insurance and a supplementary pension, is set up for those who prefer a pension benefit beyond the limits of the basic system. A subsidiary system that takes care of those who do not have access to the basic contributory social insurance and who need assistance and social aid. This system is financed by the overall State budget.

The generalization of social coverage needed the implementation of several budgetary measures to begin, these measures are in favor of an extremely large population, which are the non-salaried workers that the State has grouped in the FL2021-2022 in what is called the lump-sums. The latter will have to pay a single contribution as well as the national local tax as the social contribution. The scale of this social contribution is in the FL2021-2022.

Regarding the financing of this reform, the generalization of the social coverage requires the mobility of an annual additional contribution of 9 billion MAD of the State, at least, and as for 2022, this operation will cost about 5 billion in the FL 2022.

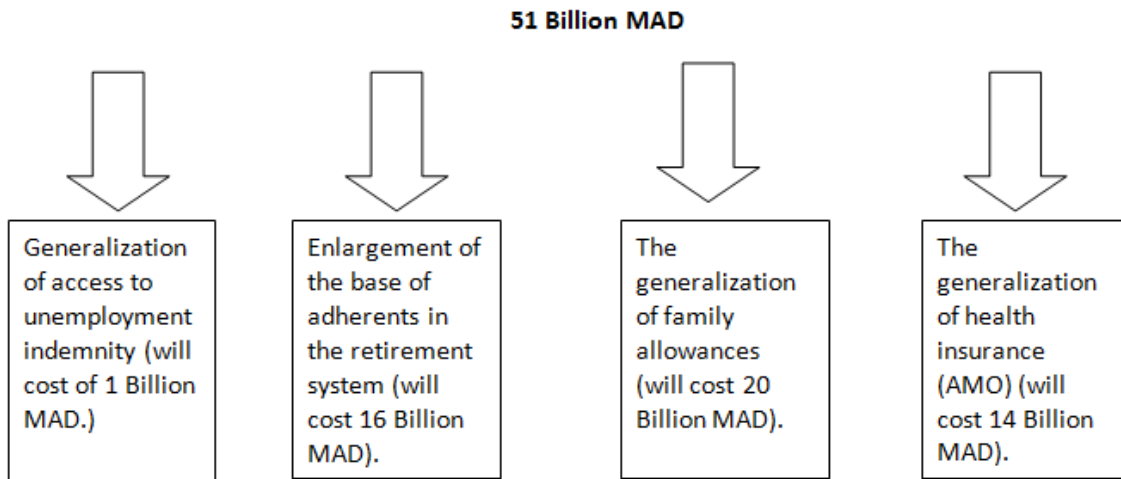
Figure 5: Evolution of the number of employees declared in the social security (2016-2020)



Source: <https://www.cnss.ma>

The estimated cost for the generalization of the social protection by 2025 is 51 billion MAD annually, of which 28 billion MAD will come from contributions while 23 billion MAD from the State.

Figure 6: Cost of the generalization of the social coverage and its chronological cycle 2020-2025.



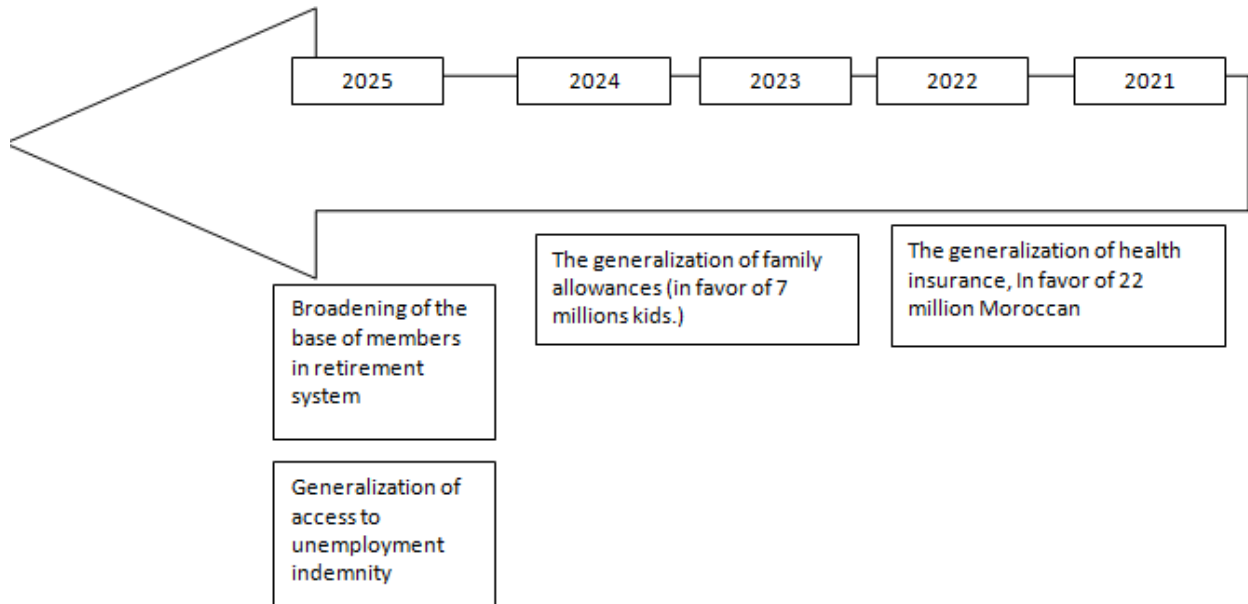
SOURCE: www.finances.gov.ma

The draft framework law on social protection has defined the pillars on which the financing of the reform as a whole will be based.

Two mechanisms are mentioned therein:

- Mechanism based on affiliation for people able to contribute to the financing of social protection. These are the contributions of the insured.
- Mechanism based on solidarity in favor of people who are not able to pay the affiliation fees. This is the budget taken over by the State.

Figure 7: The chronological cycle of the generalization of social security coverage



SOURCE: www.finances.gov.ma

Now, of the 51 billion MAD needed for this major project, 28 billion MAD will be provided by the contributions of the insured and 23 billion MAD by the State as part of the mechanism based on solidarity in favor of people who do not have the capacity to contribute.

In other words, by 2025, the State will have to devote an annual amount of 23 billion MAD to Social protection, the sources of this budgetary envelope are:

- The State budget
- Tax revenues earmarked for the financing of social protection (e.g. solidarity tax decided In 2021)
- Resources released as a result of the compensation reform.
- All other resources that may be mobilized by under the legislative or regulatory texts.

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2.3 PUBLIC SECTOR REFORM (THE NEW PUBLIC MANAGEMENT AS A MEANS OF ECONOMIC RECOVERY).

Digital is now identified internationally as a real lever for economic growth, generating flows and cash flows, but also bringing unprecedented changes.

The adoption of digital requires an adequate platform for implementation and adaptations of our societies and particularly concerning the policies conducted in order to benefit from its advantages.

Digital technology has created increasingly rapid waves of change in recent years, offering remarkable added value to certain economic players, often to the detriment of traditional sectors.

In recent years, many countries have adopted national programs to generalize digitalization and dematerialization in order to deeply transform their public administrations and implement a new public management.

These national programs led by the States have allowed them to have a significant impact on economic, social and societal development. Our country is part of this dynamic and the context Of the health crisis requires it to promote a proactive and ambitious development of technological sectors.

Our country is now determined to join the global digital revolution, which is the main driver of human and economic development of countries in strong emergence. The digital transformation in Morocco can achieve three key objectives, namely:

- **The improvement of the quality of public services**

The digital transformation of public sectors enables to attend good performance and generates major time savings for the public administration, with convincing results in terms of citizen and Business satisfaction.

It also reduces costs, improves the territorial attractiveness for investors and establishes coordinated, fluid and secure exchanges between administrations.

According to the Digital Development Agency (DDA), the Moroccan citizen spends on average more than 50 hours per year interacting with public administrations which generates a

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dissatisfaction rate of more than 85%.

As for companies, they spend more than 200 hours per year interacting with public services with a dissatisfaction rate approaching 70%, these rates are high and alarming. As for the e-services implemented by public administrations, they don't live up to the expectations of citizens due to the lack of ergonomics of websites on the one hand, and the mistrust of the majority of citizens regarding online payment on the other hand.

In this context, further effort has become essential in terms of digital transformation in order to optimize the administrative process by making the citizen the focus of this digital transformation.

- **The improvement of the productivity and competitiveness of the national economy**

Digitalization is one of the most important levers of competitiveness and attractiveness because it is a source of wealth creation thanks to the productivity gains it creates.

It is worth noting that investment cannot grow indefinitely. Without an increase in productivity gains, Morocco's growth is likely to slow down. In this perspective, digital transformation can be a gas pedal of economic growth and economic competitiveness, especially for small and medium-sized businesses. The digital transformation provides Morocco with the opportunity to position itself as an African Digital Hub, able to attract innovative digital companies and talents from all over the continent, investments and thus federate technological offers.

- **The reduction of social inequalities**

Digitalization can open up new perspectives and opportunities by allowing less privileged citizens to access information, social benefits, health care services, as well as education. For example, in the national education sector, virtual platforms have played an essential role in promoting distance learning and the transfer of knowledge during the period of confinement via applications such as (Zoom, Google meet, etc.).

If we take the health sector as an example, the effective use of digital technology allows for better management of information and rapid dissemination, in order to ensure effective patient care when needed.

Furthermore, in terms of access to care, telemedicine allows for the redrawing of the health map and for a territorial rebalancing in favor of areas with low medical potential.

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Digital can play a leverage role in the development of the national education sector in Morocco to give access to education, especially to disadvantaged and poor populations, by integrating, for example, high quality trainings in virtual digital classrooms, especially in remote rural areas. Digital will reduce social and economic inequalities.

In order to achieve these three objectives, it is necessary to rely on two essential pillars, the first is to establish a digital culture among citizens by reducing the gaps in terms of skills between workers and companies' requirements through training, and address the shortage of digital talent, the second pillar is the establishment of an adequate digital infrastructure and to continue to upgrade its existing technological infrastructure and deploy advanced infrastructure, such as the generalization of broadband, the introduction of the 5th generation mobile network, the development of a sovereign government cloud and regional data centers as needed.

2.4 THE CONTEXT OF CRISIS AND THE NEED FOR OPTIMAL MANAGEMENT OF PUBLIC EXPENDITURE (THE NATIONAL AGENCY FOR THE MANAGEMENT OF STATE HOLDINGS)

The need to carry out an in-depth reform of the Moroccan public sector led to the creation of a national agency in charge of the strategic management of State holdings and the monitoring of the performance of public companies.

Today, the public portfolio, and in particular the one held by the State as a shareholder or presenting a stake in the development of public shareholding, constitutes an important lever

For the implementation of public policies through the socio-economic wealth it carries

This wealth is expressed by the significant participation of this portfolio in the formation of the gross domestic product, the importance of the investments that it allows to realize, the important role in the creation of jobs, and finally, the regular contribution to the tax revenues As well as other products paid to the State.

The objectives of the creation of ANGPE (The National Agency for the Management of State Holdings) are:

- Good governance through the optimal management of public expenditure and the improvement of the management capacities of expenditure authorizers.

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- To consolidate the institutional and organizational framework of the intervention of the shareholder State:

Within this framework, the Agency will have legal personality and financial autonomy and will be subject to the supervision of the State. Its main objective will be to ensure a continuous monitoring of the participations that the State holds as a shareholder and a regular follow-up of their performance and their return.

-Better support for the role of the State as shareholder.

The National Agency for the Management of State Shareholdings is responsible for the strategic management of State shareholdings and for monitoring the performance of public enterprises.

Among its main objectives is the in-depth review of the supervision of the strategic management of public enterprises through the consecration of the institutional and organizational framework of the intervention of the State shareholder as well as the strategic Management of the State participations and the follow-up of their performance.

Public enterprises play a very important role in the Moroccan economic dynamic because of their place in public investment and in terms of value creation. As part of the efforts made in the reform of the Moroccan public sector, the State has created the National Agency for the Management of State Holdings in order to have a number of considerations, synergies and return on investment from the State.

The productivity of the public enterprises is sought through an overall reorganization around an agency of the State's holdings, so the different companies and public establishments will be managed as a kind of holding company and to which will be attached all the establishments and public market companies which realize a turnover and which generate a result and which own an operating account.

This optimization of the operation supposes synergies within the public pole. These synergies will be ensured by a sectoral holding with the aim of putting in common a certain number of Services and means, thus, all the financial transactions will be aggregated within the holdings to be able to reach the financing in a much easier way.

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THE NEW PUBLIC MANAGEMENT

The reform of the public administration has been mentioned in the different royal speeches so that there is a procedure to improve the relationship between the administration and the citizens and to improve the service quality.

Law 59-19 is indeed a first response and at the same time a revolution in the relationship between the administration and users. This law, aimed at simplifying administrative procedures and formalities, promulgated on March 6, 2020, and implemented in 2022, is an important step in the establishment of sound governance, improving the quality of public services, strengthening transparency in the relationship between the administration and the user, as well as improving the business climate in our country. Since the end of the 1990s, the simplification of administrative procedures has been one of the top priorities of the Kingdom of Morocco's governments. It is considered a strategic lever to strengthen transparency, better serve the citizen and improve the business environment.

The term "simplification of administrative procedures" refers to the implementation of a series of concrete and pragmatic measures designed to facilitate interactions between the administration and its users. These measures include:

- Establishing a Directory to put all procedures in a central locker accessible from a one-stop point by all users.
- Eliminating procedures and supporting documents without a legal basis, or those that are not necessary for the completion of a procedure.
- Harmonizing the modalities and deadlines of the procedures, particularly by reducing the processing phases and the operational services involved.
- Promote the use of information technology in procedures, through the generalization of online services.

This law aims to strengthen the trust between the administration and the user, by framing public services with precise and transparent procedures that meet the expectations of citizens and companies. The provisions of the law apply to all administrations that are responsible for studying requests for administrative acts by users, including local authorities, their groupings

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and their bodies. It will bring enormous answers to the problems raised:

- 1- Silence means approval. It means that if the administration does not answer after a certain period of time it is considered that the administration has given the agreement.
- 2- Deadlines were specified so that the administration goes to digitalization allowing the reduction of the processing times.
- 3- No administration will be able to ask a citizen for documents that it can obtain from another administration. Etc.

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CONCLUSION

The health crisis has had a heavy impact on the national economy and has allowed the State to review its economic, social and social priorities and to question its development model. The health crisis has demonstrated the weaknesses and failures of the social security system (more than 22 million Moroccans are not subject to social security schemes), the fragility of the national education system (lack of innovation and absence of digital platforms facilitating distance learning), the dependence on foreign countries in terms of international trade (trade balance showing a chronic deficit), a national and international over-indebtedness (crowding out effect), and finally the obsolescence of the current public management model.

In response to these multiple weaknesses and shortcomings, the decision-makers were led to review the legal arsenal (implementation of the articles of the organic law of finance 130-13, the adoption of the law 59-19 allowing the improvement of the relation administration-citizens and the improvement of the quality of service, this law will revise in a deep way the system of public management and will impose the digitalization) and to opt for deep economic and financial reforms touching almost all the sectors impacted, by the means of the Budgetary Stimulus Fund created by the finance law of 2021-2022.

If Morocco should draw lessons from this pandemic crisis during this Post-Covid period¹⁹, it is first of all to continuously encourage the establishment of good governance within the public sector in order to minimize and rationalize public expenditures, to encourage scientific research by considering the national university as a partner in decision-making and in the elaboration of public policies, finally, to invest in innovation and knowledge management as levers of economic growth.

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